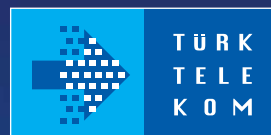


Investing in technology... Investing in the future...



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Türk Telekom achieves new successes every year with its commitment to reflect innovation and advanced technology in its services as is embodied in its vision of being “the preferred communication operator carrying to the future”.  
**Since 1840...**

## Türk Telekom in Brief

### Blazing new trails for the sector

**Distinguishing itself through its value added products, Türk Telekom today is blazing new trails for the sector with "convergence" products that it develops through its group-wise synergies.**

Türk Telekom's strong and widespread communication and information technology infrastructure, its value added services and its ability to reflect the state-of-the art technologies in its services give it a unique position in the sector.

Türk Telekom offers a wide range of products and services to residential and corporate customers everywhere in Turkey through its modern infrastructure that covers the whole country.

### The fully-integrated service provider

Working in concert with its group companies, Türk Telekom is a world-class, fully-integrated telecommunications service provider offering its customers the complete range of fixed line, mobile, data and internet services.

Distinguishing itself through its value added products, Türk Telekom today is blazing new trails for the sector with "convergence" products that it develops through its group-wise synergies.

In addition to its wholly-owned subsidiaries, namely TTNET, Argela, iNNOVA, Sebit, and AssisTT, Türk Telekom owns an 81.12% share in Avea, one of Turkey's three GSM operators. Türk Telekom also controls indirect minority stakes in Albtelecom, the incumbent telephone operator in Albania.

As of 2008 year end, Türk Telekom Group companies have 17.5 million fixed line, 5.8 million ADSL, and 12.2 million GSM subscribers.

### Even stronger with privatization and initial public offering...

Türk Telekom experienced one of the most important developments in its corporate history in 2005 when the company was privatized and 55 percent shares were acquired by a consortium of Saudi Oger and Telecom Italia.

This development created opportunities to combine Türk Telekom's technical infrastructure, deep market experience, and solid reputation with the energy of a strong shareholding structure.

In 2008, Türk Telekom concluded a successful initial public offering of 15% of its shares owned by the Treasury.

### The crucial importance of investing in technology

Türk Telekom connects people to 225 countries all over the world over a dynamic technological platform consisting of 96.5% cable, 3.1% satellite, and 0.4% radio links.

With one of the fastest-growing broadband service infrastructures in Europe, Türk Telekom provides international internet interconnections over its infrastructure installed and operated in Amsterdam, London and Frankfurt in order to satisfy the internet connectivity needs of its corporate and residential customers in Turkey.

### Never-ending contributions in Turkey's future...

Türk Telekom is a leading company which has built up a solid corporate culture in line with its values of being customer focused, trustworthy, innovative, responsible and dedicated, and which continues to shape Turkey's future with its own strong and competent human resources.

One of the biggest employers in Turkey, Türk Telekom's contributions in the national economy are further amplified by its tax payments. Türk Telekom is always

ranked among the country's leading generators of tax revenues and it heads the list of corporate taxpayers every year since 2002.

Aware of its responsibilities for contributing in creating an information society and putting its innovative approach, Türk Telekom's essential strategic goal is to lead the growth of the market by further strengthening its position as a fully integrated service provider by especially focusing on convergence based solutions in line with global trends.

### Shareholding structure

55% of Türk Telekom's shares are owned by Ojer Telekomünikasyon A.Ş. and 30% by Undersecretariat of Turkish Treasury. The remaining 15% are listed on the Istanbul Stock Exchange (ISE) since May 15, 2008.

### Our Vision

To be the preferred communication operator carrying to the future.

### Our Mission

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

### Our Values

To be customer focused, trustworthy, innovative, responsible and dedicated.

Our strength is Solidarity and Team Spirit.

## Key Highlights

### Solid financial structure and increasing profit

Türk Telekom EBITDA increased 3% in 2008 to 4.3 billion TL giving a margin of 43%, whilst operating profit increased 6% to 2.7 billion TL.

## Key Performance Indicators

|                                                     | 2007  | 2008   |
|-----------------------------------------------------|-------|--------|
| <b>Consolidated</b>                                 |       |        |
| Total Sales Revenues (TL million)                   | 9.424 | 10.195 |
| Capital Expenditure (TL million)                    | 1.187 | 1.756  |
| Operating Income (TL million)                       | 2.566 | 2.710  |
| Amortization and Depreciation Expenses (TL million) | 1.638 | 1.632  |
| EBITDA (TL million)                                 | 4.204 | 4.342  |
| EBITDA (TL million)                                 | 45    | 43     |
| <b>PSTN</b>                                         |       |        |
| PSTN ARPU (TL)                                      | 24,0  | 24,4   |
| PSTN Subscribers (million)                          | 18,2  | 17,5   |
| PSTN per Employee                                   | 492   | 587    |
| <b>ADSL</b>                                         |       |        |
| ADSL Subscribers (wholesale) (million)              | 4,5   | 5,8    |
| <b>GSM</b>                                          |       |        |
| GSM Market Share (subscription basis %)             | 16,2  | 18,5   |
| GSM ARPU (TL)                                       | 15,9  | 15,6   |
| GSM MoU (minutes)                                   | 182   | 173    |
| GSM Subscribers (million)                           | 9,9   | 12,2   |
| GSM Base Stations                                   | 8.718 | 10.203 |
| GSM Population Coverage (%)                         | 94    | 95,2   |
| GSM Area Coverage (%)                               | 70    | 72     |

## Financial Ratios

|                       | 2007 | 2008 |
|-----------------------|------|------|
| ROE (%)               | 41   | 34   |
| ROA (%)               | 20   | 14   |
| Borrowings/Equity (%) | 107  | 148  |

## Initial Public Offering of Türk Telekom



"Group D" bearer shares with a total nominal value of TL 525 million which belonged to the Turkish Treasury and which correspond to 15% of Türk Telekom's paid-in capital were publicly offered following the authorization of the sale by the Capital Markets Board. Once the public offering had been completed, the shares have been listed on the national market of İstanbul Stock Exchange as of May 15, 2008.

The 2008 public offering of 15% shares of Türk Telekom was the seventh biggest public offering in the world and the biggest ever in Turkey. As a result of this offering, the Turkish Treasury secured a total of USD 1.9 billion (TL 2.4 billion) in revenue. The floor and cap prices set for the public offering were TL 3.90 and TL 4.70 respectively. The final issue price was TL 4.60, which corresponded to a company valuation of USD 15.5 billion and a share valuation of USD 12.7 billion. During the bookbuilding period (April 28-29-30, 2008), potential investors in Turkey submitted bids for 1.1 billion shares worth a total of TL 5.3 billion.

During the public offering, "on the spot" publicity meetings were conducted in six countries (Germany, USA, Sweden, UAE, UK, and Saudi Arabia). Of the listed shares, 30% were allocated for Türk Telekom and PTT employees and for small investors, 3% for major individual investors, 2% for institutional investors, and 65% for foreign non-resident investors. On the basis of the finalized bids that were received, it was decided to revise the allocation for domestic investors to 40% and the share for foreign non-resident institutional investors to 60%. During the final bidding period, which took place in May 7-8-9, domestic investors submitted bids for 995 million lots worth a total of TL 4.6 billion while 1.4 billion lots worth a total of TL 6.3 billion were bid on by foreign investors. These numbers correspond to 4.7 and 4.3 times the respective allocations made to those two groups. The total public offering was valued at USD 1.9 billion, USD 1.15 billion of which was based on bids by foreign institutional investors. Of the total international sales of shares, 30% went to the UK, 15% to the UAE, 11% to the USA, 10% to Sweden, 9% to

Lebanon, and 6% to Singapore while the remaining 19% were bought by investors in other countries. Total proceeds from the sale of the 40% allocated to domestic investors amounted to TL 966 million (USD 767 million). Of these shares, 1.75% were bought by PTT employees, 5.6% by Türk Telekom employees, 15.1% by small investors, 9.7% by major individual investors, and 6.8% by institutional investors.

All of the bids submitted by PTT employees, Türk Telekom employees, and small investors were satisfied with shares. In the case of institutional investors and individual major investors, the satisfaction rates were 95% and 6% respectively. A total of 95,000 bids were received from domestic resident investors during the public offering and final sales were made to 94,000 of them. The Türk Telekom public offering represents one of the biggest offerings ever undertaken in Turkey in terms of the domestic allocation and sales.



One of the world's leading  
integrated service providers...



## Türk Telekom Group Companies

### Strong subsidiaries

In addition to its wholly-owned subsidiaries, namely TTNET, Argela, iNNOVA, Sebit, and AssisTT, Türk Telekom owns an 81.12% share in Avea, one of Turkey's three GSM operators.



### TTNET

Turkey's leading internet service provider

TTNET, Turkey's leading internet service provider, is also its most dynamic. TTNET successfully delivers ADSL, Dial-up, WI-FI, G.SHDSL, ATM, Frame Relay and Metro Ethernet internet access services to corporate and residential customers in all 81 provinces of Turkey.

TTNET's corporate vision is to transcend customers' expectations as it meets their constantly changing and growing needs of communication. To translate this vision into reality, the company provides comprehensive, uninterrupted and high-quality communication services that make life easier for all of its customers by means of technology-focused solutions that are both flexible and creative.

TTNET seeks to encourage broadband internet use and to increase the number of ADSL subscribers throughout the country by means of promotional campaigns and value added services for its customers.

#### Awards

- In the prestigious CommsMEA awards "recognizing outstanding performance in the Middle East and Africa Telecommunication Sector", TTNET has been honored with the "Internet Service Provider of the Year" award.

Founded: 2006

Number of employees (As of 2008 year end): 278

Share of Türk Telekom (As of 2008 year end): 100%



### Avea

The youngest and most innovative mobile operator in Turkey

Avea İletişim Hizmetleri A.Ş. is Turkey's youngest and fastest-growing GSM 1800 mobile communication operator.

As of 2008 year end Avea had 12.2 million subscribers, which corresponded to an 18.5% share of the market.

With its next-generation network architecture, Avea now offers 95.2% coverage in Turkey and has roaming agreements with a total of 508 operators in 187 countries. Investing continuously in infrastructure and technology, Avea remains at the forefront in delivering innovative and high-quality service to its customers.

Founded: 2004

Number of employees (As of 2008 year end): 2,427

Share of Türk Telekom (As of 2008 year end): 81.12%



## Türk Telekom is a fully-integrated service provider offering its customers the complete range of fixed line, mobile, data and internet services.

### iNNOVA

#### The fastest-growing technology company in Turkey

A front-runner in application solutions and services, iNNOVA Bilişim Çözümleri A.Ş. puts its deep engineering knowledge and experience to work as it supplies value-creating, innovative, economical, and high-tech solutions that generate more efficiency and competitive advantage for organizations involved in every sector from manufacturing and distribution to finance and from telecommunications to public services.

With its product- and brand-independent services, iNNOVA addresses the complete value-creation chain from consultation and design to applications development, systems integration, and maintenance. iNNOVA's strengths in applications development and integration, which play a key role in information technology solutions, make the company an outstanding and effective systems integrator that is capable of developing end-to-end solutions that respond to a customer's exact needs.

Incorporating a variety of engineering specializations, iNNOVA blends its technological know-how with its business process and experience to come up with projects that are fast, effective, and well-

managed. Having undertaken joint projects with Microsoft and Oracle in Dubai, iNNOVA has also moved into European markets through the kiosk solutions that it has developed in the UK, France and Germany. iNNOVA-developed payment solutions are now being used by customers in Kazakhstan (Kcell), Ukraine (Npay), Moldavia (Moldcell), Azerbaijan (Azercell), and Albania (Albtelecom). Most recently, iNNOVA and another TT Group company Argela have set up the company called IVEA Software Solutions LZLLC in Dubai to develop the Group's operations in the region.

Founded: 1999

Number of employees (As of 2008 year end): 292

Share of Türk Telekom (As of 2008 year end): 100%

#### Awards:

- iNNOVA has been ranked the first in the financial services category of the Microsoft 2001 Sectoral Solutions Awards with "İş'te Yatırım" finance portal developed for Türkiye İş Bankası.
- iNNOVA's e-business projects have been ranked the first in the Internet Software category in a survey conducted by Interpro.

- A Java-based application developed by iNNOVA has been honored with Oracle's the "Best Java-Based Application" award.

- iNNOVA was a finalist at the Interpro 2001-2002 Information Technology Awards in the R&D and E-Government categories.

- During the "Oracle Business Partners Day 2003" ceremony, iNNOVA has been recognized as the "E-Business Management System Business Partner" making the most sales during the year.

- At the IBM Solutions Partner meeting in 2003, iNNOVA was awarded the best-performing solution partner award in the "WebSphere" category.

- In both 2005 and 2006 iNNOVA was the owner of the Oracle company's recognition as a business partner successfully meeting its sales targets.

- Oracle has recognized iNNOVA as one of its best-performing business partners for Accelerate solutions in Europe, the Middle East and Africa.

## Türk Telekom Group Companies



## Argela

## Next-generation solutions in software and information technology

Argela Yazılım ve Bilişim Teknolojileri A.Ş. produces innovative technologies and next-generation solutions for telecommunications operators. Argela-designed solutions are currently being used by major operators in six countries to provide high-quality and reliable services to their millions of subscribers.

Argela's experienced personnel and advanced R&D activities put it at the leading edge in the development of the technologies that will be used in the networks of the future. The company is especially expert in transforming those technologies into next-generation telecommunication solutions that will give operators a competitive advantage. Headquartered in İstanbul, Argela has R&D labs in Ankara. Argela owns 50 percent shares of IVEA Software Solutions LZLLC company in Dubai; and operates through its wholly-owned subsidiary Argela USA, Inc in the US.

Argela's primary markets are India, Balkan countries, and Saudi Arabia. The company also works with clients in South Africa, Ukraine, Turkish Republic of Northern Cyprus, Kazakhstan, Moldavia and Georgia.

## Awards:

- In November 2008 the multimedia sponsored research product designed by Argela was the holder of Oracle's "Innovation Award" in the EMEA (Europe-Middle East-Africa) region. Argela also has been ranked the first among 58 candidates in the Partner Network award.
- Argela has received the Best Value-Added Service (VAS) award from Sun Microsystems.
- Argela's "Convergence Network Solutions" product was awarded with the SME Grand Prize at the 2007 Innovation and Creativity Awards of the Turkish Association of Electronics and Information Industries (TESİD).

Convergence Gateway Patent: The platform on which Türk Telekom's convergence services are based is an original invention by Argela, holding the patent.

Founded: 2004

Number of employees (As of 2008 year end): 121

Share of Türk Telekom (As of 2008 year end): 100%



## Sebit

## The right address for e-education and e-training solutions

Sebit Eğitim ve Bilgi Teknolojileri A.Ş. started its operations as a multimedia laboratory set up as part of the Scientific and Technical Research Council of Turkey (TÜBİTAK) in 1988. The laboratory was established as a separate company in 1996 and began producing high-quality, visual-based, computer-aided instructional materials for K-12 level. Its first product, "Akademedi", was launched in 1998 and was followed by its "Vitamin" educational software. This lineup was further expanded in the years that followed with addition of "KidsPlus" products. Sebit today has a presence in China, Malaysia, USA, and UK markets with its originally-designed, level K-12 teaching materials.

Active in the area of company training programs, Sebit has designed and developed e-training solutions that are now in use by the Banks Association of Turkey, Undersecretariat of Turkish Defense Industries, Public Tenders Authority, Coca-Cola İçecek A.Ş., Migros, Siemens and TTNET, among others.

"Akademedi", which was developed by Sebit and launched in Turkey in 1998, was translated and adapted to China's national education curriculum. It was launched in China in 2002 under the "Tianyi" tradename. In March of the same year, the software received the approval of China's national education ministry along with a ministry recommendation that it be used by high school students.

In 2004 Sebit completed a science and mathematics course content development project for the Malaysian education ministry. These materials are now being used in more than 2,300 schools all over Malaysia.

In 2004-2008, Sebit authored the only successfully completed education project under the European Union Sixth Framework Program with the development of its "Intelligent Distributed Cognitive-Based Open Learning System for Schools" (iClass) research and development project. This project defines the next-generation computer-aided education system that will go into use throughout the EU in 2012. Led by industry giants such as Intel, Microsoft, and Sun Microsystems, this project also involved 21 academic institutions such as Graz University, Trinity College of London, Gothenburg University and the Middle East Technical University.

In 2007 Sebit introduced its latest solution in the US market under the name of "Adaptive Curriculum" ([www.adaptivecurriculum.com](http://www.adaptivecurriculum.com)). Designed to adapt to the individual needs of an institution, Adaptive Curriculum is adaptable to any school curriculum and to any district, state and national standards. Users can go online from any location and use Adaptive Curriculum with full utility. Adaptive Curriculum captured prizes from a number of US organizations in 2008. The Software Information Industry Association (SIIA) called it a product that "has the potential for significant impact in the education industry".

#### Awards:

- On May 27, 2008 Sebit was recognized by the Software & Information Industry Association (SIIA) with the CODiE Award Education Newcomer of the Year. Each year, the organization honors a new education technology company whose product or service has the potential for significant impact in the education industry.
- On June 10, 2008 Sebit's Adaptive Curriculum for primary school students was honored by the Association of Educational Publishers (AEP) with a "2008 Distinguished Achievement Award" in the "Mathematics Instruction Website" category.
- In August 2008 Sebit's Adaptive Curriculum received the 2009 "Teachers' Choice" award from Learning magazine. This award, which is a part of the EdNET Industry Awards Program, is given to companies whose products and programs make significant contributions to the education industry.
- Sebit's Adaptive Curriculum was chosen as the year's best science and math online learning system in 2008 Education Software Review Awards (EDDIES), an annual awards program that ComputED Learning Center has been conducting for 13 years.

**Founded:** 1988

**Number of employees (As of 2008 year end):** 152

**Share of Türk Telekom (As of 2008 year end):** 100%



#### AssisTT

##### Beyond a call center

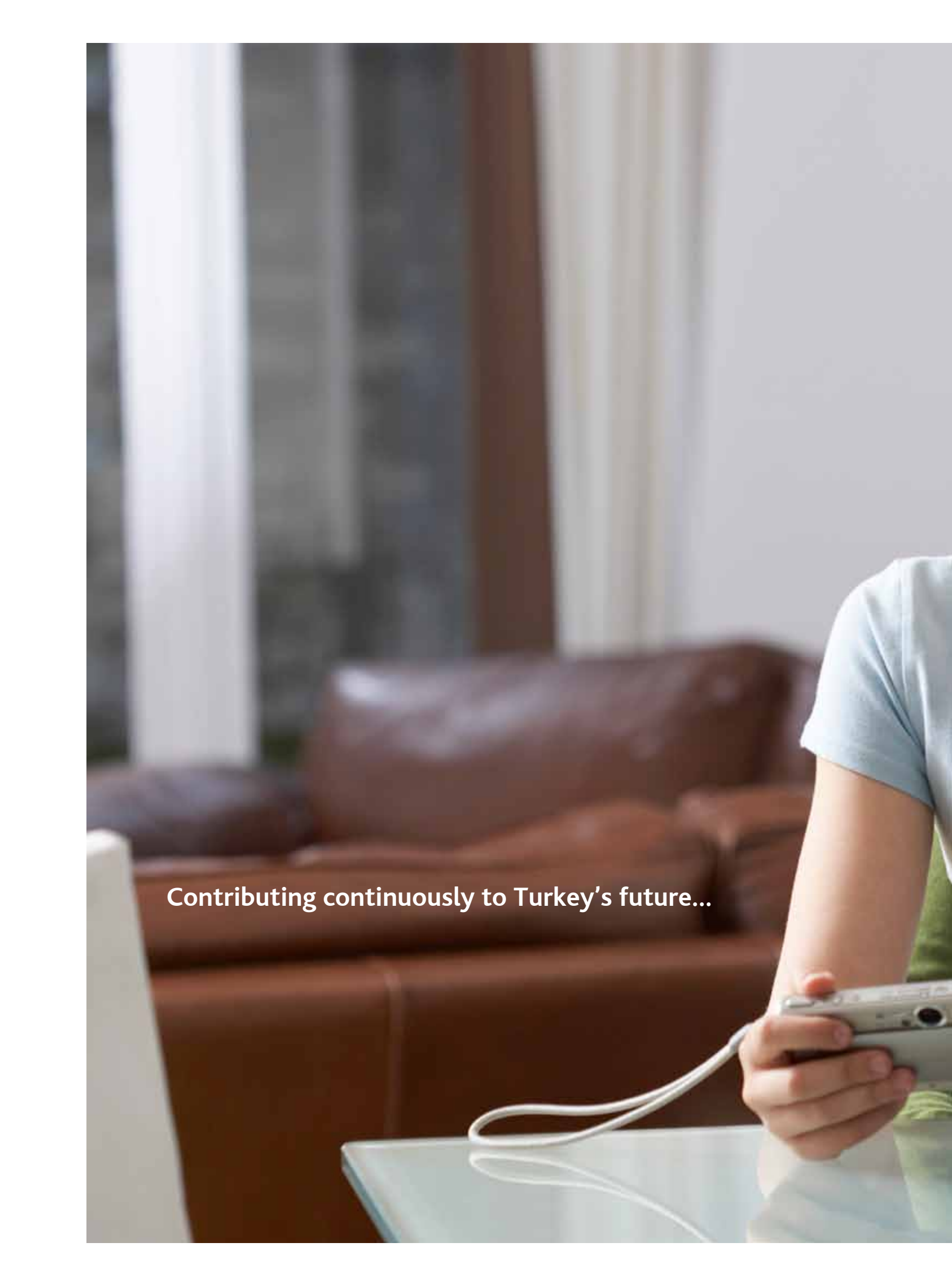
In addition to its standard call center services, AssisTT offers functions beyond traditional call center services by making it possible to generate and collect data streams that enable its customers to better design and conduct their marketing and sales activities. In this way, AssisTT becomes a virtual customer liaison point.

A wholly-owned subsidiary of Türk Telekom, AssisTT is the third biggest call center in Turkey, providing call center services not just for its parent but for other companies, agencies and organizations. AssisTT's goal is to be the company that defines call center service standards in Turkey, soon.

**Founded:** 2007

**Number of employees (As of 2008 year end):** 1,722

**Share of Türk Telekom (As of 2008 year end):** 100%

A photograph of a person's arm and hand holding a silver tablet. The person is wearing a light blue t-shirt. The background is a blurred living room with a brown leather sofa and large windows with white curtains. A white cable is plugged into the bottom of the tablet and lies on a white surface in the foreground.

Contributing continuously to Turkey's future...



## Chairman's Statement

Even within this economic climate, Türk Telekom has uniquely positioned itself to continue on realizing the plans for further investments, innovation, gaining market share and employment.

### The biggest IPO to have ever occurred in Turkey

Türk Telekom's IPO was the 7th largest in 2008 globally and the biggest IPO to have ever occurred in Turkey, and was strongly supported by both Turkish and international institutions.



2008 was a very successful year for Türk Telekom and a very challenging one for its management and employees with the global economic crisis that emerged in the last quarter of 2008 which had a profound impact on economies, businesses and people. Even within this economic climate, Türk Telekom has uniquely positioned itself to continue on realizing the plans for further investments, innovation, gaining market share and employment.

The remarkable performance of our mobile business which not only grew at almost three times the rate of the total mobile market in Turkey, but it also enabled us to close the revenue gap with the second largest mobile operator making it realistic for us to become the second largest mobile operator in Turkey ourselves in 2009, in terms of revenue.

The success of Türk Telekom's Initial Public Offering ("IPO") on May 15th, and the subsequent positioning of the TTKOM symbol on the Istanbul Stock Exchange, was a major step forward for the company and a great source of satisfaction to Türk Telekom's achieving team. The IPO was the 7th largest in 2008 globally and the biggest IPO to have ever occurred in Turkey, and was strongly supported by both Turkish and international institutions.

Our 8% growth in revenues at the end of 2008 to over TL 10 billion for the first time in the company's 169 year history was achieved whilst maintaining total

EBITDA margin at 43% and was not just a result of the 'top line' growth, but the positive productive improvement actions we took within the Fixed Line Network Operating unit. The company has been able to improve its productivity by introducing a company-wide job evaluation program covering all the employees of the Fixed Line Network operating unit and a performance based incentive scheme for Management.

To further push the internet market in Turkey to achieve its full potential, we have commenced our strategy of positive price discrimination towards internet service providers (ISP) other than TTNET to enlarge the internet market and increase competition in Turkey.

2008 was a year in which the challenge was to boost consumer appeal through offering improved products and services and the technology needed to ensure their efficient delivery. 2009 will be a year in which Türk Telekom will have introduced the most comprehensive suite of "bundled" voice packages and a further enhanced portfolio of ADSL services. The objective is to not only stabilize revenue, but to offer new and existing cutting edge convergence services while maintaining our growth in revenue and margins.

Last but not least we would like to thank our employees as well as senior management. The transition from the public to the private sector is not an

easy one and requires commitment and foresight from all stakeholders where tough decisions have to be made. Yet there is no doubt that a stronger, fitter, more effective Türk Telekom will be to the great benefit not only to all stake holders but to our thousands of employees. As we press forward with providing opportunities for bright new recruits from across Turkey and constantly developing TT into a leading edge and truly full-fledged; voice/data/education/entertainment conglomerate, with an unparalleled commitment to social corporate responsibility and specifically in the education field, jobs will be more secure, new opportunities will be created and communities will prosper.



**Mohammed Hariri**

## CEO's Statement

2008 has seen significant changes for Türk Telekom, with the IPO, mobile number portability, 3G license auction, first fixed voice bundles, and our mobile unit growing revenue at almost three times the total mobile market growth rate.

### 8% increase in consolidated revenue

Türk Telekom consolidated revenue in 2008 was 10.2 billion TL showing an 8% growth on prior year. The high revenue growth was powered by our Mobile and ADSL business areas which achieved 24% and 36% revenue growth, respectively.



2008 has seen significant changes for Türk Telekom, with the IPO in May, mobile number portability (MNP) introduction and 3G license auction in November, first fixed voice bundles introduced in the second half of the year, and our Mobile unit growing revenue at almost three times the total mobile market growth rate.

Türk Telekom consolidated revenue in 2008 was 10.2 billion TL showing an 8% growth on prior year. The high revenue growth was powered by our Mobile and ADSL business areas which achieved 24% and 36% revenue growth, respectively. In 2008, 37% of the total company revenue came from mobile and ADSL.

Türk Telekom EBITDA increased 3% in 2008 to 4.3 billion TL giving a margin of 43%, whilst operating profit increased 6% to 2.7 billion TL. Our Fixed line business maintained high EBITDA margin (47%) whilst our Mobile business continued to increase EBITDA margin to 21%, from the 18% level of 2007, resulting in 2008 Mobile EBITDA of 446 million TL, a 46% improvement on 2007.

The IPO of Türk Telekom on 15th May, with the symbol TTKOM, on the Istanbul Stock Exchange was the 7th largest in 2008 globally and the biggest IPO to have ever occurred in Turkey. It was strongly supported by both Turkish and international institutions, with demand over 4 times the total share allocation, and with each 100 lot of shares priced at TL 4.6, the IPO raised over TL 2.4 billion (USD 1.9 billion) for the Turkish Treasury.

In November 2008, MNP was finally implemented and resulted in over 100K net adds for our Mobile unit as of the year end. The MNP gains helped our Mobile unit close the revenue gap on the number two mobile operator from a gap of 46% in Q4 2007 to only 13% in Q4 2008.

In late November of 2008 the Government held the tender for the four 3G licenses and our Mobile unit was able to win the third license for a cost of Euro 252.5 million including VAT, with the fourth license not being awarded.



Dr. Paul Doany

## Macroeconomic Outlook

### Recovery expectations in the second half of 2009

**Expectations at this time are that economic activity will continue to weaken in the first half of 2009 but that the global economy may begin to recover towards the end of that year.**

**The Turkish economy confronted the global crisis at time when it was stronger than it has been for many years.**

The crisis that was triggered by a wave of non-performing loans in the "subprime mortgage" market in the United States in 2007 reached a new and potentially much more dangerous level in September 2008 when some of that country's leading financial institutions collapsed. The repercussions of these bankruptcies spread to Europe and Asia. As events unfolded, what had begun as a liquidity crunch evolved into a global financial crisis as potential lenders everywhere ceased to have confidence in would-be borrowers.

Although measures such as interest rate cuts, bail-outs in the form of liquidity injections, and looser monetary and fiscal policies did have the effect of restoring credit markets to a semblance of life again, markets nevertheless remained highly volatile while all the indicators of global economic activity had either fallen or looked set to.

# 1.1%

Although Turkey's GNP continued to grow, the pace slowed down. The Turkish economy grew 7.3% in the first quarter but that fell to 2.8% in the second and to 1.2% in the third while it contracted by 6.2% in the last quarter.



Paralleling these events in the developed economies' markets, the effects of the crisis began to spread to the developing economies as well in the second half of 2008. The contraction in credit markets brought on by the global crisis had a visible impact on their national growth rates. Developing countries such as Turkey experienced capital outflows as investors' appetite for risk paled while they also suffered from impaired export earnings and from depressed domestic demand.

Expectations at this time are that economic activity will continue to weaken in the first half of 2009 but that the global economy may begin to recover towards the end of that year.

The Turkish economy confronted the global crisis at time when it was stronger than it has been for many years.

Although Turkey's GNP continued to grow, the pace slowed down. The Turkish economy grew 7.3% in the first quarter but that fell to 2.8% in the second and to 1.2% in the third while it contracted by 6.2% in the last quarter. On this basis, growth

in 2008 was at 1.1% level below its 2007 level of 4.7% and GDP per capita was TL 13,367 (10,436 USD) in 2008.

While the most important contributors to the loss in growth momentum were slowdowns in construction and manufacturing, international market volatilities and global economic contraction dampened total consumption and capital expenditure throughout the country as well.

On the other hand, sharp declines in commodity and oil prices, particularly in the last quarter, did have a positive impact on inflationary expectations. The contraction in domestic demand also helped pull inflation down. Year-to-year inflation as measured in consumer prices was 10.06% while in terms of producer prices it was a somewhat lower 8.11%.

Although exports grew slightly faster than did imports in 2008, the foreign trade deficit still remained high. As the global crisis spread to more and more countries, there was a significant decline in foreign trade figures particularly in the last few

months of the year. EU countries are the biggest customers for Turkey's exports and as their economies faltered, the impact on our exports became increasingly acute.

The contributions of foreign direct and portfolio investment towards the financing of Turkey's current account deficit have been growing steadily less with the passage of time. However although fewer opportunities for external financing combined with greater capital outflows could create problems with its financing, lower energy prices and a Turkish lira whose value is driven down by depressed domestic demand are likely to have a favorable impact on the deficit.

Taking these and similar matters into account, Standard & Poor's announced a long-term credit rating of BB- (outlook negative) for Turkey while Moody's Ba3 (outlook stable) and Fitch Ratings' BB- (outlook stable) expectations were only marginally more optimistic.

## Telecommunications Industry in Turkey and Türk Telekom's Position in The Sector

### The liberalization of the telecommunications sector

The liberalization of the telecommunications sector in Turkey secured offering services with better quality at more suitable prices and provided the introduction of bundle services as well as leading to the increase in the company's capital expenditures.

## Turkey is an attractive market for the development of telecommunications sector with its growing GDP, its young population and its modern network infrastructure.

### Telecommunications Sector in Turkey

Turkey is an attractive market for the development of telecommunications sector with its GDP which has been USD 10,436 per capita in 2008, its economy which has grown by 1.1%, its young population and its modern network infrastructure covering the whole country. Also, Turkey is the seventeenth biggest country in the world, the first in the Middle East Region and the second in the Europe with its population of 71.5 million as of the end of 2008. Average age of Turkish population being on the increase and average household size being on the decrease creates opportunities for the telecommunications sector.

The liberalization of the telecommunications sector in Turkey secured offering services with better quality at more suitable prices and provided the introduction of bundle services as well as leading to the increase in the company's capital expenditures.

### PSTN services

Public switched telephone network (PSTN) penetration in 2008 corresponded to about 24.5% of the total population. As of 2008 year end, there were about 17.5 million PSTN access lines in the country while the household penetration rate was on the order of 75%. Türk Telekom, which is the only licence holder for local calls, has a total PSTN access line capacity of about 21.2 million.

With the liberalization of national and international call services, not only did the overall market expand considerably but

prices dropped as well. With the regulation published on November 20, 2008, it is announced that local calls will be opened to competition in 2009 and the process is expected to be finalized in the first half of 2009. Following such a practice, existing competition to mobile operators is expected to increase more.

Türk Telekom made price adjustments in StandartHATT, YazlıkHATT, HesaplıHATT, KonuşkanHATT and ŞirketHATT tariff packages for both national and international calls in 2008. Campaigns and new services were introduced to increase Türk Telekom's penetration in the fixed line market. One example is the company's "Akşam Konuştur" add-on package, which allows subscribers to make free local calls after 6:00 pm. About 600,000 subscribers have signed up for such tariff package. A campaign called "RaHATT" to promote the sale of DECT phones on 24-month installments attracted about 400,000 people. Under the heading of value added products and services, videophone service was introduced during the first half of 2008 and promotions were introduced throughout the year to increase its use.

WIRO, a WI-FI based fixed line service that is the first example of our convergence products, is in the market since December 19, 2008.

### Internet access

Given the size of its population, broadband penetration in Turkey is close to that of the average among European countries on a per-household basis. On the other hand, personal computer (PC) penetration in our



country (in 2007) was only about 9% on the same basis, whereas it was 72% in the UK and 26% in Hungary. As the increase of internet usage depends on PC penetration, increasing PC usage and ownership in Turkey create opportunities for the broadband market. After the migration from dial-up and cable Internet to ADSL, ADSL has become the most widely used Internet access tool in Turkey.

In parallel to the large-scale infrastructure investments that Türk Telekom has been undertaking and the country's efforts to encourage and promote internet use in general, both the number of its subscribers and the international outgoing internet connection speed have increased steadily.

In 2005 the international outgoing internet connection speed in Turkey was 33.6 Gbps. By 2008, this reached 248 Gbps. During the same period, the number of ADSL subscribers increased from 1.5 million to 5.8 million.

As of December 31, 2007, TTNET's share of the retail ADSL Internet access market was 95%. 97% of the wholesale broadband internet access in Turkey was through ADSL. The remaining 3% is attributable to cable operators. Licenses for WiMax, the wireless broadband technology which offers high speed internet access, are expected to be given during 2009.

During 2008 TTNET conducted two campaigns – "Welcome to the Internet" and "TTNET ADSL World" – that were both aimed at increasing ADSL use. A third campaign promoting the company's TTNET Vitamin product was launched on September 22, 2008 to increase internet

use among children for the purpose of education. This product proved to be highly successful and quickly reached 100,000 customers. Besides, a total of 180 thousand students and teachers benefit from Vitamin product offered to schools for free by Türk Telekom.

Projects to expand the coverage area of the company's WI-FI services continued during the year and there are now 3,000 WI-FI hotspots offering internet access. Following the successful introduction of the TTNET Music Portal, in the last quarter of the year, the company launched its TTNET Video and TTNET Game portals.

#### Mobile communication

As of 2007 year end there were 61.4 million registered mobile subscribers in Turkey. In the ensuing twelve months, this number increased by 7.3% to 65.9 million. Mobile communications is the most competitive sub-sector of the Turkish telecommunications market. There are currently three licenced mobile operators – namely Turkcell, Vodafone and Avea – and their market shares as of 2008 year end were 56.1%, 25.4% and 18.5%, respectively.

Türk Telekom offers mobile services through its 81.12% owned subsidiary Avea that was founded in 2004 by merging Aycell with Aria. From its foundation to the year end of 2008 growing its market share by 28%, Avea has been the fastest growing mobile operator in the market, and in the same period its subscriber base increased from 4.8 million to 12.2 million.

MNP (Mobile Number Portability) was introduced in Turkey on November 9, 2008. This is expected to strengthen the free competition in the market. As of 2008 year end, Avea was the leader at MNP with a net addition of 106,000. In addition, Avea was granted one of the 3G licences with a tender held on November 28, 2008.

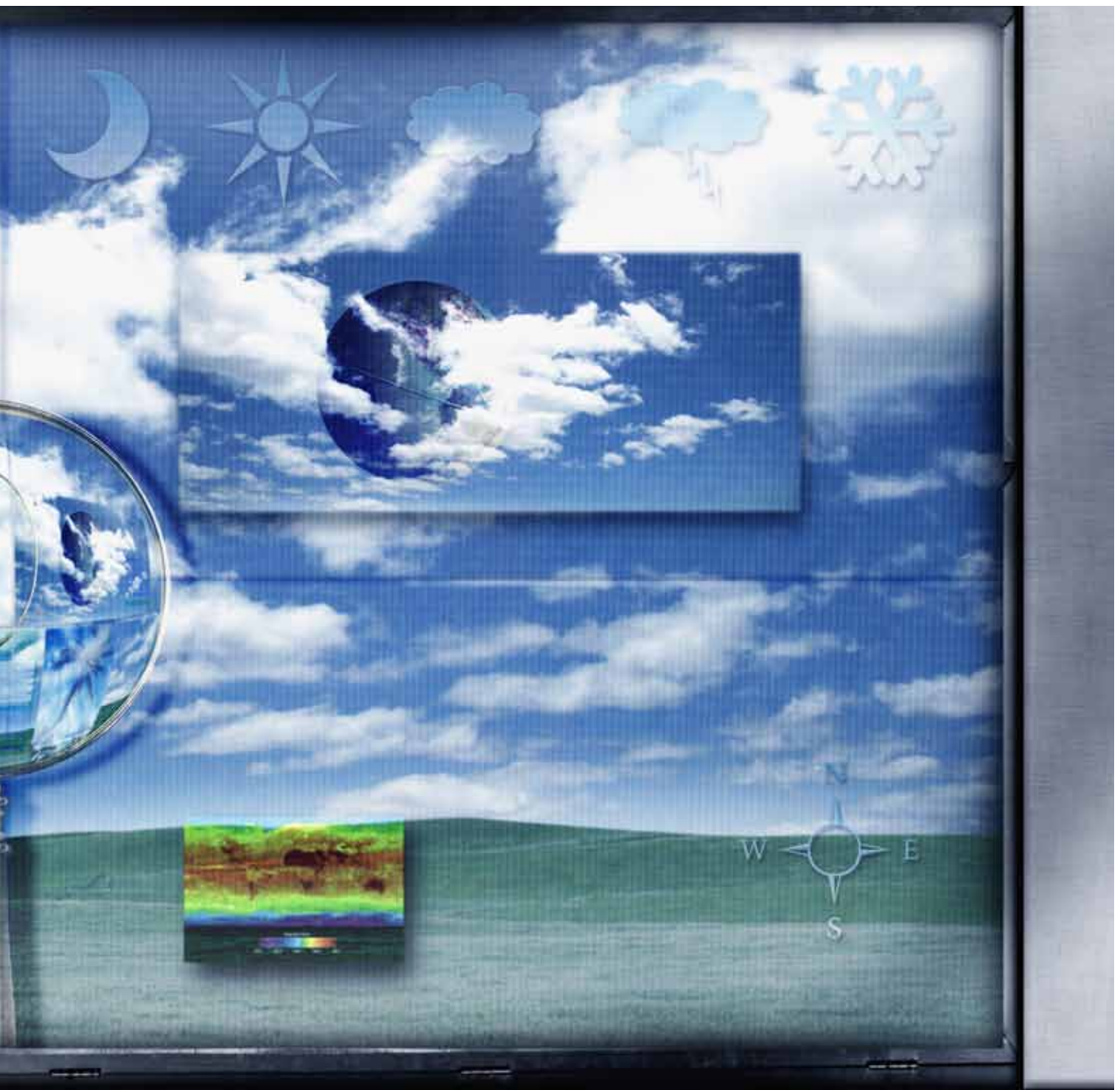
#### A new statutory framework for Turkey's telecommunications industry

The Information Technologies and Communications Authority (BTK), Ministry of Transportation regulates all activities in Turkey's telecommunications market. The basic law governing the telecoms industry in Turkey is the Electronic Communications Law 5809, which became effective with its publication in the official gazette on November 10, 2008. Several provisions of Telegram and Telephony Law 406 and Radio Law 2813 were removed or amended with the Electronic Communication Law. Harmonization and renewal procedures are still underway for the secondary legislation to be issued on the basis of Law 5809.

The aim of the new law is to modernize the legal and institutional framework concerning infrastructure and provision of telecommunications services in Turkey.

The Information Technologies and Communications Authority is responsible for authorization, regulation, supervision and settlement functions in order to increase competition in the sector, establish a sustainable competitive environment and maximize the contribution of the sector in economic growth.





Converging on the future...

## Developments in Products and Services

**100 new products**  
Türk Telekom now offers nearly 100 products, 47 of which were added to its portfolio in 2008, increasing the quality of life in every segment of society.

**A wide range of products and services, which Türk Telekom has developed in the axis of technology-innovation-R&D, appeals to every segment of society.**

As the leading force in shaping the present and future of communications in Turkey and guided by its vision of "convergence", Türk Telekom further enhanced customer satisfaction during 2008 with high value added and innovative products and services in fixed line and broadband segments while offering world-class solutions, product diversity and state-of-the-art services.

A wide range of products and services, which Türk Telekom has developed in keeping with its reputation as a high-tech and innovative company that knows the importance of R&D, is capable of increasing the quality of life in every segment of society. Türk Telekom now offers nearly 100 products, 47 of which were added to its portfolio in 2008, increasing the quality of life in every segment of society.

### Fixed lines: 17.5 million subscribers and more value added services...

As of 2008 year end, Türk Telekom's installed line capacity was 21.2 million lines with 17.5 million fixed line (PSTN) customers.

In keeping with its goal of providing new, value added services to its customers in a convenient and quick way through the use of next-generation systems, Türk Telekom continues to offer advanced products and services to residential and corporate customers.

### Voice Messaging System

Through the voice messaging system (VMS), a large number of features such as sending and receiving voice messages, fax sending/receiving and storage, and reminders (immediate and future) are made available to customers without any other equipment needed.

### Short Messaging System

Türk Telekom customers can take advantage of the short messaging system (SMS) to send and receive short text messages by a SMS compatible phone. Optionally they may also send text messages over the internet and receive voice messages.

### Prepaid Card System (TTKart)

Through the PPC IN system installed on the Türk Telekom network, Türk Telekom customers can place calls using prepaid cards that are equipped with unique PINs. Called "TTKart", these cards can be used with home and office phones as well as with payphones to make calls to anywhere in the world. The system is bilingual (English and Turkish). Pricing is over pulses loaded in the card.

### TT Family Card

The TT Family Card is a high value added Türk Telekom service that allows users to place local, national, international and GSM phone calls. A chip (integrated circuit) on this card contains all essential



# 17.5 million

As of 2008 year end, Türk Telekom's installed line capacity was 21.2 million lines with 17.5 million fixed line (PSTN) customers.

subscriber-related information and the card can be used with any smart-card capable payphone. Call charges are billed to the subscriber's designated fixed line account.

### Smart Card Payphones

Türk Telekom's Smart Card Payphone Network currently has 96,000 units installed from which voice, SMS and other services are provided against payment by means of any chip card, credit card, prepaid card (TTKart) or TT Family Card. Development of this system is currently in progress. When it is completed, 108,000 smart card payphones (13,000 of which will be WI-FI equipped) will be linked into a network which covers the whole country

and from which it will also be possible to access the internet as well.

### Multimedia Payphones

Multimedia payphones installed in public locations such as airports, university campuses, shopping centers, train and bus stations, and seaports will be providing voice as well as SMS, internet, video-mail, e-mail, picture-sending and other services. TT's multimedia payphones are being designed entirely in Turkey.

Under an agreement with iNNOVA, ten prototypes have been built and are now undergoing field trials with the objective of having a thousand units in operation by the end of 2009. About 200 engineers are being employed on TT's multimedia payphone project.

As with smart card payphones, payments for multimedia payphone services can be made by means of any chip card, credit card, prepaid card (TTKart) or TT Family Card.

### Enhanced Wide Area Centrex

Enhanced wide area centrex (WAC) is a service for corporate customers that allows their personnel to communicate with one another independently of their location simply by dialing a short number or CID. Enhanced WAC is also equipped with a number of features such as conference calls, abbreviated dialing, and speed dialing.

Enhanced WAC offers all the features of an advanced private branch exchange (PBX) without the hardware and installation costs since the service is provided over Türk Telekom's network. This service is especially ideal for companies that need flexibility in their communication systems.

### ALOVATAN

With ALOVATAN, users traveling abroad can call telephone carriers in their own country directly with the charges being automatically reversed. ALOVATAN services are for two-way communication and the charges are always made to the called party's account.

### Tariff-Free Numbers (0800)

Tariff-free (0800) services are provided to corporate customers who use the telephone to promote their products and services, make sales, and provide after-sales services and support. With 0800 services, call charges are paid by the called party. 0800 services can be accessed from payphones and also from phones that do not otherwise allow long distance calls.

### Special Service Numbers

With its own "444" special service number, a company can keep in touch with its customers via an easy-to-remember number (which may be associated with its products and services) while also enhancing its own reputation and performance.

## Developments in Products and Services

### Convergence

**Convergence makes it possible to ensure both the diversity and the continuity of services because customers can access them using a single device through TDM, IP, hotspots and GSM base stations.**



444 numbers save companies' time and money by giving them a single access point through which connections can be made easily to any office, dealer, etc. 444 special service numbers are accessible from any location via the PSTN system without the need for area code dialing.

**Türk Telekom convergence products and services add new dimensions to communication...**

"Convergence" in telecommunications means providing all of the services formerly delivered via PSTN, IP and GSM networks to users from everywhere, all the time independent from a common platform and infrastructure. Convergence ensures both the diversity and the continuity of services as customers can access the services using a single device through TDM, IP, hotspots and GSM base stations.

### Videophone: It's good to see you

Videophone is a service that allows simultaneous duplex audio and video communication between users. Türk Telekom's videophone service, launched in May 2008, is the first service of its kind and the culmination of the dream of full video telephony in Turkey. The only requirements for taking advantage of TT videophone services are a broadband (such as ADSL) connection (minimum 1024/256) and a video-capable device.

It is possible to make video calls to Türk Telekom's call center at 444 1 444.

# 7.6 million

The growth in Türk Telekom's ADSL capacity as an infrastructure operator has been among the fastest in Europe in recent years. As of 2008 year end, the number of TT ADSL ports in operation reached 7,580,000.

In addition to video telephony, TT Videophone can be used for a variety of other purposes and applications such as:

- Internet browsing
- Taking a photograph of the other party during a call
- Accessing a wide variety of visual information and entertainment services
- Monitoring homes, workplaces, babies' rooms, etc.

When mobile network operators launch 3G services, video telephony will be possible over both fixed and mobile lines using any

WIRO: The smart way to call home from abroad  
Call home even when you're traveling abroad.



3G-supporting device or videophone. Video calls will be available between home and mobile phones.

#### Wi-Phone: The convenience and privacy of individual home phones on a single line

Wi-Phone is a service that each member of a household has an internal number like in offices, with an interactive voice response system. By means of the interactive voice response system, incoming calls are routed directly to the person being called. All that is needed to take advantage of this service is a WI-FI supporting mobile phone or a computer with internet connection.

With Wi-Phone, everybody in the household has the convenience and privacy of a personal line and all outgoing calls are invoiced to the home phone's account and it will be possible to keep track of how much each individual uses the line.

#### WIRO: Keep talking at domestic rates when you're out of the country

WIRO is a voice service that allows users to take advantage of domestic rates when calling numbers in Turkey from abroad. Türk Telekom introduced its WIRO service for residential and corporate customers in December 2008.

To take advantage of TT WIRO services, all that is needed is a WI-FI compatible phone or a computer with internet connection. Calls made via WIRO to any mobile or fixed line number in Turkey are charged

as if they were placed in Turkey no matter where they may actually be placed from.

For WIRO calls, the existing home or office tariff is applicable and the calls are invoiced to that home or office line's account. No other fees are charged for using Türk Telekom's WIRO service.

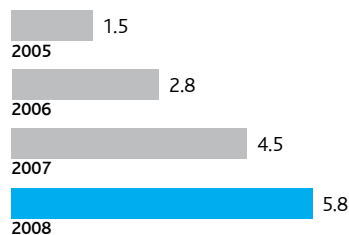
#### Türk Telekom doorway to the unlimited world of broadband customer services grows wider and wider...

The growth in Türk Telekom's ADSL capacity as an infrastructure operator has been among the fastest in Europe in recent years. As of 2008 year end, the number of TT ADSL ports in operation reached 7,580,000.

The number of ADSL subscribers that was 4.5 million as of 2007 year end increased to 5.8 million as of 2008 year end.

#### Number of ADSL subscribers

million



#### Even faster internet access with VDSL2

Türk Telekom began offering its next-generation VDSL2 (very high speed digital subscriber line 2) service in Turkey in July 2008. Subscribers have the option of 16 Mb and 32 Mb download speeds, which means up to an eightfold increase over current internet access speeds on existing telephone lines. Thanks to Türk Telekom's ongoing investments, Turkey is one of only a very few countries capable of using VDSL2 technology at this time. VDSL2's up to 32 Mb speed ranks Turkey in the third place with the fastest DSL technology-based internet connection among 190 DSL providers in 23 European countries.

#### TTNET WI-FI: 3,000 hotspots

Begun in 2004, Türk Telekom's WI-FI projects produced their first results in 2005 as a commercial service called TTwinet, which provides broadband wireless WLAN (WI-FI based) internet access from end-user hotspots. On December 1, 2006, about 450 hotspots were turned over to TTNET. Renamed TTNET WI-FI, the service has grown steadily since then and reached a total of 3,000 hotspots located around the country by the end of 2008.

The transfer of WI-FI services to TTNET was accompanied by a complete renovation of the WI-FI network, which will enable TTNET to offer value added internet services as well as voice services on demand.

## Developments in Products and Services

### Safe data transmission with G.SHDSL

As of 2008 year end, the number of Türk Telekom's point-to-point G.SHDSL subscribers was 26,883 while the number of G.SHDSL internet subscribers was 5,841.



## As of 2008 year end, Türk Telekom was providing Metro Ethernet services at 400 centers in all 81 provinces of Turkey.

### Corporate security services

Türk Telekom provides corporate security services that are designed to make company networks and data traffic as secure as possible. Türk Telekom's corporate security package includes antivirus protection, firewall, content filtration, VPN and active defense systems.

In addition to eliminating investment costs, Türk Telekom's corporate security services also offer customers a variety of price and license fee advantages as compared with other costlier solutions to the problems related to internet security.

### Metro Ethernet: Now at 400 centers in 81 provinces

Metro Ethernet is a new technology based on fiber-optic connection between the company and the customer. Offering speeds of between 5 Mbps and 1 Gbps, Metro Ethernet is a highly flexible and scalable but low-cost solution that is particularly ideal for public authorities, medium to large sized enterprises, shopping centers, hotels, hospitals, universities and any other organization that may have large bandwidth requirements.

As of 2008 year end, Türk Telekom was providing Metro Ethernet services at 400 centers in all 81 provinces of Turkey.

As of the same date, the number of the company's point-to-point Metro Ethernet subscribers was 1,882 while the number of Metro Ethernet internet subscribers was 1,965.

### G.SHDSL

G.SHDSL (single-pair high-speed digital subscriber line) is a DSL technology that provides symmetric (equal) download (receive) and upload (transmit) speeds. Türk Telekom's G.SHDSL service is a highly advantageous, high-quality, fast service that is particularly ideal for any organization that has offices in remote locations and needs fast data transfer.

As of 2008 year end, the number of Türk Telekom's point-to-point G.SHDSL subscribers was 26,883 while the number of G.SHDSL internet subscribers was 5,841.

### Leased lines

A leased line is a telecommunications circuit that provides uninterrupted, symmetric transmission between two locations. Leased lines are available at speeds from 64 Kbps to 155 Mbps. Although it is based on Türk Telekom's own network a leased line does not have a number in Türk Telekom's exchanges and because it is reserved for the customer's private use, it allows greater security in data transmission.



As of 2008 year end, the number of Türk Telekom's leased line subscribers was 39,666.

#### ATM

ATM (asynchronous transfer mode) is an electronic digital data transmission technology that provides the infrastructure for access applications that demand greater bandwidth. Türk Telekom provides ATM services at speeds ranging from 2 Mbps to 622 Mbps.

An ATM network can be used for a variety of services such as voice and telephone, video conferencing, frame relay, IP, multiprotocol, LAN and WAN applications.

As of 2008 year end, the number of Türk Telekom's point-to-point ATM subscribers was 305 while the number of its internet ATM subscribers was 27.

#### Frame Relay

Frame relay is a high-speed transmission technology which is used in hundreds of networks around the world for LAN, SNA, internet and even voice applications and which is especially designed for the cost-efficient transmission of bursty traffic profile. Low delay values, port-sharing, bandwidth sharing and speed options from 64 Kbps to 2 Mbps make frame relay a good choice where low-cost "always on" connections are needed.

As of 2008 year end, the number of Türk Telekom's point-to-point frame relay subscribers was 8,129 while the number of its internet frame relay subscribers was 275.

#### ISDN

ISDN is an acronym for "integrated services digital network". As its name suggests, it is a digital network that allows voice, text, images and data all to be sent from one terminal to another using a standardized and compatible digital signal. Türk Telekom's ISDN services are available in two options: ISDN PA and ISDN BA. The latter provides faster, more effective and more cost-efficient connections at 64 Kbps or 128 Kbps access speeds.

#### TURPAK

TURPAK (Turkey Packet Switching Data Network) makes data communication among computers both in Turkey and abroad quick and easy no matter how different the platforms may be from one another in terms of speed or type. TURPAK provides economical, reliable, and high-quality communication and convenient access to its network by means of the ITI, DIAL-UP, X.25, SDLC, API, PRIVATE DIAL-IN, Frame Relay and ATM protocols. TURPAK makes it quick and easy to connect to information resources in 65 countries ranging from the USA to Japan.

#### Multiple IP and BGP

In situations where there are applications such as DNS, mail servers and management systems at the remote end of a line in service, or where different clients are being served on a local network, or where there are SSL certificate-based applications, or where clients need to be managed from more than one point, it may be necessary for users to have more than one IP number. Türk Telekom can provide multiple IP numbers on demand for Metro Ethernet, ATM, Frame Relay and G.SHDSL services that are being used for internet access.

#### Türk Telekom's Internet Data Center brings data and broadband services together for information security...

Türk Telekom's Internet Data Center provides advanced internet services over the company's existing internet infrastructure while also offering a physically and electronically secure environment to store critical data.

## Developments in Products and Services

**Focused on innovation**  
In 2008 Türk Telekom made important progress on the innovation front by focusing on convergence technologies that will integrate videophone, WIRO, WI-FI telephones, 3G devices, computers and IPTV.



## As Turkey's youngest and fastest-growing GSM operator, Avea reached 12.2 million subscribers as of 2008 year end.

The objectives of the services provided through the Türk Telekom Internet Data Center are to:

- Provide value added internet services along with internet access,
- Continue to lead the way in the growth and development of the internet in Turkey,
- Set up and maintain a computer network that will make it possible for centralized information to be transmitted securely in the internet environment,
- Provide government agencies in particular with a secure data environment, and accelerate transformation to an information society under the E-Transformation Turkey Project more securely and more economically.

### Domain and e-mail hosting services

In addition to a variety of web space hosting package options, Türk Telekom also provides e-mail services as a part of its domain name registration. The number of customers making use of web space and e-mail services continued to increase last year as a result of Türk Telekom's active marketing efforts. As of 2008 year

end, Türk Telekom was serving 581 web hosting customers with a total web space amounting to 76,140 Mb. As of the same date, the company had allocated 98,715 Mb of e-mail space for a total of 385 mail hosting customers.

### Data storage and backup

As an adjunct of its Internet Data Center services, Türk Telekom provides automatic backup of the documents, data base applications and other data maintained on customers' servers. A variety of backup options are offered based on daily, weekly, monthly and version-based strategies.

### Server hosting

The Internet Data Center also provides server hosting for Türk Telekom customers. In addition to offering many advantages, server hosting services can be highly economical by eliminating the costs of hardware investment, maintenance and repair and headcount. As a security precaution, management of the server hardware allocated for a customer's use is subject to the customer's own control.

As of 2008 year end, the number of Türk Telekom's server hosting customers was 28.



### Türk Telekom's subsidiary Avea is one of Turkey's three mobile network (GSM) operators...

Türk Telekom owns 81.12% shares of Avea, one of Turkey's three mobile network (GSM) operators.

As Turkey's youngest and fastest-growing GSM operator, Avea takes a highly customer-focused approach in the delivery of innovative services. As of 2008 year end the company had 12.2 million subscribers, of which 4.1 million were postpaid and 8.1 million were prepaid.

As of 2008 year end, Avea's population coverage was 95.2%.

### Türk Telekom's vision for the future: Convergence

Distinguishing itself by its approach to value added products and services, Türk Telekom plays a leading role in Turkish telecommunications sector with convergence products that are the natural outcome of its group-wise synergies.

Türk Telekom's primary focus is convergence from infrastructure to technologies and products and services. The crucial feature of convergence products is that they provide integrated communication services from a single center with the aim of making life easier for users.

In 2008 Türk Telekom made important progress on the innovation front by focusing on convergence technologies that will integrate videophone, WIRO, WI-FI telephones, 3G devices, computers and IPTV.

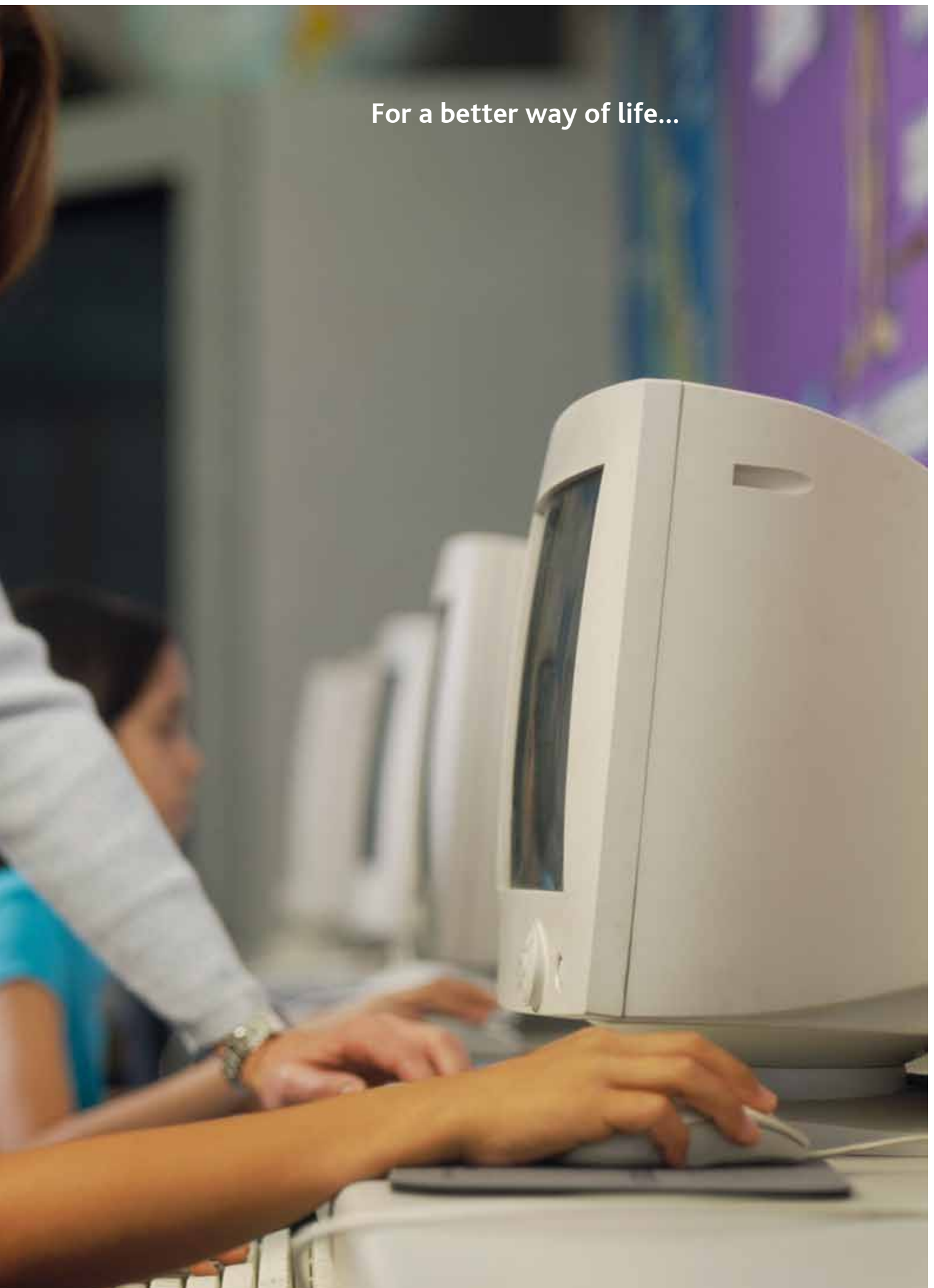
Committed to accelerating its efforts in this direction, Türk Telekom is taking part in new projects and developments in the area of convergence products.

### TT R&D Centre

Türk Telekom has signed an agreement with Teknokent, Middle East Technical University (METU) for the purpose of developing innovative technologies to export them through its ICT companies. Under this agreement, the hardware resources of Türk Telekom and its Argela, iNNOVA, AssisTT and Sebit subsidiaries will be shared in a joint effort to export technology to other countries. The agreement also calls for the construction of 10 thousand m<sup>2</sup> of premises at the METU Teknokent in which the R&D teams of Türk Telekom and its subsidiaries will be working to develop faster and lower-cost solutions to technological problems. In addition, an incubation centre is planned to be located in this R&D centre.



For a better way of life...



## Targeted Advertising, Targeted Sales and Perfect Service

### New product launches and campaigns

Focus areas in 2008 were  
"Value Added Services",  
"Corporate Reputation" and  
"Residential Voice Services".

## In 2008, Türk Telekom increased customer satisfaction with precisely-targeted solutions and quality service.

In 2008 Türk Telekom once again effectively managed all of its business processes from strategic planning to implementation in conjunction with intensively-conducted marketing, advertising, sales and customer relations. Reaching customers through different delivery channels, the company increased customer satisfaction with precisely-targeted solutions and quality service.

### Research projects set the course for marketing and communication activities...

- In order to be more customer-focused in the conduct of its activities and more productive in dealing with different target groups, the company has made **Customer Segmentation** for its residential and corporate customers based on their requirements, values and behavior.
- In 2008 the company launched its **Corporate Reputation Project**. The aim of this project is to specify the awareness level of Türk Telekom's corporate reputation among its personnel and to identify the areas in which the company's reputation needs to be enhanced in line with expectations.
- **National Telecommunications Panel** was set up in cooperation with other operators in Turkey. This panel monitors traffic, cost and usage trends in the sector and provides guidance especially to individual marketing teams during the campaign and marketing development stages.

- **Adwatch Survey** was conducted with 12,750 respondents. The aim of the survey was to identify the impact that advertising and campaign expenditures had on company and brand awareness, and to compare perceptions of the company's advertising and brand with those of its competitors. The result of the survey report supported the formulation of communication activity plans.
- **Dealer Uplift Project** was launched with the aim of increasing service quality levels at Türk Telekom dealers. The first "Pre-Uplift" phase of a **Dealer Customer Satisfaction Survey** under this project was completed. This survey determined the existing levels of quality of Türk Telekom dealers and areas where service quality levels need to be improved were identified for subsequent improvement projects.
- The company worked with research companies to conduct **concept and pricing tests for a variety of products and campaigns** launched during the year such as "Akşam Konuşturan" (Night Talkers), "Uzun Konuşturan" (Long Talkers), customized bundles, Videophone, "TT Çocuk" (website for children), and "SmarTTZone".
- The Dealer Uplift Project launched in 2008 involved a number of other activities such as a web portal for dealers that will serve as a single electronic platform from which they have direct access to all sales channel-related matters; a Dealers Hotline with



Jembey uses home phone when he's at home.  
And it is wireless!

access to experienced personnel to help address and resolve all questions and problems which may be encountered in their service areas or which may be concerned with TT systems, products and services, campaigns, schedules, etc; and the standardization and renewal of IT hardware.

#### For the continued effective conduct of customer relations...

##### "Office Uplift"

"Office Uplift" is a project aimed to improve physical settings, work processes and employees' knowledge and abilities so that customers have a better service experience at Türk Telekom offices. Of the 190 offices that have been identified for this project, the uplift was completed at 41 during 2008.

##### Corporate Customer Services

Corporate Communication Centre project is being conducted to increase satisfaction among corporate, public sector and wholesale customers, and to provide more specialized service addressing the particular needs of this segment. Preparations are underway for Corporate Customer Care, Service Account Management (SAM) and Cooperate Call Centre.

##### CRM Project

A customer relationship management (CRM) project was launched in 2008 to improve customer relations and customer satisfaction at Türk Telekom. The aim of this project is to achieve improvements

on a variety of fronts such as serving customers through all available channels (Office, Call Center, Website) and centrally managing customer information and contacts. The business requirements of the related units of Marketing, Sales, and Customer Relations have been identified, CRM-related work processes have been defined and specifications have been set out for the selection of a system integration company. The project is currently in progress to have the first phase in operation in 2009.

#### Communicating directly with customers: Call Center Services

Türk Telekom runs call center services through its wholly-owned subsidiary AssisTT (please see page 10 for detailed information).

Call Center services are carried out from AssisTT's two main offices, İstanbul and Ankara, plays an important role in various campaigns conducted during the year as well as in the effective handling of customer relations.

#### An eventful year of new product launches and campaigns....

Through the conduct of its marketing and advertising activities during 2008, Türk Telekom promoted its products and services in the most effective way possible by means of different campaigns targeted at existing and potential customers. The focus areas for Türk Telekom were "Value Added Services", "Corporate Reputation" and "Residential Voice Services".

#### Main campaigns

- **Türk Telekom's videophone service** was launched on May 31, 2008. The videophone launch and follow-up campaigns were among the most important of those undertaken last year.

##### "Hello Videophone"

Under this campaign, customers who signed up for 24 months of videophone service were provided with free devices and 3,000 minutes of free videophone-to-videophone call time for a monthly charge of TL 29.

##### Videophone for Soldiers and Military Families

Under this campaign, Turkish Armed Forces personnel and their families were offered the advantage of the "Hello Videophone" campaign under special terms in which the TL 29 fee (all taxes included) was not charged until after the first six months. Participants got videophone devices and 3,000 minutes of free videophone-to-videophone call time a month as under the regular campaign.

##### Videophone for the Hearing-Impaired

Under this campaign, Türk Telekom aimed to make a new interaction channel available to hearing-impaired users with otherwise limited access to long-distance communication by making it possible for them to take advantage of videophone services on more advantageous terms. Hearing-

## Targeted Advertising, Targeted Sales and Perfect Service

**User-friendly tariff campaigns**  
Feedback shows that the average minutes of use has increased at user friendly tariffs while being stable in existing tariffs.



"Long Talker" tariff

## WIRO service makes it possible to place calls at domestic rates while traveling abroad by using a WI-FI compatible mobile phone or portable PC.

impaired users who signed up for the campaign paid a monthly fee of only TL 19 (all taxes included) and got free videophone devices and 3,000 minutes of free videophone-to-videophone call time a month.

- Among the intensive corporate reputation/communication campaigns undertaken last year, two were of special importance: "**Balıkçı**" (Fisherman) and "**Kartvizit**" (Business Card).
- Intensive efforts in the wake of the launch of two user-friendly campaigns, namely Akşam Konuşturun (Night Talkers) and Uzun Konuşturun (Long Talkers) attracted great attention of the customers. Feedback shows that the average minutes of use has increased at user friendly tariffs while being stable in existing tariffs.
- The main campaigns for fixed lines were the **Marriage campaign** where a cordless telephone was given as a wedding gift and free minutes for the first month of subscription. The other campaign was **E-billing** campaign.
- Among the promotional campaigns, there were **RaHATT** (DECT at installments) and **DECT with Minutes**. RaHATT campaign drew considerable attention with its offer of a (DECT) telephone on 24 month installments

### Other product launch campaigns

- Türk Telekom's **WIRO** service, which makes it possible to place calls at domestic rates while traveling abroad by using a WI-FI compatible mobile phone or portable PC with internet access, was launched on 19 December 2008. The charges for **WIRO** calls are billed to a fixed line account and for that reason they are considerably more economical than GSM calls.
- Türk Telekom's **VDSL2** service in Turkey was unveiled on 1 July 2008. Unlimited VDSL2 internet access is being offered at 16Mbps/1Mbps and 31 Mbps/1Mbps speeds. As with the company's ADSL service, it is being offered wholesale to all internet service providers under the "Resale" and "Bitstream" business models. Initial service started at 450 locations in 73 provinces as dictated by infrastructure availability.
- A **Corporate Security Services** package was introduced to make it possible for corporate customers with internet access to protect their own networks against external attack and make them more secure. The package includes antivirus protection, firewall, content filtration, active defense system and client-to-site VPN services.

# A strong show by Türk Telekom Group at CeBit

Türk Telekom Group showed off the new products and services developed in line with its convergence strategy to visitors at its 4,550 m<sup>2</sup> of stand area at the CeBIT Bilişim Eurasia 2008.







Hey kids! Check out [www.ttcocuk.com](http://www.ttcocuk.com)!

### Other activities

- 444 1 166 Fairy Tales and Music service was re-launched through a variety of media campaigns.
- **Children's Day April 23 Campaign** was conducted in a variety of media channels between April 23 and 30, to increase awareness of Türk Telekom's "Fairy Tales and Music" service. During the campaign, access to the service was provided for free.
- **Student Report Gift Campaign** was conducted in a variety of media channels between June 13 and 30, to increase awareness of Türk Telekom's "Fairy Tales and Music" service. Under this campaign, the service was provided at a 50% discount.
- A teaser campaign for Türk Telekom's **website for children ttcocuk.com** started in June 2008 and the fully-functioning site was put into service in September. Targeted at children between 3 and 9 years old and at their parents, ttcocuk.com is designed to be both instructive and entertaining. Content is updated at regular intervals. The website is promoted in a variety of media channels.
- Türk Telekom's **11811 Directory Assistance Service** was re-launched in 2008.
- Türk Telekom's **A.R.O.G movie sponsorship promotional film** was launched during 2008.



- Türk Telekom's **Summer Campaign** was launched in July 2008.
- Türk Telekom and TRT (Turkish Radio and Television Corporation) have signed a five-year agreement under which Türk Telekom will be sponsoring TRT activities surrounding the **celebration of Children's Day** (April 23rd). During the activities in 2008, Türk Telekom's logo was prominently used.
- Field activities were carried out to promote **Family Card Special for Soldiers**.
- Türk Telekom's products and services were promoted at many fairs and events such as **Call Center Expo 08, Marketing-İst Fair 08, Supercom Telecommunications Fair, CeBIT Bilişim Eurasia, Ankara Informatics Summit, Compex 08 and Eastern Mediterranean Informatics Fair 08**, during which Türk Telekom's image was strengthened and its brand was represented in the most effective way possible.
- The most important of these events was **CeBIT Bilişim Eurasia 2008**, which ran from October 6 to October 11 of the year and which is widely acknowledged to be one of the biggest fairs of its kind in the Eurasian region. For this occasion, Türk Telekom had a huge (more than 4,200 m<sup>2</sup>) stand area with all seven group companies (Türk Telekom, Avea, TTNET, INNOVA, Argela, Sebit, Assist) in attendance. In addition to participating as an exhibitor, Türk Telekom also

supplied the IT infrastructure for CeBIT Bilişim Eurasia 2008.

Türk Telekom showed the concept of "group synergies" with the stand structure, products and services presented during this fair which is the most important place to show the transformation in the company given the new vision, technology initiatives and mission of the Company.

- **3,000 SMS Campaign** was conducted for home and office users to send up to 3,000 onnet free SMS messages a month.
- Under the **Temporary Rate Discount Campaign** for ADSL retailers, internet service providers operating under the "Resale" and "Bitstream" business models with less than 500,000 subscribers were given discounts of between 2.56% and 3.75% on their monthly and quota-overrun charges.
- **New SLAs** were issued for Türk Telekom's Point-to-Point ATM, Point-to-Point Frame Relay, Point-to-Point Metro Ethernet, Point-to-Point ADSL, Point-to-Point G.SHDSL and ISDN services.
- **TT Rehber**, an alphabetic directory for Türk Telekom's Directory Assistance service was published.

## Investment in Technology

**TL 1.8 billion investment**  
**Türk Telekom's capital**  
**expenditure, which amounted**  
**to TL 443 million in 2006 and**  
**to TL 1,187 million in 2007,**  
**reached TL 1,756 in value in**  
**2008.**



**Türk Telekom believes that the only way to continue developing value added products and services is through investment in innovation, R&D and technology.**

As one of Turkey's largest companies in terms of infrastructure, human resources and financial strength, Türk Telekom undertakes a variety of investments out of its belief that the only way to continue developing value added products and services is through investment in innovation, R&D and technology.

With the addition of group companies like Argela, INNOVA, and Sebit that have well-established track records of technological and innovative muscle, Türk Telekom is in a position to develop and implement new technologies not just in the Turkish market but in its hinterland markets as well.

Evidence of Türk Telekom's faith in the Turkish economy and telecoms industry is to be seen in the technology and infrastructure investments that the company continued to undertake in 2008. Türk Telekom's capital expenditure, which amounted to TL 443 million in 2006 and to TL 1,187 million in 2007, reached TL 1,756 in 2008.

### Rural Transformation Project

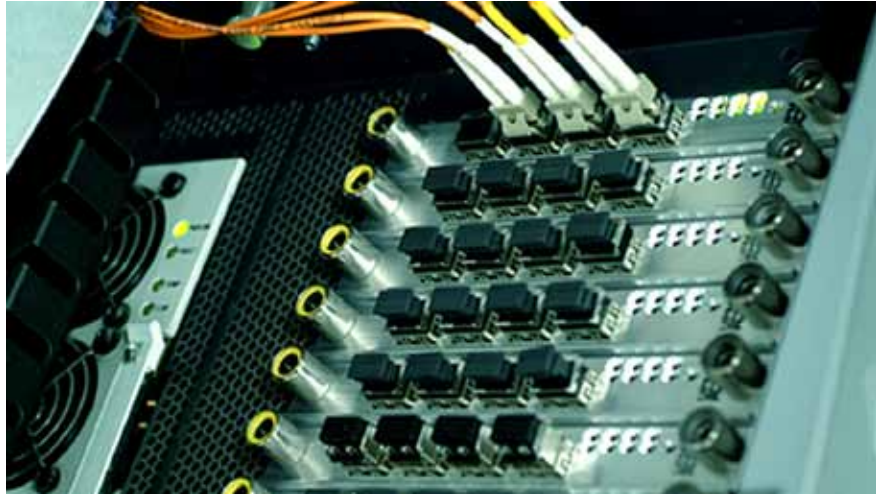
Infrastructure projects that Türk Telekom has initiated to renovate Turkey's communications infrastructure and to eliminate the "digital divide" that arises from differences in regional income levels, are continuing without any loss of momentum. The largest—and arguably the most important—of these is the company's Rural Transformation Project, whose aim is to replace the remaining telephone exchanges that are able to provide only very limited fixed line service and are incapable of delivering broadband service such as ADSL with fully-capable next-generation equipment and networks.

As a result of this project, all the narrow and broadband services (voice, data, internet, ADSL, ISDN, etc) that the world's most advanced operators made available to their metropolitan customers are now being provided to people in every part of Turkey. Under this project, whose total cost is about TL 200 million, more than 4 million lines have been converted to digital.

Another important feature of this project is that its goal is to provide exactly the same levels and quality of service to rural customers as are available to urban customers irrespective of local levels of development. This is the first time that a project on this scale has been undertaken with such an aim. Under the project, existing transmission infrastructure has been reviewed and nearly 100% of it has been digitized. In the process there has been created an information highway that now makes its way to even remote villages. TT's Rural Transformation Project has resulted in an approximately fivefold increase in transmission capacity in Turkey's rural areas.

The fundamental objectives of the Türk Telekom Rural Transformation Project are to promote computer literacy throughout Turkey, bring rural area infrastructure up to the national levels, and provide fast access to public services such as e-government, e-education and e-health.

Under its Rural Transformation Project, Türk Telekom replaced all 10,274 telephone exchanges serving 54,106 rural locations all over Turkey with multiservice access nodes (MSAN) that are fully compatible with next-generation network (NGN) architecture.



### Metro-DWDM Transmission Systems Project

In the last quarter of 2008, Türk Telekom started installing Metro-DWDM (dense wavelength division multiplexing) systems in order to further develop transmission infrastructure in metropolitan areas so as to meet their steadily growing capacity requirements while also making the most efficient use possible of fiber optic infrastructure. The first phase of this project started in four of Turkey's biggest cities (Adana, Ankara, İstanbul, and İzmir), where 48 systems have been completely installed so far. The company will also be installing Metro-DWDM transmission systems in other metropolitan areas.

### Next-Generation SDH Transmission Systems Project

In keeping with its principle of providing the transmission infrastructure that will be needed for new and expanding services (fast ethernet, gigabit ethernet, LAN, storage area network, and especially 3G, backhauling and GSM base station network links) and also to continuously improve both the quality and the diversity of existing services, Türk Telekom started making use of state-of-the-art next-generation SDH system elements during 2008.

As the first phase of this project, installation of next-generation SDH systems has started in four of Turkey's biggest cities (Adana, Ankara, İstanbul and İzmir), where 101 systems with a total capacity of 52 Tbps have gone into service so far.

Türk Telekom plans to make use of next-generation SDH systems on its backbone infrastructure and also in other metropolitan areas.

### Long-Haul SDH radiolink Systems Project

Türk Telekom's backbone had a 1,000 transceiver capacity before 2005. Since then it has been increased to a 2,650 transceiver capacity as a result of additions made to the SDH radiolink network.

Radiolink transmission nodes have been created to serve as alternatives to the fiber optic network connections between Turkey and Turkish Republic of Northern Cyprus and in all provinces other than Bingöl, Iğdır and Karabük.

Additional investments during 2009 will link the remaining three provinces into the backbone SDH radiolink network and additional capacity, thereby bringing the total number of transceivers to 3,500 and making it one of the largest networks of its kind in the world.

The network, which provides 2.5 Gb transmission capacity in a single frequency band, can be centrally managed with geographical redundancy.

### More transmission channels

SDH transmission devices linked by fiber optic cable are used everywhere in the backbone that makes up Türk Telekom's main transmission network, in all metropolitan networks and in many regional networks.

Such equipment makes it possible to keep up with the steadily increasing demand for channel capacity coming from the three GSM operators and from internet service providers, network service providers and other corporate customers.

As of 2008 year end, a total of 14,000 SDH transmission devices (with 155 Mbps, 620 Mbps, 2.5 Gbps and 10 Gbps capacities) were installed, thereby resulting in a total capacity of 1,675,000 2 Mbps channels.

### Fiber optic cable infrastructure

Türk Telekom makes the most effective use possible of fiber optic cable infrastructure in its backbone and in metropolitan, regional, and rural areas. As of 2008 year end, more than 118,000 kms of fiber optic cable were installed. More than 10,000 kms of that was installed in 2008 alone and over the last three years, the company's investments in fiber optic cable infrastructure have increased its installed capacity by 25%.

### Copper to Fiber

In order to provide greater bandwidth and to deliver the services that impose significant demands on bandwidth to more customers in more places, Türk Telekom uses fiber optic cable in its access networks while also replacing existing copper with fiber optic cable as circumstances allow. As a result of this policy, fiber optic infrastructure was made ready for access systems at 3,300 locations.

## Investment in Technology

### Exporting technology

With the addition of group companies like Argela, INNOVA, and Sebit that have well-established track records of technological and innovative muscle, Türk Telekom is in a position to develop and implement new technologies not just in the Turkish market but in its hinterland markets as well.



## Türk Telekom is looking for investment opportunities in the region.

Türk Telekom continues to invest in a timely manner in keeping with the rapid pace of urban development in Turkey in order to supply the full range of its services to meet the requirements of new settlements. Between 2005 and 2007, access was provided to 1,700,000 settlements whose construction had been completed during the same period, the great majority of it through the company's fiber optic infrastructure. Another 880,000 new lines were installed in 2008.

### Investments in IT

- Türk Telekom's existing copper telephone lines provide the infrastructure for multiservice functions as well as for such broadband requirements as xDSL internet access and high-speed data transmission. TT's xDSL network has a 7,860,000 port capacity, 1,035,000 of which are ADSL ports added during 2008. 5,880,000 of existing ports are currently in regular use.
- Türk Telekom owns and operates Turkey's largest MPLS network with more than 15,000 ports at more than 700 locations. This IP/MPLS network is what allows the company to deliver high-speed, high-quality, and diversified services to end-users by consolidating the transmission links of different and independent networks. Installed capacity on the network is 4.857 Gbps while total domestic online capacity is 930 Gbps.
- Metro Ethernet service, which delivers end-user speeds from 5 Mbps to 10 Gbps

in metropolitan areas by combining existing optic fiber and ethernet technologies, is now providing point-to-point connections and internet access at 400 locations in all 81 provinces of Turkey. Türk Telekom's IP/MPLS network is ready for IPv6, and manages 6 million IP addresses domestically.

- During 2008, 430 ports and 6 nodes were added to the TTNET ATM network bringing total capacities to 22,600 and 347, respectively.
- During 2008, 800 ports and 20 nodes were added to the TURPAK network, which provides access to ATM, frame relay, ITI, SNA, and X.25 services at speeds ranging from 2,400 bps to 622 Mbps, bringing total capacities to 28,075 ports and 398 nodes, respectively.
- As of 2008 year end, Türk Telekom WLAN network, which ensures wireless internet access in public places had a total of 3,000 hotspots in service.
- The TSDnet network, over which leased-line data services are provided and which consists of two subnets (whose respective speeds are 2.4 Gbps and 34 Mbps), reached a total port capacity of 66,000 with addition of 1,856 new ports.
- Hardware, software, and other investments (150 Gbps firewall, 10 Gbps content filtration/antivirus, 28 Gbps attack detection system) were undertaken to improve information security. A project was also launched for Türk Telekom to be audited



for ISO/IEC 27001 Information Security Management System (ISMS) certification.

- Under the internet protocol television (IPTV) project, which will make it possible to broadcast encrypted and unencrypted TV broadcasts and stored video content via broadband internet access technologies after conversion to IP packets, investments have been carried out for a 1,000,000 user capacity.
- Türk Telekom's distributed intranet was renewed with new switches, routers, cables and UPS units. Secure 1 Gbps ports were also installed in 1,338 TT buildings.
- Under a protocol signed with the Grand National Assembly of Turkey, a video security system was installed for free in the Assembly.
- The MOBESE electronic monitoring network was extended to five more provinces (Rize, Trabzon, Karabük, Niğde, Aksaray).

#### International service investments and developments

The following is a brief summary of developments taking place during 2008 about voice, ISDN, data, satellite, INMARSAT, telex and other international services that Türk Telekom provides to residential and corporate customers and to national and international operators.

- As a result of efforts made jointly with Argela USA, Türk Telekom started carrying Tuitalk services. Tuitalk is an internet-based application that allows users to make free international phone calls to more than 40 countries around the world.
- Türk Telekom's outgoing international internet capacity reached 248 Gbps through its PoP points at three locations (Frankfurt, Amsterdam and London).
- As of 2008 year end, Türk Telekom was providing international telephone communication to a total of 225 countries, 63 of them via direct automatic dialing and the remaining 162 via transit automatic dialing.
- Türk Telekom started selling "HacKart" prepaid mobile cards for use by Turkish citizens who go for pilgrimage to Saudi Arabia during the Hajj season. This service, which allows users to make low-cost mobile calls between the two countries, will be available during the Omra season as well in 2009.
- Agreements were signed for a total of 350 Gbps of bandwidth to meet Türk Telekom's international transmission needs over the next two years. New protected fiber optic routes were put into service at the country's borders with Bulgaria and Greece for this capacity, which enters through Thrace. Our capacity on the SMW3 optical submarine telecommunications cable was also increased during 2008.

- Türk Telekom provides transit services for internet traffic passing through Turkey between other countries in the region. These countries are Azerbaijan, Egypt, Georgia, Iran, Iraq, Saudi Arabia and Syria. Our interconnection bandwidth with Georgia and Iran was increased in 2008 and a new interconnection with Iraq was added.
- Bandwidth levels increased from 100 Gbps to 250 Gbps during 2008.

#### Investments full speed ahead...

Despite the increasingly greater impact of the global economic crisis and of recession in Turkey and elsewhere, Türk Telekom remains fully committed to its investment and employment plans. The company's goal in 2009 is to keep the investment and employment performance levels that it achieved in 2008. At the same time, the company is also on the lookout for acquisition opportunities that may present themselves in the period ahead. Türk Telekom is paying particular attention to investment opportunities in the region with a focus primarily on privatizations and acquisitions. In this context, our company submitted its final offer for Cosmofon tender on March 13, 2009. Cosmofon is a mobile operator in Macedonia and fully owned by OTE of Greece.

## The Key to Our Success: Our Human Resources

**Türk Telekom's intellectual capital is a reflection of its unique position in communication and information technologies. Recruiting and training competent human resources, Türk Telekom provides an important contribution not only to the development of its own but also to the development of the industry.**



## As of year-end 2008, Türk Telekom has 29,769 people on its payroll.

### Human resources policy sculpted by corporate culture

Human resources policy of Türk Telekom embodies integrated processes that focus on raising the development/performance curve starting from recruitment, and on combination of the company's corporate and business culture.

It is the aim of Türk Telekom to be the company most preferred in Turkey's telecommunications industry, and to attract and retain the qualified work force befitting the corporate culture and values, in line with the future strategies and goals.

Türk Telekom has created a corporate culture based on respect and sharing, which is built on the pillars of being "customer-focused, trustworthy, innovative, responsible and dedicated", the values that the company adopted. As part of this corporate culture, the company successfully maintains a business culture that remains strictly adhered to strong communication and interaction with its employees.

### A stronger team

Undertaking an important mission in the employment of qualified work force as well, Türk Telekom puts into life its plans for attracting new-graduate engineers to the telecommunications sector, and for supporting the company's existing human resources with new qualified members.

The restructuring process initiated in 2007 with the employment of 1,100 people, of which 700 were engineers, continued in 2008 with recruitment of 2,100 new engineers and technicians. Newly recruited engineers and

technicians were assigned to the company's technological and technical infrastructure units across the country.

As of year-end 2008, Türk Telekom has 29,769 people on its payroll.

### The secret of success: Loyalty to the organization, believing in development

Türk Telekom aims to provide opportunities for personal and professional development of its employees, to create an approach to performance management focused on constant improvement whereby employees can reveal and realize their potentials, and to contribute to the company's goals by increasing the loyalty of its human resources regarded as the organization's most valuable asset.

2008 marked the first time Türk Telekom carried out the online survey targeting all employees with the employee loyalty questionnaire (in Turkish: "SÖZSİZİN"). An employee opinion poll, SÖZSİZİN stood out as one of the internal surveys to reach the highest number of respondents in Turkey and in the sector with 32,681 participants. Having secured a high participation ratio of 89%, the survey results were compared with the norms of sectoral, global and high-performance companies.

Well aware of the need for up-to-date technological information in addition to a solid base of knowledge accumulation in the line of business it is engaged in, Türk Telekom realizes effective implementations for equipping its human resources with the skills and knowledge aligned with the industry's requirements. In keeping with this objective, the company gave a corporate structure

# “Welcoming Türk Telekom’s newest members to the family”

To continue supporting its highly qualified workforce, Türk Telekom recruited another 2,100 personnel: 700 engineers and 1,400 technicians. The newest members of the Türk Telekom family took their first steps into their careers with a week-long orientation program conducted at Lutfi Kırdar International Congress and Exhibition Center in İstanbul. Welcome!







to its training activities and training management products, and reorganized them under Türk Telekom Academy at the end of 2007.

### Orientation

Held at Lutfi Kırdar Convention and Exhibition Center between November 11 and 16, 2008, the program covered technical and personal development training sessions and team building activities. Attended by 1,500 technicians and 700 engineers, the event became the orientation with the highest participation in Turkey and in the sector.

### E-learning

Having launched e-learning activities in 2008 over the website accessible at [www.turktelekomakademi.com.tr](http://www.turktelekomakademi.com.tr), Türk Telekom Academy reached 42,384 users including group companies, received almost 970,000 hits, and provided 85,071 training hours/person. These data already make the facility one of the leading e-learning centers in Turkey and the sector.

### Other training activities

Co-developed by Türk Telekom, British Telecom and BT Consult and Harvard, Stanford and Ashridge Universities, the **Executive Development Program** has taken place with the participation of Türk Telekom and group companies at General Manager and VP levels.

**Management Skills Improvement Trainings ("yöneTT")** were held for TT managers.

Developed for Türk Telekom Dealers, **Dealer Uplift Project Phase 1 Certification Program** was carried out.

Having established itself a place in the industry as a pioneering product training with specially developed content, **TTNET My Business Place Sales Training** was delivered.

Also implemented was the **Office Uplift Program** covering the customer-focused communication training targeting all office employees, role and process based training programs lasting from 2 to 6 days for employees in different roles.

### Effective communication with employees...

In 2008, the internal communication function was transferred to the HR Department. Efforts geared towards handling all internal communication with employees from a single channel have been mostly completed, and the axis of communication has become the Internal Communication. During the year, Internal Communication worked on internal communication strategies and channels planning.

- **Enterprise Information Management System:** This is an information/communication platform which also includes the employee portal, but has a larger scope. The platform consists of three steps; the Portal, Business Processes and Document Management. The tender proceedings relating to the steps of the project were completed in conjunction with the IT. The integration was undertaken by iNNOVA. The works on the project commenced in December 2008.

- **Internal Communication Magazine:** This will be a corporate periodical, targeting to reach all employees, and even their families. For this purpose, the agency selection was finalized in October. Under the project, an editorial board will be formed, which is desired to include representatives from the Marketing Communication and Corporate Communication functions.
- **In-house Launches:** These are intended for sharing numerous projects carried out at Türk Telekom with employees within the frame of a certain communication plan. The activities include determination of the messages, organization of the activities to be conducted, its announcement through the channels to be identified, preparation of visuals, and sharing relevant merchandising materials with employees in some activities. The Orientation Program conducted for recruiting 2,150 people and the Process Management Project launch in Konya were organized by Internal Communication.
- **Social Responsibility Projects for Employees:** Internal Communication also manages social responsibility projects for Türk Telekom employees. Some examples include scholarship programs for the children of employees and retirees, and events aiming to sustain and strengthen the retiree's relations with the company.

## Corporate Social Responsibility

**Türk Telekom regards its social responsibility projects not as individual elements of its communication strategy but rather as an essential part of its overall efforts on behalf of society and the national economy.**



## Türk Telekom supports education, technology, environment, culture & arts and sports in keeping with its commitment to investing in the country's future.

As the main provider of communications infrastructure in Turkey, Türk Telekom displays its social contribution towards education, technology, environment, culture & arts and sports in keeping with its commitment to investing in the country's future.

In line with this objective, Türk Telekom undertakes social responsibility projects through investments and sponsorships as well as donations.

During 2008, Türk Telekom Group companies donated a total of TL 12,390,000.

### Investing in education for a better future

#### "Full Support for Education"

The "Full Support for Education" project that Türk Telekom launched to aid education and to provide young people with a more effective learning environment is widely regarded as one of the most important social responsibility efforts ever undertaken in the area of education in Turkey.

Under the "Full Support for Education" campaign, which is being carried out under a protocol that Türk Telekom has entered into with the Education and Transportation ministries, a total of 77 buildings for educational purposes are constructed. When completed, this project will provide modern educational opportunities for about 40,000 students. The project calls for the construction of 50 schools, 16 dormitories (each with its own cafeteria), 4 gymnasiums, 4 multi-

purpose auditoriums, 1 personnel housing, 1 concert hall, and 1 workshop.

The buildings that Türk Telekom constructs and donates are fully equipped to meet all the needs of modern education while also incorporating facilities in which students may engage in other activities that will contribute towards their social development.

All the schools covered by the project include computer, physics, chemistry, and social studies laboratories as well as an acoustically designed music room, a gymnasium, and a library.

During 2008 Türk Telekom completed the construction of ten of the buildings called for in the project and delivered them to the Education Ministry. This brings the number of buildings finished and turned over to the ministry since the project began to 40. Work is currently in progress on the remaining 37 facilities.

### Confident steps towards an information society

#### Internet Houses

An important Türk Telekom goal is to contribute in laying the foundations for an information society through the promotion of internet access and use in Turkey.

Türk Telekom Internet Houses initiative is a program whose aim is to provide at least one internet access point that is available for general public use in every town in Turkey and in this way to acquaint young people as well as their families with the internet.

# Türk Telekom invests in Turkey's future

As the provider of communication infrastructure in Turkey, Türk Telekom invests in people through its social responsibility projects on education, environment, sports, technology, and culture&arts, and contributes in national economy.







Under the project, which was launched in 2007, an Internet House is to be set up in each of Turkey's 850 towns. These premises will have 20 fully-equipped computers on average through which broadband internet access will be available.

To date, 840 of the planned Internet Houses have been completed and are now in operation in 840 towns. Of this number, 787 opened during 2008.

#### Vitamin

"Vitamin" is a project that Türk Telekom launched to provide "content" support to education.

The Vitamin educational software package was developed by Sebit Eğitim ve Bilgi Teknolojileri A.Ş., an education and information technologies company which Türk Telekom acquired in 2007 and which is the owner of the software's intellectual and industrial property rights. Türk Telekom began distributing the package free of charge to 33,000 public primary schools for use in the 2008-2009 academic year.

The Vitamin education set focuses on four basic competencies: Mathematics, Science, Turkish, and Social Sciences. It was made ready for use by students and teachers at the beginning of the 2008-2009 academic year through computers. To celebrate Teachers' Day (November 24) last year, Türk Telekom also gave all public primary school teachers a free personal copy of its computer-aided educational software,



Come on Turkey! Let's all use e-bills and save millions of trees.

which gives its users free access to Vitamin on the [www.mebvitamin.com](http://www.mebvitamin.com) website.

Vitamin at present contains mathematics, science, Turkish, and social sciences course material for grades 4 to 8. Curriculum for higher grades will be added in 2009. Vitamin is designed to be fully interactive with visual support. With more than 3,000 animations and activities, Vitamin supports teachers in a variety of ways such as enhancing classroom motivation, encouraging pupils to participate actively, allowing visual demonstrations of abstract concepts through experiences that could not be achieved in a real environment, and giving students a chance to repeat and catch up the missed courses.

Türk Telekom has also announced that, for a period of five years, it will be setting aside 10% of the net income that it secures from the web-based internet sales of Vitamin educational software in order to meet the needs of the Turkish national education system and to support education either as aid-in-kind or for the procurement of services related to the conduct of educational activities.

These contributions aim to install an infrastructure to let the use of technology more effectively in schools; support teachers to use technology for education purposes and to meet the emerging needs of the Turkish national education system.

### Growing environmental awareness

#### E-billing Forests

After the Finance Ministry's announcement that electronic invoices qualify as legal instruments, Türk Telekom became the first company in Turkey to introduce e-bills. With this change, Türk Telekom is now sending and archiving in electronic format the double copies of printed invoices that it sends out every month to about 17.5 million customers.

The customers who sign up for e-bill at [www.turktelekom.com.tr](http://www.turktelekom.com.tr) website or 444 1 444, can receive their invoices in electronic rather than paper format, and can get SMS messages to know about the invoiced amount and payment-due date. For Türk Telekom, e-billing offers a securer environment for storing, monitoring, and quick access to invoice information when necessary.

As of 2008 year end, 902,000 Türk Telekom subscribers switched to e-billing.

Sharing the same environmental awareness as its subscribers switching to e-bills, Türk Telekom launched its "E-billing Forests" project, under which it will be planting a total of 100,000 trees all over Turkey in 2008 and 2009. This number corresponds to about twice the number of trees that would be saved if all Türk Telekom subscribers switched to e-billing.

Tree plantings are being carried out by Türk Telekom's provincial directorates all

## Corporate Social Responsibility

**6,000 licensed sportsmen**  
Türk Telekom provides support for about 6,000 licensed athletes, more than 1,600 sports academy students, and 47 sports clubs as well as direct assistance for the training of young athletes in seventeen different sports branches.



## Türk Telekom ranks solidly among the leading companies which invest in sports.

over the country. As of 2008 year end, 16,000 saplings were planted in thirteen of Turkey's provinces: Artvin, Balıkesir, Bingöl, Bolu, Diyarbakır, Erzincan, Eskişehir, Giresun, Kırıkkale, Şanlıurfa, Tokat, and Yozgat.

### Protecting cultural heritage

#### Istanbul Museum of Modern Art

Türk Telekom invests in culture and arts projects with the aim of making Turkish cultural heritage sustainable and universal and carrying it to the next generations. In this aspect, Türk Telekom supports, as one of its main sponsors, İstanbul Museum of Modern Art which is the first museum of modern arts in Turkey and which will open exhibitions designed by the Museum, in London, Vienna and Berlin after İstanbul.

### The world's most advanced monitoring technology

#### sVIP: A seismic data transmission platform

Under the Seismic Data Transmission Platform (sVIP) project launched jointly by Türk Telekom and the Boğaziçi University Kandilli Observatory and Earthquake Research Institute, the world's most advanced earthquake monitoring technology will be installed in the Marmara Sea.

The seabed monitoring system that is to be installed will eliminate an existing gap in seismic stations in the Marmara Sea and along its southern shore while also making it possible for the first time to monitor seabed activity uninterruptedly in

real time. When it is up and running, the sVIP Seismic Data Transmission Platform will make it possible to determine the epicenters and magnitudes of earthquakes more accurately, to create a seismic activity database through real-time monitoring, and to provide reliable and timely information to the public.

Kandilli Observatory's existing broadband station network consists of 25 observation posts covering primarily the northern side of the Marmara Sea. Türk Telekom will be installing 10 new broadband seismic stations and 5 seabed observation posts that will allow complete and uninterrupted monitoring of both the Marmara seabed and the southern shore as well.

Because it is an inland sea, the Marmara is particularly ideal for a project of this kind. When the system goes into operation, scientists will be able to monitor seismic activity in the region using the most advanced technology available in the world today. The sVIP Seismic Data Transmission Platform project is scheduled for completion by the end of 2009.

### Contributing continuously to Turkish sports

Türk Telekom believes that sports represent one of the most important means available to foster both the physical and mental development and the socialization of young people in Turkey. For this reason, the company seeks to contribute in the growth and development of the universal values of sports in Turkey and to help train athletes according to internationally recognized standards so that they may successfully represent the country around the world.



Türk Telekom ranks solidly among the leading companies which devote increasingly more attention to sports and which invest in sports-related activities year after year. The company also undertakes important projects to fulfill its social responsibilities by investing in the country's sports infrastructure.

**In keeping with its efforts to provide comprehensive support and aid for Turkish sports:**

- Türk Telekom is the owner and main sponsor of Turkey's leading men's basketball and women's volleyball teams. The company also provides support for about 6,000 licensed athletes, more than 1,600 sports academy students, and 47 sports clubs as well as direct assistance for the training of young athletes in seventeen different sports branches. In addition to contributing in the development of the country's sports industry, Türk Telekom helps bring up players for Turkey's national teams.
- Türk Telekom supports the country's national teams, a number of sports clubs, and its own sports organizations. The company is the main sponsor of the Men's National Volleyball A Team, the Young and Star Men's National Volleyball Teams, and the Young and Star Women's National Volleyball Teams.
- In 2008 Türk Telekom and its subsidiaries reorganized the Group's football sponsorships. Türk Telekom became a sponsor of the Galatasaray Sports Club and will also be acting as the main sponsor of the Trabzonspor club beginning with the 2009-2010 season.
- Türk Telekom has acquired the naming rights of Galatasaray's new stadium for a period of ten years. Under the terms of the agreement that has been signed, Galatasaray Sports Club's new stadium will be named as "Türk Telekom Arena" for a period of ten years. As a result of this initiative, Türk Telekom has further bolstered its standing as one of the biggest supporters of Turkish football both as a sponsor of the Galatasaray club, one of Turkey's top four teams, and by associating its name with the team's home stadium.
- TTNET is one of the main sponsors of Turkish National Football Teams.
- Türk Telekom supports and sponsors a variety of sports festivals organized at universities, such as the Boğaziçi University Sports Festival. This enables it to inform young people and the general public about its activities and investments in sports while also underscoring its reputation as an up-and-coming name in Turkey's sports scene.
- In addition to the sports venues for young people that it owns in many provinces around the country, Türk Telekom also acts as a sponsor for others as well, providing them with material and financial support to improve their premises and make them more suitable for the conduct of sports.
- Türk Telekom cultivates a love of sports among children and teenagers and to give talented individuals a chance to improve themselves. Genç Telekom, which is intended to serve as a feeder for the TT basketball team, has been admitted to the Turkish Regional League. Genç Telekom's primary goal is to qualify for the Turkey 2<sup>nd</sup> Basketball League during its first year of history. Athletes who are successful at this team will go on to join Türk Telekom's basketball teams while also making important contributions to Turkish basketball and to our country's sports in general.
- In line with the importance that it gives to its own feeder teams, Türk Telekom provides assistance and support to the feeder teams of other sports clubs so that children and teenagers everywhere may grow up in good physical and mental health.
- In addition to such sports investments, Türk Telekom gives ongoing support to Turkish sports as a sponsor for such organizations as the General Directorate for Youth and Sports, the Turkish Volleyball Federation, the Turkish Basketball Federation, the Turkish Fencing Federation, and other sports federations as well as for the various events that they hold, such as the First International Black Sea Games and national sports festivals at many venues in Turkey.

## Material Events After the Closing of the Reporting Period

### Audit Committee

Board of Directors elected Mr. Mohammad Hariri as the Chairman of Audit Committee and İbrahim Şahin and Saad Zafer M. Al Kahtani as the members of the Audit Committee on January 7, 2009.

### Avea Unlimited TL 55 flat-rate tariff to all directions

On February 5, 2009 Avea launched Turkey's first and only postpaid tariff that allows unlimited calls in all directions within the country irrespective of operator for a flat rate of TL 55 a month (TL 66.65 with VAT and SCT). In the weeks that followed, this new schedule induced large numbers of mobile phone subscribers to switch to Avea. However for technical reasons, the company has had to suspend taking on new subscribers under this tariff until the technical problem can be resolved and beginning with April 1, 2009 new subscriptions to the tariff has restarted.

### Collective Bargaining Agreement

Türk Telekom has reached an agreement with the Labor Union and the new collective agreement was signed on April 8, 2009. According to the agreement which covers 18,559 unionized employees for

March 1, 2009-February 28, 2011 period; wage increases for the 1st, 2nd, 3rd and 4th 6-months will be 3%, 3.5%, 2.5% and 2.5%, respectively. There will also be an inflation adjustment only for 3rd and 4th six months. If CPI exceeds the 3rd and 4th 6-month wage increases, 75% of the difference will be compensated. There will not be any inflation related adjustment for the first two 6-months period.

### Fenercell

The first implementation of Avea's "Mobile Telecommunications Cooperation" service model in Turkey was launched on February 23, 2009 with Fenerbahçe Sports Club. Under the agreement, Fenerbahçe Sports Club will be conducting all of its related activities under its wholly-owned subsidiary, Fenerbahçe İletişim Hizmetleri, and will be marketing its products under the "Fenercell" trademark. This agreement represents a significant and ground-breaking venture in the Turkish mobile market, where existing opportunities to compete are severely limited. Fenercell will also create opportunities to supply technology-assisted value added services to fans while also providing them with normal mobile telephony and SMS services at competitive prices.

### Extraordinary General Meeting

Our company held an extraordinary general meeting on February 25, 2009 at which it was decided to invest the Board of Directors and/or one or more board members designated by the board with the authority to approve the acquisition of one or more companies by our company and/or by companies in our group, except that the total cost of such acquisitions shall not exceed USD 1,000,000,000 (one billion US dollars) in 2009.

### Final Offer for Cosmofon Tender

On March 13, 2009 our company submitted its final offer for Cosmofon tender for which it is disclosed that Türk Telekom made a non-binding offer on December 17, 2008. Cosmofon is a mobile operator in Macedonia and fully owned by OTE of Greece.



Jettvel: A great innovation from Türk Telekom that lets you talk as much as you want.

### Türk Telekom's interconnection claim from Turkcell

The Court decided to reject the case filed by Turkcell İletişim Hizmetleri A.Ş. against Türk Telekom for its demand that TL 30,067,503 resulted from inadvertent missing accrual of the amount due under the Interconnection Agreement shall be paid by Turkcell to Türk Telekom until May 31, 2002. The decision dated December 25, 2008 which was received by Türk Telekom on March 13, 2009 confirms that Türk Telekom has a receivable of TL 30,067,503 (capital) from Turkcell. Interest shall also be added to the said amount.

### Jettvel Tariffs

Our company started to offer 3 new tariffs to its customers in January 2009, called Jettvel. Our customers, who choose one of the Jettvel tariffs below, will have the advantage of talking more on the phone paying the fee of single tariff they choose according to their needs. Every customer who migrates to one of the Jettvel tariffs until December 2009, will gain free minutes as much as in package minutes used during the first three invoice periods.

#### Jettvel 100:

- Monthly Tariff Fee (including VAT and SCT): TL 19,
- Description of Tariff: Monthly tariff fee includes 100 minutes of free local calls.

#### Jettvel 200:

- Monthly Tariff Fee (including VAT and SCT): TL 23,
- Description of Tariff: Monthly tariff fee includes 200 minutes of free local calls.

#### Jettvel 300:

- Monthly Tariff Fee (including VAT and SCT): TL 27,
- Description of Tariff: Monthly tariff fee includes 300 minutes of free local calls.

Our company also launched Jettvel 600 tariff as of April 1 for its customers preferring to stay with the limited packages at the end of the campaign period but in need of a bigger minute package, while the campaigns for Jettvel 100, 200 and 300 main tariffs are continuing. Tariff fee for Jettvel 600 is TL 39, including 600 minutes of free local calls and all taxes.

### Jettfon Tariffs

Our company started to offer unlimited tariffs to its customers on April 1, 2009. With Jettfon Plus Turkey all local and long distance calls are offered over the single tariff fee. With Jettfon Plus Turkey, which is a combination of Jettfon main tariff which is TL 55 per month including all taxes and Plus Turkey additional package which is TL 7 per month including all taxes, our customers will talk to all routes by just paying TL 62.

With Jettfon, which is local unlimited main tariff, all our individual customers paying TL 55 for local calls including all taxes and fixed fee will be able to talk unlimitedly.

With the Plus Turkey additional package, which can be bought along with all Jettvel main tariffs and Jettfon main tariff, our customers who will be able to talk long distance unlimitedly paying an additional fee of TL 7, will also talk to all directions without any fee.

Jettfon tariffs are valid only for fixed line calls and fair usage right is 3,000 minutes per month.

## Board of Directors

The members elected to the seats on the Board of Directors and the Audit Board at the Türk Telekom Extraordinary General Assembly Meeting on 14 November 2008 are listed hereinbelow. 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.



**1- 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 the Chairman of the Board of Avea. Elected as a member of the Board of Directors of Türk Telekom on 14 November 2005, Mohammed Hariri has been serving as the Chairman of the Board since April 22, 2008 and as the Chairman of the Audit Board since June 16, 2008.



**2- 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 has been a member of the Audit Board of Türk Telekom since December 31, 2002, Vice-chairman of the Board of Directors since June 1, 2007, and a member of the Audit Committee since June 16, 2008.



**3- Dr. Paul (Boulos H.B.) Doany**  
**Member-CEO- Executive Director**

(1955) After his graduation from Electrical/Electronics Engineering (AUB, Beirut, 1977), Paul Doany received his MSc degree in Digital Electronics and Communications Engineering (Bradford University, UK, 1978), and his PhD degree in Communications Engineering (UMIST, Manchester, UK, 1981). Dr. Paul Doany 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 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. After the 55% block share acquisition by Oger Telecom in November 2005, he was appointed as Executive Director of the Board on November 14, 2005. Between November 14, 2005 and April 22, 2008 he served as the Chairman of the Board. Dr. Doany is the CEO of Türk Telekom since March 2, 2006. He also serves as the Chairman of Argela, iINNOVA, Sebit, AssisTT and TTNET, the wholly owned subsidiaries of Türk Telekom, and on the board of Avea, the GSM operator, in which Türk Telekom controls 81%.



**7- Basile Yared**  
**Member**

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



**8- İsmet Yılmaz**  
**Member**

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



**9- Dr. Ali Arıdur**  
**Member**

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



**4- 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. Samir Asaad O Matbouli has been a member of the Board of Directors of Türk Telekom since 30 July 2008.



**5- 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 of the Audit Board since January 7, 2009.



**6- Abdullah Tivnikli**  
**Member**

(1959) After getting his B.S. in Mechanical Engineering from İstanbul Technical University, Abdullah Tivnikli received his MBA from 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 Katılım Bankası. He was a member and subsequently the Vice Chairman of the Board of Directors of Kuveyt Türk Katılım Bankası. He is presently in the management of Eksim Group. He serves in the Board of Türk Telekom since November 14, 2008.

**AUDIT BOARD**

**Efkan Ala**

**Statutory Auditor**

(1965) He holds a degree from İstanbul 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. Dr. Aydın Gülan**

**Statutory Auditor**

(1962) After getting his degree in law from İstanbul 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 İstanbul University. He conducted doctorate research at the Bourgogne University in France in 1989 and 1990. In 1995, he got his Ph.D. with his thesis titled "Legal Regime Governing the Procedures for Public Property Use", which was later printed as a book. He was appointed

as an assistant professor in 1996. He became an associate professor in 2000 with his thesis "The 'Dough Rule' in the Turkish Zoning Law (A Theoretical Approach to the Implementation of Article 18 of the Development Law no. 3194)". He received the title Professor in 2008. He currently serves as a faculty member at the Administrative Law Department at the same university. Aydın Gülan has been serving as a statutory auditor at Türk Telekom since November 14, 2008.

**Assoc. Prof. Tuna Tuğcu**

**Statutory Auditor**

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

**AUDIT COMMITTEE**

**Mohammed Hariri**

**Chairman of the Audit Committee**

**İbrahim Şahin**

**Member of the Audit Committee**



**10- 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. Camialtı Shipyard. He worked as the Investment Planning and Supervision Branch Manager at the Directorate General of Coastal Safety, Head of Research, Planning and Coordination Department at the Undersecretariat for Maritime Affairs, Assistant General Manager of PTT, Director General at the Coastal Safety and Ship Rescue, and Assistant Undersecretary and Undersecretary at the Ministry of Transportation. Mehmet Habib Soluk has been a member on the Board of Directors of Türk Telekom since November 14, 2008.

Other members who served on the Boards of Directors and on the Audit Board of Türk Telekom during the reporting period are listed hereinbelow:

| First and Last Name     | Position                          | Term of Office<br>Started on | Term of Office<br>Expired on |
|-------------------------|-----------------------------------|------------------------------|------------------------------|
| Rıza Metin Ercan        | Board Member – Executive Director | 14.11.2005                   | 14.11.2008                   |
| Hüseyin Altaş           | Board Member                      | 15.01.2004                   | 14.11.2008                   |
| Mehmet Emin Başer       | Board Member                      | 14.11.2005                   | 14.11.2008                   |
| Ghassan Taher Fadlallah | Board Member                      | 14.11.2005                   | 30.07.2008                   |
| Ayman al Hariri         | Board Member                      | 14.11.2005                   | 30.07.2008                   |
| Mehmet Solgun           | Statutory Auditor                 | 29.06.2007                   | 14.11.2008                   |
| İsmet Yılmaz            | Statutory Auditor                 | 07.11.2007                   | 14.11.2008                   |

## Senior Management



**1- Dr. Paul Doany**  
**CEO**

Please see page 50 for Dr. Paul Doany's resume.



**2- Celalettin Dinçer**  
**VP Operations**

(1965) After getting his degree in Electronic Communications Engineering from the Faculty of Electrical and Electronic Engineering at İstanbul Technical University, he started his career as an engineer with PTT İstanbul Region Directorate. He was later promoted to Data Processing Manager at the same place, and then appointed as Data Processing Department Head at Türk Telekom in 2000. Celalettin Dinçer became an Assistant General Manager in 2001.



**3- Ersin Topçuoğlu**  
**VP Finance**

(1958) Ersin Topçuoğlu holds a degree in Business Administration from the Faculty of Administrative Sciences at Boğaziçi University. He worked for Uluslararası Endüstri ve Ticaret Bank, and then for Türk-Pirelli Lastikleri A.Ş. for more than 15 years, where he was the CFO when he left the company in 2000. He then served first as an Administrative Coordinator, and later as General Manager at Yıldız Holding, Ülker Group. He was the CFO in charge of Foreign Operations at the Ülker Group. Ersin Topçuoğlu joined Türk Telekom in 2006.



**7- 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 International Law 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 Law School at the University of Wisconsin in 2001 and 2002, and worked as senior attorney at Birsell Law Offices between 2002 and 2005. Dr. Mehmet Kömürcü joined Türk Telekom in 2005.



**8- Tunç Yorulmaz**  
**VP Strategy and Business Development**

(1968) After graduating from Military Academy, Tunç Yorulmaz got a B.S. in electronic engineering from Boğaziçi University and an MBA from the International University of Japan. After starting his career as a manager at Andersen Consulting Tokyo, he became a managing partner at Accenture London. Tunç Yorulmaz joined Türk Telekom in 2007.



**9- Erem Demircan**  
**VP Marketing and Communications**

After graduating from Department of Electronic Engineering at Boğaziçi University, he served in a variety of capacities with Koç Group companies (mainly Arçelik) both in Turkey and abroad for seventeen years, including the position of assistant general manager responsible for sales and marketing at Beko and a seat on the board of directors at Grundig. Erem Demircan became Türk Telekom's Vice President responsible for Marketing in December 2006 and Vice President responsible for Corporate Relations in September 2007. He has been Vice President responsible for Marketing and Communications at Türk Telekom since April 2008.



**4- Mehmet Candan Toros**  
**VP International and Wholesales**  
 (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. After serving as Satellite Communications Center Manager and Department Head at PTT and Türk Telekom, Mehmet Candan Toros was appointed as the Assistant General Manager for Sales and Marketing in 2003. He is the Vice President responsible for International and Wholesales since 2008.



**5- Şükrü Kutlu**  
**VP Regulations and Support Services**  
 (1970) After getting his degree from Ankara University Faculty of Law, Şükrü Kutlu worked as an assistant auditor, auditor, and chief auditor at the Turkish Court of Accounts. Currently serving as a member on the boards of directors of TCDD (Turkish State Railways) and Türksat Uydu Haberleşme ve İşletme A.Ş., Şükrü Kutlu joined Türk Telekom in 2003.



**6- Kamil Gökhan Bozkurt**  
**VP Human Resources**  
 (1971) Kamil Gökhan Bozkurt holds a graduate degree in Economics from Bilkent University, and holds a master's degree in Economics from Johns Hopkins University, USA. After the Trade Finance Department of Islamic Development Bank (IDB), he joined Ziraat Bankası in 2003 as Senior Manager responsible for Financial Institutions. He also held seats as Board Member in Ziraat Bank Moscow CJSC and Ziraat Bank International AG. He joined Halkbank as Executive Vice President responsible for Organization and Human Resources in March 2004, and in this capacity he was the project leader of the Halkbank-Pamukbank merger. He was appointed as Executive Vice President responsible for Financial Institutions and International Banking in April 2006. He was an active participant of Privatization Committee for Halkbank. He was a member of the Board of Directors of Birlik Insurance. He joined Türk Telekom as Vice President responsible for Human Resources in 2006.



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



**11- Paul Taylor**  
**Deputy VP Commercial Transformation**  
 (1960) He graduated from the Chartered Institute of Marketing, where he also received his master's degree. He held various senior executive positions at the British Telecom, Cable & Wires Oger Telecom. Paul Taylor joined Türk Telekom in 2006.



**12- 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.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Corporate Governance Principles Compliance Report

#### Statement of Compliance with Corporate Governance Principles

With 15% of its shares publicly held after the IPO carried out on May 15, 2008, Türk Telekomünikasyon A.Ş. ("Türk Telekom") pays utmost attention for implementing the principles contained in the Corporate Governance Principles published by the Capital Markets Board of Turkey ("CMB"). The Company updates its annual and interim activity reports and corporate website, and makes them available to its shareholders to satisfy the said principles. Shareholders have access to comprehensive information through the Türk Telekom corporate website constantly kept up-to-date, as well as the possibility to direct their queries to the Capital Markets and Investor Relations Department.

#### 1. Shareholders

##### 1.1. Investor Relations Unit

At Türk Telekom, a Capital Markets and Investor Relations Department ("the Department") has been formed which reports directly to the CEO with respect to structured maintenance of relationships with existing and potential shareholders, effectively responding to the queries by investors and analysts, and carrying out the activities targeted at increasing the Company's share value. The Department is supervised by the CFO in matters related to the financial reporting process. Investor relations are carried out by this Department.

Primary activities handled by the Department so as to fulfill the requirements of the capital market legislation and achieve compliance with Corporate Governance Principles are as follows:

- Handling necessary internal and external disclosures and monitoring related processes,
- 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 on the principles of timeliness, accuracy and completeness,
- 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 accurately and completely,
- 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:

| First & Last Name   | Title                | Phone             | Email                 |
|---------------------|----------------------|-------------------|-----------------------|
| Abdullah Orkun Kaya | Director             | +90 212 318 77 60 | ir@turktelekom.com.tr |
| Süleyman Kısaç      | Manager              |                   |                       |
| Yunus Emre Çiçek    | Manager              |                   |                       |
| Ziya Parıltılı      | Specialist           |                   |                       |
| Seda Ağın           | Assistant Specialist |                   |                       |
| Ayça Özcan          | Team Assistant       |                   |                       |

The Department received more than 250 information requests by phone and email from May 15, 2008 until the end of the year, all of which were answered. The Company participated in three international and two domestic investor conferences in the same period, whereby contacts were held with over 140 representatives from nearly 100 investment enterprises. In addition, the Department held about 35 investor meetings and 15 teleconferences, thereby communicating with more than 90 shareholders and/or analysts, and ensured that all queries have been fully responded to.

##### 1.2. Shareholders' Exercise of their Right to Obtain Information

Queries, other than those relating to trade secrets and undisclosed information, received from shareholders and analysts by the Capital Markets and Investor Relations Department by letter, phone, email and other means are answered in the fastest and most effective way possible upon contacting the relevant person with highest authority on the related matter. Over 250 information requests received by Türk Telekom in the relevant period were answered. Furthermore, information and developments relating to Türk Telekom that are of interest to shareholders are regularly communicated to the concerned parties both by the corporate website and emails.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Corporate Governance Principles Compliance Report

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](http://www.turktelekom.com.tr) is periodically updated. Further details are presented under the heading 'Corporate Website and its Content' below.

The Company's activities are periodically audited by independent auditors and statutory auditors appointed by the General Assembly upon proposal by the Board of Directors. Independent auditing of 2008 activities was carried out by Ernst and Young, which performs its audit and financial advisory services under the legal entity Güney Bağımsız Denetim ve SMMM A.Ş. In the reporting period, shareholders did not request 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

- With the resolution numbered 2 at the meeting numbered 1 held on January 9, 2008, it was decided:  
To establish a common Infrastructure system for GSM Operators and the principals to lease them for five years and more than five years were determined,
- With the resolution numbered 6 at the meeting numbered 2 held on February 19, 2008, it was decided:  
To amend the Articles of Association of the Company within the scope of Initial Public Offering to comply with Capital Markets Act and other related legislation and to apply to obtain the necessary approvals from the Capital Markets Board and the Ministry of Industry and Commerce and subsequent to the obtaining necessary approvals to complete the legal operations and present for approval of General Assembly, and to authorize the General Management to carry out all the transactions related to public offering,
- With the resolution numbered 7 at the meeting numbered 3 held on February 28, 2008, it was decided:  
To approve the budget for 2008 being prepared in accordance with the principals of Capital Market Board Communiques (IFRS) and five-year development plan,
- With the resolution numbered 16 at the meeting numbered 8 held on April 22, 2008, it was decided:  
To pay half of the Company's 2007 financial year total distributable profit, TRY 2,743,604,969.86, on which distribution decision was made, until the end of April and to pay the remaining amount by three equal installments in accordance with the financial capacity of the Company at the end of June, July, August,
- With the resolution numbered 18 at the meeting numbered 8 held on April 22, 2008, it was decided:  
To elect the Board Member Mohammad Hariri as the Chairman of the Board of Directors, thus to terminate the chairmanship term of Dr. Boulos H.B Doany,
- With the resolution numbered 22 at the meeting numbered 9 held on April 25, 2008, it was decided:  
To amend the related provisions of the Articles of Association to make them in accordance with the Capital Market Board Law, other related law and regulatory provisions as part of the Initial Public Offering of a portion of the Company' shares, to apply for required authorization to Capital Market Board and Ministry of Commerce, to complete the legal procedure after getting the authorization, to submit all of those issues for the General Assembly approval and to authorize the General Management to make the Initial Public Offering related transactions,
- With the resolution numbered 24 at the meeting numbered 9 held on April 25, 2008, it was decided:  
To apply the second alternative from the alternative methods mentioned in the footnote numbered 2.2. of the consolidated financial tables in 2007 Annual Report that was prepared as of December 31, 2007 and approved with the decision of the Board of Directors dated April 8, 2008 and numbered 15 related to the "Service Concession Agreement" that was published by the International Financial Reporting Interpretations Committee ("IFRIC") and is applicable as of January 1, 2008,
- With the resolution numbered 29 at the meeting numbered 13 held on June 2, 2008, it was decided:  
To make Boulos H.B Doany, Member of the Board of Directors and CEO, severally authorized for the following issues, as part of the procedures for which the Company works with CETEL related to privatization of Altelecom,
- To make all deals and transactions -on behalf of the Company- related to finance operations under the loan agreement dated April 18, 2008 and signed among CT Telecom Sh.A whose 100% shareholder is CETEL Telekom İletişim Sanayi ve Ticaret A.Ş., in which Türk Telekom has 20% shares, and the credit grantors
- To sign "Project Funds Agreement", "Security Sharing Agreement", "Subordination Agreement" and all other documents related to finance operations that have to be signed by the Company,
- With the resolution numbered 33 at the meeting numbered 13 held on June 2, 2008, it was decided:

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To authorize Ersin Topçuoğlu, Finance Vice President, or Dr. Mehmet Kömürcü, Legal Vice President, with their several signatures for following issues,

- To approve all deals, transactions and all signed documents, forms -on behalf of the Company- by the managers and officials of the Company related to the public offering of 15% portion of D Class shares that are hold by the Turkish Treasury and to confirm that those documents are binding for the Company,

To make material disclosures by Istanbul Stock Exchange ("ISE") on behalf of the Company and to provide information and documents claimed by Capital Market Board and ISE,

- With the resolution numbered 35 at the meeting numbered 15 held on June 9, 2008, it was decided:

To approve the assignment of Mohammad Hariri and İbrahim Şahin as the Chairman of the Audit Committee and Member of the Audit Committee respectively and to accept the Audit Committee Regulations ,

- With the resolution numbered 38 at the meeting numbered 16 held on July 1, 2008, it was decided:

Since Türk Telekom is interested in purchasing Kyrgyz Telecom, Dr. Boulos H.B Doany, Executive Committee Chairman and CEO, be individually authorized for all relevant preparations and Dr. Boulos H.B Doany, İbrahim Şahin, Vice Chairman of the Board of Directors and Emin Başer, Member of the Board of Directors and Executive Committee be authorized jointly for the issues regarding the determination of the tender offer price, accomplishing the transactions in case Türk Telekom is awarded as the winning bidder, and signing all kinds of necessary agreements including any financing agreements.

- With the resolution numbered 41 at the meeting numbered 16 held on July 1, 2008, it was decided:

To authorize Dr. Boulos H.B Doany, Executive Committee Chairman and CEO, İbrahim Şahin, Vice Chairman of the Board of Directors and R. Metin Ercan, Member of the Board of Directors and Executive Committee, jointly for carrying out the negotiations and for signing agreement with Galatasaray Club regarding sponsorship and naming rights.

- With the resolution numbered 44 adopted on July 30, 2008, it was decided:

In accordance with the Article 315 of the Turkish Commercial Code, Saad Zafer M AL KAHTANI shall be elected as the member of the Board of Directors in place of Ayman Al Hariri who has resigned from the Board of Directors Membership.

- With the resolution numbered 45 adopted on July 30, 2008, it was decided:

In accordance with the Article 315 of the Turkish Commercial Code, Samir Asaad O MATBOULI shall be elected as the member of the Board of Directors in place of Ghassan Taher FADLALLAH who has resigned from the Board of Directors Membership.

- With the resolution numbered 47 at the meeting numbered 18 held on August 18, 2008, it was decided:

Our Company's participation in the tender regarding the privatization of Kyrgyztelecom shares shall be approved.

- With the resolution numbered 50 at the meeting numbered 21 held on October 15, 2008, it was decided:

To make an Extraordinary General Assembly meeting on November 14 (Friday) with the resolution of the Board of Directors meeting dated October 15, 2008 and to discuss the submission of the board members who have been temporarily elected for vacant spots as per the Board resolution dated July 30, 2008 in compliance with Article 315 of the Turkish Commercial Code, the approval of the Shareholders; approval of the membership title of these members to be effective as of the election date and to fill the remaining period of the members they have replaced and to elect the Members of Board of Directors and Statutory Audit Board, to determine the executive directors.

#### 1.4. Information about General Assembly Meetings

Article 19 thereof 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 Manner;

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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 2008, 2007 Ordinary General Meeting was convened on April 15, 2008 where all of the Company shares were represented in proxy, and an Extraordinary General Meeting was convened on April 30, 2008, where all of the Company shares were again represented in proxy. After 15% of the Company shares started to be traded on the İstanbul Stock Exchange (ISE) on May 15, 2008, another Extraordinary General Meeting was held on November 14, 2008, where a quorum of 87.3% was attained and all attending shareholders were represented in proxy.

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.

At the 2007 Ordinary General Assembly Meeting convened on April 15, 2008, the balance sheet and profit and loss accounts for 2007 were approved unanimously, and the members of the Board of Directors and Audit Board were acquitted. Also it has been unanimously decided to distribute the 2007 profit to Ojer Telekomünikasyon A.Ş. and the Undersecretariat of Treasury pro rata their shareholding, to complete the dividend distribution within 2008 and to authorize the Board of Directors to set a schedule therefor. Unanimous agreement has been attained also to approve the membership of the newly appointed Statutory Auditor to serve for the remaining term of office pursuant to Article 315 and 351 of the Turkish Commercial Code. The matters related to the said Ordinary General Assembly Meeting were published in the Turkish Trade Registry Gazette 7048 dated April 24, 2008.

An Extraordinary General Assembly Meeting was convened on April 30, 2008, where it has been unanimously agreed to amend certain articles of the Company's Articles of Association concerning public offering procedures. At the Special General Assembly Meeting of Preferred Stockholders Shareholders held on the same day, it has been unanimously decided to approve the decisions adopted at the 2008 Extraordinary General Assembly Meeting. Minutes of the Extraordinary General Assembly Meeting in relation to the said amendment of the Articles of Association, minutes of the Special General Assembly Meeting of Preferred Stockholders, and the amended provisions of the Company's articles of association were published in the Turkish Trade Registry Gazette 7054 dated May 2, 2008. On November 14, 2008, an Extraordinary General Assembly Meeting was convened, where it was decided to approve, as per Article 315 of the Turkish Commercial Code, the memberships of Zafer M Al Kahtani and Samir Asaad O Matbouli, who were appointed by the Board of Directors resolutions numbered 44 and 45 dated July 30, 2008 to the vacated seats on the Board of Directors, effective from the date of their election and to serve until the expiration of the terms of office of the members they are succeeding. After reading out the names of the nominees to memberships on the Board of Directors and the Audit Board and of the nominees for Executive Directors contained in

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the proposals presented by the Class A Shareholder Ojer Telekomünikasyon A.Ş. as per Article 8 of the Company's Articles of Association, and by the Ministry of Transportation on behalf of the Class B and C Shareholder T.R. Prime Ministry Undersecretariat of Treasury as per Article 6 of the Company's Articles of Association, it was decided to appoint Mohammed Hariri, Boulos H.B Doany, Basile Yared, Saad Zafer M Al Kahtani, Samir Asaad O Matbouli, and Abdullah Tivnikli to represent Class A shareholder for a three-year term of office, İbrahim Şahin, İsmet Yılmaz, and Ali Arıdurur to represent Class B shareholder for a three-year term of office, and Mehmet Habib Soluk to represent the Class C golden share for a three-year term of office to the seats on the Board of Directors. It was also resolved to sustain the personnel rights of the elected Board of Directors members as before; and to designate Boulos H.B Doany elected to represent the Class A shareholder as the Executive Director. With respect to the election of the members of the Audit Board, it was decided to appoint Efkân Ala to represent the Class C golden share to serve a term of office of three years, and to appoint Ass. Prof. Tuna Tuğcu and Prof. Aydın Gülan nominated on behalf of the T.R. Prime Ministry Undersecretariat of Treasury as per the Deed of Consent issued by the Class A shareholder Ojer Telekomünikasyon A.Ş. to the Undersecretariat of Treasury to the other two seats on this Board; it has been decided to sustain the personnel rights of the elected Statutory Auditors as before. In addition, it has been declared that the Executive Committee has been abolished by the Board of Directors resolution no. 54 dated November 13, 2008. The matters in relation to the said Extraordinary General Assembly Meeting were published in the Turkish Trade Registry Gazette 7193 dated November 20, 2008. Furthermore, the Company's related material event disclosure was also published in the ISE daily bulletin of November 14, 2008. The minutes of the General Assembly Meeting can be accessed at all times by the shareholders at [www.turktelekom.com.tr](http://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.

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

There are no cross shareholding interests in the Company's share capital. Since the implementation of cumulative voting right is left to the discretion of publicly held joint stock companies by the relevant CMB communiqué, this system was not implemented by the Company in 2008.

#### 1.6. Dividend Distribution Policy and Timing

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

There is no dividend distribution policy accepted by the Company's Board of Directors. 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.

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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 No: VIII, No: 54 and CMB's Corporate Governance Principles. The policy has been approved and put into effect by the Board of Directors. The disclosure policy is posted on the corporate website -www.turktelekom.com.tr- under the 'Corporate Governance' heading under the Investor Relations section. The Capital Markets and Investor Relations Department is responsible for the monitoring and development of the said policies, and the names and duties of the relevant responsibility owners are listed under the heading Investor Relations Unit. These individuals cooperate closely with the Audit Board and the Board of Directors in the fulfillment of these responsibilities.

### 2.2. Regulatory Disclosures of Material Events

Pursuant to the CMB Communiqué on Principles Governing Disclosure of Material Events, Türk Telekom made 47 material event disclosures in 2008 in relation to the matters affecting the Company and its operations. The material event disclosures made are also regularly communicated by e-mail to domestic and international investors by the Capital Markets and Investor Relations Department. The ISE did not require any additional explanations in relation to material event disclosures, nor were there any sanctions imposed by the CMB on account of failure to comply with material event disclosure requirements.

### 2.3. Corporate Website and its Content

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

- Detailed information on corporate identity
- Vision, mission and values
- Company organization and ownership structure
- Information on the members of the Board of Directors and Company's senior management
- The Company's Articles of Association
- Trade registration data
- Financial data, annual and interim activity reports
- Press releases
- Investor presentations
- Investor calendar
- Date and agenda for the General Assembly meeting
- Minutes and attendance roster of the General Assembly meeting

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- Sample power of attorney
- Disclosure policy
- Telecom glossary
- Share performance and analyst coverage
- Public Offering Subscription Circular and Prospectus
- Türk Telekom Call Center and Contact Information
- Contact information for the Capital Markets and Investor Relations Department
- Information on Türk Telekom's social responsibility projects
- Regulatory disclosure of material events
- Activities carried out within the frame of corporate governance principles and Türk Telekom Corporate Governance Principles Compliance Report

#### 2.4. Company's Shareholding Structure

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

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

As publicly disclosed in the Public Offering Prospectus, the real and legal persons directly or indirectly holding a stake in the Company's share capital are listed below:

Holding 55% stake in the Company, Ojer Telekomünikasyon A.Ş. is owned by Oger Telecom Limited by 99% and Saudi Oger Limited by 1%. STC Turkey Holding Limited, Oger Telecom Saudi Arabia Limited, and Saudi Oger Limited have respective shares of 35%, 26% and 23.54% in Oger Telecom Limited, whereas the remaining 15.5% is held by other persons holding less than 5% share. STC Turkey Holding Limited is wholly owned by Saudi Telecom Company. 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 3.9% and Rawad Telecommunication Company 2.8% share. The shares in Saudi Oger Limited are totally owned by Rafiq Hariri Family.

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

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

### 3. Stakeholders

#### 3.1. Keeping Stakeholders Informed

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

#### 3.2. Stakeholder Participation in Management

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

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#### 3.3. Human Resources Policy

##### Recruitment

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

##### Development

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

##### Working Culture

Türk Telekom makes it a goal to establish an ongoing relationship with its employees and stakeholders built on respect, trust and ethical values, adhering to the corporate culture built and maintained on the basis of respect and sharing, as well as its principles which are identified as being customer focused, trustworthy, innovative, responsible and dedicated.

#### 3.4. Relations with Customers and Suppliers

With a view to enhancing customer satisfaction, the project "Customer Retention Management" went live in February. Within the scope of the project, teams at the call center contact our customers in an effort to understand the problems they are faced with and solve their issues, if any. As a step aimed at enhancing the satisfaction from services of Türk Telekom, our customers are guided to transfer to the tariff that best suits their telephone usage behaviors, and they are provided with advisory on this subject. In addition, information is offered on campaigns that provide optimum benefits to our customers, thereby trying to increase the benefit our customers derive from Türk Telekom.

#### 3.5. Social Responsibility

Acting on the convergence strategy in its technology investments throughout 2008 coupled with the group synergy attained, the Türk Telekom Group reflects the same strategy in its social responsibility activities.

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

### 4. Board of Directors

#### 4.1. Structure of the Board of Directors

The formation of the Company's Board of Directors is presented below:

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

Pursuant to Article 8 of Türk Telekom's Articles of Association, holder of Class A shares is entitled to make six nominations in the election of the Board of Directors members, and the Undersecretariat of Treasury, the holder of Class B shares, to make three nominations so long as it holds 30% or more of the Company's share capital. The Class C share is represented by one member on the Board of Directors. In line with these provisions of the Articles of Association, currently there are no independent members on the Board of Directors of Türk Telekom. Since Article 8 of the Articles of Association stipulates that holder of Class A shares and the Treasury will be entitled to

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nominate individuals to be elected as an independent Board member upon reaching a mutual agreement, provided that the Undersecretariat of Treasury holds less than 30% but 15% or more of the Company's share capital, it will be possible to have an independent member on the Company's Board of Directors.

#### 4.2. Qualifications of Board Members

The qualifications required for the members of the Board of Directors have been set out in Article 9 of the Company's Articles of Association. The said provision is applied with respect to the qualifications of Board members.

#### 4.3. Mission, Vision and Strategic Goals of the Company

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

#### 4.4. Risk Management and Internal Control Mechanism

Founded in 1840 under the name "Postahane-i Amirane" meaning Post Office Authority, Türk Telekomünikasyon A.Ş. has taken place among the strongest companies at any time throughout its 168 years of history due to the efficient internal audit and internal control infrastructure which have become established and turned into corporate culture at the organization, as well as its capability to immediately keep pace with the advancements that take place in technology.

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

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

#### 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 the practices that are aligned with Articles 334 and 335 of the Turkish Commercial Code in this respect.

#### 4.8. Code of Ethics

The code of ethics that is the key for the Company's success, as well as for the personal success of our employees, has been approved by the Board of Directors. The Code of Ethics is a body of rules that must be abode by the Company executives in particular, and all employees in general, while also leading other employees to act in compliance with these principles. The Code of Ethics is of a complementary nature to Türk Telekom Disciplinary Principles.

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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:

#### Resource Utilization

Utmost attention will be paid in the utilization of the Company's all tangible and intangible resources and 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.

#### Fixture and Stationery Use

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.

#### Protecting 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.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Corporate Governance Principles Compliance Report

#### Common Work Areas

Posters, fliers or ready-made notes other than those allowed by the management may not be posted in the Company's common work areas. 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 Presents, Donations 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, cheques, 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.

#### Conflicts 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 may not derive personal benefits from customers/suppliers, may not facilitate transfer of benefits by establishing an intermediary relation between customers/suppliers. They 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.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Corporate Governance Principles Compliance Report

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 June 9, 2008. Mohammed Hariri and İbrahim Şahin have been elected to serve as the chairman and member of this committee, respectively. 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 Corporate Governance Committee has not been formed at the Company yet, which has listed in May. 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.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Dividend Distribution for 2008

#### About Dividend Distribution

The resolution numbered 18 of our Company's Board Meeting on 09.04.2009 about Dividend Distribution Proposal and the Dividend Distribution Table, which is prepared in accordance with CMB announcement on "2008 Dividend Distribution" is the following;

Our Company's Board of Directors decided to recommend to distribute the 100% of the remaining profit of 2008 as cash dividend after first and second legal reserves are set aside which is 1,490,156,976.53 TL to the General Assembly to be held on May 11, 2009. This amount corresponds to 0.4257591 Kurus (42.57591%) gross cash dividend per each share worth for 1 Kurus nominally.

The details of the Board Resolution to be proposed to General Assembly are the following,

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

1. Our company's net profit of the fiscal year 2008 according to the independently audited consolidated financials prepared in accordance with "CMB Communique About Financial Reporting in Capital Markets Serial: XI No:29" is 1,752,212,271.97 TL and according to the Turkish Commercial Code clauses is 2,610,791,955.67 TL,
2. According to the CMB announcement dated January 12, 2009, the profit after tax amount of 1,752,212,271.97 TL 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. Accordingly, to set aside the 5% of the statutory net profit which is 130,539,597.78 TL as first legal reserves for 2008.
4. After setting aside the first legal reserve of 130,539,597.78 TL from consolidated net profit of 1,752,212,271.97 TL (base amount for dividend distribution), remaining 1,621,672,674.19 TL shall be the distributable profit of 2008. Adding the donations made in 2008 of 12,390,000 TL, 1,634,062,674.19 TL shall be the base for first dividend.
5. The minimum dividend payout ratio determined by CMB for 2008, 20% of 1,634,062,674.19 TL (first dividend base) shall be distributed as cash first dividend. The second legal reserve of 131,515,697.65 TL shall be set aside and the remaining 1,163,344,441.69 TL shall be distributed as cash second dividend.
  - a. Total cash dividend amount to be distributed of 1,490,156,976.53 TL shall be covered by current period net profit
  - b. Accordingly 0.4257591 Kurus (42.57591%) gross cash dividend per each share worth for 1 Kurus nominally shall be distributed to our shareholders and total gross cash dividend distribution amount shall be 1,490,156,976.53 TL.
6. The distribution of the cash dividends to our shareholders shall begin on May 27, 2009, at Merkezi Kayıt Kuruluşu A.Ş. Süzer Plaza Askerocağı Caddesi No: 15 Kat: 2 34367 Elmadağ-Şişli İstanbul.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### 2008 Dividend Distribution of Türk Telekomünikasyon A.Ş. (TL)

|                                                                | (TL)          |
|----------------------------------------------------------------|---------------|
| 1) Paid/Issued Capital                                         | 3,500,000,000 |
| 2) Total Legal Reserves (in accordance with statutory records) | 1,231,128,832 |

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                                                                                                                      | 2,260,990,849 | 3,252,367,038                  |
| 4) Tax Expenses (-)                                                                                                                           | 508,778,577   | 641,575,082                    |
| 5) Net Profit for the Period (=) (3-4)                                                                                                        | 1,752,212,272 | 2,610,791,956                  |
| 6) Prior Years' Losses (-)                                                                                                                    | 0             | 0                              |
| 7) First Legal Reserves (-) ((5SR-6SR)*0,05)                                                                                                  | 130,539,598   | 130,539,598                    |
| 8) NET DISTRIBUTABLE PROFIT (=) (5-6-7)                                                                                                       | 1,621,672,674 | 2,480,252,358                  |
| 9) Donations made during the year (+)                                                                                                         |               | 12,390,000                     |
| 10) Net distributable profit including donations that is the base of calculation of first legal reserves(8+9)                                 | 1,634,062,674 |                                |
| 11) First Dividend<br>(10*the minimum rate determined by CMB)                                                                                 |               |                                |
| - Cash                                                                                                                                        | 326,812,535   |                                |
| - Share                                                                                                                                       |               |                                |
| - Total                                                                                                                                       |               |                                |
| 12) Dividend paid to preference shares<br>(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 redeemed share owners                                                                                                    |               |                                |
| 15) Second Dividend                                                                                                                           |               | 1,163,344,442                  |
| 16) Second Legal Reserves ((11+12+13+14+15+20)-(H4*0,05))/10                                                                                  | 131,515,698   |                                |
| 17) Status Reserves                                                                                                                           | 0             |                                |
| 18) Special Reserves                                                                                                                          | 0             |                                |
| 19) EXTRA ORDINARY RESERVES 5-(6+7+11+12+13+14+15+16+17+18)                                                                                   | 0             |                                |
| 20) Other Distributable Sources                                                                                                               |               |                                |
| -Prior Years' Profits                                                                                                                         |               |                                |
| -Extra Ordinary Reserves                                                                                                                      |               |                                |
| -Other Distributable Reserves in accordance with legislation                                                                                  |               |                                |

## **Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

Consolidated Financial Statements as of 31 December 2008 and Independent Auditors' Report

## 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 of 31 December 2008 and the related consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

#### Management's Responsibility for the Financial Statements

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

#### Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued the CMB. Those standards require that ethical requirements are complied and independent audit was 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 also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

In our opinion, the accompanying financial statements present fairly, the financial position of Türk Telekomünikasyon A.Ş. and its subsidiaries as of 31 December 2008 and its 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 of 31 December 2008, the accounting principles described in Note 2 (defined as CMB Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting and also for certain disclosures requirement of the CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

Metin Canoğulları, Independent Accountant and Financial Advisor (IAFA)  
Partner

19 February 2009  
İstanbul, Turkey

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Consolidated Balance Sheet as at 31 December 2008

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

|                               | Notes | Current period<br>Audited<br>31 December 2008 | Prior period<br>Audited<br>(Restated Note 2.2)<br>31 December 2007 |
|-------------------------------|-------|-----------------------------------------------|--------------------------------------------------------------------|
| <b>Assets</b>                 |       |                                               |                                                                    |
| <b>Current assets</b>         |       | <b>2.998.480</b>                              | <b>3.224.008</b>                                                   |
| Cash and cash equivalents     | 6     | 1.041.982                                     | 1.332.792                                                          |
| Trade receivables             |       |                                               |                                                                    |
| - Due from related parties    | 10    | 92.944                                        | 83.172                                                             |
| - Other trade receivables     | 8     | 1.324.986                                     | 1.282.263                                                          |
| Financial investments         | 17    | 793                                           | -                                                                  |
| Other receivables             | 12    | 67.188                                        | 23.380                                                             |
| Inventories                   | 13    | 49.080                                        | 37.959                                                             |
| Other current assets          | 15    | 414.147                                       | 456.841                                                            |
|                               |       | 2.991.120                                     | 3.216.407                                                          |
| Assets held for sale          | 19    | 7.360                                         | 7.601                                                              |
| <b>Non-current assets</b>     |       | <b>9.660.966</b>                              | <b>9.546.126</b>                                                   |
| Other trade receivables       | 8     | -                                             | 1.143                                                              |
| Other receivables             |       | 669                                           | -                                                                  |
| Financial investments         | 16    | 11.840                                        | 11.200                                                             |
| Investment property           | 20    | 310.654                                       | 327.291                                                            |
| Property, plant and equipment | 21    | 6.277.125                                     | 6.218.639                                                          |
| Intangible assets             | 22    | 2.734.374                                     | 2.690.937                                                          |
| Goodwill                      | 18    | 48.735                                        | 48.735                                                             |
| Deferred tax asset            | 14    | 272.894                                       | 245.000                                                            |
| Other non-current assets      | 15    | 4.675                                         | 3.181                                                              |
| <b>Total assets</b>           |       | <b>12.659.446</b>                             | <b>12.770.134</b>                                                  |

The accompanying policies and explanatory notes on pages 75 through 140 form an integral part of the financial statements.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Consolidated Balance Sheet as at 31 December 2008

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

|                                                                    | Notes | Current period<br>Audited<br>31 December 2008 | Prior period<br>Audited<br>(Restated Note 2.2)<br>31 December 2007 |
|--------------------------------------------------------------------|-------|-----------------------------------------------|--------------------------------------------------------------------|
| <b>Liabilities</b>                                                 |       |                                               |                                                                    |
| <b>Current liabilities</b>                                         |       | <b>3.548.688</b>                              | <b>2.629.574</b>                                                   |
| Financial liabilities                                              |       |                                               |                                                                    |
| - Bank borrowings                                                  | 7     | 1.285.578                                     | 446.451                                                            |
| - Obligations under finance leases                                 | 9     | 5.233                                         | 4.039                                                              |
| Other financial liabilities                                        |       |                                               |                                                                    |
| - Derivative financial instruments                                 | 17    | -                                             | 20.361                                                             |
| Trade payables                                                     |       |                                               |                                                                    |
| - Trade payables to related parties                                | 10    | 21.517                                        | 7.105                                                              |
| - Other trade payables                                             | 8     | 881.319                                       | 655.298                                                            |
| Other payables                                                     |       |                                               |                                                                    |
| - Other payables to related parties                                |       | -                                             | -                                                                  |
| - Other payables                                                   |       | 29.294                                        | 13.176                                                             |
| Income tax payable                                                 | 33    | 93.882                                        | 212.308                                                            |
| Provisions                                                         | 23    | 232.075                                       | 223.877                                                            |
| Other current liabilities                                          | 12    | 999.790                                       | 1.046.959                                                          |
| <b>Non-current liabilities</b>                                     |       | <b>3.997.151</b>                              | <b>3.980.720</b>                                                   |
| Financial liabilities                                              |       |                                               |                                                                    |
| - Bank borrowings                                                  | 7     | 2.122.904                                     | 1.661.048                                                          |
| - Obligations under finance leases                                 | 9     | 41.527                                        | 36.886                                                             |
| Other financial liabilities                                        |       |                                               |                                                                    |
| - Minority put option liability                                    | 11    | 586.439                                       | 788.000                                                            |
| - Derivative financial instruments                                 | 17    | 209.515                                       | 55.133                                                             |
| Other payables                                                     |       |                                               |                                                                    |
| - Other payables to related parties                                | 10    | 336                                           | -                                                                  |
| - Other payables                                                   |       | 16.094                                        | 13.814                                                             |
| Provisions                                                         | 23    | 5.126                                         | 3.388                                                              |
| Provision for employee termination benefits                        | 23    | 667.148                                       | 965.489                                                            |
| Deferred tax liability                                             | 14    | 338.504                                       | 445.564                                                            |
| Other non-current liabilities                                      | 12    | 9.558                                         | 11.398                                                             |
| <b>Equity</b>                                                      |       | <b>5.113.607</b>                              | <b>6.159.840</b>                                                   |
| <b>Equity attributable to parent</b>                               |       |                                               |                                                                    |
| Paid-in capital                                                    | 24    | 3.500.000                                     | 3.500.000                                                          |
| Inflation adjustments to paid in capital (-)                       | 24    | (239.752)                                     | (239.752)                                                          |
| Other reserves                                                     |       |                                               |                                                                    |
| - Minority put option liability reserve (-)                        | 11    | (386.719)                                     | (436.811)                                                          |
| - Fair value adjustment arising from acquisition of subsidiary (-) | 18    | (294.065)                                     | (294.065)                                                          |
| - Unrealized loss on derivative financial instruments (-)          | 17    | (169.957)                                     | (55.554)                                                           |
| - Share based payment reserve                                      | 35    | 9.528                                         | -                                                                  |
| Currency translation reserve                                       |       | (57)                                          | -                                                                  |
| Restricted reserves allocated from profits                         |       | 1.231.408                                     | 816.348                                                            |
| Accumulated deficit/retained earnings                              |       | (288.991)                                     | 322.810                                                            |
| Net income for the year                                            |       | 1.752.212                                     | 2.546.864                                                          |
| <b>Total liabilities and equity</b>                                |       | <b>12.659.446</b>                             | <b>12.770.134</b>                                                  |

The accompanying policies and explanatory notes on pages 75 through 140 form an integral part of the financial statements.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Consolidated Income Statement for Year Ended 31 December 2008

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

| Notes                                                                                   |       | Current period<br>Audited<br>1 January 2008 -<br>31 December 2008 | Prior period<br>Audited<br>(Restated Note 2.2)<br>1 January 2007 -<br>31 December 2007 |
|-----------------------------------------------------------------------------------------|-------|-------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| <b>Continuing operations</b>                                                            |       |                                                                   |                                                                                        |
| Sales revenue                                                                           | 5     | 10.194.947                                                        | 9.423.567                                                                              |
| Cost of sales (-)                                                                       | 5, 29 | (4.885.789)                                                       | (5.258.137)                                                                            |
| <b>Gross profit</b>                                                                     |       | <b>5.309.158</b>                                                  | <b>4.165.430</b>                                                                       |
| Marketing, sales and distribution expenses (-)                                          | 5, 29 | (1.240.384)                                                       | (972.935)                                                                              |
| General administrative expenses (-)                                                     | 5, 29 | (1.605.569)                                                       | (955.191)                                                                              |
| Research and development expenses (-)                                                   | 5, 29 | (9.817)                                                           | -                                                                                      |
| Other operating income                                                                  | 31    | 310.726                                                           | 345.991                                                                                |
| Other operating expense (-)                                                             | 31    | (54.291)                                                          | (17.146)                                                                               |
| <b>Operating profit</b>                                                                 |       | <b>2.709.823</b>                                                  | <b>2.566.149</b>                                                                       |
| Financial income                                                                        | 32    | 348.899                                                           | 759.112                                                                                |
| Financial expense (-)                                                                   | 32    | (922.578)                                                         | (323.819)                                                                              |
| <b>Profit before tax from continuing operations</b>                                     |       | <b>2.136.144</b>                                                  | <b>3.001.442</b>                                                                       |
| <b>Tax income/(expense) from continuing operations</b>                                  |       |                                                                   |                                                                                        |
| - Current tax expense                                                                   | 33    | (643.728)                                                         | (820.920)                                                                              |
| - Deferred income tax                                                                   | 14,33 | 134.954                                                           | 411.134                                                                                |
| <b>Net profit</b>                                                                       |       | <b>1.627.370</b>                                                  | <b>2.591.656</b>                                                                       |
| <b>Appropriation of period income</b>                                                   |       |                                                                   |                                                                                        |
| Attributable to equity holders of the parent                                            |       | 1.752.212                                                         | 2.546.864                                                                              |
| Minority interest                                                                       | 24    | (124.842)                                                         | (44.792)                                                                               |
| Earnings per share attributable to equity holders of the parent (in full Kuruş)         | 25    | 0,50                                                              | 0,73                                                                                   |
| Earnings per diluted share attributable to equity holders of the parent (in full Kuruş) | 25    | 0,50                                                              | 0,73                                                                                   |

The accompanying policies and explanatory notes on pages 75 through 140 form an integral part of the financial statements.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Consolidated Statement of Changes in Equity for the Year Ended 31 December 2008

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

|                                                                                       | Revaluation funds           |                                                   |                                                        |                                                |                                                   |                                                                          |                                                                 |                                    |                                                  |                            |                      |                 |
|---------------------------------------------------------------------------------------|-----------------------------|---------------------------------------------------|--------------------------------------------------------|------------------------------------------------|---------------------------------------------------|--------------------------------------------------------------------------|-----------------------------------------------------------------|------------------------------------|--------------------------------------------------|----------------------------|----------------------|-----------------|
|                                                                                       | Paid-in<br>share<br>capital | Inflation<br>adjustments<br>to paid<br>in capital | Restricted<br>reserves<br>allocated<br>from<br>profits | Minority<br>put option<br>liability<br>reserve | Share<br>based<br>payment<br>reserve<br>(Note 36) | Fair value<br>adjustment<br>arising from<br>acquisition of<br>subsidiary | Unrealized<br>loss on<br>derivative<br>financial<br>instruments | Currency<br>translation<br>reserve | Retained<br>earnings<br>(accumulated<br>deficit) | Net profit<br>for the year | Minority<br>interest | Total<br>equity |
| Balance as at 31 December 2006                                                        | 3.500.000                   | (239.752)                                         | 426.235                                                | (283.953)                                      | -                                                 | (294.065)                                                                | -                                                               | -                                  | 1.093.649                                        | 2.208.349                  | -                    | 6.410.463       |
| Effect of changes in<br>accounting policies (Note 2.2)                                | -                           | -                                                 | -                                                      | -                                              | -                                                 | -                                                                        | -                                                               | -                                  | (1.689)                                          | -                          | -                    | (1.689)         |
| Balance as at<br>31 December 2006 (restated)                                          | 3.500.000                   | (239.752)                                         | 426.235                                                | (283.953)                                      | -                                                 | (294.065)                                                                | -                                                               | -                                  | 1.091.960                                        | 2.208.349                  | -                    | 6.408.774       |
| Transfer to retained earnings                                                         | -                           | -                                                 | -                                                      | -                                              | -                                                 | -                                                                        | -                                                               | -                                  | 2.208.349                                        | (2.208.349)                | -                    | -               |
| Transfer to restricted reserves<br>allocated from profits                             | -                           | -                                                 | 390.113                                                | -                                              | -                                                 | -                                                                        | -                                                               | -                                  | (390.113)                                        | -                          | -                    | -               |
| Minority interest before classification<br>to minority put option liability (Note 24) | -                           | -                                                 | -                                                      | -                                              | -                                                 | -                                                                        | -                                                               | -                                  | -                                                | -                          | 319.327              | 319.327         |
| Minority put option liability                                                         | -                           | -                                                 | -                                                      | (152.858)                                      | -                                                 | -                                                                        | -                                                               | -                                  | -                                                | -                          | -                    | (152.858)       |
| Classification of minority interest<br>to minority put option liability               | -                           | -                                                 | -                                                      | -                                              | -                                                 | -                                                                        | -                                                               | -                                  | -                                                | -                          | (351.189)            | (351.189)       |
| Unrealized loss on derivative<br>financial instruments (Note 17)                      | -                           | -                                                 | -                                                      | -                                              | -                                                 | -                                                                        | (55.554)                                                        | -                                  | -                                                | -                          | (12.930)             | (68.484)        |
| Dividend paid (Note 24)                                                               | -                           | -                                                 | -                                                      | -                                              | -                                                 | -                                                                        | -                                                               | -                                  | (2.587.386)                                      | -                          | -                    | (2.587.386)     |
| Net profit for the year                                                               | -                           | -                                                 | -                                                      | -                                              | -                                                 | -                                                                        | -                                                               | -                                  | -                                                | 2.508.197                  | 44.792               | 2.552.989       |
| Balance as at 31 December 2007                                                        | 3.500.000                   | (239.752)                                         | 816.348                                                | (436.811)                                      | -                                                 | (294.065)                                                                | (55.554)                                                        | -                                  | 322.810                                          | 2.508.197                  | -                    | 6.121.173       |
| Changes in accounting policies (Note 2.2)                                             | -                           | -                                                 | -                                                      | -                                              | -                                                 | -                                                                        | -                                                               | -                                  | -                                                | 38.667                     | -                    | 38.667          |
| Balance as at 31 December 2007 (restated)                                             | 3.500.000                   | (239.752)                                         | 816.348                                                | (436.811)                                      | -                                                 | (294.065)                                                                | (55.554)                                                        | -                                  | 322.810                                          | 2.546.864                  | -                    | 6.159.840       |
| Transfer to retained earnings                                                         | -                           | -                                                 | -                                                      | -                                              | -                                                 | -                                                                        | -                                                               | -                                  | 2.546.864                                        | (2.546.864)                | -                    | -               |
| Transfer to restricted reserves<br>allocated from profits                             | -                           | -                                                 | 415.060                                                | -                                              | -                                                 | -                                                                        | -                                                               | -                                  | (415.060)                                        | -                          | -                    | -               |
| Minority interest before classification<br>to minority put option liability (Note 24) | -                           | -                                                 | -                                                      | -                                              | -                                                 | -                                                                        | -                                                               | -                                  | -                                                | -                          | 351.189              | 351.189         |
| Minority put option liability                                                         | -                           | -                                                 | -                                                      | 50.092                                         | -                                                 | -                                                                        | -                                                               | -                                  | -                                                | -                          | -                    | 50.092          |
| Classification of minority interest<br>to minority put option liability (Note 24)     | -                           | -                                                 | -                                                      | -                                              | -                                                 | -                                                                        | -                                                               | -                                  | -                                                | -                          | (199.720)            | (199.720)       |
| Share based payment reserve (Note 35)                                                 | -                           | -                                                 | -                                                      | -                                              | 9.528                                             | -                                                                        | -                                                               | -                                  | -                                                | -                          | -                    | 9.528           |
| Unrealized loss on derivative<br>financial instruments (Note 17)                      | -                           | -                                                 | -                                                      | -                                              | -                                                 | -                                                                        | (114.403)                                                       | -                                  | -                                                | -                          | (26.627)             | (141.030)       |
| Dividend paid (Note 24)                                                               | -                           | -                                                 | -                                                      | -                                              | -                                                 | -                                                                        | -                                                               | -                                  | (2.743.605)                                      | -                          | -                    | (2.743.605)     |
| Currency translation reserve                                                          | -                           | -                                                 | -                                                      | -                                              | -                                                 | -                                                                        | -                                                               | (57)                               | -                                                | -                          | -                    | (57)            |
| Net profit for the year                                                               | -                           | -                                                 | -                                                      | -                                              | -                                                 | -                                                                        | -                                                               | -                                  | -                                                | 1.752.212                  | (124.842)            | 1.627.370       |
| Balance as at 31 December 2008                                                        | 3.500.000                   | (239.752)                                         | 1.231.408                                              | (386.719)                                      | 9.528                                             | (294.065)                                                                | (169.957)                                                       | (57)                               | (288.991)                                        | 1.752.212                  | -                    | 5.113.607       |

The accompanying policies and explanatory notes on pages 75 through 140 form an integral part of the financial statements.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Consolidated statement of cash flow for the year ended 31 December 2008

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

|                                                                                      | Notes    | Current period<br>Audited<br>1 January 2008 -<br>31 December 2008 | Prior period<br>Audited<br>(Restated Note 2.2)<br>1 January 2007 -<br>31 December 2007 |
|--------------------------------------------------------------------------------------|----------|-------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| <b>Profit for the year before tax</b>                                                |          | <b>2.136.144</b>                                                  | <b>3.001.442</b>                                                                       |
| Adjustments to reconcile profit before tax to cash provided by operating activities: |          |                                                                   |                                                                                        |
| Depreciation and amortization expense                                                | 30       | 1.631.767                                                         | 1.637.728                                                                              |
| Revenue recognized under the scope of IFRIC 12                                       |          | (98.645)                                                          | (190.156)                                                                              |
| Gain on sale of property, plant and equipment                                        |          | (4.210)                                                           | (5.189)                                                                                |
| Foreign currency exchange expense/(income), net                                      |          | 656.088                                                           | (401.769)                                                                              |
| Interest income and expense, net                                                     |          | (28.727)                                                          | (125.716)                                                                              |
| Release of doubtful receivable provision                                             | 8, 31    | (80.513)                                                          | (124.547)                                                                              |
| Provision for doubtful receivables                                                   | 8,12     | 259.498                                                           | 267.430                                                                                |
| Provision for long-term employee benefits                                            | 23       | 143.769                                                           | 124.426                                                                                |
| Curtailement and settlement gain                                                     | 23       | (47.255)                                                          | (37.617)                                                                               |
| Litigation provision/(release), net                                                  | 23       | 46.590                                                            | (18.584)                                                                               |
| Actuarial gain                                                                       | 23       | (34.139)                                                          | (17.960)                                                                               |
| Unused vacation provision, net                                                       | 23       | (13.609)                                                          | (4.135)                                                                                |
| Share based payments                                                                 | 35       | 9.528                                                             | -                                                                                      |
| Gain on derivative financial instruments                                             |          | (7.801)                                                           | -                                                                                      |
| Negative goodwill                                                                    | 18       | -                                                                 | (3.967)                                                                                |
| Other provisions                                                                     |          | -                                                                 | 10.063                                                                                 |
| <b>Operating profit before working capital changes</b>                               |          | <b>4.568.485</b>                                                  | <b>4.111.449</b>                                                                       |
| <b>Net working capital changes in:</b>                                               |          |                                                                   |                                                                                        |
| Trade receivables                                                                    |          | (223.291)                                                         | (188.909)                                                                              |
| Restricted cash                                                                      |          | (15.554)                                                          | (40.181)                                                                               |
| Other current assets and inventories                                                 |          | (19.035)                                                          | (237.390)                                                                              |
| Trade payables                                                                       |          | 240.433                                                           | 71.827                                                                                 |
| Other non-current assets                                                             |          | (2.163)                                                           | 214.494                                                                                |
| Provisions, other liabilities and other non-current liabilities                      |          | (46.569)                                                          | 115.410                                                                                |
| Other non-current liabilities and provisions                                         |          | (1.840)                                                           | 11.398                                                                                 |
| Payments made for long-term employee benefits                                        | 23       | (360.715)                                                         | (150.133)                                                                              |
| Provisions paid                                                                      | 23       | (24.783)                                                          | (69.868)                                                                               |
| Income taxes paid                                                                    |          | (762.149)                                                         | (772.708)                                                                              |
| <b>Net cash provided by operating activities</b>                                     |          | <b>3.352.819</b>                                                  | <b>3.065.389</b>                                                                       |
| <b>Investing activities</b>                                                          |          |                                                                   |                                                                                        |
| Interest received                                                                    |          | 264.434                                                           | 322.293                                                                                |
| Acquisition of financial asset                                                       | 16       | (640)                                                             | (11.200)                                                                               |
| Effect of acquisition of subsidiary, net of cash acquired                            | 18       | -                                                                 | (43.903)                                                                               |
| Proceeds from sale of property, plant, equipment and intangible assets               |          | 43.324                                                            | 24.310                                                                                 |
| Purchase of property, plant and equipment, investment property and intangible assets | 19,21,22 | (1.637.603)                                                       | (991.695)                                                                              |
| <b>Net cash used in investing activities</b>                                         |          | <b>(1.330.485)</b>                                                | <b>(700.195)</b>                                                                       |
| <b>Cash flow from financing activities</b>                                           |          |                                                                   |                                                                                        |
| Proceeds from bank borrowings                                                        |          | 7.160.097                                                         | 3.899.784                                                                              |
| Repayment of bank borrowings                                                         |          | (6.528.111)                                                       | (3.686.770)                                                                            |
| Repayment of obligations under financial leases                                      |          | (6.772)                                                           | (7.046)                                                                                |
| Interest paid                                                                        |          | (210.407)                                                         | (195.281)                                                                              |
| Dividends paid                                                                       | 24       | (2.743.605)                                                       | (2.587.386)                                                                            |
| <b>Net cash used in financing activities</b>                                         |          | <b>(2.328.698)</b>                                                | <b>(2.576.699)</b>                                                                     |
| Net decrease in cash and cash equivalents                                            |          | (306.364)                                                         | (211.505)                                                                              |
| Cash and cash equivalents at the beginning of the year                               | 6        | 922.473                                                           | 1.133.978                                                                              |
| <b>Cash and cash equivalents at the end of the year</b>                              | <b>6</b> | <b>616.109</b>                                                    | <b>922.473</b>                                                                         |

The accompanying policies and explanatory notes on pages 75 through 140 form an integral part of the financial statements.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

(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 Undersecretariat of Treasury ("the Treasury").

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

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 2008 and 31 December 2007, 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 Turkish Telecommunication Authority ("TA") as of 14 November 2005 (Note 26). The Concession Agreement covers the provision of all kinds of telecommunication services, establishment of necessary telecommunications facilities and the use of such facilities by other licensed operators and the marketing and supply of telecommunication services. The term of the Concession Agreement is 25 years starting from 28 February 2001.

On 3 August 2007, the Company acquired 99,96% of shares of Argela Yazılım ve Bilişim Teknolojileri Sanayi Anonim Şirketi ("Argela"), which is a joint stock company incorporated in Turkey (Note 18).

On 1 August 2007, the Company acquired 99,96% of shares and voting rights of Innova Bilişim Çözümleri Anonim Şirketi ("Innova"), which is a joint stock company incorporated in Turkey (Note 18).

On 23 October 2007, the Company established a new subsidiary named AssisTT Rehberlik ve Müşteri Hizmetleri Anonim Şirketi ("AssisTT") to operate a call centre and implement customer relationship management.

On 17 December 2007, the Company acquired 99,96% shares and voting rights of SEBIT Bilişim ve Eğitim Teknolojileri A.Ş. (previously namely as "IES Bilişim ve Eğitim Teknolojileri", ("Sebit"), (Note 18).

In order to offer telecommunication solution services, a new company has been established on 13 March 2008 by Argela and Innova (each having a 50% shareholding) in United Arab Emirates ("UAE") namely IVEA Software Solutions FZ-LLC ("IVEA").

On 23 June 2007, Çalık Enerji Telekomünikasyon Hizmetleri Anonim Şirketi ("Çalık Enerji") and the Ministry of Economy and Energy of Albania signed a share purchase agreement ("SPA") to purchase 76% shares of Albtelecom Sh.A (Albtelecom) held by the Ministry of Economy and Energy of Albania to Çalık Enerji or any other legal entity controlled by Çalık Enerji. On 1 June 2007, the Company and Çalık Enerji have signed a shareholders agreement ("Cetel Shareholders' Agreement"), including the incorporation of a new company, Cetel Telekom İletişim Sanayi ve Ticaret Anonim Şirketi ("Cetel"), in which the Company shall have 20% shares. Based on the Cetel Shareholders' Agreement, Cetel purchased 76% stakes of Albtelecom.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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

The details of the Company's subsidiaries as at 31 December 2008 and 2007 are as follows:

| Name of Subsidiary                     | Place of incorporation and operation | Principal activity                 | Effective ownership of the Company % |                  |
|----------------------------------------|--------------------------------------|------------------------------------|--------------------------------------|------------------|
|                                        |                                      |                                    | 31 December 2008                     | 31 December 2007 |
| TTNet Anonim Şirketi ("TTNet")         | Turkey                               | Internet Service Provider          | 99,96                                | 99,96            |
| Avea İletişim Hizmetleri A.Ş. ("Avea") | Turkey                               | GSM Operator                       | 81,12                                | 81,12            |
| Argela                                 | Turkey                               | Telecommunications Solutions       | 99,96                                | 99,96            |
| İnnova                                 | Turkey                               | Telecommunications Solutions       | 99,96                                | 99,96            |
| AssisTT                                | Turkey                               | Call Centre and Customer Relations | 99,96                                | 99,96            |
| Sebit                                  | Turkey                               | Web Based Learning                 | 99,96                                | 99,96            |
| Argela - USA, Inc.                     | USA                                  | Telecommunication Solutions        | 99,96                                | 99,96            |
| Sebit LLC                              | USA                                  | Web Based Learning                 | 99,96                                | 99,96            |
| IVEA                                   | UAE                                  | Telecommunication Solutions        | 99,96                                | 99,96            |

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

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

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

The number of personnel of the Group as at 31 December 2008 and 2007 has been disclosed in Note 23.

Consolidated financial statements were approved by the Board of Directors of the Company and authorized for issue on 19 February 2009. The general assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

## 2. Basis of preparation financial statements

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

### 2.1 Basis of presentation of the consolidated financial statements

Excluding the subsidiaries incorporated outside of Turkey, the Group maintains its books of account and prepares its statutory financial statements in Turkish lira ("TL") in accordance with Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts ("UCA") issued by the Ministry of Finance.

In accordance with law numbered 5083, the currency unit of the Republic of Turkey has been determined as New Turkish Lira ("TL") and the sub unit of the New Turkish Lira has been determined as New Kuruş ("YKR"). As of 1 January 2009, the Council of Ministers empowered to remove the expression of "New" used in the "New Turkish Lira" and the "New Kuruş". Consequently, the financial statements have been prepared in TL and presented in thousand TL accordingly.

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

The consolidated financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with the Accounting Standards of the CMB and are presented in TL. Such adjustments mainly comprise 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 tangible and intangible assets in accordance with International Financial Reporting Interpretations Committee ("IFRIC") 12, effects of application for

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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

long-term employee benefits according to International Accounting Standards ("IAS") 19, accounting for provisions and the effects of application of IFRS 3 "Business Combinations".

As of 31 December 2008 and 2007, the consolidated financial statements have been prepared on the historical cost basis except with respect to the Company's property, plant and equipment and investment property for which the deemed cost method was applied for acquisitions prior to 1 January 2000, derivative financial instruments and minority put option, which have been reflected at their fair values.

#### Reclassifications made to 2007 financial statements

Certain reclassifications have been made on the consolidated balance sheet as at 31 December 2007 in accordance with the CMB Accounting Standards. Advances given for inventory amounting to TL 911 were reclassified to other current assets; advances given for property, plant and equipment amounting to TL 21.594 included in property, plant and equipment were reclassified to other current assets, receivables amounting to TL 23.380 included in other current assets were reclassified to other receivables, non current trade payables amounting to TL 13.814 were reclassified to other current payables, current trade payables amounting to TL 13.176 were reclassified to other current payables and inflation adjustment difference of the restricted reserves amounting to TL 19.184 was reclassified from this account to retained earnings. Furthermore, prepaid scratch card promotions included in other current assets, which had been netted off from the deferred income with respect to scratch cards, amounting TL 14.034 has been decided to be presented separately.

Certain reclassifications have been made on the consolidated income statement as at 31 December 2007 in accordance with the CMB Accounting Standards. Interest income amounting to TL 322.293 and foreign exchange gain amounting to TL 420.724 have been reclassified from other operating income to financial income. In addition, foreign exchange loss amounting to TL 35.228 has been reclassified from other operating expenses to financial expenses. Indemnity expense amounting to TL 44.813 has been reclassified from other operating expenses to cost of sales.

## 2.2 Changes in accounting policies

### New standards and interpretations

The accounting policies adopted in the preparation of the consolidated financial statements as of 31 December 2008 are consistent with those followed in the preparation of the financial statements of the prior year and for the year ended 31 December 2007, except for the adoption of new standards and IFRIC interpretations. Except IFRIC 12, "Service Concession Arrangements", adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group. They did, however, give rise to additional explanations.

### Adoption of new and revised international financial reporting standards

The new standards which are effective as of 1 January 2008 and changes and interpretations of current standards are as follows:

IFRIC 11, "Group and Treasury Share Transactions", is effective for annual periods beginning on or after 1 March 2007 and requires arrangements whereby an employee is granted options to buy equity shares, to be accounted for as equity-settled schemes by an entity even if the entity chooses or is required to buy those equity shares from another party, or the shareholders of the entity provide the equity instruments granted. This Interpretation applies to the way the Group's subsidiaries account, in their individual financial statements, for options granted to their employees to buy equity shares of the Company. This interpretation is not valid for the Group.

IFRIC 12, "Service Concession Arrangements", outlines an approach to account for contractual obligations undertaken and rights received by service concession operators in service concession arrangements. It provides that the operator should not account for the infrastructure as property, plant and equipment, but recognize a financial asset and/or an intangible asset.

Accordingly, the Company adopted IFRIC 12 by restating its financial statements as at 1 January 2007, from the earliest period, based on the provisional article of IFRIC 12.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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

In the application of IFRIC 12, the Company has first determined the property, plant and equipment in the scope of IFRIC 12. In accordance with IFRIC 12, the property, plant and equipment owned by the Company as of the date of the service concession agreement is considered out the scope of IFRIC 12. Land and buildings, network and other devices, vehicles, furniture and fixtures and construction in progress (together will be referred to as network equipment) purchased after the concession agreement are determined to be in the scope of IFRIC 12.

In accordance with the provisional article of IFRIC 12, the Company has determined property, plant and equipment to be in the scope of IFRIC 12 and has reclassified the net book value of these property, plant and equipment at 1 January 2007 to intangible assets. The amount reclassified is TL 425.118 and began to be amortized during the Concession Agreement.

As at 1 January 2007, the Company determined the property, plant and equipment which is owned before Concession Agreement to be out the scope of IFRIC 12 and accounted for any repair, maintenance and replacements related with these assets in accordance with IAS 16. The replacement costs related with network equipments amounting to TL 425.118 which has been reclassified to the intangible assets as of 1 January 2007 were expensed in the related period unless there are contractual replacements as required by the Concession Agreement. For the contractual replacements, provision is provided as of the date the replacement is foreseen.

Any new network equipment investment is accounted in accordance with IFRIC 12. In case these investments give an additional right to the Company to charge to the users, the Company recognizes an additional intangible assets in exchange for construction services, and accordingly recognizes and measures revenue in accordance with IAS 18 "Revenue" and IAS 11 "Construction Contracts". The cost of construction is expensed as incurred. An amount is determined by adding the profit margin applied in the market for the construction services in the same quality to the construction costs and this amount is reflected to consolidated financial statements as income and intangible assets.

The impact of IFRIC 12, which is effective from 1 January 2007, on the consolidated financial statements as at 31 December 2007, are summarized as follows:

|                                                | 31 December 2007<br>(Before the adoption of IFRIC 12) | 31 December 2007<br>(After the adoption of IFRIC 12) | Difference |
|------------------------------------------------|-------------------------------------------------------|------------------------------------------------------|------------|
| Property, plant and equipment                  | 6.777.231                                             | 6.240.233 (*)                                        | (536.998)  |
| Intangible assets                              | 2.104.824                                             | 2.688.926 (**)                                       | 584.102    |
| Long- term provisions                          | -                                                     | 3.388                                                | 3.388      |
| Deferred tax liability                         | 436.815                                               | 445.564                                              | 8.749      |
| Retained earnings                              | 305.315                                               | 303.626 (*)                                          | (1.689)    |
| Revenue                                        | 9.232.134                                             | 9.423.567                                            | 191.433    |
| Cost of sales (-)                              | (5.061.191)                                           | (5.213.322)                                          | (152.131)  |
| Marketing, sales and distribution expenses (-) | (973.687)                                             | (972.935)                                            | 752        |
| General administrative expenses (-)            | (960.958)                                             | (955.191)                                            | 5.767      |
| Deferred tax income                            | 420.299                                               | 411.134                                              | (9.165)    |
| Profit for the year                            | 2.508.197                                             | 2.544.853 (**)                                       | 36.656     |

(\*) Before the reclassifications in the consolidated balance sheet as of 31 December 2007 in accordance with the CMB Accounting Standards.

(\*\*) Before the final fair value adjustments of Sebit on 17 December 2007 accordance with IFRS 3 restatement of Sebit on 17 December 2007.

The acquisition of Sebit on 17 December 2007 has been accounted provisionally at 31 December 2007 subject to change in accordance with IFRS 3. The Purchase Price Allocation (PPA) accounting for Sebit has been finalized as of 31 December 2008 and the assets, liabilities and contingent liabilities determined based on IFRS 3 have been recorded based on their fair values at the date of acquisition. As a result of final PPA, fair value difference amounting to TL 2.011 has been reflected in the consolidated income statement. For the year ended 31 December 2008, negative goodwill recognized in the consolidated income statement amount to TL 3.967.

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IFRIC 14, "IAS 19 – Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", (effective for annual periods beginning on or after 1 January 2008) provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under IAS 19 "Employee Benefits". It also explains how this limit, also referred to as the "asset ceiling test", may be influenced by a minimum funding requirement and aims to standardize current practice. The Group expects that this Interpretation will have no impact on its financial position or performance as all defined benefit schemes are currently in deficit and none of the plans are funded.

#### Standards that are published as of the approval date of the financial statements but not yet effective and not early adopted by the Group and interpretations and amendments to published standards

IFRIC 13, "Customer Loyalty Programmes", (effective for annual periods beginning on or after 1 July 2008) requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. Currently, Avea offers free counters to its existing customers based on their past consumption value. The Group considers these free granted counters in revenue recognition recorded as deferred revenue. The Group does not have any other customer loyalty program under the scope of IFRIC 13.

IFRIC 15 – "Agreements for the Construction of Real Estate", (issued on 3 July 2008 and is effective for annual periods beginning on or after 1 January 2009 and must be applied retrospectively) addresses the divergence in construction of real estate accounting treatment whether under the scope of IAS 11 and IAS 18 or not and clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. This interpretation is not valid for the Group.

IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures and Classification of Financial Assets" (Revised) (Effective for annual periods beginning on or after 1 June 2008). The amendment to IAS 39 issued on 31 October 2008 permits entities to reclassify their financial assets (except for derivative financial instruments and financial instruments designated on initial recognition as at fair value through profit or loss) as assets available for sale or assets held-to-maturity under certain conditions. This amendment also permits entities to reclassify financial assets available for sale and financial assets designated on initial recognition as at fair value through profit or loss as loan or receivable where the financial asset meets the definition of a loan or receivable and the entity has the intent and ability to hold it for the foreseeable future. The amendment is effective beginning from 1 July 2008 and reclassifications made before this date are not permitted. The amendment has no impact on the financial position or performance of the Group.

IFRIC 16 – "Hedges of a Net Investment in a Foreign Operation", (issued on 3 July 2008 and is effective for annual periods beginning on or after 1 October 2008 and must be applied retrospectively). IFRIC provides guidance on the below three items: Presentation currency used in the preparation of financial statements is not a rationale for the hedge accounting application. Therefore, the parent company can qualify the foreign exchange differences arises from the currency used in the financial statements and used in foreign operations as hedging from financial risk. Hedging instruments can be held by an entity or entities in the group.

The Management of the Group does not expect the implication of the above interpretation to have a significant impact on the Group's consolidated financial statement.

Amendments to IAS 1 "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2009): IAS 1 has been revised in order to improve the benefits of presented financial statements. Main revisions are the requirement that the statement of changes in equity includes only transactions with shareholders; the introduction of a new statement of comprehensive income that combines all items of income and expense recognized in profit or loss together with "other comprehensive income"; and the requirement to present restatements of financial statements or retrospective application of a new accounting policy as at the beginning of the earliest comparative period, i.e. a third column on the balance sheet. The Group has decided to apply the change in IAS 1 for annual periods beginning on 1 January 2009.

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IFRS 8, "Operating Segments", (effective for annual periods beginning on or after 1 January 2009) replaces IAS 14 'Segment Reporting' and adopts a management-based approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and income statement and entities will need to provide explanations and reconciliations of the differences. The Group has decided to reflect the information regarding operating segments in accordance with IFRS 8 for annual periods beginning on 1 January 2009.

Amendment to IAS 23 "Borrowing Costs" (effective for annual periods beginning on or after 1 January 2009) eliminates the benchmark treatment of expensing all borrowing costs in the case of qualifying assets to the income statement. All borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset must be capitalized. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements of the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after 1 January 2009. The Group expects that this amendment will have no impact on the financial statements.

Amendments to IFRS 2 "Share Based Payment" – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarify two issues: The definition of 'vesting condition', introducing the term 'non-vesting condition' for conditions other than service conditions and performance conditions. It also clarifies that the same accounting treatment applies to awards that are effectively cancelled either by the Group or the counterparty. It is expected that IFRS 2 will not have an impact on the Group's financial statements.

Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" "Puttable Financial Instruments" (effective for annual periods beginning on or after 1 January 2009) requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity.

Revisions to IFRS 3 "Business Combinations" and IAS 27 "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 July 2009): A revised version of IFRS 3 and an amended version of IAS 27 were issued by IASB on 10 January 2008. Revised IFRS 3 (IFRS 3R) introduces a number of changes in the accounting for business combinations, which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognizing subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). Amended IAS 27 (IAS 27R) 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 rise 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. This amendment must be retrospectively and prospectively.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements: Both revisions will be effective for financial years beginning on or after 1 January 2009. The amendments to IFRS 1 allows an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment requires all dividends from a subsidiary, jointly controlled entity or associate to be recognized in the income statement in the separate financial statement. The new requirements will not have any effect on the Group's financial statements.

IFRIC 17 "Distributions of Non-cash Assets to Owners" (effective for annual periods beginning on or after 1 July 2009 and must be applied prospectively). The interpretation applies to all non-reciprocal distributions of non-cash assets, including those giving the shareholders a choice of receiving non-cash assets or cash. The Group is currently assessing the effect of the interpretation on the consolidated financial statements.

IFRIC 18 "Transfers of Assets from Customers" (effective for annual periods beginning on or after 1 July 2009). The standard provides guidance on how to account for items of property, plant and equipment or cash for the acquisition or construction of such items received from customers. The Group is currently assessing the effect of the interpretation on the consolidated financial statements.

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IAS 39 "Financial Instruments: Recognition and Measurement – Eligible Hedged Items": These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after 1 January 2009. The amendment addresses (1) the designation of a one-sided risk in a hedged item, and (2) the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

#### Improvements to IFRSs

In May 2008, the International Accounting Standard Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The Group has not early adopted the following amendments and does not expect these amendments to impact the consolidated financial statements of the Group significantly.

?IAS 1 "Presentation of Financial Statements": Assets and liabilities classified as held for trading are not automatically classified as current in the balance sheet.

?IAS 16 "Property, Plant and Equipment": Replace the term "net selling price" with "fair value less costs to sell".

?IAS 23 "Borrowing Costs": The definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.

?IAS 28 "Investment in associates": If an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies. In terms of impairment analysis, an investment in associate is assessed as a single cash generating unit.

- IAS 31 "Interest in Joint Ventures": If a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

- IAS 36 "Impairment of Assets": When discounted cash flows are used to estimate "fair value less cost to sell" additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use".

- IAS 38 "Intangible Assets": Expenditure on advertising and promotional activities is recognized as an expense when the Group either has the right to access the goods or has received the service.

- IFRS 7 "Financial Instruments": Disclosures: Removal of the implementation guidance contained previously in IFRS 7 indicating that total interest income could be presented as a component of net finance costs.

- IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors": When determining accounting policies, the obligation of a relevant implementation guidance is an indispensable part of IFRS.

- IAS 10 "Events after the Reporting Period": Dividends declared after the reporting period are not recognized as a liability.

- IAS 16 "Property, Plant and Equipment": If property, plant and equipment held for rental are sold after the rental period, they are classified into inventories as asset held for sale at the rental period they cease to be rented and are held for sale.

- IAS 18 "Revenue": Aligning IAS 18 guidance on transaction costs related to originating a financial asset with the definition of transaction costs as included in IAS 39.

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- IAS 19 "Employee Benefits": Revises the definition of past service costs, return on plan assets and short and long-term employee benefits. Plan amendments reduce benefits for future services and are recognized as a curtailment. Remove the IAS 19 reference to the recognition of contingent liabilities in order to achieve consistency with IAS 37.
- IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance": The benefit of a loan with a below-market rate of interest received from a government should be quantified by imputing interest in accordance with IAS 39. The difference between the received and deducted amount is treated as a government grant. In addition, the revised terms should be in conformity with terms in other IFRSs.
- IAS 27 "Consolidated and Separate Financial Statements": A parent entity shall measure investments in subsidiaries at fair value in accordance with IAS 39 when classified as held for sale.
- IAS 29 "Financial Reporting in Hyperinflationary Economies": Amendment to reflect the fact that in historical cost financial statements, some assets and liabilities may be measured at current values (e.g. property, plant and equipment measured at fair value). The revised terms should be in conformity with terms in other IFRSs.
- IAS 34 "Interim Financial Reporting": If an entity is within the scope of IAS 33, basic and diluted earnings per share must be disclosed in interim financial statements
- IAS 39 "Financial Instruments: Recognition and Measurement": Changes in the position of derivative instruments do not constitute a reclassification and consequently, financial instruments may be reclassified into or out of the classification of at fair value through profit or loss. The IAS 39 reference to the need to designate hedging instruments at the segment level has been removed from IAS 39. On cessation of fair value hedge accounting, the use of a revised effective interest rate is needed.
- IAS 40 "Investment Property": Property under construction or development for future use is classified as investment property. If the fair value cannot be calculated reliably, the continuing construction is carried at cost, until the fair value can be calculated or the construction is completed. In addition, IAS 40 terminology has been aligned with respect to voluntary changes in accounting policies with such terminology used in IAS 8.
- IAS 41 "Agriculture": The reference to the requirement to use the pre-tax market discount rate to determine fair value has been removed. The inability to consider "additional biological transformation" in IAS 41 when calculating fair value using discounted cash flows has been removed. The term "point-of-sale costs" has been replaced with the term "costs to sell".
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: If an entity will lose control of a subsidiary as part of a sale plan, then it would classify such subsidiary's assets and liabilities as held for sale.

#### 2.3 Basis of consolidation

As of 31 December 2008, the consolidated financial statements include the financial results of Türk Telekom, TTNNet, Avea, Innova, Argela, AssisTT, Sebit, Argela - USA Inc, IVEA and Sebit LLC. Control is normally evidenced when the Group 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 members of the Group. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are prepared for the same reporting year as the Company.

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

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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 applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. As of 31 December 2008, the minority interest in Innova, Argela, AssisTT, Sebit, Argela USA Inc., IVEA and Sebit LLC have not been presented separately in the consolidated financial statements due to their immateriality.

On 15 September 2006, the Company, Türkiye İş Bankası A.Ş. (İş Bank) and the companies controlled by İş Bank (altogether will be referred as İş Bank Group) and other Avea shareholders 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, which is being presented separately within equity, is reclassified as minority put option liability at each reporting date after appropriation to the minority interest of its share of recognized income and expense for the year. The value of the minority interest reclassified as minority put option liability, is re-measured to the fair value of the put option calculated at each reporting date, and the effect of the re-measurement is reflected in equity, based on the Group's policy on the accounting for the acquisition of minority interest (Notes 11 and 24).

### 3. Significant accounting policies

#### Business combinations

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

#### Goodwill

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

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

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

#### Investment in an associate

As of December 31, 2008 and 2007, the Group accounted its shareholding in Cetel as financial investments in the consolidated financial statements. As of December 31, 2008 and 2007, Cetel is carried at cost since financial information for equity accounting is not achieved on a timely basis due to the lack of significant influence.

#### Property, plant and equipment

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

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The Group used independent professional assessments of the fair value of PPE as the basis for their restatement. The deemed cost values as of 1 January 2000 for land and buildings were appraised by Vakıf Gayrimenkul Ekspertiz ve Değerlendirme A.Ş. ("Vakıf Gayrimenkul"), Ekol Gayrimenkul Değerleme ve Danışmanlık A.Ş. ("Ekol Gayrimenkul") and Tadem Taşınmaz Değerleme Müşavirlik A.Ş. ("Tadem") in 2006 on a retrospective basis. The network equipment and vehicles values as of 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 the their estimated useful economic lives using the straight-line method.

The useful lives for PPE are as follows (considering the Concession Agreement, 2008 acquisitions useful lives are limited to 18 years):

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

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

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

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

#### Revenue sharing projects

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

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#### Investment property

Investment properties, which are properties held to earn rent and/or for capital appreciation are measured initially at cost, including transaction costs and subsequent to initial recognition, investment properties, are stated at their cost less accumulated depreciation and any accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. The Group decided to measure investment property on a deemed cost basis in the first period of application of IAS 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 independent appraisers, Vakıf Gayrimenkul, Ekol Gayrimenkul and Tadem 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 is 21 years (considering the Concession Agreement, 2008 acquisitions' useful lives are limited to 18 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; the appropriate level of 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 current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

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

#### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is charged to the consolidated statement of income in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. The Group does not have any intangibles with indefinite 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, 2008 acquisitions' useful lives are limited to 18 years).

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#### 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.

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

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

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of income.

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

#### Inventories

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

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

#### Financial instruments

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

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

- (a) The instrument includes no contractual obligation to deliver cash or another financial asset to another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer.
- (b) If the instrument will or may be settled in the Group's own equity instruments, it is a non-derivative that includes no contractual obligation for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

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#### 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

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

#### Trade and other payables

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

#### Bank 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 forward currency contracts is calculated by reference to current forward exchange 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:

- fair value hedges when hedging the exposure to changes in the fair value effecting the profit and loss of a recognized asset or liability or an unrecognized commitment (except for foreign currency risk) or a certain part of an asset, liability or an unrecognized commitment
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group 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 Group assesses the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

#### Cash flow hedges

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

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

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Amounts taken to the equity 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 equity 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 equity are transferred to consolidated statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in the equity remain in the equity until the forecast transaction or commitment occurs.

#### Equity instruments

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

#### Derecognition of financial assets and liabilities

##### Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a company of similar financial assets) is derecognized where the rights to receive cash flows from the asset have expired, the Group retains the right to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement or the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

##### Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

#### Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in the consolidated statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income.

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.

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Profits and loss derived from the changes in the fair value of available for sale assets is recognized under equity until they are impaired or derecognized. In case of an impairment or a derecognition, cumulative profit and loss under equity are transferred to statement of income. Impairment of available for sale equity instrument recognized in statement of income cannot be reversed in the subsequent periods. Reversal of impairment losses on available for sale debt instruments are reversed through the consolidated statement of income if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income.

#### 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 income.

#### Provisions

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

#### Contingent assets and liabilities

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

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

#### Taxation and deferred income taxes

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

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

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

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

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

The Company and the other consolidated subsidiaries have reflected their deferred tax asset and liabilities by netting their individual balances, however, there is netting on a consolidation basis. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to consolidated statement of income, except when it relates to items charged or credited directly to the equity in which case the deferred tax is also dealt within the equity.

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

#### Lease accounting

##### 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.

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

#### Offsetting

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

#### Revenue recognition

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

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

#### Fixed-line revenues

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

#### GSM revenues

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

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

The Group recognizes content revenue based on the agreement between the Group and the content providers. As the Group is the primary obligor of the service, the revenue received from the subscribers is presented on gross basis and the portion paid to the content providers is recognized as operating expense (Note 29).

#### Borrowing costs

Borrowing costs are recognized in the consolidated statement of income in the year in which they are incurred.

#### Other income

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

#### Subscriber acquisition costs

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

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

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#### 4. Critical accounting judgments and key sources of estimation uncertainty

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

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

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

c) Critical judgments of the Group in relation with IFRIC 12 are explained in "Changes in accounting policies" under IFRIC 12 section.

#### Key sources of estimation uncertainty

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

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

b) The Group has estimated the fair value of the minority put option liability based on multiple approaches including discounted cash flows after 31 December 2010 and comparables of applicable Equity Value (EV)/EBITDA, EV/Sales and EV/subscriber for mature operators in Western Europe, Asia, the Middle East and North Africa having revenue growth rates similar to Avea. The average of the values determined as of 31 December 2010 is then discounted back to 31 December 2008.

#### Significant accounting judgments and changes in use of estimates

a) The uncertainties encountered by the Group applying the accounting policies for the year ended 31 December 2008 do not differ with the sources of uncertainties existing as of 31 December 2007 except for the estimates used in the application of IFRIC 12 and the estimates used in the calculation of minority put option liability. The estimates used by the Company in the application of IFRIC 12 are as follows:

i) As of 31 December 2008, 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 5.126 in the consolidated financial statements for the foreseen contractual replacements in the future. Aforementioned provision is the present value as at 31 December 2008 of the contractual replacement expenses that will be realized in the future. Discount rate used in provision calculation is determined as 13%.

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ii) In accordance with IFRIC 12, the Company has determined the cost of the investments in intangible assets recognized under the scope of IFRIC 12 by adding the profit margin, which is applied in the market for similar construction services, to the cost of acquiring the related network equipment. The estimated profit margin used in construction services provided in exchange for concession right is 13% for the year ended 31 December 2008. The profit margin of property, plant and equipment accounted within the scope of IFRIC 12 amounting to TL 650.890 is TL 11.548 for the year ended 31 December 2008 (2007 – TL 22.023).

b) A deferred tax asset is recognized only to the extent that it is probable that a tax benefit will be realized in the future. If it is probable that a tax benefit will be realized, a deferred tax asset is recognized on unused tax losses, unused tax credits and other deductible temporary differences. In previous years, considering there was no clear evidence that sufficient taxable profits would be available in Avea, the Group had followed a prudent approach and did not recognize any deferred tax assets for deductible differences in excess of taxable temporary differences expected to reverse in same periods. With the expectation to recover certain part of its tax losses carried forward in Avea, the Group has recognized deferred tax assets on statutory tax losses available for offsetting with future statutory taxable profits amounting to TL 245.000 as of 31 December 2007. The Group has not considered other temporary differences in deferred tax assessment of Avea as the management expects those other temporary differences (e.g. arising from the impairment of the license) to be reversed. As of 31 December 2008, the Group has also reassessed the unrecognized deferred tax assets in regards with TTNNet with the expectation to recover part of its tax losses carried forward. Accordingly, the Group has recognized deferred taxes amounting to TL 27.894 for the year ended 31 December 2008.

c) In 2008, the Group has reassessed the voluntary employee withdrawal rates used as actuarial assumptions during the calculation of long-term employee benefits.

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

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#### 5. Segment reporting

The Group has two segments: Fixed line and GSM. Fixed line services are provided by Turk Telekom and TTNNet whereas GSM service is provided by Avea. The segment results, balance sheet items and cash flows are presented below:

|                                                                                                                                                                     | Fixed line                         |                                    | GSM                                |                                    | Eliminations                       |                                    | Consolidated                       |                                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|                                                                                                                                                                     | 1 January –<br>31 December<br>2008 | 1 January –<br>31 December<br>2007 | 1 January –<br>31 December<br>2008 | 1 January –<br>31 December<br>2007 | 1 January –<br>31 December<br>2008 | 1 January –<br>31 December<br>2007 | 1 January –<br>31 December<br>2008 | 1 January –<br>31 December<br>2007 |
| Revenue                                                                                                                                                             |                                    |                                    |                                    |                                    |                                    |                                    |                                    |                                    |
| Domestic PSTN                                                                                                                                                       | 5.217.785                          | 5.336.317                          | -                                  | -                                  | -                                  | -                                  | 5.217.785                          | 5.336.317                          |
| ADSL                                                                                                                                                                | 1.669.572                          | 1.224.196                          | -                                  | -                                  | -                                  | -                                  | 1.669.572                          | 1.224.196                          |
| GSM                                                                                                                                                                 | -                                  | -                                  | 2.113.118                          | 1.705.854                          | -                                  | -                                  | 2.113.118                          | 1.705.854                          |
| IFRIC 12 revenue                                                                                                                                                    | 100.382                            | 191.433                            | -                                  | -                                  | -                                  | -                                  | 100.382                            | 191.433                            |
| Data service revenue                                                                                                                                                | 239.112                            | 170.281                            | -                                  | -                                  | -                                  | -                                  | 239.112                            | 170.281                            |
| International                                                                                                                                                       |                                    |                                    |                                    |                                    |                                    |                                    |                                    |                                    |
| interconnection revenue                                                                                                                                             | 216.278                            | 210.000                            | -                                  | -                                  | -                                  | -                                  | 216.278                            | 210.000                            |
| Domestic                                                                                                                                                            |                                    |                                    |                                    |                                    |                                    |                                    |                                    |                                    |
| interconnection revenue                                                                                                                                             | 171.683                            | 169.578                            | -                                  | -                                  | -                                  | -                                  | 171.683                            | 169.578                            |
| Leased lines                                                                                                                                                        | 556.070                            | 523.283                            | -                                  | -                                  | -                                  | -                                  | 556.070                            | 523.283                            |
| Rental income from                                                                                                                                                  |                                    |                                    |                                    |                                    |                                    |                                    |                                    |                                    |
| GSM operators                                                                                                                                                       | 114.130                            | 117.379                            | -                                  | -                                  | -                                  | -                                  | 114.130                            | 117.379                            |
| Other                                                                                                                                                               | 34.197                             | 9.112                              | -                                  | -                                  | -                                  | -                                  | 34.197                             | 9.112                              |
| Discounts/returns                                                                                                                                                   | (462)                              | (8.988)                            | -                                  | (4.775)                            | -                                  | -                                  | (462)                              | (13.763)                           |
| Eliminations                                                                                                                                                        | -                                  | -                                  | -                                  | -                                  | (236.918)                          | (220.103)                          | (236.918)                          | (220.103)                          |
| <b>Total revenue</b>                                                                                                                                                | <b>8.318.747</b>                   | <b>7.942.591</b>                   | <b>2.113.118</b>                   | <b>1.701.079</b>                   | <b>(236.918)</b>                   | <b>(220.103)</b>                   | <b>10.194.947</b>                  | <b>9.423.567</b>                   |
| Cost of sales selling and marketing expenses, general administrative expenses, research and development expenses (excluding depreciation and amortization expenses) | 4.676.433                          | 4.359.458                          | 1.670.277                          | 1.409.180                          | (236.918)                          | (220.103)                          | 6.109.792                          | 5.548.535                          |
| Depreciation and amortization                                                                                                                                       | 1.131.151                          | 1.157.830                          | 500.616                            | 479.898                            | -                                  | -                                  | 1.631.767                          | 1.637.728                          |
| Allowance for doubtful receivables                                                                                                                                  | 214.916                            | 238.121                            | 44.582                             | 26.309                             | -                                  | -                                  | 259.498                            | 267.430                            |
| Capital expenditure                                                                                                                                                 | 1.291.132                          | 897.767                            | 465.043                            | 289.479 (*)                        | -                                  | -                                  | 1.756.175                          | 1.187.246                          |

(\*) Includes assets acquired through financial leasing amounting to TL 4.121.

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#### 31 December 2008

|                           | Fixed line  | GSM            | Eliminations  | Total       |
|---------------------------|-------------|----------------|---------------|-------------|
| Total segment assets      | 8.362.608   | 4.433.345 (**) | (136.507)     | 12.659.446  |
| Total segment liabilities | (3.748.375) | (3.345.812)    | (451.652) (*) | (7.545.839) |
| Goodwill                  | 19.040      | 29.695         | -             | 48.735      |

#### 31 December 2007

|                           | Fixed line  | GSM         | Eliminations | Total       |
|---------------------------|-------------|-------------|--------------|-------------|
| Total segment assets      | 8.578.467   | 4.305.857   | (114.190)    | 12.770.134  |
| Total segment liabilities | (3.520.341) | (2.416.143) | (673.810)    | (6.610.294) |
| Goodwill                  | 19.040      | 29.695      | -            | 48.735      |

(\*) Includes minority put option liability amounting to TL 586.439 (2007 - TL 788.000).

(\*\*) Includes goodwill amounting to TL 29.695 (2007 - TL 29.695).

#### 6. Cash and cash equivalents

|                                 | 31 December 2008 | 31 December 2007 |
|---------------------------------|------------------|------------------|
| Cash on hand                    | 1.305            | 1.147            |
| Cash at banks – Demand deposits | 246.452          | 223.865          |
| Cash at banks – Time deposits   | 793.776          | 1.107.676        |
| Other                           | 449              | 104              |
|                                 | <b>1.041.982</b> | <b>1.332.792</b> |

Time deposits are all short-term, maturing within one month and denominated in both foreign currencies and TL. The effective interest rates are between 12,50% - 23,00% for TL deposits, between 0,15% - 8,00% for USD deposits and between 2,21% - 7,5% for Euro deposits. (2007 - 13% - 19,36% for TL deposits, 1,00% - 5,60% for USD deposits and 1,00% - 5,04% for Euro deposits).

As of 31 December 2008, TL 258.092 (2007 - TL 241.981) included in time deposits represents advances received from the Turkish Armed Forces for Turkish Armed Forces Integrated Communication Systems (TAFICS) projects. The interest income from these time deposits are added to the advances received and not reflected in the consolidated statement of income as per agreement between parties (Note 12). These time deposits are restricted and can only be used for payments related to TAFICS projects.

As of 31 December 2008, a demand deposit amounting to TL 155.794 (2007 - TL 155.190) 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. An additional amount of TL 3.722 arising from collections through automated teller machine ("ATM") is not available for use at 31 December 2008 (2007 - TL 3.809).

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

|                           | 31 December 2008 | 31 December 2007 |
|---------------------------|------------------|------------------|
| Cash and cash equivalents | 1.041.982        | 1.332.792        |
| - TAFICS projects         | (258.092)        | (241.981)        |
| - Collection protocols    | (155.794)        | (155.190)        |
| - ATM collection          | (3.722)          | (3.809)          |
| - Other                   | (8.265)          | (9.339)          |
|                           | <b>616.109</b>   | <b>922.473</b>   |

Within the context of the Bank Account Pledge Agreement signed by Avea, Avea provided an account pledge over all of its bank accounts (amounting to TL 550.480 at 31 December 2008; TL 2007 – 292.401) in favor of Security Trustee. Avea is required to pledge any new bank account as they are opened and also to inform the Security Trustee on a monthly basis about such new accounts as well as the closed accounts.

Out of TL 1.041.982, cash and cash equivalents belong to Avea amount to TL 550.576 (2007 – TL 292.463).

## 7. Bank borrowings

|                                                        | 31 December 2008                          |                 |                  | 31 December 2007                          |                 |                  |
|--------------------------------------------------------|-------------------------------------------|-----------------|------------------|-------------------------------------------|-----------------|------------------|
|                                                        | Weighted average effective interest rate% | Original amount | TL equivalent    | Weighted average effective interest rate% | Original amount | TL equivalent    |
| <b>Short-term borrowings:</b>                          |                                           |                 |                  |                                           |                 |                  |
| TL bank borrowings                                     | 22,80%                                    | 738.281         | 738.281          | -                                         | 294             | 294              |
| USD bank borrowings with fixed interest rates          | -                                         | -               | -                | 6%                                        | 2.067           | 2.407            |
| USD bank borrowings with variable interest rates       | 4,52%                                     | 185.000         | 279.776          | 6,10%-7,48%                               | 300.000         | 349.410          |
| <b>Interest accruals:</b>                              |                                           |                 |                  |                                           |                 |                  |
| TL bank borrowings with fixed interest rates           | -                                         | 17.034          | 17.034           | -                                         | -               | -                |
| USD bank borrowings with variable interest rates       | -                                         | 25.563          | 38.659           | -                                         | 31.875          | 37.125           |
| Euro bank borrowings with variable interest rates      | -                                         | 1.532           | 3.279            | -                                         | 1.453           | 2.484            |
| Current installments of non-current bank borrowings    |                                           |                 |                  |                                           |                 |                  |
| USD bank borrowings with variable interest rates (*)   | 6,23%                                     | 129.069         | 195.190          | 7,48%                                     | 44.773          | 52.147           |
| Euro bank borrowings with variable interest rates (**) | 7,84%                                     | 6.240           | 13.359           | 7,30%                                     | 1.511           | 2.584            |
| <b>Total short-term borrowings</b>                     |                                           |                 | <b>1.285.578</b> |                                           |                 | <b>446.451</b>   |
| <b>Long-term borrowings:</b>                           |                                           |                 |                  |                                           |                 |                  |
| USD bank borrowings with variable interest rates (*)   | 6,23%                                     | 1.304.882       | 1.973.373        | 7,25%                                     | 1.318.901       | 1.536.124        |
| Euro bank borrowings with variable interest rates (**) | 7,84%                                     | 69.848          | 149.531          | 7,30%                                     | 73.047          | 124.924          |
| <b>Total long-term borrowings</b>                      |                                           |                 | <b>2.122.904</b> |                                           |                 | <b>1.661.048</b> |

(\*) Libor + (varies between 1,10 – 2,40) spread

(\*\*) Libor + 2,55

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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

As of 31 December 2008 the fair value of the bank borrowings is TL 3.403.356 (2007 - TL 2.208.582). Avea's total borrowings included in the consolidated financial statements amounts to TL 2.369.672 (2007 - TL 1.748.568).

The maturities of foreign currency and TL denominated bank borrowings are as follows:

|                                                   | 31 December 2008 |                    |                   |                  | 31 December 2007 |                    |                   |                  |
|---------------------------------------------------|------------------|--------------------|-------------------|------------------|------------------|--------------------|-------------------|------------------|
|                                                   | Up to 3 months   | 3 months to 1 year | 1 year to 5 years | Total            | Up to 3 months   | 3 months to 1 year | 1 year to 5 years | Total            |
| TL bank borrowings with fixed interest rates      | 755.315          | -                  | -                 | 755.315          | 294              | -                  | -                 | 294              |
| USD bank borrowings with fixed interest rates     | -                | -                  | -                 | -                | -                | 2.407              | -                 | 2.407            |
| USD bank borrowings with variable interest rates  | 133.498          | 380.128            | 1.973.372         | 2.486.998        | 40.047           | 398.635            | 1.536.124         | 1.974.806        |
| Euro bank borrowings with variable interest rates | 9.958            | 6.679              | 149.532           | 166.169          | 2.490            | 2.578              | 124.924           | 129.992          |
|                                                   | <b>898.771</b>   | <b>386.807</b>     | <b>2.122.904</b>  | <b>3.408.482</b> | <b>42.831</b>    | <b>403.620</b>     | <b>1.661.048</b>  | <b>2.107.499</b> |

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

|                                                   | 31 December 2008 |                    |                   |                    | Total     | 31 December 2007 |                    |                   |           |
|---------------------------------------------------|------------------|--------------------|-------------------|--------------------|-----------|------------------|--------------------|-------------------|-----------|
|                                                   | Up to 3 months   | 3 months to 1 year | 1 year to 5 years | 5 year to 10 years |           | Up to 3 months   | 3 months to 1 year | 1 year to 5 years | Total     |
| TL bank borrowings with fixed interest rates      | 755.315          | -                  | -                 | -                  | 755.315   | 294              | -                  | -                 | 294       |
| USD bank borrowings with fixed interest rates     | -                | -                  | -                 | -                  | -         | -                | 2.407              | -                 | 2.407     |
| USD bank borrowings with variable interest rates  | 2.204.466        | 282.532            | -                 | -                  | 2.486.998 | 1.618.576        | 356.230            | -                 | 1.974.806 |
| Euro bank borrowings with variable interest rates | 166.169          | -                  | -                 | -                  | 166.169   | 129.992          | -                  | -                 | 129.992   |
|                                                   | 3.125.950        | 282.532            | -                 | -                  | 3.408.482 | 1.748.862        | 358.637            | -                 | 2.107.499 |

In 2007, the Group achieved the restructuring of Avea's short term debt through a long term financing package Multi Tranche Project Finance ("MTPF"). Through the MTPF, the Group extended the maturities of its borrowings up to 8 to 9 years and the Group provided certain guarantees for this MTPF.

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### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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

The following borrowings at 31 December 2008 and 2007 are secured by a security package:

|                  | 31 December 2008 |        |           | 31 December 2007 |        |           |
|------------------|------------------|--------|-----------|------------------|--------|-----------|
|                  | USD              | EURO   | TL        | USD              | EURO   | TL        |
| Security package | 1.451.856        | 76.440 | 2.359.285 | 1.386.811        | 75.375 | 1.744.125 |

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 Aria and the trade name of Avea, excluding the movable fixed assets of commercial enterprise of Aycell. The Commercial Enterprise Pledge secures the Senior Secured Financial Indebtedness of Avea up to a maximum amount of TL 1 million (equivalent to USD 661.244 at 31 December 2008). At 31 December 2008, the total Senior Secured Financial Indebtedness of Avea amounts to approximately TL 2.359.285 (2007 - TL 1.744.125).

-Account pledges on all the bank accounts of Avea, which do not restrict operational usage of the accounts in the normal course of business (amounting to TL 550.480 as at 31 December 2008, 2007 - TL 292.401).

-Assignment of Receivables: The material contracts entered into by Avea that results in a revenue or cost to Avea over USD 20.000 per annum are assigned as security in favor of the Lenders as part of Security Package. In case of an event of default, Avea counterparties under material contracts will perform any of their obligations towards Lenders in the same conditions as they were valid to Avea during the normal course of business.

In addition to Commercial Enterprise Pledge, there are certain other conditions.

#### 1. Financial covenants (ratios):

a) Debt Service Coverage Ratio (is calculated by dividing cash flows of the last four reporting periods to Avea's borrowings, principal and interest payments) of Avea should be minimum 1,1 for the first reporting period starting from September 2008.

b) Net Debt to EBITDA Ratio of Avea should be max 5 for the first reporting period starting as of 31 December 2008 and maintain certain levels as set out in the Finance Documents thereafter.

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#### 2. General undertakings, among others, are:

- a) License agreement (Avea 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.
- d) Acquisition of assets: The Company should not acquire assets during the period beginning on 1 January 2006 and ending on 31 December 2008 for cumulative consideration that exceeds by more than 17,5% the cumulative amount set out in the Lenders' Base Case (business plan) for capital expenditure during such period.

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 favor of the Security Trustee as a continuing security for the fulfillment of the secured obligations.

As of 31 December 2008, the Management of the Group has reviewed the financial covenants and general undertakings of Avea and concluded that there is no breach on the above conditions except for the "acquisition of assets" general undertaking. Avea obtained the waiver letter on 6 February 2009 for the acquisition of assets from the lenders in the allowed remedy period which does not result in any default.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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

#### 8. Trade receivables and payables - net

##### a) Trade receivables – net

|                                           | 31 December 2008 | 31 December 2007 |
|-------------------------------------------|------------------|------------------|
| <b>Short-term</b>                         |                  |                  |
| Trade receivables                         | 2.341.608        | 2.119.320        |
| Other trade receivables                   | 42.296           | 53.012           |
| Allowance for doubtful receivables (-)    | (1.058.918)      | (890.069)        |
| <b>Total short-term trade receivables</b> | <b>1.324.986</b> | <b>1.282.263</b> |
| <b>Long-term</b>                          |                  |                  |
| Trade receivables                         | -                | 1.143            |
| <b>Total long-term trade receivables</b>  | <b>-</b>         | <b>1.143</b>     |

Trade receivables generally have 30 day terms (2007 – 30 days).

The movement of the allowance for doubtful receivables is as follows:

|                                                           | 1 January - 31 December 2008 | 1 January - 31 December 2007 |
|-----------------------------------------------------------|------------------------------|------------------------------|
| At January 1                                              | (890.069)                    | (759.453)                    |
| Provision for the year                                    | (252.452)                    | (265.437)                    |
| Reversal of provision - collections (Note 31)             | 80.513                       | 124.547                      |
| Utilization of provision - Write off doubtful receivables | 3.090                        | 10.274                       |
| <b>At 31 December</b>                                     | <b>(1.058.918)</b>           | <b>(890.069)</b>             |

As of 31 December 2008 and 2007, the analysis of trade receivables that were past due but not impaired is as follows:

|                  |           |                                     | Past due but not impaired |            |            |             |           |
|------------------|-----------|-------------------------------------|---------------------------|------------|------------|-------------|-----------|
|                  | Total     | Neither<br>past due<br>nor impaired | >30 days                  | 30-60 days | 60-90 days | 90-120 days | >120 days |
| 31 December 2008 | 1.324.986 | 871.988                             | 257.321                   | 105.129    | 52.375     | 8.060       | 30.113    |
| 31 December 2007 | 1.282.263 | 768.698                             | 354.699                   | 94.262     | 45.425     | 9.570       | 9.609     |

The doubtful receivable allowance provided by the Group on an individual and portfolio basis as of 31 December 2008 and 2007 is TL 834.832 and TL 224.086 (2007 – TL 712.634 and TL 177.435) respectively.

The total guarantees received from the Avea dealers amount to TL 49.227 (2007 - TL 169.465).

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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

#### b) Trade payables – net

|                      | 31 December 2008 | 31 December 2007 |
|----------------------|------------------|------------------|
| <b>Short- term</b>   |                  |                  |
| Trade payables       | 881.130          | 650.087          |
| Notes payable        | 61               | -                |
| Other trade payables | 128              | 5.211            |
|                      | <b>881.319</b>   | <b>655.298</b>   |
| <b>Long-term</b>     |                  |                  |
| Trade payables       | -                | -                |
|                      | <b>881.319</b>   | <b>655.298</b>   |

Trade payables amounting to TL 1.244 as at 31 December 2008 (2007 - TL 14.272) represent payable to suppliers due to TAFICS projects (Note 6).

The average term of trade payables is between 30 and 90 days (2007 – 30 and 90 days)

#### 9. Obligations under finance leases and finance lease receivables - net

##### Obligations under finance leases:

The Group has no financial lease receivables as of 31 December 2008 and 2007.

Avea has entered into finance lease contracts for acquisition of network equipment and a building. The Group has the following finance lease obligations (present value of payments):

|                           | 31 December 2008 | 31 December 2007 |
|---------------------------|------------------|------------------|
| Within one year           | 5.233            | 4.039            |
| Between one to two years  | 5.068            | 3.709            |
| Between two to five years | 17.330           | 12.950           |
| Later than five years     | 19.129           | 20.227           |
|                           | <b>46.760</b>    | <b>40.925</b>    |

##### Obligations under finance leases:

A summary of minimum payments for commitments in relation to finance leases is as follows:

|                                                   | 31 December 2008 | 31 December 2007 |
|---------------------------------------------------|------------------|------------------|
| Within one year                                   | 8.416            | 6.827            |
| Between one to two years                          | 7.618            | 5.901            |
| Between two to five years                         | 22.854           | 18.202           |
| Later than five years                             | 20.895           | 22.877           |
| Less: Future finance charges                      | (13.023)         | (12.882)         |
| <b>Present value of finance lease liabilities</b> | <b>46.760</b>    | <b>40.925</b>    |

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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

#### 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 made to the agreement requiring the Company to pay TL 35,000 per year for ten years (excluding the increase which will be decided by Ministry of Finance) to the PTT in exchange for the use of net m2 of building space owned by the PTT but occupied by the Company or vice versa. The parties will renegotiate the term of the agreement at the end of ten years. Since the transaction between PTT and the Company is 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 20).

At the balance sheet date, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

| a)                                       | 31 December 2008 (*) | 31 December 2007 (*) |
|------------------------------------------|----------------------|----------------------|
| Within one year                          | 35.000               | 35.000               |
| In the second to fifth years (inclusive) | 140.000              | 140.000              |
| After fifth year (*)                     | 1.400.000            | 1.435.000            |
|                                          | <b>1.575.000</b>     | <b>1.610.000</b>     |

(\*) Future escalations have not been considered.

b) The Company has operating lease agreements with respect to leased lines. The revenue from leased lines for the year ended 31 December 2008 is TL 455.818 (2007 – TL 425.466).

Avea entered into operating lease agreements with respect to base stations and leased lines. Total operating lease expense for the year ended 31 December 2008 amounts to TL 178.411 (2007 – TL 181.414).

A summary of commitments in relation to base station leases and leased lines are as follows:

|                           | 31 December 2008 | 31 December 2007 |
|---------------------------|------------------|------------------|
| Within one year           | 56.578           | 48.666           |
| Between one to two years  | 40.299           | 37.840           |
| Between two to five years | 60.486           | 71.917           |
| Later than five years     | 21.048           | 22.991           |
|                           | <b>178.411</b>   | <b>181.414</b>   |

#### 10. Related party balances and transactions

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. The amounts outstanding are unsecured and will be settled in cash. Institutions under state control are defined as related parties due to 30% ownership and the golden share of the Treasury.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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

Details of balances and transactions between the Group and other related parties are disclosed below:

|                                                                  | 31 December 2008 | 31 December 2007 |
|------------------------------------------------------------------|------------------|------------------|
| <b>Amounts owed by related parties</b>                           |                  |                  |
| State controlled entities                                        | 84.747           | 74.615           |
| Cell-C Ltd. (1)                                                  | 96               | 13               |
| PTT                                                              | 4.303            | 8.278            |
| Other                                                            | 3.798            | 266              |
|                                                                  | <b>92.944</b>    | <b>83.172</b>    |
| <b>Amounts owed to related parties (current liabilities)</b>     |                  |                  |
| State controlled entities                                        | 14.288           | 2.919            |
| Oger Telecom Yönetim Hizmetleri Limited Şirketi (OTMSC) (2)      | 4.457            | 2.577            |
| PTT                                                              | 1.973            | 1.288            |
| Other                                                            | 799              | 321              |
|                                                                  | <b>21.517</b>    | <b>7.105</b>     |
| <b>Amounts owed to related parties (non-current liabilities)</b> |                  |                  |
| State controlled entities                                        | 336              | -                |
|                                                                  | <b>336</b>       | <b>-</b>         |

(1) a subsidiary of Oger Telecom

(2) an affiliate of Oger Telecom

#### Transactions with Shareholders:

The transactions with the Treasury during 2008 comprised of dividend payment amounting to TL 1.234.622 (2007 TL 1.164.326). The transactions with OTAŞ in 2008 comprised of dividend payments amounting to TL 1.508.983 (2007 - TL 1.423.060).

Furthermore, Avea is required under the terms of the Avea Concession Agreement, to pay a share of 15% (the Treasury Share) of its monthly gross revenue to the Treasury. As of 31 December 2008 the Treasury share is TL 29.238 (2007 – TL 28.244).

#### Transactions with other related parties:

Postage services rendered in 2008 by PTT to the Group amounted to TL 160.858 (2007 - TL 143.582) while commission for collection of invoices and other services in 2008 amounted to TL 34.863 (2007 - TL 50.921).

Long-term employee benefit liabilities as of 31 December 2008 is TL 603 (2007 – TL 400).

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### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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#### Compensation of key management personnel:

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

|                                 | 31 December 2008 | 31 December 2007 |
|---------------------------------|------------------|------------------|
| Short-term benefits             | 25.172           | 10.837           |
| Long-term defined benefit plans | 603              | 400              |
|                                 | <b>25.775</b>    | <b>11.237</b>    |

#### Guarantees provided to related parties:

The Company supports the long term financing of Avea as explained in Note 7. The guarantees given for financing Cetel amounts to EUR 8.000.

Furthermore, OTMSC charged to the Company a management fee for an amount of TL 25.943 and an expense fee for an amount of TL 307 for the year ended 31 December 2008 (2007 – TL 27.258), based on the contract between OTMSC and the Company. OTMSC's ultimate parent company is Saudi Oger. The contract was signed in April 2006 for a total of USD 60.000 for the three years. This arrangement also includes certain managers' salaries that have been seconded to the Company.

#### 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:

- 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.
- 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.
- Within one month following the execution of an IPO, via any of the methods described above and regardless of the timing of the IPO, İş Bank Group shall have the right to sell to the Company all of their outstanding shares in Avea at a price equal to the IPO price less a five percent discount.

The Company has determined the value of the minority put option as of 31 December 2007 based on the assumption that there will not be an IPO before 31 December 2010 and İş Bank Group will exercise its put option at the earliest opportunity which is 1 January 2011. The Company has estimated a value based on multiple approaches including discounted cash flows after 31 December 2010 and comparables of applicable EV/EBITDA, EV/Sales and EV/subscriber for mature operators in Western Europe, Asia, the Middle East and North Africa having revenue growth rates similar to Avea. The average of the values determined as of 31 December 2010 is then discounted back to 31 December 2008 and 2007. The fair value of the put option liability as of 31 December 2008 is estimated to be TL 586.439 (2007 – TL 788.000).

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In order to reflect the minority put option in the consolidated financial statements, the minority interest as of 31 December 2008, amounting to TL 199.720 (2007 – TL 351.189), has been reclassified from equity to a financial liability ("minority put option liability") after appropriation of profit/loss to the minority interest for the year. The value of the minority interest reclassified as minority put option liability, is re-measured to the fair value of the put option amounting to TL 586.439 (2007 - TL 788.000), and the difference of TL 386.719 (2007 - TL 436.811) (Note 24) is reflected in equity as "minority put option liability reserve", based on the Group's accounting policy for the acquisition of minority interest (Note 24).

#### 12. Other receivables and liabilities

##### Other current assets

|                                          | 31 December 2008 | 31 December 2007 |
|------------------------------------------|------------------|------------------|
| Other current assets                     | 52.458           | 23.380           |
| Deposits and guarantees given            | 14.730           | -                |
| Other doubtful receivables               | 21.833           | 14.787           |
| Allowance for other doubtful receivables | (21.833)         | (14.787)         |
|                                          | <b>67.188</b>    | <b>23.380</b>    |

##### Other current liabilities

|                                               | 31 December 2008 | 31 December 2007 |
|-----------------------------------------------|------------------|------------------|
| Due to personnel                              | 30.800           | 34.790           |
| Taxes and duties payable                      | 247.035          | 248.213          |
| Advances received                             | 273.853          | 263.447          |
| Social security premiums payable              | 22.105           | 27.129           |
| Expense accruals                              | 121.602          | 186.692          |
| Accrual for capital expenditures              | 26.993           | 8.804            |
| Accrual for contribution to be paid to the TA | 45.564           | 45.943           |
| Accrual for the Treasury Share                | 29.238           | 28.444           |
| Accrual for Universal Service Fund (1)        | 94.133           | 87.559           |
| Deferred revenue (2)                          | 103.571          | 81.155           |
| Other payables                                | 4.896            | 34.783           |
|                                               | <b>999.790</b>   | <b>1.046.959</b> |

(1) According to the law numbered 5369 published 16 June 2006, Türk Telekom and TNet 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.

The Group has non-current liabilities amounting to TL 9.558 as of 31 December 2008 (2007: TL 11.398).

The Company acts as an intermediary of Ministry of Defense 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).

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#### 13. Inventories – net

The Group has an inventory balance of TL 49.080 as of 31 December 2008 (2007- TL 37.959). Major part of this balance is composed of cable box, consumables such as linkage block and SIM cards.

#### 14. Deferred tax assets and liabilities - net

##### 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.

As of 31 December 2007, the Group has reassessed unrecognized deferred tax assets and decided to account for deferred tax assets arising from the tax losses carried forward based on the estimated future taxable profits according to Avea's business plan. As of 31 December 2008 and 2007, the deferred tax asset recognized for Avea's tax losses amounted to TL 245.000.

As of 31 December 2008, 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 2008 and 2007 | Used in deferred tax asset calculation |
|------------------|---------------------------|----------------------------------------|
| 2009             | 1.010.112                 | -                                      |
| 2010             | 988.334                   | 158.000                                |
| 2011             | 1.081.447                 | 408.000                                |
| 2012             | 867.643                   | 659.000                                |
| 2013             | 838.926                   | -                                      |
|                  | <b>4.786.462</b>          | <b>1.225.000</b>                       |

As of 31 December 2008, TTNNet's deductible tax loss that will be utilized upon the existence of a tax base and the expiration dates are as follows;

| Expiration year | 31 December 2008 | Used in deferred asset tax calculation |
|-----------------|------------------|----------------------------------------|
| 2012            | 127.038          | 127.038                                |
|                 | <b>127.038</b>   | <b>127.038</b>                         |

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For the calculation of deferred tax asset and liability, a rate of 20% was used as at 31 December 2008 and 2007.

| Deferred tax liability                                        | 31 December 2008                        | 31 December 2007                        |
|---------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Temporary differences of property, plant and equipment        | (560.421)                               | (709.575)                               |
| Income accruals                                               | (16.010)                                | (9.418)                                 |
| Other                                                         | (46)                                    | -                                       |
|                                                               | <b>(576.477)</b>                        | <b>(718.993)</b>                        |
| Deferred tax asset recognized from tax losses carried forward | 270.407                                 | 245.000                                 |
| Provision for long-term employee benefits                     | 132.834                                 | 192.722                                 |
| Provision for unused vacation                                 | 17.189                                  | 20.173                                  |
| Expense accruals                                              | 4.292                                   | 2.839                                   |
| Provision for doubtful receivables                            | 53.992                                  | 34.577                                  |
| Universal service fund and other contributions                | 24.241                                  | 20.312                                  |
| Other                                                         | 7.913                                   | 2.806                                   |
| <b>Deferred tax liability, net</b>                            | <b>510.868</b>                          | <b>518.429</b>                          |
| <b>Deferred tax liability, net</b>                            | <b>(65.609)</b>                         | <b>(200.564)</b>                        |
| <b>Deferred tax asset, net</b>                                | <b>272.894</b>                          | <b>245.000</b>                          |
| <b>Deferred tax liability, net</b>                            | <b>(338.504)</b>                        | <b>(445.564)</b>                        |
| <b>Deferred tax income/(expense):</b>                         | <b>1 January -<br/>31 December 2008</b> | <b>1 January -<br/>31 December 2007</b> |
| Temporary differences of property, plant and equipment        | 149.154                                 | 167.322                                 |
| Tax losses carried forward                                    | 25.407                                  | 245.000                                 |
| Provision for long-term employee benefits                     | (59.888)                                | (16.508)                                |
| Provision for unused vacation                                 | (2.984)                                 | (1.031)                                 |
| Income accruals                                               | (6.592)                                 | 1.030                                   |
| Expense accruals                                              | 1.453                                   | (4.934)                                 |
| Provision for doubtful receivables                            | 19.415                                  | 15.982                                  |
| Universal service fund and other contributions                | 3.929                                   | 1.133                                   |
| Other                                                         | 5.060                                   | 3.140                                   |
| <b>Deferred tax income (Note 33)</b>                          | <b>134.954</b>                          | <b>411.134</b>                          |
| <b>Movement of deferred tax liability</b>                     | <b>1 January -<br/>31 December 2008</b> | <b>1 January -<br/>31 December 2007</b> |
| Opening balance, 1 January                                    | (445.564)                               | (612.114)                               |
| Reflected to period profit or loss                            | 107.060                                 | 166.550                                 |
| <b>Closing balance, 31 December</b>                           | <b>(338.504)</b>                        | <b>(445.564)</b>                        |

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|                                       | 1 January -<br>31 December 2008 | 1 January -<br>31 December 2007 |
|---------------------------------------|---------------------------------|---------------------------------|
| <b>Movement of deferred tax asset</b> |                                 |                                 |
| Opening balance, 1 January            | 245.000                         | -                               |
| Reflected to period profit or loss    | 27.894                          | 245.000                         |
| <b>Closing balance, 31 December</b>   | <b>272.894</b>                  | <b>245.000</b>                  |

|                                      | 1 January -<br>31 December 2008 | 1 January -<br>31 December 2007 |
|--------------------------------------|---------------------------------|---------------------------------|
| Reflected to period profit or loss   |                                 |                                 |
| - Deferred tax liability expense     | 107.060                         | 166.134                         |
| - Deferred tax asset income          | 27.894                          | 245.000                         |
| <b>Deferred tax income (Note 33)</b> | <b>134.954</b>                  | <b>411.134</b>                  |

No deferred tax asset has been calculated on the deductible temporary differences resulting from fair value adjustments arisen during the acquisition of Avea, since the Management, as of the acquisition date, does not foresee that sufficient future taxable profit will be available to utilize the deferred tax asset calculated from such temporary differences.

#### 15. Other current/non-current assets - net

##### Other current assets

|                                                    | 31 December 2008 | 31 December 2007 |
|----------------------------------------------------|------------------|------------------|
| Prepaid rent expense                               | 49.073           | 35.386           |
| Deductible VAT and Special Communication Tax (SCT) | 6.260            | 7.268            |
| Value added tax ("VAT") receivable                 | 90.994           | 242.977          |
| Other prepaid expenses                             | 137.300          | 51.837           |
| Income accrual                                     | 96.663           | 71.465           |
| Other current assets                               | 33.857           | 47.908           |
|                                                    | <b>414.147</b>   | <b>456.841</b>   |

Prepaid rent expenses consist mainly of the prepaid rents paid for Avea's base stations. Income accrual mainly consists of the ADSL quota exceed amounts and as of 31 December 2008 GSM post-paid subscription income accruals.

##### Other non-current assets

|       | 31 December 2008 | 31 December 2007 |
|-------|------------------|------------------|
| Other | 4.675            | 3.181            |
|       | <b>4.675</b>     | <b>3.181</b>     |

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#### 16. Financial investments - net

##### Cetel

|                                        | 31 December 2008 | 31 December 2007 |
|----------------------------------------|------------------|------------------|
| Balance at 1 January                   | 11.200           | -                |
| Contribution to share capital increase | 640              | 11.200           |
| <b>Balance at 31 December</b>          | <b>11.840</b>    | <b>11.200</b>    |

As of 31 December 2008 and 2007, despite the 20% shareholding, due to the lack of significant influence, financial information for equity accounting cannot be achieved and as a result Cetel is carried at cost.

#### 17. Derivative financial instruments

##### Cash flow hedges

##### Interest rate swap

Avea 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. Although the three structures are separate deals, the Overlay 1 is built on the First Hedge, and the Overlay 2 is built on the Overlay 1, in order the offset various legs of the previous one.

First Hedge: Avea has executed the First Hedge with different banks on 11, 18 and 24 July 2007 to cover the period commencing on 28 September 2007 and ending on 30 September 2012. Hedged item in relation to First Hedge will be applicable on 75% of each of the interest payments of the MTPF loans that are to be made on 31 March and 30 September of each year, throughout the term of the hedging instrument. As of 31 December 2008 the total outstanding notional amount is USD 1.170.477 which will be amortized till 30 September 2012.

For the First Hedge, the transacted interest rate hedge is designated as a cash-flow hedge. Avea will:

- For the 28 September 2007 – 30 September 2009 period: Pay a fixed rate under the interest rate hedge and in return will receive a floating interest rate, and
- For the 30 September 2009 – 30 September 2012 period: Pay structured capped rate and receive a floating interest rate

Overlay 1: Avea entered into a new hedging structure as Overlay 1 on 26 September 2008 which will cover the period commencing on 31 March 2008 and ending on 30 September 2015. The First Hedge will remain in place, and the Overlay 1 will be applicable on;

- i) 55% of the notional amount of First Hedge ("Part 1 Notional") in order to restructure the First Hedge and
- ii) 40% of the notional amount of the floating part of the MTPF loans ("Part 2 Notional") based on the scheduled repayments as per the MTPF agreements which were not hedged before.

As of 31 December 2008 the total outstanding notional amount is USD 640.006 for Part 1 Notional which will be amortized till 30 September 2012 and USD 153.855 for Part 2 Notional which will be amortized till 30 September 2015.

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For the Overlay 1: The transacted interest rate hedge is designated as a cash-flow hedge, Avea will:

- For 31 March 2008 - 30 September 2009 period: Pay a structured capped interest rate under the interest rate hedge and in return will receive a fixed interest rate for Part 1 Notional; plus pay a structured capped rate and receive a floating rate for the Part 2 Notional,
- For 30 September 2009 - 30 September 2012 period: Pay a structured capped rate and receive another structured capped rate for Part 1 Notional; plus pay a structured capped rate and receive a floating rate for Part 2 Notional,
- For 30 September 2012 - 30 September 2015 period: Pay a structured capped rate and receive a floating rate for Part 2 Notional.

Overlay 2: Avea entered into a new hedging structure as Overlay 2 on 1 December 2008 which will cover the period commencing on 30 September 2008 and ending on 31 March 2010. The First Hedge and Overlay 1 will remain in place, and the Overlay 2 will be applicable on the total notional amount of Overlay 1 between the periods 30 September 2008 and 31 March 2010. As of 31 December 2008 the total outstanding notional amount is USD 793.862 which will be amortizing till 31 March 2010.

For the Overlay 2: The transacted interest rate hedge is designated as a cash-flow hedge, Avea will:

- For 30 September 2008 – 31 March 2010 period: Pay a fixed rate under the interest rate hedge and in return will receive a structured capped interest rate.

Fair value of the interest rate swap at 31 December 2008 is TL 209.515 (31 December 2007 - TL 61.295). The interest rate swaps have been assessed to be highly effective hedge and as at 31 December 2008 an unrealized loss of TL 169.957 was included under equity "Unrealized loss on derivative financial instruments" account. For the year ending 31 December 2008 net loss for interest swap amounting to TL 15.370 (31 December 2007 – none) is reclassified from equity to the consolidated income statement. Fair value at the inception date amounting to TL 7.010 has been reflected to the consolidated income statement.

#### Option contracts

Avea entered into foreign currency option and forward transactions for which the total current outstanding notional amount is USD 30.000 and which will mature in the following three months period.

Avea does not designate option contracts for hedge accounting. Accordingly, at 31 December 2008 a cumulative net unrealized gain of TL 793 is included in the consolidated income statement.

## 18. Goodwill

The movement of goodwill is as follows:

|                                              | 1 January -<br>31 December 2008 | 1 January -<br>31 December 2007 |
|----------------------------------------------|---------------------------------|---------------------------------|
| Opening balance, 1 January (related to Avea) | 29.695                          | 29.695                          |
| Acquisition of Argela                        | 7.943                           | 7.943                           |
| Acquisition of Innova                        | 11.097                          | 11.097                          |
| Acquisition of Sebit (*)                     | -                               | -                               |
| <b>Carrying amount at 31 December</b>        | <b>48.735</b>                   | <b>48.735</b>                   |

(\*) Negative goodwill amounting to TL 3.967 (2007 – TL 1.956) from Sebit acquisition has been recognized in the consolidated income statement.

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### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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#### Avea acquisition

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 2008, 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 November 2008 covering a ten-year plan. Future cash flows have been in TL and USD in which they will be generated and then discounted to present value using the rates appropriate for these currencies. The rates used for the discount of TL denominated cash flows were 18,3% while a discount rate of 14,3% was used for the USD denominated cash flows. Cash flow beyond the ten years are extrapolated using a 3,4% growth rate for TL and USD denominated cash flow projections that is driven by the estimated inflation in the business plan and estimated population growth of the country. The valuation is tested with a sensitivity of weighted average capital cost (WACC) by +/- 1% for both TL and USD denominated cash flow projections and growth rate of +/- 1% for TL denominated cash flow projections. As a result of the impairment testing, it has been noted that there is no impairment on goodwill arising on the Avea acquisition. The value in use projections are based on a discounted cash flow (DCF) study implemented until 2026.

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#### Innova acquisition

On 1 August 2007, the Company acquired 99,96% of the issued share capital of Innova for a consideration of USD 18.500. This transaction has been accounted for using the purchase method of accounting. The net assets acquired in the transaction and the goodwill arising, are as follows:

| Net assets acquired                             | Carrying amount at the acquisition date<br>(1 August 2007) | Fair value adjustments | Fair value      |
|-------------------------------------------------|------------------------------------------------------------|------------------------|-----------------|
| Cash and cash equivalents                       | 13                                                         | -                      | 13              |
| Trade receivables, net                          | 4.897                                                      | -                      | 4.897           |
| Other current assets                            | 2.889                                                      | -                      | 2.889           |
| Property, plant and equipment                   | 750                                                        | 21                     | 771             |
| Intangible assets                               | 210                                                        | 6.098                  | 6.308           |
| Other non-current assets                        | 75                                                         | -                      | 75              |
| Short-term borrowings                           | (941)                                                      | -                      | (941)           |
| Trade payables                                  | (660)                                                      | -                      | (660)           |
| Other payables, expense accruals and provisions | (869)                                                      | -                      | (869)           |
|                                                 | <b>6.364</b>                                               | <b>6.119</b>           | <b>12.483</b>   |
| Acquired net assets (99,96%)                    |                                                            |                        | 12.483          |
| Goodwill as at 31 December 2008                 |                                                            |                        | 11.097          |
| <b>Total consideration (*)</b>                  |                                                            |                        | <b>23.580</b>   |
| <b>Net cash outflow arising on acquisition:</b> |                                                            |                        |                 |
| Cash consideration paid                         |                                                            |                        | (20.604)        |
| Cash and cash equivalents acquired              |                                                            |                        | 13              |
|                                                 |                                                            |                        | <b>(20.591)</b> |

(\*) As of 31 December 2007, TL 20.604 of the total consideration is paid in cash and TL 2.976 has been reflected under other payables and accrued liabilities.

The Group used independent professional assessments for the valuation of PPE and intangible assets. The fair values of PPE and intangible assets have been assessed by Analysys Consulting Limited and Grant Thornton GmbH.

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#### Argela acquisition

On 3 August 2007, the Company acquired 99,96% of the issued share capital of Argela for a consideration of USD 14.500. This transaction has been accounted for using the purchase method of accounting. The net assets acquired in the transaction and the goodwill arising, are as follows:

| Net assets acquired                             | Carrying amount at the acquisition date<br>(3 August 2007) | Fair value adjustments | Fair value      |
|-------------------------------------------------|------------------------------------------------------------|------------------------|-----------------|
| Cash and cash equivalents                       | 560                                                        | -                      | 560             |
| Trade receivables, net                          | 1.788                                                      | -                      | 1.788           |
| Other current assets                            | 168                                                        | -                      | 168             |
| Property, plant and equipment                   | 547                                                        | 87                     | 634             |
| Intangible assets                               | 1.563                                                      | 8.957                  | 10.520          |
| Short-term borrowings                           | (2.575)                                                    | -                      | (2.575)         |
| Trade payables                                  | (38)                                                       | -                      | (38)            |
| Other payables, expense accruals and provisions | (457)                                                      | -                      | (457)           |
|                                                 | <b>1.556</b>                                               | <b>9.044</b>           | <b>10.600</b>   |
| Acquired net assets (99,96%)                    |                                                            |                        | 10.600          |
| Goodwill as at 31 December 2008                 |                                                            |                        | 7.943           |
| <b>Total consideration (*)</b>                  |                                                            |                        | <b>18.543</b>   |
| <b>Net cash outflow arising on acquisition:</b> |                                                            |                        |                 |
| Cash consideration paid                         |                                                            |                        | (16.695)        |
| Cash and cash equivalents acquired              |                                                            |                        | 560             |
|                                                 |                                                            |                        | <b>(16.135)</b> |

(\*) As of 31 December 2007, TL 16.695 of the total consideration is paid in cash and TL 1.848 has been reflected under other payables and accrued liabilities.

The Group used independent professional assessments for the valuation of PPE and intangible assets. The fair values of PPE and intangible assets have been assessed by Analysys Consulting Limited and Grant Thornton GmbH.

The goodwill impairment tests of Innova and Argela as of 31 December 2008 have been performed based on the enterprise values of Innova and Argela. Since the capital expenditures and income and expenses in the business plan are US Dollars denominated, the estimated value of the projected cash flows consists of the discounted cash flows denominated in US Dollars until 2013. The valuation has been tested with a WACC rate of 19% and sensitivity of +/- 1%. For the WACC calculation, technology companies have been taken as a benchmark for the calculation of the beta coefficient and the 5 year weighted average index of MSCI (Morgan Stanley Capital International) has been used. As a result of the impairment test, no impairment, is noted for the goodwill arising from the acquisition of Argela and Innova.

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#### Sebit acquisition

On 17 December 2007, the Company acquired 99,96% of the issued share capital of Sebit for a consideration of USD 7.000, all paid in cash. This transaction has been accounted for using the purchase method of accounting. The net assets acquired in the transaction and the goodwill arising, are as follows:

| Net assets acquired                                             | Carrying amount at the acquisition date<br>(17 December 2007) | Fair value adjustment | Fair value     |
|-----------------------------------------------------------------|---------------------------------------------------------------|-----------------------|----------------|
| Cash and cash equivalents                                       | 1.029                                                         | -                     | 1.029          |
| Trade receivables                                               | 1.777                                                         | -                     | 1.777          |
| Other current assets                                            | 1.060                                                         | -                     | 1.060          |
| Property, plant and equipment                                   | 1.570                                                         | -                     | 1.570          |
| Intangible assets                                               | 7.065                                                         | 2.011                 | 9.076          |
| Trade payables                                                  | (2.201)                                                       | -                     | (2.201)        |
| Other payables, expense accruals and provisions                 | (138)                                                         | -                     | (138)          |
|                                                                 | <b>10.162</b>                                                 | <b>2.011</b>          | <b>12.173</b>  |
| Acquired net assets (99,96%)                                    |                                                               |                       | 12.173         |
| Negative goodwill reflected in consolidated statement of income |                                                               |                       | (3.967)        |
| <b>Total consideration</b>                                      |                                                               |                       | <b>8.206</b>   |
| <b>Net cash outflow arising on acquisition</b>                  |                                                               |                       |                |
| Cash consideration paid                                         |                                                               |                       | (8.206)        |
| Cash and cash equivalents acquired                              |                                                               |                       | 1.029          |
|                                                                 |                                                               |                       | <b>(7.177)</b> |

The acquisition of Sebit on 17 December 2007 has been accounted provisionally at 31 December 2007 subject to change in accordance with IFRS 3. The acquisition accounting has been finalized as of 31 December 2008 and the assets, liabilities and contingent liabilities determined based on IFRS 3, have been recorded based on their fair values at the date of acquisition. The negative goodwill amounting to TL 3.967 (2007 – TL 1.956) resulting from the acquisition has been reflected in the consolidated statement of income.

#### 19. Assets held for sale

|                      | 1 January 2008 | Additions | Transfers | Disposal | 31 December 2008 |
|----------------------|----------------|-----------|-----------|----------|------------------|
| Assets held for sale | 7.601          | -         | -         | (241)    | 7.360            |
|                      | 1 January 2007 | Additions | Transfers | Disposal | 31 December 2007 |
| Assets held for sale | -              | -         | 10.848    | (3.247)  | 7.601            |

The period to complete sale of the assets extended beyond one year due to circumstances which are not under the control of the Group. As of 31 December 2008, Group has an active sales program and the criteria for classification as held for sale are still met.

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#### 20. Investment property

The movement of investment property and the related accumulated depreciation for the years ended 31 December 2008 and 2007 is given below:

|                                                | 1 January -<br>31 December 2008 | 1 January -<br>31 December 2007 |
|------------------------------------------------|---------------------------------|---------------------------------|
| <b>Cost</b>                                    |                                 |                                 |
| Opening balance, 1 January                     | 384.981                         | 384.981                         |
| Additions                                      | -                               | -                               |
| <b>Closing balance, 31 December</b>            | <b>384.981</b>                  | <b>384.981</b>                  |
| <b>Accumulated depreciation and impairment</b> |                                 |                                 |
| Opening 1 January                              | 57.690                          | 41.053                          |
| Depreciation charge for the year               | 16.637                          | 16.637                          |
| <b>Closing balance, 31 December</b>            | <b>74.327</b>                   | <b>57.690</b>                   |
| <b>Carrying amount at 31 December</b>          | <b>310.654</b>                  | <b>327.291</b>                  |

Investment property represents building space owned by the Group but occupied by the PTT under a cross-occupation agreement between the parties (Notes 10).

The fair value of investment property was determined by certified independent appraisers to be TL 582.190 at 31 December 2005. The Group has compared fair values and carrying values of the investment properties on an individual asset basis and identified impairment in some of the investment properties. As a result, an impairment of TL 7.729 has been reflected in the financial statements prior to 1 January 2006. The management has analyzed whether there is any circumstance for the impairment of these assets and concluded that there is no circumstance for any impairment as of 31 December 2008.

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#### 21. Property, plant and equipment (PPE)

The movement of PPE and the related accumulated depreciation for the years ended 31 December 2008 and 2007 is given below:

|                                                | Land and<br>buildings | Network<br>and other<br>equipment | Vehicles       | Furniture<br>and fixtures | Other<br>fixed assets | Construction<br>in progress | Total             |
|------------------------------------------------|-----------------------|-----------------------------------|----------------|---------------------------|-----------------------|-----------------------------|-------------------|
| <b>Cost</b>                                    |                       |                                   |                |                           |                       |                             |                   |
| Opening balance, 1 January 2008                | 1.430.769             | 32.609.904                        | 142.957        | 141.758                   | 170.622               | 106.390                     | 34.602.400        |
| 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)         |
| <b>Closing balance, 31 December 2008</b>       | <b>1.520.359</b>      | <b>33.633.907</b>                 | <b>148.148</b> | <b>182.404</b>            | <b>183.889</b>        | <b>174.260</b>              | <b>35.842.967</b> |
| <b>Accumulated depreciation</b>                |                       |                                   |                |                           |                       |                             |                   |
| Opening balance, 1 January 2008                | 386.203               | 27.641.850                        | 130.934        | 113.558                   | 111.216               | -                           | 28.383.761        |
| Disposals                                      | (18)                  | (169.113)                         | (2.271)        | (2.294)                   | (4.289)               | -                           | (177.985)         |
| Depreciation charge for the year               | 58.078                | 1.267.221                         | 2.581          | 10.018                    | 22.409                | -                           | 1.360.307         |
| Transfers                                      | -                     | -                                 | -              | -                         | (241)                 | -                           | (241)             |
| <b>Closing balance, 31 December 2008</b>       | <b>444.263</b>        | <b>28.739.958</b>                 | <b>131.244</b> | <b>121.282</b>            | <b>129.095</b>        | <b>-</b>                    | <b>29.565.842</b> |
| <b>Carrying amount at<br/>31 December 2008</b> | <b>1.076.096</b>      | <b>4.893.949</b>                  | <b>16.904</b>  | <b>61.122</b>             | <b>54.794</b>         | <b>174.260</b>              | <b>6.277.125</b>  |

At 31 December 2008, the Group has performed a value in use study in order to test whether there is any impairment on the tangible and intangible assets. The cash flow projections are denominated in TL and the "Weighted Average Capital Cost" (WACC) rate used is 16,2%. For the periods beyond ten years, 0,1% 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 the tangible and intangible assets. The valuation work has been performed by the independent valuation firm; Analysys Consulting Limited.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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

|                                                         | Land and<br>buildings | Network<br>and other<br>equipment | Vehicles       | Furniture<br>and fixtures | Other<br>fixed assets | Construction<br>in progress<br>Total |
|---------------------------------------------------------|-----------------------|-----------------------------------|----------------|---------------------------|-----------------------|--------------------------------------|
| <b>Cost</b>                                             |                       |                                   |                |                           |                       |                                      |
| Opening balance, 1 January 2007                         | 1.390.897             | 31.797.044                        | 132.143        | 117.667                   | 140.787               | 33.753.227                           |
| Transfers (*)                                           | 27.204                | 378.157                           | 17             | 3.044                     | -                     | (10.848)                             |
| Additions                                               | 15.170                | 509.005                           | 11.717         | 23.829                    | 26.860                | 937.552                              |
| Disposals                                               | (2.502)               | (74.302)                          | (920)          | (2.782)                   | -                     | (80.506)                             |
| Acquisition of Argela (Note 18)                         | -                     | -                                 | -              | -                         | 634                   | 634                                  |
| Acquisition of Innova (Note 18)                         | -                     | -                                 | -              | -                         | 771                   | 771                                  |
| Acquisition of SEBIT (Note 18)                          | -                     | -                                 | -              | -                         | 1.570                 | 1.570                                |
| <b>Closing balance,<br/>31 December 2007 (Restated)</b> | <b>1.430.769</b>      | <b>32.609.904</b>                 | <b>142.957</b> | <b>141.758</b>            | <b>170.622</b>        | <b>34.602.400</b>                    |
| <b>Accumulated depreciation</b>                         |                       |                                   |                |                           |                       |                                      |
| Opening balance, 1 January 2007                         | 333.027               | 26.390.085                        | 130.602        | 110.421                   | 89.088                | 27.053.223                           |
| Disposals                                               | (619)                 | (62.779)                          | (257)          | (977)                     | -                     | (64.632)                             |
| Depreciation charge for the year                        | 53.795                | 1.314.544                         | 589            | 4.114                     | 22.128                | 1.395.170                            |
| <b>Closing balance,<br/>31 December 2007 (Restated)</b> | <b>386.203</b>        | <b>27.641.850</b>                 | <b>130.934</b> | <b>113.558</b>            | <b>111.216</b>        | <b>28.383.761</b>                    |
| <b>Carrying amount at<br/>31 December 2007</b>          | <b>1.044.566</b>      | <b>4.968.054</b>                  | <b>12.023</b>  | <b>28.200</b>             | <b>59.406</b>         | <b>6.218.639</b>                     |

(\*) In 2007, network equipment amounting to TL 10.848 has been transferred to assets held for sale (Note 19).

There are no new leased assets for the year ended 31 December 2008 (2007 - TL 4.121). 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 Indebtedness commercial of Avea up to a maximum amount of/million (equivalent to USD 641.244 as of 31 December 2007).

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### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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

#### 22. Intangible assets - net

|                                            | License          | Customer relationships | Brand          | Other intangible assets | Concession right | Total            |
|--------------------------------------------|------------------|------------------------|----------------|-------------------------|------------------|------------------|
| <b>Cost</b>                                |                  |                        |                |                         |                  |                  |
| Opening balance, 1 January 2008            | 1.000.945        | 879.372                | 302.379        | 186.221                 | 616.552          | 2.985.469        |
| Transfers (Note 21)                        | -                | -                      | -              | 31.479                  | -                | 31.479           |
| Disposals                                  | -                | -                      | -              | (4.158)                 | -                | (4.158)          |
| Additions (*)                              | -                | -                      | -              | 170.357                 | 100.382          | 270.739          |
| <b>Closing balance, 31 December 2008</b>   | <b>1.000.945</b> | <b>879.372</b>         | <b>302.379</b> | <b>383.899</b>          | <b>716.934</b>   | <b>3.283.529</b> |
| <b>Accumulated amortization</b>            |                  |                        |                |                         |                  |                  |
| Opening balance, 1 January 2008            | 66.728           | 111.626                | 20.159         | 63.569                  | 32.450           | 294.532          |
| Disposals                                  | -                | -                      | -              | (441)                   | -                | (441)            |
| Transfers                                  | -                | -                      | -              | 241                     | -                | 241              |
| Amortization charge for the year           | 51.661           | 87.983                 | 15.607         | 65.978                  | 33.594           | 254.823          |
| <b>Closing balance, 31 December 2008</b>   | <b>118.389</b>   | <b>199.609</b>         | <b>35.766</b>  | <b>129.347</b>          | <b>66.044</b>    | <b>549.155</b>   |
| <b>Carrying amount at 31 December 2008</b> | <b>882.556</b>   | <b>679.763</b>         | <b>266.613</b> | <b>254.552</b>          | <b>650.890</b>   | <b>2.734.374</b> |

(\*) TL 100.382 of intangible assets consists of investments under the scope of IFRIC 12 which do not generate a cash outflow.

|                                                     | License          | Customer relationships | Brand          | Other intangible assets | IFRIC 12       | Total            |
|-----------------------------------------------------|------------------|------------------------|----------------|-------------------------|----------------|------------------|
| <b>Cost</b>                                         |                  |                        |                |                         |                |                  |
| Opening balance, 1 January 2007                     | 1.000.945        | 875.000                | 302.379        | 106.428                 | 425.119        | 2.709.871        |
| Additions                                           | -                | -                      | -              | 58.261                  | 191.433        | 249.694          |
| Acquisition of Argela (Note 18)                     | -                | 1.244                  | -              | 9.276                   | -              | 10.520           |
| Acquisition of Innova (Note 18)                     | -                | 3.128                  | -              | 3.180                   | -              | 6.308            |
| Acquisition of Sebit (Note 18)                      | -                | -                      | -              | 9.076                   | -              | 9.076            |
| <b>Closing balance, 31 December 2007 (Restated)</b> | <b>1.000.945</b> | <b>879.372</b>         | <b>302.379</b> | <b>186.221</b>          | <b>616.552</b> | <b>2.985.469</b> |
| <b>Accumulated amortization</b>                     |                  |                        |                |                         |                |                  |
| Opening balance, 1 January 2007                     | 15.068           | 25.206                 | 4.552          | 23.787                  | -              | 68.613           |
| Amortization charge for the year                    | 51.660           | 86.420                 | 15.607         | 39.782                  | 32.450         | 225.919          |
| <b>Closing balance, 31 December 2007 (Restated)</b> | <b>66.728</b>    | <b>111.626</b>         | <b>20.159</b>  | <b>63.569</b>           | <b>32.450</b>  | <b>294.532</b>   |
| <b>Carrying amount at 31 December 2007</b>          | <b>934.217</b>   | <b>767.746</b>         | <b>282.220</b> | <b>122.652</b>          | <b>584.102</b> | <b>2.690.937</b> |

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

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Remaining amortization periods of significant intangible assets are as follows:

|                             |            |
|-----------------------------|------------|
| Avea license                | 18,4 years |
| Avea customer relationships | 9,1 years  |
| Avea brand name             | 18,4 years |

There is no restriction or pledge on the intangible assets except for the Avea brand as of 31 December 2008.

## 23. Provisions

### a) Short term provisions

The breakdown of provisions as of 31 December 2008 and 2007 is as follows:

|                      | 31 December 2008 | 31 December 2007 |
|----------------------|------------------|------------------|
| Litigation provision | 124.301          | 102.832          |
| Unused vacation      | 92.034           | 105.643          |
| Others               | 15.740           | 15.402           |
|                      | <b>232.075</b>   | <b>223.877</b>   |

The movement of provisions for the years ended 31 December 2008 and 2007 is as follows:

|                                        | Litigation provision | Unused vacation provision | Other         |
|----------------------------------------|----------------------|---------------------------|---------------|
| Provisions at 1 January 2008           | 102.832              | 105.643                   | 15.402        |
| Settled provisions                     | (24.783)             | -                         | -             |
| Provisions for the period              | 46.252               | 1.756                     | 338           |
| Reversals, net of additional provision | -                    | (15.365)                  | -             |
| <b>Provisions at 31 December 2008</b>  | <b>124.301</b>       | <b>92.034</b>             | <b>15.740</b> |

Settled provisions consist of Special Communication Taxes ("the SCT") provision paid amounting to TL 15.302, Turkcell İletişim Hizmetleri A.Ş. ("Turkcell") dispute provision netted from Turkcell receivables in 2008 amounting to TL 54.566.

|                                                  | Litigation provision | Unused vacation provision | Other         |
|--------------------------------------------------|----------------------|---------------------------|---------------|
| Provisions at 1 January 2007                     | 191.284              | 109.778                   | 15.402        |
| Settled and net of with trade receivables (Avea) | (69.868)             | -                         | -             |
| Reversals, net of additional provision           | (18.584)             | (4.135)                   | -             |
| <b>Provisions at 31 December 2007</b>            | <b>102.832</b>       | <b>105.643</b>            | <b>15.402</b> |

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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

#### b) Long term provisions

|                                                           | 31 December 2008 | 31 December 2007 |
|-----------------------------------------------------------|------------------|------------------|
| Provision for the investments under the scope of IFRIC 12 | 5.126            | 3.388            |
|                                                           | <b>5.126</b>     | <b>3.388</b>     |

#### 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 of 31 December 2008, 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 of 31 December 2008 is subject to a ceiling of TL 2.173 (2007 – TL 2.030) per monthly salary for each service year.

The number of personnel as of 31 December 2008 and 2007 are 34.025 and 40.198, 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 49.994 is being amortized over seven years, the period over which benefits become vested, which is the expected average future service life of the employees.

#### ii) 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.

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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 2008 and 2007. The decrease in liability has been presented in the reconciliation of defined benefit obligations separately as a settlement gain.

#### iii) Reconciliation of opening and closing balances of defined benefit obligation

|                                                              | 1 January - 31 December 2008 | 1 January - 31 December 2007 |
|--------------------------------------------------------------|------------------------------|------------------------------|
| Defined benefit obligation at January 1                      | 1.007.149                    | 1.096.766                    |
| Current service cost                                         | 35.979                       | 47.017                       |
| Interest cost                                                | 99.457                       | 69.076                       |
| Actuarial gain                                               | (34.139)                     | (17.960)                     |
| Benefits paid by the Group                                   | (360.715)                    | (150.133)                    |
| Transfers - net (employees transferred to state enterprises) | (47.255)                     | (37.617)                     |
| <b>Defined benefit obligation 31 December</b>                | <b>700.476</b>               | <b>1.007.149</b>             |

(\*) Actuarial gain and loss amounting to TL 35.771 and TL 1.632 have been reflected in other operating income and expense, respectively.

#### iv) Analysis of the present value of the defined benefit obligation to the liabilities recognized in the balance sheet:

|                                                                     | 31 December 2008 | 31 December 2007 |
|---------------------------------------------------------------------|------------------|------------------|
| Present value of defined benefit obligations                        | 700.476          | 1.007.149        |
| Unrecognized past service cost                                      | (33.328)         | (41.660)         |
| <b>Net liability recognized in the balance sheet at end of year</b> | <b>667.148</b>   | <b>965.489</b>   |

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### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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#### b) Long term provisions

#### v) Total expense recognized in the consolidated statement of income:

|                                                                     | 1 January -<br>31 December 2008 | 1 January -<br>31 December 2007 |
|---------------------------------------------------------------------|---------------------------------|---------------------------------|
| Current service cost                                                | 35.979                          | 47.017                          |
| Interest cost                                                       | 99.457                          | 69.076                          |
| Past service cost                                                   | 8.333                           | 8.333                           |
| Total net cost recognized in the consolidated statement of income   | 143.769                         | 124.426                         |
| Actuarial gain                                                      | (34.139)                        | (17.960)                        |
| Settlement gain recognized (Note 31)                                | (47.255)                        | (37.617)                        |
| Total net income recognized in the consolidated statement of income | (81.394)                        | (55.577)                        |

#### vi) Principal actuarial assumptions use:

|                                    | 31 December 2008 | 31 December 2007 |
|------------------------------------|------------------|------------------|
| Discount rate                      | 12%              | 11,0%            |
| Expected rate of ceiling increases | 5,4%             | 5,0%             |

The average voluntary withdrawal rate for the next year for the remaining employees is estimated to be 3% (2007 - 2,5%).

#### vii) Employee assistance fund:

The employees of the Company have established two employee assistance funds which are the Health Aid Fund and the Employee Savings and Aid Fund ("Employee Funds"). The Employee Funds are managed by a group of the Company employees. The Company management also assists in the management of Employee Funds. Both funds are financed by employee contributions withheld from payroll. In addition, the Company makes an annual contribution to Health Aid Fund equal to 0,1% of total annual budgeted employee salaries. The Company does not bear any risk with respect to the liabilities of the Employee Funds and does not benefit from the investment income of the Employee Funds. Total amounts contributed to these funds for 2008 by the Company aggregated to TL 932 (2007 - TL 971).

#### 24. Paid in capital, reserves and retained earnings/(accumulated deficit)

As of 31 December 2008 and 2007, the shareholders of the Company with their shareholding percentage are as follows:

|                                       | 31 December 2008 |                  | 31 December 2007 |                  |
|---------------------------------------|------------------|------------------|------------------|------------------|
|                                       | %                | TL               | %                | TL               |
| The Treasury                          | 30               | 1.050.000        | 45               | 1.575.000        |
| OTAŞ                                  | 55               | 1.925.000        | 55               | 1.925.000        |
| Public share                          | 15               | 525.000          | -                | -                |
|                                       |                  | <b>3.500.000</b> |                  | <b>3.500.000</b> |
| Inflation adjustment to share capital |                  | (239.752)        |                  | (239.752)        |
|                                       |                  | <b>3.260.248</b> |                  | <b>3.260.248</b> |

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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The Company's share capital is fully paid and consists of 3.500.000.000.000 shares of 0,1 kuruş par value for each period presented. 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 (Golden Share).

The Treasury is the holder of the preferred stock (Golden Share). This share is non-transferable. It provides the government a right to have a Board seat and the approval authority for the purpose of protecting the national interest in issues of national security and the economy. The holder of the Golden Share has the right to approve any proposed amendments to the Company Articles, 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 preferred stock has one member, representing the preferred stock, among the Board of Directors.

As of 31 December 2007, based on the share pledge agreement signed between OTAŞ and the Treasury and Citicorp Trustee Company Limited (Citicorp Trustee), Citicorp Trustee has a pledge over 36% (corresponding to 693.000.000.000 class A shares) and the Treasury has a pledge over 64% (corresponding to 1.232.000.000.000 class A shares) of the shares owned by OTAŞ. As of December 31, 2008, Citicorp Trustee company has a pledge over 55% (corresponding to 192.500.000.000) of the shared owned by OTAŞ.

Shares were pledged to Citicorp Trustee for the term loan agreement between OTAŞ and Citicorp Trustee restricting the transfer, sale and the dilution of the company's and Avea's shares.

#### 24. Paid in capital ,reserves and retained earnings/(accumulated deficit)

Based on the Shareholders Agreement signed between OTAŞ and the Treasury on 14 November 2005, the Board of the Directors of the Company shall consist of up to ten Directors nominated by the Shareholders as follows:

OTAŞ shall be entitled to nominate six persons for election as Directors and, provided that the Treasury holds 30% or more of the Shares, the Treasury shall be entitled to nominate three persons for election as Directors. If the Treasury holds 15% or more of the Shares (but less than 30%), the Treasury shall be entitled to nominate two persons for election as Directors. While the Treasury holds the Golden Share, the Treasury shall be entitled to nominate an additional one person for election as Director for the Golden Share. The Chairman of the Board of Directors shall be nominated by the OTAŞ Directors from among the Directors and be elected and removed by the simple majority vote of those present at the meeting of the Board.

Board resolutions shall be passed by a simple majority of the votes of the Directors unless the resolution requires a higher majority vote.

The Board of Directors shall propose the distribution of the maximum of the Company's profits lawfully available for distribution in each financial year subject to the Board of Directors making reasonable provisions and transfers to reserves. Distribution of profits may not be made if the distribution would result in a breach of any covenant or undertaking given by OTAŞ or its associates to any lender or would be likely to do so within the following twelve months; or if the Board of Directors resolves that the distribution is materially prejudicial to the interests of OTAŞ or its associates with regard to implementation of the investment programme approved by the Board in the Business Plan or the Budget; or the trading prospects of OTAŞ or its associates and the need to maintain the sound financial standing of the Company, OTAŞ and its associates.

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 historical statutory profits at the rate of 5% per annum until the total reserve reaches 20% of the historical paid-in share capital. 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.

#### Dividends

In 2008, a dividend of kuruş 0,0784 per share (total dividend of TL 2.743.605) has been distributed to the shareholders. (2007 – kuruş 0,0739 per share with a total of TL 2.587.386) (1 TL=100 kuruş).

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#### 24. Paid in capital ,reserves and retained earnings/(accumulated deficit)24.

##### Minority interest

The minority interest represents 18,88% shareholding of İş Bank Group in Avea as of 31 December 2008. As of 31 December 2008, 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 (Note 3). The movement of minority interest is as follows:

|                                                                                                        |           |
|--------------------------------------------------------------------------------------------------------|-----------|
| As of 15 September 2006                                                                                | 330.007   |
| Share of losses occurred between 15 September 2006 – 31 December 2006                                  | (10.680)  |
| Classification to other non-current liabilities                                                        | (319.327) |
| As of 31 December 2006                                                                                 | -         |
| Reclassification to minority interests                                                                 | 319.327   |
| Share of profit generated between 1 January 2007 – 31 December 2007                                    | 44.792    |
| Minority interest share in unrealized loss on derivative financial instruments recognized under equity | (12.930)  |
| Reclassification to other non-current liabilities                                                      | (351.189) |
| As of 31 December 2007                                                                                 | -         |
| Reclassification to minority interest                                                                  | 351.189   |
| Share of profit generated between 1 January 2008 – 31 December 2008                                    | (124.842) |
| Minority interest share in unrealized loss on derivative financial instruments recognized under equity | (26.627)  |
| Reclassification to other non-current liabilities                                                      | (199.720) |
| As of 31 December 2008                                                                                 | -         |

#### 25. Earnings per share

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company Telekom is as follows:

|                                                                                      | 1 January –<br>31 December 2008 | 1 January –<br>31 December 2007 |
|--------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| Weighted average number of ordinary shares outstanding during the year (in millions) | 3.500.000                       | 3.500.000 (*)                   |
| Net profit for the year attributable to equity holders of the Company                | 1.752.212                       | 2.546.864                       |
| Basic and earnings per share                                                         | 0,050                           | 0,073                           |

(\*) The share amount of the Company of 3.500.000.000.000 has been changed to 350.000.000.000 and the share based nominal value of 0,1 Kuruş has been changed to 1 Kuruş in accordance with the amendment in the Articles of Association per General Assembly held on 30 April 2008.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

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#### 26. Commitments and contingencies

The Company's commitments in terms of capital expenditures are as follows:

|                                                                                                           | 31 December 2008 | 31 December 2007 |
|-----------------------------------------------------------------------------------------------------------|------------------|------------------|
| Commitments for the acquisition of property, plant and equipment due to investment incentive certificates | 4.021            | 23               |

The Company has also provided a guarantee letter in favor of Avea to certain banks with an amount of USD 500.000. The Company has a commitment to provide further guarantees in favor of Avea amounting to USD 300.000 as well.

#### Guarantees provided

Guarantees received and given by the Group are summarized below:

|                      |     | 31 December 2008 |         | 31 December 2007 |         |
|----------------------|-----|------------------|---------|------------------|---------|
|                      |     | Original amount  | TL      | Original amount  | TL      |
| Guarantees received  | USD | 149.479          | 226.057 | 77.473           | 90.233  |
|                      | TL  | 484.991          | 484.991 | 40.685           | 40.685  |
|                      | EUR | 94.073           | 201.392 | 22.540           | 38.547  |
|                      |     | 912.440          |         | 169.465          |         |
| Guarantees given (*) | USD | 153.919          | 232.772 | 151.713          | 176.700 |
|                      | TL  | 58.809           | 58.809  | 3.110            | 3.110   |
|                      | EUR | 6.589            | 14.107  | 131              | 224     |
|                      |     | 305.688          |         | 180.034          |         |

(\*) USD 151.500 of the amount (2007 - USD 151.500) is related with the guarantee provided to the TA by Avea with respect to the to the Avea Concession Agreement.

#### Other commitments

The Group has committed sponsorship payments amounting to TL 15.764.

In accordance with the sponsorship agreement between TTNNet and the Turkish Football Federation, TTNNet has committed to pay to the Federation;

- Total net of USD 300 + VAT in two equal installments dated 15 January 2010 and 12 March 2010 (each payment of net (USD 150) in case the Turkish National Football Team qualifies for the FIFA 2010 World Cup.
- Total net of USD 300 + VAT in two equal installments dated 16 January 2012 and 12 March 2012 (each payment of net USD 150 + KDV) in case the Turkish National Football Team qualifies for the FIFA 2012 European Cup.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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

#### Türk Telekom concession agreement

The Concession Agreement was entered into between the Company and the Turkish Telecommunication Authority ("the TA") 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 TA for renewal of the Concession Agreement, with any such renewal to be granted at the discretion of the TA. 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 TA, at no cost, and in good condition.

The TA 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 TA, the Company must submit to the TA a recovery programme with respect to its contractual obligations. It is only if this programme is not accepted by the TA that the TA then has the right to terminate the Concession Agreement.

The Concession Agreement places also a number of general obligations on the Company in relation to the provision of telecommunications services.

In relation to fees, the Concession Agreement requires the Company to meet all payments accrued as a result of applicable legislation or agreements with the Government of the Republic of Turkey. This specifically includes license and utilization fees for the use of radio frequencies. In addition, the Company is required to pay the TA 0,35% of its annual revenue, as a contribution towards the TA'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 TA. The Concession Agreement also contains an obligation on the Company to provide universal services in compliance with any regulations made by the TA 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 TA unless expressly provided to the contrary in any regulation issued by the TA. 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.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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

#### Avea concession agreement

A concession agreement was entered into between Avea and the TA ("the Avea Concession Agreement") on 12 January 2005 which replaced and superseded the previous GSM 1800 license agreements in place in relation to Aycell and Aria.

The Avea concession agreement covers the establishment, development and operation of a GSM 1800 network by Avea in the Republic of Turkey, but the appendix to the Avea Concession Agreement also grants Avea six channels in the 900 MHz band. The Avea Concession Agreement also authorizes the establishment of direct connections with telecommunications operators abroad.

Pursuant to the Avea Concession Agreement, Avea was granted to use six channels in the 1800 MHz band and channels in the 900 MHz band. Avea is also authorized to use frequencies in the 1800 MHz band and the 900 MHz band previously allocated to Aycell for a transitional period. The right to use Aycell's 1800 MHz frequencies expired in February 2006 and the right to use its 900 MHz frequencies is due to expire in August 2007, at which time the frequencies must be returned to the TA. The term of the Avea Concession Agreement is 25 years from 11 January 2001 (i.e., until 10 January 2026), being the date upon which the original authorization agreement was entered into between Avea and the Ministry of Transportation (which was subsequently renewed as the license agreement between Aycell and the TA on February 2002).

However, Avea may apply to the TA for renewal, with any such renewal to be granted entirely at the discretion of the TA. 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 TA at no cost.

The TA may terminate the Avea Concession Agreement in the event of: (i) a bankruptcy-related event; (ii) an unremedied breach; (iii) Avea operating outside of its allocated frequencies; or (iv) for non-payment of license fees. However, in the event of termination for a reason other than non-payment of license fees, Avea must be given a grace period of at least 90 days, within which to submit a corrective programme. It is only in the event that the TA does not accept the programme that it may terminate the Avea Concession Agreement. Upon termination, Avea is under an obligation to transfer the entire equipment that comprises the GSM 1800 network to the TA at no cost.

Avea is subject to coverage obligations under the Avea Concession Agreement, and is required to have coverage for 90% of the Turkish population within five years after 11 January 2001. In addition, residential units with a population less than 10,000 have to be covered with Avea's own network rather than national roaming arrangements. Moreover, Avea is also committed to renew the network in line with technological improvements and international agreements. Avea also has to conform to certain quality standards. In areas covered, the licensed internal rate of network for blocked calls and failed calls cannot exceed 5% and 2%, respectively.

The Avea Concession Agreement provides that the license fees were paid at the time of issuance of the original GSM 1800 authorization agreement. Avea is also required under the terms of the Avea Concession Agreement, to pay a share to the Treasury of 15% of its monthly gross income (Note 8), and a contribution to the TA's expenses comprising 0,35% of the net amount remaining following the deduction of all taxes, duties, fees, the Treasury contribution and VAT from Avea's monthly gross income. Finally, the Avea Concession Agreement also envisages frequency license and usage charges to be paid by Avea, although the amount of these charges is not specified. The Avea Concession Agreement also requires Avea to provide a performance bond in the amount of USD 151.500 in respect of its obligations under the Avea Concession Agreement. This represents 6% of the license fee.

Other provisions of the Avea Concession Agreement provide for the allocation of area codes for the Avea network, and number portability to be provided in accordance with regulations issued by the TA, (although such regulations have not yet been issued). Avea is also under an obligation to submit financial audit reports and tables and an investment plan.

Finally, the Avea Concession Agreement provides that the license may be transferred with the approval of the TA and within the terms of the Authorization Ordinance. However, no transfer may be made to an entity which already has a GSM 900 or GSM 1800 license in Turkey, or to related parties of such an entity. The approval of the Competition Authority is also required for any change of control, being a transfer of more than 50% of the shares.

## **Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries**

### **Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008**

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

#### **3G License authorization**

The tender for authorization of IMT-2000/UMTS services has been held on 28 November 2008 with the participation of three GSM operators and Avea has been awarded C type license for a fee of EUR 214.000 (excluding VAT)

On 3 December 2008, following the approval of the Board of the Authority, draft Concession Agreement has been initialed by Avea and the Authority and delivered to the Council of State to receive its opinions. As previously specified in the Tender Specifications; as soon as the opinion of the Council of State is received, the Concession Agreement will be finalized and submitted for the approval of TA.

Avea shall start to render services after three months by the date of the conclusion of the Concession Agreement.

#### **Legal proceedings of Türk Telekom**

From time to time the Group has been, and expects to continue to be, subject to legal, regulatory and tax proceedings and claims arising in the ordinary course of its business.

#### **Disputes between the Company and Turkcell**

##### **Interconnection tariff disputes:**

The Company and Turkcell have a dispute over international interconnection and leased line rates charged by the Company. The Company provided a provision for this dispute amounting to TL 62.160 as of 31 December 2008 (2007 - TL 78.508) in the consolidated financial statements as a litigation reserve (Note 23).

##### **Traffic calculation disputes:**

As of 31 December 2008, total provision provided in the consolidated financial statements with respect to traffic volume disputes with Turkcell amounts to TL 8.389 (2007 - TL 8.389) (Note 23).

##### **Leased line:**

The Company and Turkcell have a dispute over the fees charged by the Company on inside building lines in 2005 and 2006. Turkcell has initiated two legal filings with respect to this dispute against the Company. The total value of these filings amounts to TL 4.204 (2007 - TL 4.204). The Company has provided a provision of TL 1.099 for these disputes in the consolidated financial statements (Note 23).

#### **Disputes between the Company and Telsim Mobil Telekomünikasyon Hizmetleri A.Ş. (Telsim)**

For the period between October 2003 – February 2005, traffic volumes were calculated differently by the Company and Telsim. The provision provided in the consolidated financial statements with respect to these disputes amounts to TL 7.013 (2007 - TL 7.013) (Note 23).

#### **Disputes between the Company and the Telecommunication Authority**

The Company has opened various law suits against the TA. These lawsuits are related with the industrial and tariff legislations and legislations with respect to the other operators in the market. The industrial disputes generally stem from the objections with respect to certain clauses of interconnection legislation, legislation with respect to the authorization for telecommunication service and infrastructure, numbering legislation and other objections.

#### **Legal proceedings of Avea**

##### **Issues between Avea and Turkcell**

28 February 2006, Avea has prosecuted Turkcell with the claim that, Turkcell had not acted in accordance with the clause of the interconnection agreement, which states that both parties would not charge any SMS interconnection termination fees at any price. The total value of this filing amounts to TL 12.275. Aforementioned case and other cases opened afterwards have not been finalized as of the approval of these consolidated financial statements.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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

#### Objection of Avea to the TA

Avea has initiated a lawsuit against the TA because of the TA's decision dated 15 December 2005 in which Avea was determined to be one of the 'Significant Market Powers' in the GSM Phone Call Termination Market in Turkey. The Regional Administrative Court rejected the appeal application and in April 2007, the court rejected the case and Avea appealed the judgment in May 2007. As of the approval of these consolidated financial statements, the file is still under the investigation of the Council of State and no conclusion has been reached. There will be no retrospective effect on the Group's financial statement in case the lawsuit is concluded to be against Avea.

#### Objection to decision of the TA about "No Allowance to have incumbrances on assets of Avea"

In case of termination or dissolution of the GSM License Agreement, Avea, as it has been defined in the license agreement, must alienate all of the entire technical system and its properties and equipments to the TA or any other party which the TA determines, free of charge. In accordance with the decision of the TA in November 2005, there must be no collateral, pledge or sort of incumbrances on the assets of Avea that may hinder the probable transfer of the technical system and its property and equipments. In accordance with the stated decision of the TA, Avea did not give any further pledge on its fixed assets starting from the decision date. Avea has objected to the decision of the TA and the case will be prosecuted by the Council of State. Council of State rejected the suspension of execution demand. In November 2006; Avea has objected to this decision and submitted its allegations against the TA's assertions. As of the date of the approval of these financial statements, the file is still under investigation of the Council of State and no conclusion has been reached.

#### Other matters

A provision was provided in the consolidated financial statements for the court cases for which the Group's management with the advice of the Group's lawyers believe an unfavorable outcome is probable. Such court cases amount to TL 124.301 as of 31 December 2008 (2007 - TL 102.832) (Note 23). For the remaining court cases, the Group's lawyers have either advised that they do not consider the claims have merit or they have recommended that they have to be contested. Therefore, no additional provision has been recognized in the consolidated financial statements.

#### 27. Business combinations

As of 31 December 2007, the Company has acquired 99,96% of the shares of Innova, Argela, and Sebit. Information on the acquisition transactions has been disclosed in Note 18.

#### 28. Events after the balance sheet date

On the request of "Türkiye Haber-İş Sendikası" the Ministry of Labor and Social Security has given a "Certificate of Authority" dated 29 January 2009 to the said Union authorizing the Union making collective bargaining agreements for the locations of the Company. The negotiations are planned to be started on 4 February 2009.

#### 29. Operating expenses (including cost of sales)

|                                                | 1 January –<br>31 December 2008 | 1 January –<br>31 December 2007 |
|------------------------------------------------|---------------------------------|---------------------------------|
| Cost of sales (-)                              | (4.885.789)                     | (5.258.137)                     |
| Marketing, sales and distribution expenses (-) | (1.240.384)                     | (972.935)                       |
| General administrative expenses (-)            | (1.605.569)                     | (955.191)                       |
| Research and development expenses (-)          | (9.817)                         | -                               |
|                                                | <b>(7.741.559)</b>              | <b>(7.186.263)</b>              |

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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

#### 30. Operating expenses (based on their nature)

|                                                                                   | 1 January –<br>31 December 2008 | 1 January –<br>31 December 2007 |
|-----------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| Personnel expenses                                                                | (2.146.063)                     | (1.823.820)                     |
| Repair and maintenance expenses                                                   | (522.993)                       | (343.674)                       |
| Domestic interconnection                                                          | (504.344)                       | (581.845)                       |
| Taxes                                                                             | (506.689)                       | (457.514)                       |
| Commission expenses                                                               | (319.630)                       | (234.298)                       |
| Advertisement expenses                                                            | (294.181)                       | (197.803)                       |
| Promotion expenses                                                                | (200.056)                       | (211.730)                       |
| Utilities                                                                         | (194.540)                       | (120.513)                       |
| Rent expenses                                                                     | (158.000)                       | (220.585)                       |
| Invoice dispatching expenses                                                      | (157.788)                       | (140.276)                       |
| International interconnection                                                     | (101.640)                       | (91.932)                        |
| Capital expenditures and provision under the scope of IFRIC 12                    | (90.573)                        | (170.684)                       |
| Consulting expenses                                                               | (86.034)                        | (122.220)                       |
| Court expert expenses                                                             | (45.745)                        | (36.096)                        |
| Stationary expenses                                                               | (20.981)                        | (15.085)                        |
| Insurance expenses                                                                | (17.287)                        | (11.681)                        |
| Satellite and communication expenses                                              | (17.150)                        | (17.897)                        |
| Others                                                                            | (726.098)                       | (750.882)                       |
| <b>Total operating expenses (excluding depreciation and amortization expense)</b> | <b>(6.109.792)</b>              | <b>(5.548.535)</b>              |
| <b>Depreciation and amortization expense</b>                                      | <b>(1.631.767)</b>              | <b>(1.637.728)</b>              |
| <b>Total operating expenses</b>                                                   | <b>(7.741.559)</b>              | <b>(7.186.263)</b>              |

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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

#### 31. Other operating income/(expenses)

|                                                  | 1 January –<br>1 December 2008 | 1 January –<br>31 December 2007 |
|--------------------------------------------------|--------------------------------|---------------------------------|
| <b>Other operating income</b>                    |                                |                                 |
| Curtailment and settlement gain (Note 23)        | 47.255                         | 37.617                          |
| Actuarial gain (Note 23)                         | 35.771                         | 17.960                          |
| Release of litigation provision (Note 23)        | -                              | 18.584                          |
| Income on release of bad debt provision (Note 8) | 80.513                         | 124.547                         |
| Indemnity income                                 | 26.177                         | 18.823                          |
| Gain on scrap sales                              | 33.807                         | 25.721                          |
| Other                                            | 87.203                         | 102.739                         |
|                                                  | <b>310.726</b>                 | <b>345.991</b>                  |
| <b>Other operating expense (-)</b>               |                                |                                 |
| Litigation provision expense (Note 23)           | (36.229)                       | -                               |
| Special consumption taxes and other expenses     | (4.799)                        | (15.298)                        |
| Other                                            | (13.263)                       | (1.848)                         |
|                                                  | <b>(54.291)</b>                | <b>(17.146)</b>                 |

#### 32. Financial income/(expense)

|                                   | 1 January –<br>31 December 2008 | 1 January –<br>31 December 2007 |
|-----------------------------------|---------------------------------|---------------------------------|
| Interest expense                  | (235.707)                       | (196.577)                       |
| Exchange losses                   | (657.516)                       | (35.228)                        |
| Other                             | (29.355)                        | (92.014)                        |
| Financial expense                 | (922.578)                       | (323.819)                       |
| Interest income and delay charges | 264.434                         | 322.293                         |
| Exchange gains                    | 77.068                          | 420.724                         |
| Other                             | 7.397                           | 16.095                          |
| Financial income                  | 348.899                         | 759.112                         |
| Financial (expense)/income, net   | (573.679)                       | 435.293                         |

#### 33. Taxation on income

|                                   | 31 December 2008 | 31 December 2007 |
|-----------------------------------|------------------|------------------|
| Corporate tax payable:            |                  |                  |
| Current corporate tax provision   | 643.728          | 820.920          |
| Less: Prepaid taxes and funds (-) | (549.846)        | (608.612)        |
|                                   | <b>93.882</b>    | <b>212.308</b>   |

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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

|                                      | 1 January –<br>31 December 2008 | 1 January –<br>31 December 2007 |
|--------------------------------------|---------------------------------|---------------------------------|
| Tax expense:                         |                                 |                                 |
| Current income tax expense           | (643.728)                       | (820.920)                       |
| Deferred income tax credit (Note 14) | 134.954                         | 411.134                         |
|                                      | <b>(508.774)</b>                | <b>(409.786)</b>                |

The Company and the subsidiaries incorporated in Turkey are subject to taxation in accordance with the tax regulations and the legislation effective in Turkey.

In Turkey, the corporate tax rate is 20% (2007 – 20%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one installment by the end of the fourth month. The tax legislation provides for a temporary tax of 20% (2007 – 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.

With the new law enacted, effective from 1 January 2006, Turkish government ceased to offer investment incentives for capital investments. Companies having unused qualifying capital investment amounts from periods prior to 31 December 2005 will be able to deduct such amounts from corporate income until the end of 31 December 2008; however, the corporate tax rate will be 30% for them. Since the Group has not preferred to make its capital investments after 31 December 2005 subject to deduction, the tax rate used for the corporate tax calculation is 20%.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

Dividend payments made to resident and non-resident individuals, non-resident legal entities and corporations resident in Turkey (except for the ones exempt from corporate and income tax), are subject to an income tax of 15%. Dividend payments made by a corporation resident in Turkey to a corporation also resident in Turkey are not subject to income tax.

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 2008

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

The reconciliation between tax expense and the product of accounting profit multiplied by applicable tax is as follows:

|                                                                                                                              | 1 January –<br>31 December 2008 | 1 January –<br>31 December 2007 |
|------------------------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| Profit before tax                                                                                                            | 2.136.144                       | 3.001.442                       |
| Tax at the corporate tax rate of 20%                                                                                         | 427.228                         | 600.288                         |
| Tax effects of:                                                                                                              |                                 |                                 |
| - effect of expenses that are not deductible in determining taxable profit                                                   | 12.383                          | 24.975                          |
| - deferred tax asset recognized from tax losses carried forward of subsidiaries                                              | (25.407)                        | (245.000)                       |
| - adjustments and statutory tax losses of subsidiaries which are neither subject to statutory taxation nor deferred taxation | 94.570                          | 29.523                          |
| <b>Tax expense for the year</b>                                                                                              | <b>508.774</b>                  | <b>409.786</b>                  |

### 34. Financial risk management objectives and policies

#### Credit risk

|                                                                         | Receivables Deposits at banks |               |                   |               |                 |        |
|-------------------------------------------------------------------------|-------------------------------|---------------|-------------------|---------------|-----------------|--------|
|                                                                         | Trade receivables             |               | Other receivables |               |                 |        |
| As of 31 December 2008                                                  | Related parties               | Third parties | Related parties   | Third parties | Related parties | Other  |
| Maximum credit risk exposed to as of the reporting date (A+B+C+D+E)     | 92.944                        | 1.325.873     | -                 | 67.188        | 1.040.228       | 13.302 |
| - Guaranteed portion of the maximum risk                                | -                             | 49.227        | -                 | -             | -               | -      |
| A. Carrying amount of financial assets not overdue or not impaired      | 92.944                        | 871.988       | -                 | 67.188        | 1.040.228       | 13.302 |
| B. Carrying amount of restructured financial assets overdue or impaired | -                             | -             | -                 | -             | -               | -      |
| C. Carrying amount of financial assets overdue but not impaired         | -                             | 452.998       | -                 | -             | -               | -      |
| - Amount secured by 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 bearing credit risk                          | -                             | -             | -                 | -             | -               | -      |

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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

|                                                                         | Receivables Deposits at banks |               |                   |               |                 |        |
|-------------------------------------------------------------------------|-------------------------------|---------------|-------------------|---------------|-----------------|--------|
|                                                                         | Trade receivables             |               | Other receivables |               | Related parties | Other  |
|                                                                         | Related parties               | Third parties | Related parties   | Third parties |                 |        |
| <b>As of 31 December 2007</b>                                           |                               |               |                   |               |                 |        |
| Maximum credit risk exposed to as of the reporting date (A+B+C+D+E)     | 83.172                        | 1.282.263     | -                 | 23.380        | 1.331.541       | 21.623 |
| - Guaranteed portion of the maximum risk                                | -                             | 54.325        | -                 | -             | -               | -      |
|                                                                         | -                             | -             | -                 | -             | -               | -      |
| A. Carrying amount of financial assets not overdue or not impaired      | 83.172                        | 768.698       | -                 | 23.380        | 1.331.541       | 21.623 |
| B. Carrying amount of restructured financial assets overdue or impaired | -                             | -             | -                 | -             | -               | -      |
| C. Carrying amount of financial assets overdue but not impaired         | -                             | 513.565       | -                 | -             | -               | -      |
| - Amount secured by guarantees                                          | -                             | -             | -                 | -             | -               | -      |
| D. Carrying amount of assets impaired                                   | -                             | -             | -                 | -             | -               | -      |
| - Overdue (gross book value)                                            | -                             | 890.069       | -                 | 14.787        | -               | -      |
| - Impairment (-)                                                        | -                             | (890.069)     | -                 | (14.787)      | -               | -      |
| E. Off balance sheet items bearing credit risk                          | -                             | -             | -                 | -             | -               | -      |

When determining the credit risk exposed to as of the balance sheet date, items like guarantees received, which provide increased credit reliability have not been considered. The aging for assets overdue but not impaired has been provided in Note 8.

#### Liquidity risk

The Group's objective is to maintain a balance between current assets and liabilities through close monitoring of payment plans and cash projections.

The Group manages short, medium and long term funding and liquidity management requirements by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2008 and 2007 based on contractual undiscounted payments (including accrued interest).

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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

| Contract based maturities as of<br>31 December 2008   | Book<br>value | Total contract<br>based cash<br>outflow<br>(=I+II+III+IV) | Less than<br>3 months (I) | 3 to 12<br>months (II) | 1 to 5<br>years (III) | More than<br>5 years (IV) |
|-------------------------------------------------------|---------------|-----------------------------------------------------------|---------------------------|------------------------|-----------------------|---------------------------|
| Non-derivative financial liabilities                  |               |                                                           |                           |                        |                       |                           |
| Bank borrowings                                       | 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       |                                                           |                           |                        |                       |                           |
| Cash inflow from derivative<br>financial instruments  | -             | 394.526                                                   | 76.199                    | 52.363                 | 240.120               | 25.844                    |
| Cash outflow from derivative<br>financial instruments | -             | (603.248)                                                 | (83.337)                  | (81.987)               | (386.843)             | (51.081)                  |
| Contract based maturities as of<br>31 December 2007   | Book<br>value | Total contract<br>based cash<br>outflow<br>(=I+II+III+IV) | Less than<br>3 months (I) | 3 to 12<br>months (II) | 1 to 5<br>years (III) | More than<br>5 years (IV) |
| Non-derivative financial liabilities                  |               |                                                           |                           |                        |                       |                           |
| Bank borrowings                                       | 2.107.499     | 2.750.334                                                 | 432.611                   | 111.233                | 1.286.809             | 919.681                   |
| Obligations under finance leases                      | 40.925        | 53.806                                                    | 1.765                     | 5.061                  | 24.103                | 22.877                    |
| Trade payables                                        | 655.298       | 655.298                                                   | 654.158                   | 1.140                  | -                     | -                         |
| Other payables                                        | 26.990        | 26.990                                                    | 13.176                    | -                      | 13.814                | -                         |
| Related parties                                       | 7.105         | 7.105                                                     | 7.105                     | -                      | -                     | -                         |
| Derivative financial liabilities (Net)                | 61.295        |                                                           |                           |                        |                       |                           |
| Cash inflow from derivative<br>financial instruments  | -             | -                                                         | -                         | -                      | -                     | -                         |
| Cash outflow from derivative<br>financial instruments | -             | -                                                         | -                         | -                      | (61.295)              | -                         |

#### Foreign currency risk:

The Group's main foreign currency exposure is mainly with respect to the bank borrowings. Foreign currency denominated borrowings are disclosed in Note 7.

## Türk Telekomünikasyon Anonim Şirketi and its Subsidiaries

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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The following table demonstrates the sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's net profit for the year (due to changes in the fair value of monetary assets and liabilities).

| As of 31 December 2008                                            | Profit/Loss<br>Appreciation of<br>foreign currency          | Devaluation of<br>foreign currency         |
|-------------------------------------------------------------------|-------------------------------------------------------------|--------------------------------------------|
| <b>Appreciation of USD against TL at 1%:</b>                      |                                                             |                                            |
| 1- US Dollars net asset/liability                                 | (21.769)                                                    | 21.769                                     |
| 2- Portion protected from US Dollar risk (-)                      | 454                                                         | (454)                                      |
| 3- US Dollar net effect (1+2)                                     | (21.315)                                                    | 21.315                                     |
| <b>Appreciation of Euro against TL at 1%:</b>                     |                                                             |                                            |
| 4- Euro net asset/liability                                       | (2.063)                                                     | 2.063                                      |
| 5- Portion protected from Euro risk (-)                           | -                                                           | -                                          |
| 6- Euro net effect (4+5)                                          | (2.063)                                                     | 2.063                                      |
| <b>Appreciation of other foreign currencies against TL at 1%:</b> |                                                             |                                            |
| 7- Other foreign currency net asset/liability                     | (11)                                                        | 11                                         |
| 8- Portion protected from other foreign currency (-)              | -                                                           | -                                          |
| 9- Other foreign currency net effect (7+8)                        | (11)                                                        | 11                                         |
| <b>Total (3+6+9)</b>                                              | <b>(23.389)</b>                                             | <b>23.389</b>                              |
| <b>As of 31 December 2007</b>                                     | <b>Profit/Loss<br/>Appreciation of<br/>foreign currency</b> | <b>Devaluation of<br/>foreign currency</b> |
| <b>Appreciation of USD against TL at 1%:</b>                      |                                                             |                                            |
| 1- US Dollars net asset/liability                                 | (19.495)                                                    | 19.495                                     |
| 2- Portion protected from US Dollar risk (-)                      | 1.165                                                       | (1.165)                                    |
| 3- US Dollar net effect (1+2)                                     | (18.330)                                                    | 18.330                                     |
| <b>Appreciation of Euro against TL at 1%:</b>                     |                                                             |                                            |
| 4- Euro net asset/liability                                       | (734)                                                       | 734                                        |
| 5- Portion protected from Euro risk (-)                           | -                                                           | -                                          |
| 6- Euro net effect (4+5)                                          | (734)                                                       | 734                                        |
| <b>Appreciation of other foreign currencies against TL at 1%:</b> |                                                             |                                            |
| 7- Other foreign currency net asset/liability                     | -                                                           | -                                          |
| 8- Portion protected from other foreign currency (-)              | -                                                           | -                                          |
| 9- Other foreign currency net effect (7+8)                        | -                                                           | -                                          |
| <b>Total (3+6+9)</b>                                              | <b>(19.064)</b>                                             | <b>19.064</b>                              |

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

|                                                                                          | 31 December 2008 |             |          |       | 31 December 2007 |               |             |          |
|------------------------------------------------------------------------------------------|------------------|-------------|----------|-------|------------------|---------------|-------------|----------|
|                                                                                          | TL Equivalent    | USD         | Euro     | GBP   | Other            | TL Equivalent | USD         | Euro     |
| 1. Trade receivables                                                                     | 147.121          | 79.370      | 12.654   | -     | -                | 91.576        | 62.311      | 11.111   |
| 2a. Monetary financial assets (Cash and banks accounts included)                         | 388.775          | 224.559     | 22.962   | 8     | -                | 143.188       | 37.943      | 57.886   |
| 2b. Non-monetary financial assets                                                        | -                | -           | -        | -     | -                | -             | -           | -        |
| 3. Other                                                                                 | 25.235           | 14.840      | 1.285    | 19    | -                | -             | -           | -        |
| 4. Current assets (1+2+3)                                                                | 561.131          | 318.768     | 36.901   | 27    | -                | 234.764       | 100.254     | 68.997   |
| 5. Trade receivables                                                                     | -                | -           | -        | -     | -                | -             | -           | -        |
| 6a. Monetary financial assets                                                            | -                | -           | -        | -     | -                | -             | -           | -        |
| 6b. Non-monetary financial assets                                                        | -                | -           | -        | -     | -                | -             | -           | -        |
| 7. Other                                                                                 | 380              | 250         | -        | 1     | -                | -             | -           | -        |
| 8. Non-current assets (5+6+7)                                                            | 380              | 250         | -        | 1     | -                | -             | -           | -        |
| 9. Total assets (4+8)                                                                    | 561.511          | 319.018     | 36.901   | 28    | -                | 234.764       | 100.254     | 68.997   |
| 10. Trade payables                                                                       | 181.480          | 79.829      | 27.374   | 967   | 40               | 103.967       | 71.794      | 11.898   |
| 11. Financial liabilities                                                                | 549.523          | 347.360     | 11.309   | -     | -                | 446.150       | 378.708     | 2.964    |
| 12a. Monetary other liabilities                                                          | 24.075           | 8.025       | 5.577    | -     | -                | -             | -           | -        |
| 12b. Non-monetary other liabilities                                                      | -                | -           | -        | -     | -                | -             | -           | -        |
| 13. Short-term liabilities (10+11+12)                                                    | 755.078          | 435.214     | 44.260   | 967   | 40               | 550.117       | 450.502     | 14.862   |
| 14. Trade payables                                                                       | -                | -           | -        | -     | -                | -             | -           | -        |
| 15. Financial liabilities                                                                | 2.374.897        | 1.440.199   | 87.728   | -     | -                | 1.783.101     | 1.388.418   | 97.071   |
| 16 a. Monetary other liabilities                                                         | 16               | 11          | -        | -     | -                | -             | -           | -        |
| 16 b. Non-monetary other liabilities                                                     | -                | -           | -        | -     | -                | -             | -           | -        |
| 17. Long-term liabilities (14+15+16)                                                     | 2.374.913        | 1.446.210   | 87.728   | -     | -                | 1.783.101     | 1.388.418   | 97.071   |
| 18. Total liabilities (13+17)                                                            | 3.129.991        | 1.881.424   | 131.988  | 967   | 40               | 2.333.218     | 1.838.920   | 111.933  |
| 19. Net asset/(liability) position of off balance sheet derivative instruments (19a-19b) | (208.722)        | (138.016)   | -        | -     | -                | (75.494)      | (64.819)    | -        |
| 19a. Total hedged asset amount                                                           | 793              | 524         | -        | -     | -                | -             | -           | -        |
| 19b. Total hedged liability amount                                                       | 209.515          | 138.540     | -        | -     | -                | 75.494        | 64.819      | -        |
| 20. Net foreign currency asset/(liability) position (9-18+19)                            | (2.777.202)      | (1.700.422) | (95.087) | (939) | (40)             | (2.173.948)   | (1.803.485) | (42.936) |
| 21. Net asset/(liability) position of foreign currency monetary items (IFRS 7.B23)       |                  |             |          |       |                  |               |             |          |
| (=1+2a+5+6a-10-11-12a-14-15-16a)*                                                        | (2.385.373)      | (1.439.479) | (96.372) | (959) | (40)             | (2.022.960)   | (1.673.847) | (42.936) |
| 22. Fair value of derivative financial instruments designated for foreign currency hedge | -                | -           | -        | -     | -                | -             | -           | -        |

#### Financial risk factors

The Group's principal financial instruments comprise derivative financial instrument transactions, bank borrowings 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 market risk and credit risk. The board is responsible from the procedures for reviewing and monitoring these exposures as summarized below.

#### Interest rate risk

The value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group's interest rate risk is primarily attributable to its bank borrowings.

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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's market risk is subject to the Group's dependency on financial liabilities having variable rates. The Group policy is to manage interest cost by funding fixed and variable interest rate liabilities.

The interest rate risk table is presented below

|                                                          | 31 December 2008 | 31 December 2007 |
|----------------------------------------------------------|------------------|------------------|
| <b>Financial instruments with fixed interest rate</b>    |                  |                  |
| Financial liabilities                                    | 776.857          | 21.552           |
| <b>Financial instruments with variable interest rate</b> |                  |                  |
| Financial liabilities                                    | 2.678.385        | 2.126.872        |

If the base point of TL denominated interest rates for financial instruments with variable interest rate was higher/lower by 0,25%, with all other variables held constant, the Group's income before tax and minority interest would be lower/higher TL 1.160 (31 December 2007 – TL 1.135)

On the other side, hedging against financial risk would have - without affecting income before tax and minority interest – a direct effect on equity and equity would be higher/lower TL 16.934 (31 December 2007 – TL 11.268).

#### 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 which are not presented at fair value in the Group's consolidated financial statements.

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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.

|                                                           | Net Book Value |              | Fair Value     |              |
|-----------------------------------------------------------|----------------|--------------|----------------|--------------|
|                                                           | Current period | Prior period | Current period | Prior period |
| <b>Financial assets</b>                                   |                |              |                |              |
| Cash and cash equivalents                                 | 1.041.982      | 1.332.792    | 1.041.982      | 1.332.792    |
| Trade and other receivables<br>(related parties included) | 1.485.118      | 1.388.815    | 1.485.118      | 1.388.815    |
| <b>Financial liabilities</b>                              |                |              |                |              |
| Bank borrowings                                           | 3.408.482      | 2.107.499    | 3.403.356      | 2.208.582    |

The Group is subject to interest risk due to bank borrowings and finance lease obligations. In order to cover the interest rate risk of bank borrowings, the Group has entered into interest rate swap transactions. The fair value of these financial instruments are shown above.

#### Capital management policies

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. In this respect the Group restructured its debt obligations through replacing the majority of the short-term loans with long-term ones and further to this rolled over the remaining of short-term loans during the year 2007.

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 ended 31 December 2008 and 31 December 2007.

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### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2008

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#### 35. 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 the Company owned by the Treasury, the minority shareholder of the Company, has been sold as of 15 May 2008, through an initial public offering ("IPO") (such shares correspondence to corresponding to 15% the Company's shares). During the IPO, 12.299.160.300 of such shares have been allocated to the employees of the Company's, PTT and small investors together with 5.220.503.800 shares allocated to domestic investors with high purchasing power with discounted price varying according to the payment terms and application date (compared to the price applied to the other corporate investors for the remaining shares of 34.980.335.900. The discounts provided to the Company employees have been considered as within the scope of IFRS 2 ("Share Based Payment") by the management of the Company considering the fact that the Company receives services from its employees. The Company has reflected the fair value of the discounts provided to the Company 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 the Company  | : | TL 4.2937  |
| The number of shares sold to the Company's employees (lot) | : | 31.104.948 |
| Expense reflected to the consolidated income statement     | : | TL 9.528   |

The management of the Company 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) the Company 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 the Company 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.



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