TURKCELL ILETISIM HIZMETLERI A S
Form 6-K
May 07, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934

May 7, 2010

Commission File Number 001-15092

TURKCELL ILETISIM HIZMETLERI A.S.
(Translation of registrant's name into English)

Turkcell Plaza
Mesrutiyet Caddesi No. 153
34430 Tepebasi
Istanbul, Turkey
(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F x Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes o No x

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes o No x

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No x

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-__________

Enclosure: A press release dated May 5, 2010 announcing Turkcell's First Quarter 2010 results.

PRESS RELEASE

First Quarter 2010 Results

TURKCELL ILETISIM HIZMETLERI A.S.
FIRST QUARTER 2010 RESULTS

Maintaining Market Leader Position
Despite Challenges

Istanbul, Turkey, May 5, 2010 – Turkcell (NYSE:TKC, ISE:TCELL), the leading communications and technology company in Turkey, today announced results for the first quarter ended March 31, 2010. All financial results in this press release are unaudited and prepared in accordance with International Financial Reporting Standards ("IFRS") and expressed in TRY and US$.

Please note that all financial data is consolidated and comprises Turkcell Iletisim Hizmetleri A.S., (the "Company", or "Turkcell") and its subsidiaries and its associates (together referred to as the "Group"). All non-financial data is unconsolidated and comprises Turkcell only. The terms "we", "us", and "our" in this press release refer only to the Company, except in discussions of financial data, where such terms refer to the Group, and where context otherwise requires.

First Quarter 2010 Results

Highlights of the quarter

- Group revenue grew by 6.9% to TRY2,249 million (TRY2,103 million) compared to the same period in 2009, driven by Turkcell Turkey and by subsidiaries' contribution except for Inteltek.

a. Turkcell Turkey grew its revenues by 7.6% to TRY2,016.3 million (TRY1,873.1 million), reflecting growing usage, increasing contribution from mobile data and higher interconnect revenue. Blended average revenue per user ("ARPU") increased by 13.5% to TRY19.4 (TRY17.1) compared to Q1 2009.

b. Turkcell's Superonline business continued to grow, increasing revenues by 61.8 % to TRY71 million (TRY43.9 million) and improving its EBITDA margin.

c. Group revenues were negatively impacted by Inteltek, revenues of which decreased by 73.4 % to TRY11.0 million (TRY41 million) on the back of lower commission rates under its new contract.

- Group EBITDA* declined by 8.1% to TRY711.3 million (TRY773. 6 million), while the EBITDA margin was 31.6%, representing a 5.2 percentage point decrease year-on-year mainly due to increasing interconnection costs.

- Group net income decreased by 25.8 % year-on-year to TRY417.6 (TRY562. 6 million)

- Turkcell's Annual General Meeting has approved the distribution of TRY859.3 million (approximately $573.5 million as of April 29, 2010) as cash dividends representing a net and gross cash dividend of TRY0.39 (approximately US$0.26 as of April 29, 2010) per ordinary share and approximately TRY0.98 (approximately $0.65 as of April 29, 2010) per ADR.

*EBITDA is a non-GAAP financial measure. See pages 12-13 for the reconciliation of EBITDA to net cash from operating activities.
**In this press release, a year-on-year comparison of our key indicators is provided and figures in parentheses following the operational and financial results for March 31, 2010 refer to the same item as at March 31, 2009. For further details, please refer to our consolidated financial statements and notes as at and for March 31, 2009 which can be accessed via our web site in the investor relations section (www.turkcell.com.tr).
**Please note that the Communication and Technologies Authority in Turkey is referred to as "the Telecommunications Authority" herein.

Comments from the CEO, Sureyya Ciliv

In the first quarter of 2010, Turkcell Group revenues increased to TRY2.25 billion with EBITDA of TRY711.3 million and net income of TRY417.6 million. Turkcell Group achieved revenue growth of 7 % driven by our strong performance in the Turkish mobile market and a gradual macroeconomic recovery in our key markets.

In the Turkish market, we have adapted to critical changes mainly characterized by lower interconnection rates and maximum price cap levels and have also prepared for the transition to TRY-based pricing from counter based pricing for our prepaid subscribers, all of which came into effect as of April 1, 2010. We believe that we have ensured a smooth and transparent transition through these changes by redesigning our tariffs and offers with an emphasis on achieving an optimum balance between our revenue growth and customer expectations.

In Turkey, despite market challenges, our market leader position remains unchanged and we remain as confident as ever to continue to lead the mobile market. For this purpose, we will

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continue to undertake major investments in our 3G and fixed fiber backbone networks in 2010. We believe these investments are vital to continue to win against competition and create future value for our shareholders.

As always, our people remain central to our continued success. I would like to thank all of our customers, employees, business partners, and shareholders for their continued support.

OVERVIEW OF THE QUARTER

Following a very difficult year, the competitive environment in the Turkish mobile market remained challenging in the first quarter of 2010. Despite some recovery in macroeconomic conditions, mobile line penetration in the first quarter fell to 84%, down from 87% in the previous quarter, mainly due to a drop in multiple SIM card usage, which has decreased to 14% from 19% since the implementation of Mobile Number Portability. We expect the declining trend in multiple SIM card usage to continue and mobile line penetration to decrease to around 80% by the year end despite the increase in data SIM cards. However, we do not anticipate any major changes in market composition in 2010.

In February 2010, the Telecommunications Authority ("the Authority") ruled to decrease Mobile Termination Rates ("MTRs") and maximum price levels for telecommunication services in the Turkish market, effective from April 1, 2010. The exact impact of the Authority's most recent decisions on pricing and traffic trends going forward is at present difficult to assess. However, in terms of market conditions, we have seen signs of more rational competitive behavior with some limitations to usage incentives and price adjustments during 1Q 2010. We expect this trend to continue going forward.

In a competitive environment where the focus of all operators is on valuable and postpaid subscribers, we maintained our market leadership by consistently focusing on our unique value propositions. During this period, we continued to focus on mobile data and services business by encouraging mobile data usage with attractive offers and differentiating Turkcell with 12 total applications for our subscribers which are intended to ease and enrich their lives. Similarly, during the transition from a unit to a TRY-based system, we redesigned our offers by consistently providing our subscribers with transparent and attractive tariffs. Throughout this quarter, we also maintained our value focus, while promoting mobile data and services usage across all segments. At the same time, thanks to our superior 3G offering in Turkey, our data revenues grew by 69.6% to TRY 92.1 million, leading to an increase in the share of mobile data and services revenues in Turkcell Turkey's revenues by 2.7 pp to 19%. On a consolidated basis, our mobile data and services revenues reached TRY414 million while the portion of our consolidated mobile data and services revenues increased to 18.4% of our consolidated revenues compared to 15.7% in the first quarter of last year.

Going forward, we remain determined to capitalize on the considerable growth potential in mobile data, which we believe will have a positive impact on overall market growth in Turkey. As usual, Turkcell will continue to emphasize value and profitability by pursuing a differentiation and diversity focused business model rather than focusing solely on voice.

First Quarter 2010 Results

Overview of the Macroeconomic Environment

	Q109	Q409	Q110	y/y % chg	q/q % chg
TRY / $ rate					
Closing Rate	1.6880	1.5057	1.5215	(9.9 %)	1.0 %
Average Rate	1.6407	1.4863	1.5109	(7.9 %)	1.7 %
INFLATION					
Consumer Price Index	1.0 %	4.3 %	3.9 %	2.9 pp	(0.4 pp)
GDP Growth	(13.8 %)	6.0 %	n/a		
UAH/ $					
Closing Rate	7,700	7,985	7,925	2.9 %	(0.8 %)
Average Rate	7,700	7,993	7,982	3.7 %	(0.1 %)

Despite the 9% year-on-year TRY appreciation against the US dollar during the first quarter, the trend compared to the previous quarter was slightly negative with the TRY depreciating by 1.7%. In the fourth quarter of 2009, GDP grew by 6.0%. In the first quarter of 2010 the Ukrainian Hrvinia devalued by 2.9% year-on-year against the US dollar.

Financial and Operational Review of the First Quarter 2010

The following discussion focuses principally on the developments and trends in our business in the first quarter of 2010 in TRY terms. Selected financial information for the first quarter of 2009, fourth quarter of 2009 and first quarter of 2010 is also included at the end of this press release.

For your convenience, selected financial information in US dollars and in TRY prepared in accordance with IFRS, and in TRY prepared in accordance with the Capital Markets Board of Turkey's standards is also included at the end of this press release.

Financial Review

(million TRY) Profit & Loss Statement			Quarter		
	Q109	Q409	Q110	y/y % chg	q/q % chg
Total Revenue	2,103.4	2,260.6	2,249	6.9 %	(0.5 %)
Direct cost of revenue	(1,033.6)	(1,321.2)	(1,278)	23.6 %	(3.3 %)
Depreciation and amortization	(193.8)	(281.3)	(255.9)	32.0 %	(9.0 %)
Gross Margin	50.9 %	41.6 %	43.2 %	(7.7 pp)	1.6 pp
Administrative expenses	(98.2)	(122.0)	(124)	26.3 %	1.6 %
	(391.8)	(416.8)	(392)	0.1 %	(6.0 %)

Selling and marketing expenses										
EBITDA*	773.6		681.9		711		(8.1	%)	4.3	%
EBITDA Margin	36.8	%	30.2	%	31.6	%	(5.2 pp)		1.4 pp	
Net financial income / expense)	177.4		108.4		66.1		(62.7	%)	(39.0	%)
Financial expense	(55.5	)	(21.5	)	(50.2	)	(9.5	%)	133.5	%
Financial income	232.9		129.9		116.3		(50.1	%)	(10.5	%)
Share of profit of associates	15.1		39.3		46.1		205.3	%	17.3	%
Income tax expense	(196.9	)	(117.0	)	(126.7	)	(35.7	%)	8.3	%
Net Income	562.7		252.8		417.6		(25.8	%)	65.2	%

* EBITDA is a non-GAAP financial measure. See pages 12-13 for the reconciliation of EBITDA to net cash from operating activities.

First Quarter 2010 Results

Revenue: Turkcell's consolidated revenues grew by 6.9% year-on-year to TRY2,249 million as a result of higher mobile voice usage and a strong performance in the mobile data and services business in Turkey as well as higher interconnect revenues due to increase in off-net traffic. Superonline's business which increased its revenues by 62.0% to TRY71.2 million (TRY43.9 million) and Best in Belarus contributed positively by increasing its revenues to TRY15.8 mn (TRY1.8 million). However, the contribution from our betting business Inteltek declined significantly as a result of the lower commission rates under its new contract. Inteltek's revenue during the first quarter of 2010 declined by 73.4% to TRY11.0 million compared to the same period last year.

In the first quarter of 2010, Turkcell Turkey's interconnect revenues increased by 2.8 pp and constituted 11.0% of Turkcell Turkey's total revenues compared to a year ago, while its share in consolidated group revenues increased by 2.6 pp to 9.8%.

Quarter-on-quarter, Turkcell Group revenue decreased by 0.5%, mainly due to the lower subscriber base and lower contribution from consolidated subsidiaries.

In 2010, we expect a moderate growth in our consolidated TRY revenues.

Direct cost of revenues: Direct cost of revenues including depreciation and amortization increased by 23.6% to TRY1,278 million, representing 56.8% of total revenues compared to 49.1% in the first quarter of 2009. This was mainly due to higher interconnect costs (4.9 percentage points) related to increasing off-net usage, depreciation and amortization expenses (2.2 percentage points), an increase in fixed network expenses (0.4 pp) and other expenses (0.2 percentage points).

Compared to the previous quarter, gross profit margin increased by 1.6 pp as a result of a decrease in interconnect costs by 0.3 pp due to decrease in off-net traffic, network expenses by 0.6 pp and depreciation expenses by 1.2 pp, while wages and salaries increased by 0.3 pp.

In the first quarter of 2010, Turkcell Turkey's interconnect cost increased by 5.6 pp and represented 10.8% of Turkcell Turkey's total revenues compared to a year ago, while its share in consolidated group revenues increased by 5.1 pp to 9.7%.

Selling and marketing expenses: Selling and marketing expenses as a percentage of total revenues decreased by 1.2 percentage points to 17.4% in the first quarter of 2010 due to higher revenue base.

Compared to the previous quarter, selling and marketing expenses decreased by 6.0% and declined by 1.0 percentage points as a percentage of revenue due to lower marketing expenses, frequency usage fee payments, and commissions paid to dealers.

Administrative expenses: General and administrative expenses as a percentage of revenue increased by 0.8 percentage points year-on-year to 5.5% mainly due to higher bad debt expenses, which increased along with the increasing number of postpaid subscribers and promotional handset campaigns following the 3G rollout and MNP impact.

Compared to the fourth quarter of 2009, general and administrative expenses increased by 2.0%, up by 0.1 percentage points as a proportion of revenues.

First Quarter 2010 Results

EBITDA1: Nominal EBITDA declined by 8.1% to TRY711.3 million and the EBITDA margin by 5.2 percentage points to 31.6% compared to the same period of last year. This was mainly due to an increase in interconnection cost by TRY119.4 million (4.9 percentage points) on the back of higher off-net traffic, bad debt expenses (0.6 percentage points), fixed network expenses (0.4 percentage points), wages and salaries (0.5 percentage points), despite lower frequency usage fees (0.7 percentage points) due to a decrease in the prepaid subscriber base and selling expenses (0.7 percentage points).

Turkcell Group EBITDA margin improved by 1.4 percentage points compared to the fourth quarter of 2009 reflecting lower interconnection costs and fixed network expenses as well as sales and marketing expenses.

In 2010, we expect a moderate growth in our consolidated EBITDA in TRY terms.

Share of profit of equity accounted investees: In the first quarter of 2010, our share in net income of unconsolidated investees, consisting of the net income/(expense) impact of Fintur and A-Tel, increased by 205% to TRY46 million mainly due to the improved performance of Fintur's operation in Kazakhstan and foreign exchange rate impact.

The results of our 50%-owned subsidiary A-Tel impacted two items in our financial statements. A-Tel's revenue generated from Turkcell, amounting to TRY11.8 million, is netted off from the selling and marketing expenses in our consolidated financial statements. The difference between the total net impact of A-Tel and the amount netted off from selling and marketing expenses amounted to TRY9.3 million and is recorded in the 'share of profit of equity accounted investees' line of our financial statements.

Net finance income/(expense): We recorded net financial income of TRY66.1 million compared to TRY177.4 million in the same quarter of 2009 mainly reflecting the decline in interest received from deposits mainly due to a decrease in interest rates, a TRY8.5 million translation loss as opposed to a TRY78.1 million gain recorded last year, and despite the effect of a one-time interest expense recorded in Q1 2009 due to a dispute regarding transmission lines.

Income tax expense: The total taxation charge decreased to TRY126.7 million from TRY196.9 million in the same quarter of last year primarily due to lower operational profit and financial income. The taxation charge in the fourth quarter of 2009 was TRY117.0 million.

Of the total tax charge, TRY66.3 million was related to current tax charges and a deferred tax expense of TRY60.4 million was realized during the quarter.

(million TRY)	Q109	Q409	Q110	y/y % chg	q/q % chg
Current tax expense	(137.4)	(133.5)	(66.3)	(51.7%)	(50.3)
Deferred Tax income / (expense)	(59.5)	16.5	(60.4)	1.5%	n.m.
Income Tax expense	(196.9)	(117.0)	(126.7)	35.7%	8.3%

1 EBITDA is a non-GAAP financial measure. See pages 12-13 for the reconciliation of EBITDA to net cash from operating activities.

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First Quarter 2010 Results

Net income: Net income declined by 25.8% year-on-year to TRY417.6 million and net income margin by 8.2 percentage points to 18.6% mainly due to a decrease in EBITDA, translation loss recorded, increase in depreciation and amortization expenses as well as TRY42.2 million of litigation provisions recorded during the quarter due to the Authority's recent administrative fine announced on April 28, 2010 regarding maximum pricing and some marketing campaigns, while Fintur's contribution increased by 90% to TRY55 million (TRY29 million).

The quarter-on-quarter increase of 65.2% in net income was mainly due to the effect of litigation provisions, fixed asset write-offs, and the impairment charges registered in the last quarter of 2009 despite the negative impact of TRY42.2 million of litigation provisions recorded during the quarter due to the Authority's recent administrative fine announced on April 28, 2010 regarding maximum pricing and some marketing campaigns.

Total Debt: Consolidated debt amounted to TRY2,297.9 million as of March 31, 2009. TRY910.3 million of this was related to Turkcell's Ukrainian operations. TRY1,591.1 million of our consolidated debt is at a floating rate and TRY1,023.3 million will mature in less than a year. As of March 31, 2010 our debt/annual EBITDA ratio is 78.8%.

Consolidated Cash Flow (million TRY)	Q109		Q409		Q110	
EBITDA*	774		682		711	
LESS:						
Capex and License	(425	)	(637	)	(367	)
Turkcell	(307	)	(269	)	(180	)
Ukraine**	(71	)	(163	)	(41	)
Investment & Marketable Securities	(127	)	(151	)	42	
Net Interest Income/Expense	99		45		75	
Other	(443	)	288		(705	)
Net Change in Debt	(8	)	518		(36	)
Cash Generated	(130	)	745		(280	)
Cash Balance	4,799		4,661		4,381	

(*) EBITDA is a non-GAAP financial measure. See pages 12-13 for the reconciliation of EBITDA to net cash from operating activities.
(**)The devaluation of local currency against USD is included in this line.

Cash Flow Analysis: Capital expenditures in the first quarter of 2010 amounted to TRY 366.6 million, of which TRY 180 million was related to Turkcell Turkey, TRY 41.3 million to our Ukrainian operations, TRY 74.4 million to Superonline and TRY54.7 million to Belarusian operations.

We plan to spend up to $1.5 billion in 2010 in Turkey and for our international subsidiaries of which approximately $650 million for Turkcell Turkey, $340 million for Superonline, and $400 million for international subsidiaries.

Dividend Distribution
On April 29, 2010, the Turkcell Board of Directors' dividend distribution proposal was approved at the Ordinary General Assembly of Shareholders. The distribution of cash

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First Quarter 2010 Results

dividends is in an amount of approximately TRY859.3 million (approximately $573.5 million as of April 29, 2010).

This corresponds to 50.1% of Turkcell's distributable net income of 2009 and represents a net and gross cash dividend of TRY0.39 (approximately $0.26 as of April 29, 2010) per ordinary share with a nominal value of TRY1 and approximately TRY0.98 (approximately $0.65 as of April 29, 2010) per ADR. (Dollar figures are calculated based on Turkish Central Bank's TRY/$ exchange rate of 1.4984 for April 29, 2010)

Operational Review

Summary of Operational Data	Q109	Q409	Q110	y/y % chg	q/q % chg
Number of total subscribers (million)	36.4	35.4	34.3	(5.8%)	(3.1%)
Number of postpaid subscribers (million)	7.8	9.4	9.3	19.2%	(1.1%)
Number of prepaid subscribers (million)	28.6	26.0	24.9	(12.9%)	(4.2%)
ARPU (Average Monthly Revenue per User), blended (US$)	10.4	12.5	12.8	23.1%	2.4%
ARPU, postpaid (US$)	25.3	26.3	26.5	4.7%	0.8%
ARPU, prepaid (US$)	6.5	7.7	7.7	18.5%	-
ARPU, blended (TRY)	17.1	18.6	19.4	13.5%	4.3%
ARPU, postpaid (TRY)	41.4	39.0	40.4	(2.4%)	3.6%
ARPU, prepaid (TRY)	10.6	11.5	11.6	9.4%	0.9%
Churn (%)	8.2%	9.7%	11.1%	2.9pp	1.4pp
MOU (Average Monthly Minutes of usage per subscriber), blended	107.0	153.6	153.3	43.3%	(0.2%)

Subscribers: As of March 31, 2010, our subscriber base totaled 34.3 million (36.4 million). The composition of the subscriber base improved in favor of the postpaid to 27.1% (21.4%), in line with our value focus.

In the first quarter of 2010, we focused on retaining valuable and postpaid subscribers. During this quarter, we lost 1.1 million subscribers the majority of which were prepaid subscribers. The main reason for the contraction in the postpaid subscriber base by 70,000 and in the prepaid subscriber base by 1 million was the increase in port-outs following the implementation of mobile number portability, and a contraction in the overall market.

During 2010, we expect slow paced growth in our post-paid subscriber base compared to 2009 and our pre-paid subscriber base to contract further.

Churn Rate: Churn refers to voluntarily and involuntarily disconnected subscribers. In the first quarter of 2010, our churn rate increased to 11.1% from 8.2% a year ago mainly due to the challenging competitive environment.

MoU: Our blended minutes of usage per subscriber ("MoU") increased to 153.3 minutes, up by 43.1% compared to the first quarter of last year. In addition to improvement in consumer

sentiment and effective communication of our successful campaigns and tariffs aimed at all segments, we sustained solid MoU growth in the first quarter of 2010.

In 2010, we anticipate MoU to increase at a slower rate as our incentives and loyalty programs continue in a cost sensitive manner.

ARPU: Blended average revenue per user ("ARPU") in TRY terms increased by 13.5% to TRY19.4 compared to the same quarter in 2009 due to the positive impact of mobile data and higher MoU. In 2010, we expect ARPU to increase in TRY terms.

Post-paid ARPU in TRY terms was TRY40.4 with a 2.4% year-on-year decrease, mainly due to an increase in subscriptions to minute packages and data lines and the dilutive impact of pre-paid subscribers switched to the post-paid segment.

Pre-paid ARPU in TRY terms increased by 9.4% to TRY11.6 in the first quarter of 2010, mainly due to the effects of the attractive tariffs and campaigns.

Regulatory Environment

In February 2010 the Authority revised termination rates for the Turkish market effective as of April 1, 2010 and reduced Turkcell's Mobile Termination Rates ("MTR") by 52% to TRY0.0313 down from TRY0.0655, following the 28% reduction in 2009. Recent rates announced by the Authority maintained the asymmetry between the mobile operators. The asymmetry between Turkcell and Avea remained unchanged at 18% and between Turkcell and Vodafone at 3%.

Additionally, the Authority reduced maximum prices for all mobile operators in February 2010 down to TRY0.40/min (VAT&SCT included), effective as of April 1, 2010.

We believe that some of the Authority's decisions constitute interference with our retail pricing and may be in conflict with our license agreement and infringes competition rules. We therefore filed two lawsuits in the Highest Administrative Court in April 2010.

Separately, on April 28, 2010, the Authority announced on its website that it has fined Turkcell in the amount of TRY 53,467,062 for the alleged non-compliance with the "GSM Maximum Tariff Schedule" dated March 25, 2009. As per a separate decree dated April 7, 2010, the Authority has also fined Turkcell in the amount of TRY4,008,026 with regards to a subscriber complaint and in the amount of TRY374,152 with regards to a subscriber dissatisfaction resulting from a technical problem in a tariff. Turkcell will evaluate and take the necessary legal steps regarding these administrative fines, which total TRY57,849,240. As per the decrees published and in line with IFRS guidelines we set aside TRY42.2 million of legal reserves in our first quarter 2010 financials.

Turkcell Group Subscribers

We have approximately 62.0 million mobile subscribers as of March 31, 2010. This figure is calculated by taking the number of mobile subscribers in Turkcell and each of our subsidiaries and unconsolidated investees. This figure includes the total number of mobile subscribers at Astelit, BeST, in our operations in the Turkish Republic of Northern Cyprus ("Northern Cyprus") and Fintur.

First Quarter 2010 Results

Turkcell Group Subscribers (million)	Q109	Q409	Q110	y/y % chg	q/q % chg
Turkcell	36.4	35.4	34.3	(5.8%)	(3.1%)
Ukraine	11.5	12.2	11.9	3.5%	(2.5%)
Fintur	12.8	13.6	14.1	10.2%	3.7%
Northern Cyprus	0.3	0.3	0.3		
Belarus	0.4	1.2	1.4	250.0%	16.7%
TURKCELL GROUP	61.4	62.7	62.0	1.0%	(1.1%)

International Operations

Astelit

Astelit, in which we hold a 55% stake through Euroasia, has operated in Ukraine since February 2005 under the brand "life:)".

- Astelit's revenue increased by 4.9% to $83.0 million compared to the first quarter of 2009. In local currency terms, revenues in the first quarter increased by 8.9% year on year.
- In the first quarter Astelit's increased focus on value resulted in higher operational profitability compared to a year ago. The main drivers of this increase were the tariff redesigns, focusing on profitability per subscriber and cost cutting measures.
- Astelit recorded EBITDA of $5.8 million in the first quarter of 2010. The EBITDA margin increased by 2.4 percentage points to 7.0%, from 4.6% in the same period of last year, mainly due to the decreasing share of interconnection costs as a percentage of revenue and lower selling and marketing expenses.
- Astelit's subscribers declined to 11.9 million compared to 12.2 million at the end of 2009 due to redesigning of tariffs with an interconnect cost sensitive approach and pursuing a more value focused strategy in the market. The 3 month active subscriber base was flat at 8.0 million.
- The 3 month active ARPU remained flat year on year. MoU decreased slightly by 1.1% to 156.2 minutes.

Summary Data for Astelit	Q109	Q409	Quarter Q110	y/y % chg	q/q % chg
Number of subscribers (million)					
Total	11.5	12.2	11.9	3.5%	(2.5%)
Active (3 months)[1]	8.0	7.8	8.0		2.6%

MoU (minutes)	157.9	158.2	156.2	(1.1%)	(1.3%)

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Average Revenue per User (ARPU) in US$					
Total	2.3	2.6	2.3	-	(11.5 %)
Active (3 months)	3.5	4.0	3.5	-	(12.5 %)
Revenue (UAH)	609	742	663	8.9 %	(10.6 %)
Revenue (US$)	79.1	92.8	83.0	4.9 %	(10.6 %)
EBITDA[2] (US$)	3.6	6.9	5.8	61.1 %	(15.9 %)
EBITDA margin	4.6 %	7.4 %	7.0 %	2.4 %	(0.4 %)
Net Loss (US$)	(24.4)	(25.2)	(26.5)	8.6 %	5.2 %
Capex (US$)	42.2	106.8	27.1	(35.8 %)	(74.6 %)

1 Active subscribers are those who in the past three months made a transaction which brought revenue to the Company.
2 EBITDA is a non-GAAP financial measure. See page 12-13 for the reconciliation of Euroasia's EBITDA to net cash from operating activities. Euroasia holds 100 % stake in Astelit.

Fintur

Turkcell holds a 41.45% stake in Fintur and through Fintur has interests in Mobile operations in Kazakhstan, Azerbaijan, Moldova, and Georgia.

In the first quarter of 2010, Fintur generally maintained its market positions and added approximately 0.5 million net new subscribers with its total subscriber base reaching 14.1 million. Fintur's consolidated revenue increased slightly by 1.4% year on year to $378.4 million in.

We account for our investment in Fintur using the equity method. Fintur's contribution to net income increased to TRY55.4 million in the first quarter of 2010 from TRY29.0 a year ago mainly due to foreign exchange rate impact.

FINTUR			Quarter		
	Q109	Q409	Q110	y/y % chg	q/q % chg
Subscriber (million)					
Kazakhstan	7.1	7.2	7.5	5.6 %	4.2 %
Azerbaijan	3.6	3.8	4.0	11.1 %	5.3 %
Moldova	0.6	0.7	0.7	16.7 %	-
Georgia	1.6	1.9	1.9	18.8 %	-
TOTAL	12.8	13.6	14.1	10.2 %	3.7 %
Revenue (US$ million)					
Kazakhstan	198.2	231.2	208.0	4.9 %	(10.0 %)
Azerbaijan	119.4	127.3	117.0	(2.0 %)	(8.1 %)
Moldova	14.5	16.8	13.8	(4.8 %)	(17.9 %)
Georgia	40.7	44.8	39.1	(3.9 %)	(12.7 %)
Other*			0.5	-	
TOTAL	372.8	420.1	378.4	1.5 %	(9.9 %)

(*)includes intersegment eliminations

First Quarter 2010 Results

Reconciliation of Non-GAAP Financial Measures

We believe that EBITDA is a measure commonly used by companies, analysts and investors in the telecommunications industry, which enhances the understanding of our cash generation ability and liquidity position and assists in the evaluation of our capacity to meet our financial obligations. We also use EBITDA as an internal measurement tool and, accordingly, we believe that the presentation of EBITDA provides useful and relevant information to analysts and investors.

Beginning from the 2006 fiscal year, we have revised the definition of EBITDA which we use and we report EBITDA using this new definition starting from the first quarter of 2006 results announcement to provide a new measure to reflect solely cash flow from operations.

The EBITDA definition used in our previous press releases and announcements had included Revenue, Direct Cost of Revenue excluding depreciation and amortization, Selling and Marketing expenses, Administrative expenses, translation gain/(loss), financial income, share of profit of equity accounted investees, gain on sale of investments, income/(loss) from related parties, minority interest and other income/(expense). Our new EBITDA definition includes Revenue, Direct Cost of Revenue excluding depreciation and amortization, Selling and Marketing expenses and Administrative expenses, but excludes translation gain/(loss), financial income, share of profit of equity accounted investees, gain on sale of investments, income/(loss) from related parties, minority interest and other income/(expense).

EBITDA is not a measure of financial performance under IFRS and should not be construed as a substitute for net earnings (loss) as a measure of performance or cash flow from operations as a measure of liquidity.

The following table provides a reconciliation of EBITDA, which is a non-GAAP financial measure, to net cash from operating activities, which we believe is the most directly comparable financial measure calculated and presented in accordance with IFRS.

TURKCELL US$ million	Q109	Q409	Q110	y/y % chg	q/q % chg
EBITDA	472.2	459.1	470.7	(0.3%)	2.5%
Income Tax Expense	(120.1)	(78.7)	(83.9)	(30.1%)	6.6%
Other operating income/(expense)	1.2	(90.6)	(26.5)	(2,308,3%)	(70.8%)
Financial income	1.8	(3.9)	3.5	94.4%	(189.7%)
Financial expense	(32.9)	(60.0)	(26.1)	(20.7%)	(56.5%)
Net increase/(decrease) in assets and liabilities	(286.7)	178.7	(373.3)	30.2%	(308.9%)
Net cash from operating activities	35,6	404.6	(35.6)	(200.3%)	(108.8%)

First Quarter 2010 Results

EUROASIA (Astelit)

US$ million	Q109	Q409	Q110	y/y % chg	q/q % chg
EBITDA	3.6	6.9	5.86	1.1%	(15.9%)
Other operating income/(expense)	0.9	(0.4)		n.m.	n.m.
Financial income	0.6	0.8	0.2	(66.7%)	(75.0%)
Financial expense	(11.7)	(13.9)	(14.3)	22.2%	2.9%
Net increase/(decrease) in assets and liabilities	16.1	18.6	26.3	63.4%	41.4%
Net cash from operating activities	9.5	12.0	18.0	89.5%	50.0%

Forward-Looking Statements

This release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Safe Harbor provisions of the US Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts included in this press release, including, without limitation, certain statements regarding our operations, financial position and business strategy may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as, among others, “may,” “will,” “expect,” “intend,” “plan,” “estimate,” “anticipate,” “b
“continue.” In particular, this document contains forward looking statements regarding our expectations for competition in the Turkish mobile market and our 2010 revenues, EBITDA, subscriber levels, MOU and ARPU. These assumptions include (I) our assessment of the cost structures and marketing strategies of our competitors, (II) that the Telecommunications Authority does not impose further limitations on our tariffs and interconnection pricing and that other regulatory actions do not infringe upon our business, (III) that our customers continue to respond positively to our data and value added services, (IV) that we are able to continue to retain and attract high value customers with these and other services, (V) that the Superonline and non-Turkish mobile businesses continue to grow at projected rates and within projected financing expectations, (VI) that the Turkish economy and the other economies in which we operate continue their recoveries and are not subject to further shocks or crises, and that relevant currency exchange rates remain stable.

Although Turkcell believes that the expectations reflected in such forward-looking statements are reasonable at this time, it can give no assurance that such expectations will prove to be correct. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

For a discussion of certain factors that may affect the outcome of such forward looking statements, see our Annual Report on Form 20-F for 2007 filed with the U.S. Securities and Exchange Commission, and in particular the risk factor section therein.

We undertake no duty to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

www.turkcell.com.tr

First Quarter 2010 Results

ABOUT TURKCELL

Turkcell is the leading communications and technology company in Turkey with 34.3 million postpaid and prepaid customers and a market share of approximately 56% as of March 31, 2010 (Source: Our estimations, operators' and Authority's announcements). Turkcell provides high quality data and voice services to approximately 70% of the Turkish population with its 3G and EDGE technology supported network. Turkcell reported TRY 2.2 billion ($1.5 billion) net revenue for the period ended March 31, 2010 and its total assets reached TRY 14.3 billion ($9.3 billion) as of March 31, 2010. Turkcell is the only Turkish operator among the global operators to have implemented HSDPA+ and has become one of the first operators in the world to reach to 42.2 Mbps speed with its 3G network, as of March 5th 2010. Turkcell is a leading regional player and has interests in international mobile operations in Azerbaijan, Belarus, Georgia, Kazakhstan, Moldova, Northern Cyprus and Ukraine which, together with its Turkish operations, had approximately 62 million subscribers as of March 31, 2010. Turkcell has been listed on the NYSE and the ISE since July 2000 and is the only NYSE-listed company in Turkey and is among the top 15% companies listed on NYSE by its size. 51.00% of Turkcell's share capital is held by Turkcell Holding, 0.05% by Cukurova Group, 13.07% by Sonera Holding, 2.32% by M.V. Group and 0.08% by others while the remaining 33.48% is free float. Read more at http://www.turkcell.com.tr/en

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First Quarter 2010 Results

TURKCELL ILETISIM HIZMETLERI A.S.
IFRS SELECTED FINANCIALS (TRY Million)

	Quarter Ended March 31, 2009	Quarter Ended December 31, 2009	12 months December 31, 2009	Quarter Ended March 31, 2010
Consolidated Statement of Operations Data				
Revenues				
Communication fees	1,976.3	2,164.2	8,575.7	2,157.7
Commission fees on betting business	41.4	23.0	66.1	10.8
Monthly fixed fees	18.3	16.1	66.0	19.0
Simcard sales	8.0	6.9	35.3	7.0
Call center revenues and other revenues	59.4	50.4	193.3	54.5
Total revenues	2,103.4	2,260.6	8,936.4	2,249.0
Direct cost of revenues	(1,033.6)	(1,321.2)	(4,769.3)	(1,277.5)
Gross profit	1,069.8	939.4	4,167.1	971.5
Administrative expenses	(98.2)	(122.0)	(421.2)	(124.4)
Selling & marketing expenses	(391.8)	(416.8)	(1,676.2)	(391.7)
Other Operating Income / (Expense)	2.1	(172.5)	(164.6)	(40.3)
Operating profit before financing costs	581.9	228.1	1,905.1	415.1
Finance costs	(55.5)	(21.5)	(287.1)	(50.2)
Finance income	232.9	129.9	510.9	116.3
Share of profit of equity accounted investees	15.1	39.3	118.8	46.1
Income before taxes and minority interest	774.4	375.8	2,247.7	527.3
Income tax expense	(196.9)	(117.0)	(529.1)	(126.7)
Income before minority interest	577.5	258.8	1,718.6	400.6
Non-controlling interests	(14.8)	(6.0)	(17.0)	17.0
Net income	562.7	252.8	1,701.6	417.6
Net income per share	0.255773	0.114909	0.773455	0.189818
Other Financial Data				
Gross margin	51%	42%	47%	43%
EBITDA(*)	773.6	681.9	2,978.4	711.3
Capital expenditures	425.3	637.2	2,664.0	366.6

Consolidated Balance Sheet Data (at period end)				
Cash and cash equivalents	4,799.3	4,660.9	4,660.9	4,380.6
Total assets	12,916.5	14,034.3	14,034.3	14,192.6
Long term debt	289.1	1,236.4	1,236.4	1,274.6
Total debt	1,311.3	2,276.6	2,276.6	2,297.9
Total liabilities	4,047.3	5,156.4	5,156.4	4,914.6
Total shareholders' equity / Net Assets	8,869.2	8,877.9	8,877.9	9,278.0

* Please refer to the notes on reconciliation of Non-GAAP Financial measures on page 12-13
** For further details, please refer to our consolidated financial statements and notes as at 31 March 2010 on our web site.

First Quarter 2010 Results

TURKCELL ILETISIM HIZMETLERI A.S.
IFRS SELECTED FINANCIALS (US$ MILLION)

	Quarter Ended March 31, 2009	Quarter Ended December 31, 2009	12 months December 31, 2009	Quarter Ended March 31, 2010
Consolidated Statement of Operations Data				
Revenues				
Communication fees	1,205.4	1,456.1	5,557.3	1,427.9
Commission fees on betting business	25.3	15.6	42.7	7.1
Monthly fixed fees	11.2	10.8	42.5	12.5
Simcard sales	4.9	4.7	22.9	4.6
Call center revenues and other revenues	36.3	33.9	124.6	36.1
Total revenues	1,283.1	1,521.1	5,790.0	1,488.2
Direct cost of revenues	(630.7)	(888.7)	(3,097.1)	(845.2)
Gross profit	652.4	632.4	2,692.9	643.0
Administrative expenses	(59.9)	(82.0)	(273.1)	(82.3)
Selling & marketing expenses	(238.7)	(280.4)	(1,085.1)	(259.2)
Other Operating Income / (Expense)	1.4	(115.6)	(110.3)	(26.4)
Operating profit before financing costs	355.2	154.4	1,224.4	275.1
Finance costs	(33.6)	(14.4)	(187.5)	(33.3)
Finance income	142.1	87.4	329.6	77.1
Share of profit of equity accounted investees	9.6	26.4	78.4	30.5
Income before taxes and minority interest	473.3	253.8	1,444.9	349.4
Income tax expense	(120.1)	(78.7)	(340.1)	(83.9)
Income before minority interest	353.2	175.1	1,104.8	265.5
Non-controlling interests	(9.0)	(4.0)	(10.8)	11.2
Net income	344.2	171.1	1,094.0	276.7
Net income per share	0.156465	0.077754	0.497269	0.125794
Other Financial Data				
Gross margin	51%	42%	47%	43%
EBITDA(*)	472.2	459.1	1,925.4	470.7
Capital expenditures	252.0	401.7	1,769.3	240.9

Consolidated Balance Sheet Data (at period end)				
Cash and cash equivalents	2,843.2	3,095.5	3,095.5	2,879.1
Total assets	7,651.9	9,320.8	9,320.8	9,328.0
Long term debt	171.3	821.2	821.2	837.7
Total debt	776.9	1,512.0	1,512.0	1,510.3
Total liabilities	2,397.7	3,424.6	3,424.6	3,230.1
Total equity	5,254.2	5,896.2	5,896.2	6,097.9

* Please refer to the notes on reconciliation of Non-GAAP Financial measures on page 12-13
** For further details, please refer to our consolidated financial statements and notes as at 31 March 2010 on our web site.

First Quarter 2010 Results

TURKCELL ILETISIM HIZMETLERI A.S.
CMB SELECTED FINANCIALS (TRY Million)

	Quarter Ended March 31, 2009	Quarter Ended December 31, 2009	12 months December 31, 2009	Quarter Ended March 31, 2010
Consolidated Statement of Operations Data				
Revenues				
Communication fees	1,976.3	2,164.2	8,575.7	2,157.7
Commission fees on betting business	41.4	23.0	66.1	10.8
Monthly fixed fees	18.3	16.1	66.0	19.0
Simcard sales	8.0	6.9	35.3	7.0
Call center revenues and other revenues	59.4	50.4	193.3	54.4
Total revenues	2,103.4	2,260.6	8,936.4	2,248.9
Direct cost of revenues	(1,029.3)	(1,316.1)	(4,752.6)	(1,274.7)
Gross profit	1,074.1	944.5	4,183.8	974.2
Administrative expenses	(98.2)	(122.0)	(421.2)	(124.4)
Selling & marketing expenses	(391.8)	(416.8)	(1,676.2)	(391.7)
Other Operating Income / (Expense)	2.4	(170.3)	(162.3)	(40.2)
Operating profit before financing costs	586.5	235.4	1,924.1	417.9
Finance costs	(55.5)	(21.5)	(287.1)	(50.2)
Finance income	232.9	129.9	510.9	116.3
Share of profit of equity accounted investees	15.1	39.3	118.8	46.1
Income before taxes and minority interest	779.0	383.1	2,266.7	530.1
Income tax expense	(198.1)	(118.4)	(533.0)	(127.3)
Income before minority interest	580.9	264.7	1,733.7	402.8
Non-controlling interests	(14.8)	(5.9)	(17.0)	17.0
Net income	566.1	258.8	1,716.7	419.8
Net income per share	0.257310	0.117634	0.780325	0.190847
Other Financial Data				
Gross margin	51%	42%	47%	43%
EBITDA	773.6	681.9	2,978.9	711.3
Capital expenditures	425.3	637.2	2,664.0	366.6

Consolidated Balance Sheet Data (at period end)				
Cash and cash equivalents	4,799.3	4,660.9	4,660.9	4,380.6
Total assets	12,846.7	13,978.9	13,978.9	14,139.9
Long term debt	289.1	1,236.4	1,236.4	1,274.6
Total debt	1,311.3	2,276.6	2,276.6	2,297.9
Total liabilities	4,034.8	5,146.7	5,146.7	4,905.5
Total shareholders' equity / Net Assets	8,811.9	8,832.2	8,832.2	9,234.4

** For further details, please refer to our consolidated financial statements and notes as at 31 March 2010 on our web site.

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2010
(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

	Note	31 March 2010	31 December 2009
Assets			
Property, plant and equipment	12	2,675,287	2,652,222
GSM and other telecommunication operating licences	13	1,031,898	1,058,098
Computer software	13	603,690	595,218
Other intangible assets	13	260,062	244,665
Investments in equity accounted investees	14	419,948	383,490
Other investments	15	34,394	34,755
Due from related parties	33	14,554	21,039
Other non-current assets	16	99,095	75,120
Deferred tax assets	17	2,663	2,058
Total non-current assets		5,141,591	5,066,665
Inventories		25,108	28,205
Other investments	15	37,623	62,398
Due from related parties	33	100,182	108,843
Trade receivables and accrued income	18	806,704	783,752
Other current assets	19	337,685	175,417
Cash and cash equivalents	20	2,879,121	3,095,486
Total current assets		4,186,423	4,254,101
Total assets		9,328,014	9,320,766
Equity			
Share capital	21	1,636,204	1,636,204
Share premium	21	434	434
Capital contributions	21	22,772	22,772
Reserves	21	(575,291)	(512,095)
Retained earnings	21	4,989,000	4,712,254
Total equity attributable to equity holders of Turkcell Iletisim Hizmetleri AS		6,073,119	5,859,569
Non-controlling interests	21	24,785	36,632
Total equity		6,097,904	5,896,201
Liabilities			
Loans and borrowings	24	837,726	821,179
Employee benefits	25	29,794	27,776
Provisions	27	6,697	5,676
Trade payables		1,182	-

Other non-current liabilities	23	158,505	154,991
Deferred tax liabilities	17	157,299	118,432
Total non-current liabilities		1,191,203	1,128,054
Bank overdraft	20	6,329	5,244
Loans and borrowings	24	672,555	690,780
Income taxes payable	11	46,142	93,260
Trade and other payables	28	915,829	1,038,762
Due to related parties	33	16,321	14,780
Deferred income	26	194,449	248,518
Provisions	27	187,282	205,167
Total current liabilities		2,038,907	2,296,511
Total liabilities		3,230,110	3,424,565
Total equity and liabilities		9,328,014	9,320,766

The notes on page 7 to 96 are an integral part of these consolidated financial statements.

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
For the three months ended 31 March 2010
(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

	Note	Three months ended 31 March 2010	2009
Revenue	7	1,488,182	1,283,105
Direct cost of revenue		(845,209)	(630,655)
Gross profit		642,973	652,450
Other income		6,242	4,786
Selling and marketing expenses		(259,231)	(238,674)
Administrative expenses		(82,295)	(59,862)
Other expenses	8	(32,570)	(3,469)
Results from operating activities		275,119	355,231
Finance income	10	77,054	142,130
Finance costs	10	(33,340)	(33,610)
Net finance income/ (costs)		43,714	108,520
Share of profit of equity accounted investees	14	30,494	9,634
Profit before income tax		349,327	473,385
Income tax expense	11	(83,866)	(120,139)
Profit for the period		265,461	353,246
Profit attributable to:			
Owners of Turkcell Iletisim Hizmetleri AS		276,746	344,223
Non-controlling interests		(11,285)	9,023
Profit for the period		265,461	353,246
Basic and diluted earnings per share (in full USD)	22	0.125794	0.156465

The notes on page 7 to 96 are an integral part of these consolidated financial statements.

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three months ended 31 March 2010
(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

	Three months ended 31 March	
	2010	2009
Profit for the period	265,461	353,246
Other comprehensive income/(expense):		
Foreign currency translation differences	(62,556)	(538,390)
Net change in fair value of available-for-sale securities	(816)	657
Income tax on other comprehensive (expense)/income	91	(486)
Other comprehensive income/(expense) for the period, net of income tax	(63,281)	(538,219)
Total comprehensive income for the period	202,180	
Attributable to:		
Owners of Turkcell Iletisim Hizmetleri AS	213,550	(193,760)
Non-controlling interests	(11,370)	8,787
Total comprehensive income for the period	202,180	(184,973)

The notes on page 7 to 96 are an integral part of these consolidated financial statements.

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TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the three months ended 31 March 2010
(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

	Attributable to equity holders of the Company									
	Share Capital	Capital Contribution	Share Premium	Legal Reserves	Fair Value Reserve	Reserve for Minority Put Option	Translation Reserve	Retained Earnings	Total	Non-controllin Interes
Balance at 1 January 2009	1,636,204	18,202	434	378,779	121	(286,922)	(798,362)	4,437,071	5,385,527	58,116
Total comprehensive income										
Profit for the period	-	-	-	-	-	-	-	344,223	344,223	9,023
Other comprehensive income and expense										
Foreign currency translation differences, net of tax	-	-	-	-	-	-	(538,640)	-	(538,640)	(236
Net change in fair value of available-for-sale securities, net of tax	-	-	-	-	657	-	-	-	657	-
Total other comprehensive income and expense	-	-	-	-	657	-	(538,640)	-	(537,983)	(236
Total comprehensive income and expense	-	-	-	-	657	-	(538,640)	344,223	(193,760)	8,787
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	(6,096
Capital contribution granted	-	1,695	-	-	-	-	-	-	1,695	-
Balance at 31 March 2009	1,636,204	19,897	434	378,779	778	(286,922)	(1,337,002)	4,781,294	5,193,462	60,807

Total comprehensive income										
Profit for the period	-	-	-	-	-	-	-	749,769	749,769	1,789
Other comprehensive income and expense										
Foreign currency translation differences, net of tax	-	-	-	-	-	-	590,132	-	590,132	700
Net change in fair value of available-for-sale securities, net of tax	-	-	-	-	540	-	-	-	540	-
Total other comprehensive income and expense	-	-	-	-	540	-	590,132	-	590,672	700
Total comprehensive income and expense	-	-	-	-	540	-	590,132	749,769	1,340,441	2,489
Increase in legal reserves	-	-	-	105,512	-	-	-	(105,512)	-	
Dividends paid	-	-	-	-	-	-	-	(713,297)	(713,297)	(31,08
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	4,418
Change in reserve for minority put option	-	-	-	-	-	36,088	-	-	36,088	-
Capital contribution granted	-	2,875	-	-	-	-	-	-	2,875	-
Balance at 31 December 2009	1,636,204	22,772	434	484,291	1,318	(250,834)	(746,870)	4,712,254	5,859,569	36,632
Balance at 1 January 2010	1,636,204	22,772	434	484,291	1,318	(250,834)	(746,870)	4,712,254	5,859,569	36,632
Total comprehensive income										
Profit for the period	-	-	-	-	-	-	-	276,746	276,746	(11,28
Other comprehensive										

income and expense										
Foreign currency translation differences, net of tax	-	-	-	-	-	-	(62,380)	-	(62,380)	(85
Net change in fair value of available-for-sale securities, net of tax	-	-	-	-	(816)	-	-	-	(816)	-
Total other comprehensive income and expense	-	-	-	-	(816)	-	(62,380)	-	(63,196)	(85
Total comprehensive income and expense	-	-	-	-	(816)	-	(62,380)	276,746	213,550	(11,37
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	(477
Balance at 31 March 2010	1,636,204	22,772	434	484,291	502	(250,834)	(809,250)	4,989,000	6,073,119	24,785

The notes on page 7 to 96 are an integral part of these consolidated financial statements.

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TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
For the three months ended 31 March 2010
(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

	Note	Three months 31 March 2010	2009
Cash flows from operating activities			
Profit for the period		265,461	353,246
Adjustments for:		131,444	44,452
Depreciation	12	111,440	70,898
Amortization of intangible assets	13	57,814	47,393
Net finance income/(cost)	10	(49,079)	(130,751)
Income tax expense	11	83,866	120,139
Share of profit of equity accounted investees		(38,152)	(18,011)
(Gain)/loss on sale of property, plant and equipment		(72)	(154)
Translation reserve		17,115	(29,832)
Deferred income		(51,488)	(15,230)
		396,905	397,698
Change in trade receivables	18	(57,869)	(11,275)
Change in due from related parties	33	14,210	32,540
Change in inventories		2,804	(5,035)
Change in other current assets	19	(169,346)	(199,668)
Change in other non-current assets	16	(24,125)	(213)
Change in due to related parties	33	1,638	(11,455)
Change in trade and other payables		(82,888)	22,658
Change in other current liabilities		(32,562)	(88,739)
Change in other non-current liabilities	23	(767)	39,055
Change in employee benefits	25	2,306	(2,115)
Change in provisions	27	12,368	(17,474)
		62,674	155,977
Interest paid		(13,559)	(8,107)
Income tax paid		(84,728)	(112,317)
Net cash from operating activities		(35,613)	35,553
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		848	1,299
Proceeds from currency option contracts		5,562	1,621
Proceeds from sale of available-for-sale securities		27,860	-
Interest received		70,043	94,215
Acquisition of property, plant and equipment	12	(165,427)	(207,868)
Acquisition of intangible assets	13	(73,064)	(44,112)

Payment of currency option contracts premium	(3,895)	-
Acquisition of available-for-sale securities	-	(76,426)
Net cash used in investing activities	(138,073)	(231,271)
Cash flows from financing activities		
Proceeds from issuance of loans and borrowings	165,508	3,415
Repayment of borrowings	(169,816)	(7,500)
Change in non-controlling interest	(476)	-
Proceeds from capital contribution	-	1,695
Net cash used in financing activities	(4,784)	(2,390)
Effects of foreign exchange rate fluctuations on statement of financial position items	(38,980)	(218,240)
Net increase in cash and cash equivalents	(217,450)	(416,348)
Cash and cash equivalents at 1 January	3,090,242	3,255,420
Cash and cash equivalents at 31 March	2,872,892	2,839,072

The notes on page 7 to 96 are an integral part of these consolidated financial statements.

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1. Reporting entity

Turkcell Iletisim Hizmetleri Anonim Sirketi (the "Company") was incorporated in Turkey on 5 October 1993 and commenced its operations in 1994. The address of the Company's registered office is Turkcell Plaza, Mesrutiyet Caddesi No. 71, 34430 Tepebasi/Istanbul. It is engaged in establishing and operating a Global System for Mobile Communications ("GSM") network in Turkey and regional states.

In April 1998, the Company signed a license agreement (the "2G License") with the Ministry of Transportation and Communications of Turkey (the "Turkish Ministry"), under which it was granted a 25 year GSM license in exchange for a license fee of $500,000. The License permits the Company to operate as a stand-alone GSM operator and releases it from some of the operating constraints in the Revenue Sharing Agreement, which was in effect prior to the 2G License. Under the 2G License, the Company collects all of the revenue generated from the operations of its GSM network and pays the Undersecretariat of Treasury (the "Turkish Treasury") an ongoing license fee equal to 15% of its gross revenue from Turkish GSM operations. The Company continues to build and operate its GSM network and is authorized to, among other things, set its own tariffs within certain limits, charge peak and off-peak rates, offer a variety of service and pricing packages, issue invoices directly to subscribers, collect payments and deal directly with subscribers. Following the 3G tender held by the Information Technologies and Communications Authority ("ICTA") regarding the authorization for providing IMT-2000/UMTS services and infrastructure, the Company has been granted the A-Type license (the "3G License") providing the widest frequency band, at a consideration of EUR 358,000 (excluding Value Added Tax ("VAT")). Payment of the 3G license was made in cash, following the necessary approvals, on 30 April 2009.

On 25 June 2005, the Turkish government declared that GSM operators are required to pay 10% of their existing monthly ongoing license fee to the Turkish Ministry as a universal service fund contribution in accordance with Law No: 5369. As a result, starting from 30 June 2005, the Company pays 90% of the ongoing license fee to the Turkish Treasury and 10% to the Turkish Ministry as universal service fund.

In July 2000, the Company completed an initial public offering with the listing of its ordinary shares on the Istanbul Stock Exchange and American Depositary Shares, or ADSs, on the New York Stock Exchange.

As at 31 March 2010, two significant founding shareholders, Sonera Holding BV and Cukurova Group, directly and indirectly, own approximately 37.1% and 13.8%, respectively of the Company's share capital and are ultimate counterparties to a number of transactions that are discussed in the related parties footnote. On the basis of publicly available information, Alfa Group, which previously held, indirectly through Cukurova Telecom Holdings Limited and Turkcell Holding AS, 13.2% of Company's shares, has reduced its stake to 4.99% following litigation with Telenor ASA ("Telenor Group"). On the basis of publicly available information, it has been understood that Alfa Group sold 62.2% of its holdings in Alfa Telecom Turkey Limited ("ATTL") to Visor Group affiliate Nadash International Holdings Inc. ("Nadash") and Alexander Mamut's Henri Services Limited ("HSL") which now own indirectly 4.26% and 3.97%, respectively, of the Company's share capital.

The consolidated interim financial statements of the Company as at and for the three months ended 31 March 2010 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in one associate

and one joint venture. Subsidiaries of the Company, their locations and their business are given in Note 34. The Company's and each of its subsidiaries', associate's and joint venture's interim financial statements are prepared as at and for the three months ended 31 March 2010.

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2. Basis of preparation

(a) Statement of compliance

The consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

The Group's consolidated interim financial statements were approved by the Board of Directors on 5 May 2010.

Authority for restatement and approval of consolidated financial statements belongs to the same Board. Consolidated financial statements are approved by the Board of Directors by the recommendation of Audit Committee of the Company. Moreover, annual consolidated financial statements are also approved by the General Assembly.

(b) Basis of measurement

The accompanying consolidated interim financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRSs as issued by the IASB. They are prepared on the historical cost basis adjusted for the effects of inflation during the hyperinflationary period lasted by 31 December 2005, except that the following assets and liabilities are stated at their fair value: put option liability, derivative financial instruments and financial instruments classified as available-for-sale. The methods used to measure fair value are further discussed in Note 4.

(c) Functional and presentation currency

The consolidated interim financial statements are presented in US Dollars ("USD"), rounded to the nearest thousand. Moreover, all financial information expressed in Turkish Lira ("TL"), Euro ("EUR") and Swedish Krona ("SEK") have been rounded to the nearest thousand. The functional currency of the Company and its consolidated subsidiaries located in Turkey and Turkish Republic of Northern Cyprus is TL. The functional currency of Euroasia Telecommunications Holding BV ("Euroasia") and Financell BV ("Financell") is USD. The functional currency of East Asian Consortium BV ("Eastasia"), Beltur BV and Surtur BV is EUR. The functional currency of LLC Astelit ("Astelit"), LLC Global Bilgi ("Global LLC") and UkrTower LLC ("UkrTower") is Ukrainian Hryvnia ("HRV"). The functional currency of Belarussian Telecommunications Network ("Belarussian Telecom") and FLLC Global Bilgi ("Global FLLC") is Belarussian Roubles ("BYR"). The functional currency of Azerinteltek QSC ("AzerInteltek") is Azerbaijan Manat.

(d) Use of estimates and judgments

The preparation of interim financial statements in conformity with International Accounting Standards No.34 (IAS 34) "Interim Financial Reporting" ("IAS 34") requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated interim financial statements are described in Notes 4 and 32 and detailed analysis with respect to accounting estimates and critical judgments of allowance for doubtful receivables, useful lives or expected patterns of consumption of the future economic benefits embodied in depreciable assets, income taxes and revenue recognition are provided below:

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2. Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

Key sources of estimation uncertainty

In Note 29, detailed analysis is provided for the foreign exchange exposure of the Group and risks in relation to foreign exchange movements.

Critical accounting judgments in applying the Group's accounting policies

Certain critical accounting judgments in applying the Group's accounting policies are described below:

Allowance for doubtful receivables

The impairment losses in trade and other receivables are based on management's evaluation of the volume of the receivables outstanding, historical collection trends and general economic conditions. Should economic conditions, collection trends or any specific industry trend worsen compared to management estimates, allowance for doubtful receivables recognised in consolidated interim financial statements may not be sufficient to cover bad debts.

Useful lives of assets

The useful economic lives of the Group's assets are determined by management at the time the asset is acquired and regularly reviewed for appropriateness. The Group defines useful life of its assets in terms of the assets' expected utility to the Group. This judgment is based on the experience of the Group with similar assets. In determining the useful life of an asset, the Group also follows technical and/or commercial obsolescence arising on changes or improvements from a change in the market. The useful lives of the licenses are based on duration of the license agreements.

The GSM license that is held by Belarussian Telecom, expires in 2018. According to the Sale and Purchase Agreement signed, the State Property Committee of the Republic of Belarus committed to grant the license from the acquisition date of 26 August 2008 for a period of 10 years and such license shall be extended for an additional 10 years for an insignificant consideration. State Property Committee of the Republic of Belarus has fulfilled its obligations stated in Sale and Purchase Agreement and submitted the related official documents in December 2009. According to the current legislation of the Republic of Belarus, the license extension is made upon the expiration of its validity period. Therefore, Belarussian Telecom shall apply for extension in August 2018. In the consolidated interim financial statements, amortization charge is recorded on the assumption that the license will be extended.

Commission fees

Commission fees relate to services performed in relation to betting games where the Group acts as an agent in the transaction rather than as a principal. In April 2009 the IASB issued amendments to the illustrative guidance in the appendix to IAS 18 in respect of identifying an agent versus a principal in a revenue-generating transaction. Based on this guidance; management considered the following factors in distinguishing between an agent and a principal:

Ÿ The Group does not take the responsibility for fulfilment of the games.
Ÿ The Group does not collect the proceeds from the final customer and it does not bear the credit risk.
Ÿ The Group earns a stated percentage of the total turnover.

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2. Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

Critical accounting judgments in applying the Group's accounting policies (continued)

Revenue recognition

In arrangements which include multiple elements, the Group considers the elements to be separate units of accounting in the arrangement. Total arrangement consideration relating to the bundled contract are allocated among the different units according the following criteria:

Ÿ the component has standalone value to the customer and
Ÿ the fair value of the component can be measured reliably.

The arrangement consideration is allocated to each deliverable in proportion to the fair value of the individual deliverables. If a delivered element of a transaction is not a separately identifiable component, then it is accounted for an integrated part of the remaining components of the transactions.

Income taxes

The calculation of income taxes involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through formal legal process.

As part of the process of preparing the consolidated interim financial statements, the Group is required to estimate the income taxes in each of the jurisdictions and countries in which they operate. This process involves estimating the actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as deferred revenue and reserves for tax and accounting purposes. The Group management assesses the likelihood that the deferred tax assets will be recovered from future taxable income, and to the extent the recovery is not considered probable the deferred asset is adjusted accordingly.

The recognition of deferred tax assets is based upon whether it is probable that future taxable profits will be available, against which the temporary differences can be utilized. Recognition, therefore, involves judgment regarding the future financial performance of the particular legal entity in which the deferred tax asset has been recognized.

Changes in accounting estimates

If the application of changes in the accounting estimates affects the financial results of a specific period, the accounting estimate change is applied in that specific period, if they affect the financial results of current and following periods; the accounting policy estimate is applied prospectively in the period in which such change is made. The Group did not have any major changes in the accounting estimates during the current period.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated interim financial statements, and have been applied consistently by the Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable or convertible are taken into account. The interim financial statements of subsidiaries are included in the consolidated interim financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are changed as necessary to align them with the policies adopted by the Group.

(ii) Acquisition from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are excluded from the scope of International Financial Reporting Standards No. 3 (“IFRS 3”) “Business Combinations” and are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired from entities under common control are recognised at the carrying amounts recognised previously in the Group’s controlling shareholder’s consolidated interim financial statements. The components of equity of the acquired entities are added to the same components within the Group equity.

(iii) Associates and jointly controlled entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Associates and jointly controlled entities (equity accounted investees) are accounted for using the equity method and are initially recognised at cost. The Group’s investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated interim financial statements include the Group’s share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group’s share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. The Group’s equity accounted investees as at 31 March 2010 are Fintur Holdings

BV (“Fintur”) and A-Tel Pazarlama ve Servis Hizmetleri AS (“A-Tel”).

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3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) Transactions eliminated on consolidation

Intragroup balances and transactions and any unrealised income and expenses arising from intragroup transactions are eliminated in preparing the consolidated interim financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(v) Non-controlling interests

Where a put option is granted by the Group to the non-controlling interests shareholders in existing subsidiaries that provides for settlement in cash or in another financial asset, the Group recognised a liability for the present value of the estimated exercise price of the option. The interests of the non-controlling shareholders that hold such put options are derecognised when the financial liability is recognised. The corresponding interests attributable to the holder of the putable non-controlling interests are presented as attributable to the equity holders of the parent and not as attributable to those non-controlling interest holders. The difference between the put option liability recognised and the amount of non-controlling interest holders derecognised is recorded under equity. Subsequent changes in the fair value of the put options granted to the non-controlling shareholders in existing subsidiaries are also recognised in equity, except the imputed interest on the liability is recognised in the consolidated statement of income.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation of foreign currency transactions are recognised in the statement of income. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised directly in equity.

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3. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to USD from the functional currency of the foreign operation at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to USD at exchange rates approximating to the exchange rates at the dates of the transactions.

Foreign currency differences arising on retranslation are recognized directly in the foreign currency translation reserve, as a separate component of equity. Since 1 January 2005, the Group's date of transition to IFRSs, such differences have been recognized in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payables to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the foreign currency translation reserve.

(iii) Translation from functional to presentation currency

Items included in the consolidated interim financial statements of each entity are measured using the currency of the primary economic environment in which the entities operate, normally under their local currencies.

The consolidated interim financial statements are presented in USD, which is the presentation currency of the Group. The Group uses USD as the presentation currency for the convenience of investor and analyst community.

Assets and liabilities for each statement of financial position presented (including comparatives) are translated to USD at exchange rates at the statement of financial position date. Income and expenses for each income statement (including comparatives) are translated to USD at monthly average exchange rates.

Foreign currency differences arising on retranslation are recognised directly in a separate component of equity.

(iv) Net investment in foreign operations

Foreign currency differences arising from the translation of the net investment in foreign operations are recognized in foreign currency translation reserve. They are transferred to the income statement upon disposal of the foreign operations.

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3. Significant accounting policies (continued)

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Accounting for finance income and costs is discussed in Note 3(o).

Ÿ Financial assets at fair value through profit or loss

An instrument is classified as financial asset at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group’s risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Ÿ Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Held-to-maturity financial assets are held-to-maturity investments that are measured at amortised cost using the effective interest method, less any impairment losses.

Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassfication of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

Ÿ Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories.

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(j)(i)), and foreign exchange gains and losses on available-for-sale monetary items (see note 3(b)(i)), are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Ÿ Estimated exercise price of put options

Under the terms of certain agreements, the Group is committed to acquire the interests owned by non-controlling shareholders in consolidated subsidiaries, if these non-controlling interests wish to sell their share of interests.

As the Group has unconditional obligation to fulfil its liabilities under these agreements, International Accounting Standards No: 32 ("IAS 32") "Financial instruments: Disclosure and Presentation", requires the value of such put option to be presented as a financial liability on the statement of financial position for the present value of the estimated option redemption amount. The Group accounted such transactions under the anticipated acquisition method and the interests of non-controlling interests that hold such put option are derecognised when the financial liability is recognised. The Group accounts the difference between the amount recognised for the exercise price of the put option and the carrying amount of non-controlling interests in equity.

Ÿ Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposures arising from operational, financing and investing activities. In accordance with its treasury policy, the Group engages in forward and option contracts. However, these derivatives do not qualify for hedge accounting and are accounted for as trading derivatives.

Embedded derivatives are separated from the host contract and accounted for separately if a) the economic characteristics and risks of the host contract and the embedded derivative are not closely related, b) a separate

instrument with the same terms as the embedded derivative would meet the definition of a derivative, and c) the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

3. Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost adjusted for the effects of inflation during the hyperinflationary period lasted by 31 December 2005 less accumulated depreciation (see below) and accumulated impairment losses (see note 3(j)(ii)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, if any. Borrowing costs related to the acquisition or constructions of qualifying assets are capitalized during the period.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains/losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within other income or other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced item is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognized in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term or their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	21 – 50 years
Network infrastructure	3 – 8 years

Equipment, fixtures and fittings	4 – 5 years
Motor vehicles	4 – 5 years
Central betting terminals	10 years
Leasehold improvements	5 years

Depreciation methods, useful lives and residual values are reviewed at least annually unless there is a triggering event.

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3. Significant accounting policies (continued)

(e) GSM and other telecommunication operating licences

GSM and other telecommunication operating licences that are acquired by the Group are measured at cost adjusted for the effects of inflation during the hyperinflationary period lasted by 31 December 2005 less accumulated amortization (see below).

(i) Amortization

Amortization is recognized in the profit or loss on a straight line basis primarily by reference to the unexpired licence period. The useful lives for the GSM and other telecommunication operating licences are as follows:

GSM and other telecommunications licenses	3 – 25 years

(f) Computer Software

Computer software includes software that work as an integral part of the Group's GSM network equipment. GSM network equipment and its related software are purchased separately from third party vendors as well as the cost of internally developed software. Although the computer software is an integral part of the GSM network equipment, it can be purchased, upgraded or sold separately from the hardware, if necessary. Computer software, which is purchased from third parties is capitalized when it is capable of operating in the manner intended by management.

Computer software which is purchased from the vendors, whenever the hardware is ready for intended use, are capitalized immediately. The cost of this software is the cash paid as consideration plus installation cost. Internally developed software does not include any costs in relation to research phase.

(i) Amortization

Amortisation is recognized in the profit or loss on a straight-line basis over the estimated useful lives from the date the software is available for use. The useful lives for computer software are as follows:

Computer software	3 – 8 years

(g) Other intangible assets

Intangible assets that are acquired by the Group which have finite useful lives are measured at cost adjusted for the effects of inflation during the hyperinflationary period lasted by 31 December 2005 less accumulated amortization (see below) and accumulated impairment losses (see note 3(j)(ii)).

(i) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset (that is purchased from independent third parties) to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred. Capitalized costs generally relate to the application of development stage; any other costs incurred during the pre and post-implementation stages, such as repair, maintenance or training, are expensed as incurred.

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3. Significant accounting policies (continued)

(g) Other intangible assets (continued)

(ii) Amortization

Amortization is recognized in the profit or loss on a straight line basis over the estimated useful lives of intangible assets unless such useful lives are indefinite from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Transmission lines	10 years
Central betting system operating right	10 years
Customer base	2 – 8 years
Brand name	10 years
Customs duty and VAT exemption right	4.4 years

Amortization methods, useful lives and residual values are reviewed at least annually unless there is a triggering event.

Goodwill

Goodwill or negative goodwill arises on the acquisition of subsidiaries, associates and joint ventures.

Goodwill represents the excess of the cost of the acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquire. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset including goodwill, that forms part of the carrying amount of the equity accounted investees.

(h) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognized on the Group's statement of financial position.

(i) Inventories

Inventories are measured at the lower of cost or net realizable value. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses. The cost of inventory is determined using the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. As at 31 March 2010, inventories mainly consist of simcards, scratch cards and handsets.

3. Significant accounting policies (continued)

(j) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of the Group’s non-financial assets, other than inventories, and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate adjusted for the effects of tax cash outflows that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the “cash-generating unit”). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. There is an indication that a corporate asset may be impaired, and then the recoverable amount is determined from the cash-generating unit to which corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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3. Significant accounting policies (continued)

(j) Impairment (continued)

(ii) Non-financial assets (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, therefore, is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(k) Employee benefits

(i) Retirement pay liability

In accordance with existing labor law in Turkey, the Company and its subsidiaries in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire, are called up for military service or die. Such payments are calculated on the basis of 30 days' pay maximum full TL 2,427 as at 31 March 2010 (equivalent to full $1,595 as at 31 March 2010), which is effective from 1 January 2010, per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the consolidated interim financial statements on a current basis. The reserve has been calculated by estimating the present value of future probable obligation of the Company and its subsidiaries in Turkey arising from the retirement of the employees.

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss when they are due.

The assets of the plan are held separately from the consolidated interim financial statements of the Group. The Company and other consolidated companies that initiated defined contribution retirement plan are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement plan is to make the specified contributions.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

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3. Significant accounting policies (continued)

(l) Provisions (continued)

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The Group did not recognize any provision for onerous contracts as at 31 March 2010.

Site restoration

In accordance with the Group subsidiaries' published environmental policy and applicable legal requirements, provisions for site restoration and future dismantling costs of base stations are recognized.

(m) Revenue

Revenues are recognized as the fair value of the consideration received or receivable, net of returns, trade discounts and rebates. Communication fees include postpaid revenues from incoming and outgoing calls, additional services, prepaid revenues, interconnect revenues and roaming revenues. Communication fees are recognized at the time the services are rendered.

With respect to prepaid revenues, the Group generally collects cash in advance by selling scratch cards to distributors. In such cases, the Group does not recognize revenue until the subscribers use the telecommunications services. Deferred income is recorded under current liabilities.

The Group offers free counters to its subscribers, and considers these free granted counters in revenue recognition recorded as deferred revenue. The Group does not have any other customer loyalty program in the scope of IFRIC 13 "Customer Loyalty Programmes".

In connection with campaigns, both postpaid and prepaid services may be bundled with handset or other goods/services and these bundled services and products involve consideration in the form of fixed fee or a fixed fee coupled with continuing payment stream. Loyalty programs for both postpaid and prepaid services may be bundled with other services. Total arrangement consideration relating to the bundled contract are allocated among the different units according the following criteria:

Ÿ the component has standalone value to the customer and
Ÿ the fair value of the component can be measured reliably.

The arrangement consideration is allocated to each deliverable in proportion to the fair value of the individual deliverables.

If a delivered element of a transaction is not a separately identifiable component, then it is accounted for as an integral part of the remaining components of the transactions.

Revenues allocated to handsets given in connection with campaigns, which is included in other revenue, is recognised when the significant risks and rewards of ownership have been transferred to the buyer, collection is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

3. Significant accounting policies (continued)

(m) Revenue (continued)

Monthly fixed fees represent a fixed amount charged to postpaid subscribers on a monthly basis without regard to the level of usage. Fixed fees are recognized on a monthly basis when billed.

Commission fees mainly comprised of net takings earned to a maximum of 1.4% of gross takings, as a head agent of fixed odds betting games starting from 1 March 2009 (between 15 March 2007 and 1 March 2009, commission rate was 7% of gross takings and 4.3% commission was recognized based on the para-mutual and fixed odds betting games operated on Central Betting System).

Commission revenues are recognized at the time all the services related with the games are fully rendered. Under the agreement signed with Spor Toto Teskilat Mudurlugu AS ("Spor Toto"), Inteltek Internet Teknoloji Yatirim ve Danismanlik AS ("Inteltek") is obliged to undertake any excess payout, which is presented on net basis with the commission fees.

Simcard sales are recognized upfront upon delivery to subscribers, net of returns, discounts and rebates. Simcard costs are also recognized upfront upon sale of the simcard to the subscriber.

Call center revenues are recognized at the time services are rendered.

The revenue recognition policy for other revenues is to recognise revenue as services are provided.

(n) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

(o) Finance income and costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), late payment interest income, interest income on contracted receivables, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss and gains on derivative instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense on borrowings, litigation late payment interest expense, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or option premium expense.

Foreign currency gains and losses are reported on a net basis.

3. Significant accounting policies (continued)

(o) Finance income and costs (continued)

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take considerable time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned by the temporary investment of the part of the borrowing not yet used is deducted against the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(p) Transactions with related parties

A related party is essentially any party that controls or can significantly influence the financial or operating decisions of the Group to the extent that the Group may be prevented from fully pursuing its own interests. For reporting purposes, investee companies and their shareholders, non-controlling shareholders at subsidiaries, key management personnel, shareholders of the Group and the companies that the shareholders have a relationship with are considered to be related parties.

(q) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Earnings per share

The Group presents basic and diluted earnings per share (“EPS”) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is equal to basic EPS because the Group does not have any convertible notes or share options granted to employees.

3. Significant accounting policies (continued)

(s) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group identified Turkcell, Euroasia and Belarussian Telecom as operating segments.

(t) Subscriber acquisition costs

The Group capitalizes directly attributable subscriber acquisition costs when the following conditions are met:

-the capitalized costs can be measured reliably;

-there is a contract binding the customer for a specific period of time; and

-it is probable that the amount of the capitalized costs will be recovered through the revenues generated by the service contract, or, where the customer withdraws from the contract in advance, through the collection of the penalty.

Capitalized subscriber acquisition costs are amortized on a straight-line basis over the minimum period of the underlying contract. In all other cases, subscriber acquisition costs are expensed when incurred.

(u) Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

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3. Significant accounting policies (continued)

(v) New standards and interpretations

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported and disclosures in these financial statements. Details of other standards and interpretations adopted in these financial statements but that have had no impact on the financial statements are set out in the following paragraphs of this section.

Standards and Interpretations affecting the reported results or the financial position of the Group

Ÿ IAS 27 (as revised in 2008), “Consolidated and Separate Financial Statements”

IAS 27 (revised) is effective for annual periods beginning on or after 1 July 2009. The revisions to IAS 27 principally affect the accounting for transactions or events that result in a change in the Group’s interests in its subsidiaries. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. In accordance with this change, total comprehensive loss amounting to TL 18,500 (equivalent to $12,159 as at 31 March 2010) is attributed to the non-controlling interests from the subsidiaries with deficit balances after 1 January 2010.

Standards and Interpretations that have been adopted with no effect on the 2010 financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions or arrangements.

Ÿ IFRS 1 (Amendments), “First-time Adoption of IFRS – Additional Exemptions”

IFRS 1 has been amended to provide additional exemptions from full retrospective application of IFRS for the measurement of oil and gas assets and leases.

Entities that use full cost accounting for exploration and evaluation assets as well as assets in the development or production phases can measure these assets at the amounts that were determined under the previously applied accounting principles. This exemption however requires the entity to test for impairment at the date of IFRS transition. Likewise, when the deemed cost exemption is taken, the related decommissioning and restoration liabilities are measured at the date of IFRS transition in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Adjustments of the carrying amounts are to be recognized in retained earnings. The amendments further clarifies that upon transition to IFRS, an entity does not need to reassess the determination of an arrangement containing a lease.

Ÿ IFRS 2 (Amendments), “Share-based Payments – Group Cash-settled Share Payment Arrangements”

Amendments to IFRS 2 Share-based Payment clarify the accounting for group cash-settled share-based payment transactions. Specifically, it addresses how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements. In these arrangements, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those suppliers. The amendments make clear that:

a) An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.

b) In IFRS 2 a “group” has the same meaning as in IAS 27, “Consolidated and Separate Financial Statements”, that is, it includes only a parent and its subsidiaries.

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3. Significant accounting policies (continued)

(v) New standards and interpretations

The amendments to IFRS 2 also clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of IFRS 2. The amendments are effective retrospectively starting from the current financial year.

Ÿ IFRS 3 (as revised in 2008), "Business Combinations"

IFRS 3 (2008) is effective for business combinations where the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2009. The main impact of the adoption is as follows:

a) to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as "minority" interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquire.

b) to change the recognition and subsequent accounting requirements for contingent consideration.

c) to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognized as an expense in profit or loss as incurred.

• IFRS 5 (Amendments related to Annual Improvements 2008 and 2009), "Non-current Assets Held for Sale and Discontinued Operations"

Amendments to IFRS 5 clarify disclosure requirements when an entity plans to sell the controlling interest in a subsidiary. When a subsidiary is held for sale, all of its assets and liabilities should be classified as held for sale under IFRS 5, even when the entity retains a non-controlling interest in the subsidiary after the sale. The amendments also clarify that disclosure requirements in other Standards other than IFRS 5 do not generally apply to non-current assets classified as held for sale and discontinued operations.

Ÿ IFRS 8 (Amendments Related to Annual Improvements 2009), "Operating Segments"

Amendments to IFRS 8 clarifies that the disclosure of segment assets and liabilities are only required to be reported if and only if those segment assets and liabilities are included in measures used by the chief operating decision maker of the Group.

Ÿ IAS 1 (Amendments Related to Annual Improvements 2009), "Presentation of Financial Statements"

Amendments to IAS 1 specifies that the classification of convertible instruments is not affected by the terms of the liability even if it could at anytime result in its settlement by the issuance of equity instruments at the option of the counterparty.

Ÿ IAS 7 (Amendments Related to Annual Improvements 2009), “Statement of Cash Flows”

Amendments to IAS 7 clarifies that only expenditures that results in a recognized asset in the statement of financial position/balance sheet can be classified as cash flow from investing activities. All expenditure on unrecognized assets should be classified into other categories. This amendment ensures there is no mismatch between cash flow from investing activities and recognized assets in the statement of balance sheet.

3. Significant accounting policies (continued)

(v) New standards and interpretations (continued)

Ÿ IAS 17 (Amendments Related to Annual Improvements 2009), “Leases”

Amendments to IAS 17 clarify three areas related with land leases. Prior to the amendments, lease of land with an indefinite useful life is classified as operating lease unless title passed at the end of the lease term. The standard has been amended where this classification is no longer relevant and a general assessment of the characteristics and substance of lease on land should be made.

Land leases can be classified as finance leases under this amendment. In addition, where the lease arrangement contain both land and building, the classification of the lease as operating or finance lease should be done separately in accordance with the general principles of the Standard. Entities should reassess the substance of unexpired leases especially in the classification of the land elements of the lease arrangements. When an entity newly classifies a lease as a finance lease, the recognition and measurement of the lease should be done retrospectively. If the necessary information to apply the new classification retrospectively is not available, the fair values of the related assets and liabilities should be used with the difference to be recognized in retained earnings.

Ÿ IAS 36 (Amendments Related to Annual Improvements 2009), “Impairment of Assets”

The amendments to IAS 36 clarify that when assessing goodwill impairment, the lowest level of cash generating unit that an entity can allocate goodwill to should not be larger than an operating segment under the guidelines of IFRS 8 Operating Segments. The application of these amendments may result in recognition of impairment charges.

Ÿ IAS 38 (Amendments Related to Annual Improvements 2009), “Intangible Assets”

The amendments to IAS 38 deal specifically with the identification and measurement of intangible assets that are acquired in a business combination. It specifies that if an intangible asset acquired in a business combination is only identifiable with another intangible asset, the group of intangibles can be recognized as a single asset provided the individual assets share similar useful lives. In addition, it clarifies that different valuation techniques can be used to value intangible assets where no active market exists. The impact of these amendments include more intangible assets can be recognized in business combinations and more intangible assets may be recorded and measured using valuation techniques.

Ÿ IAS 39 (Amendments), “Financial Instruments: Recognition and Measurement – Eligible Hedged Items”

The amendments provide clarification on certain aspects of hedge accounting: the designation of a one-sided risk in a hedged item and the designation of inflation as a hedged risk or a portion of a hedged risk only if it represents contractually specified cash flow.

Ÿ IFRIC 9 (Amendments Related to Annual Improvements 2009), “Reassessment of Embedded Derivatives”

Amendments to IFRIC 9 follow the revision to IFRS 3 Business Combinations; specifically it clarifies that this interpretation does not apply to embedded derivatives in contracts that were acquired in a business combination that is in scope of the revised IFRS 3 (2008). It also clarifies that it is not applicable to embedded derivatives in contracts in business combinations between entities or businesses under common control and also not applicable in contracts acquired as part of the formation of a joint venture. This amendment clarifies when reassessment of embedded derivatives is required during business combinations and restructurings. These amendments are effective for periods beginning on or after 1 January 2010 or concurrent with the adoption of IFRS 3 (2008).

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3. Significant accounting policies (continued)

(v) New standards and interpretations (continued)

Ÿ IFRIC 16 (Amendments Related to Annual Improvements 2009), "Hedges of Net Investment in a Foreign Operation"

Amendments to IFRIC 16 clarify that qualifying hedge instruments may be held by any entity within a group company provided the designation; documentation and effectiveness assessment of IAS 39 have been met. This allows the hedging instrument to be held within the entity that is being hedged.

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

IFRIC 17 is effective for annual periods beginning on or after 1 July 2009. The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

Standards and Interpretations that are not yet effective in 2010 and have not been early adopted

Ÿ IFRS 1 (Amendments), "First-time Adoption of IFRS - Additional Exemptions"

Amendments to IFRS 1 which are effective for annual periods on or after 1 July 2010 provide limited exemption for first time adopters to present comparative IFRS 7 fair value disclosures.

Ÿ IFRS 9, "Financial Instruments: Classification and Measurement"

In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued. IFRS 9 will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement". The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.

Ÿ IAS 24 (Revised 2009), "Related Party Disclosures"

In November 2009, IAS 24 Related Party Disclosures was revised. The revision to the standard provides government-related entities with a partial exemption from the disclosure requirements of IAS 24. The revised standard is mandatory for annual periods beginning on or after 1 January 2011. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

Ÿ IAS 32 (Amendments), "Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements"

The amendments to IAS 32 and IAS 1 are effective for annual periods beginning on or after 1 February 2010. The amendments address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.

Ÿ IFRIC 14 (Amendments), “Pre-payment of a Minimum Funding Requirement”

Amendments to IFRIC 14 are effective for annual periods beginning on or after 1 January 2011. The amendments affect entities that are required to make minimum funding contributions to a defined benefit pension plan and choose to pre-pay those contributions. The amendment requires an asset to be recognized for any surplus arising from voluntary pre-payments made.

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3. Significant accounting policies (continued)

(v) New standards and interpretations (continued)

- IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments"

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or part, a financial liability.

The Group has not yet had an opportunity to consider the potential impact of the adoption of these standards and amended interpretations.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, willingly. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

(ii) Intangible assets

The fair value of the brand acquired in the Superonline Uluslararasi Elektronik Bilgilendirme Telekomunikasyon ve Haberlesme Hizmetleri AS ("Superonline") business combination is based on the discounted estimated royalty payments that have been avoided as a result of the brand being owned. The fair value of customer base acquired in the Superonline business combination are valued using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of custom duty and VAT exemption agreement in the Belarussian Telecom business combination is based on the incremental cash flows method (cost saving approach) and this was used for the valuation analysis.

The fair value of mobile telephony licenses (GSM&UMTS) in the Belarussian Telecom business combination is based on the Greenfield (build-out) method, which is estimated to be appropriate and commonly used for the valuation of licenses, and this was used for the valuation analysis.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(iii) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price or over the counter market price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

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4. Determination of fair values (continued)

(iv) Trade and other receivables / due from related parties

The fair values of trade and other receivables and due from related parties are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(v) Derivatives

The fair value of forward exchange contracts and option contracts are based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds) or option pricing models.

(vi) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

(vii) Exercise price of financial liability related to minority share put option

The Group measures the estimated exercise price of the financial liability originating from put options granted to minorities as the present value of estimated option redemption amount. Present value of the estimated option redemption amount is based on the fair value of estimation for the company subject to the put option.

The Group has estimated a value based on multiple approaches in grant to share purchase agreement including income approach (discounted cash flows) and market approach (comparable market multiples). The average of the values determined as at 31 August 2013, which is the exercise date of the put option, is then discounted back to 31 March 2010.

5. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

Ÿ Credit risk
Ÿ Liquidity risk
ŸMarket risk

This note presents information about the Group’s exposure to each of the above risks, the Group’s objectives, policies and processes for measuring and managing risk, and the Group’s management of capital. Further quantitative disclosures are included throughout these consolidated interim financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

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5. Financial risk management (continued)

Risk management framework (continued)

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Audit Committee is assisted in its oversight role by Internal Audit.

The exchange rates were very volatile in 2009 but with a generally positive trend due to developments in the global markets as well as Turkish politics. The improved perception of global risk helped emerging market currencies appreciate in the second half of 2009. TL appreciated against USD by 0.4% and depreciated against EUR by 0.9%, HRV depreciated against USD by 3.7% and BYR depreciated against USD by 30.1% as at 31 December 2009 when compared to the exchange rates as at 31 December 2008. As at 31 March 2010, TL depreciated against USD by 1.0% and appreciated against EUR by 5.0%, HRV appreciated against USD by 0.8% and BYR depreciated against USD by 4.0% when compared to the exchange rates as at 31 December 2009. Please refer to Note 29 for additional information on the Group's exposure to this turmoil.

Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group may require collateral in respect of financial assets. Also, the Group may demand letters of guarantee from third parties related to certain projects or contracts. The Group may also demand certain pledges from counterparties if necessary in return for the credit support it gives related to certain financings.

In monitoring customer credit risk, customers are grouped according to whether they are an individual or legal entity, ageing profile, maturity and existence of previous financial difficulties. Trade receivables and accrued service income are mainly related to the Group's subscribers. The Group exposure to credit risk on trade receivables is influenced mainly by the individual payment characteristics of postpaid subscribers. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables.

Investments are preferred to be in liquid securities and mostly with counterparties that have a credit rating equal or better than the Group. Some of the collection banks have credit ratings that are lower than the Group's, or they may not be rated at all, however, policies are in place to review the paid-in capital and rating of counterparties periodically to ensure credit worthiness.

Transactions involving derivatives are with counterparties with whom the Group has signed agreements and which have sound credit ratings.

At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

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5. Financial risk management (continued)

Credit risk (continued)

The Group establishes an allowance for doubtful receivables that represents its estimate of incurred losses in respect of receivables from subscribers. This allowance includes the specific loss component that relates to individual subscribers exposures, and adjusted for a general provision which is determined based on historical data of payment statistics. This allowance also includes specific provision for some dealers and roaming counterparties. Impairment loss as a percentage of revenues represented 1.7% of revenues for the period ended 31 March 2010. If impairment loss as a percentage of revenues increased to 2.0% of revenues, the impairment loss would have been increased by $3,775 negatively impacting profit for the three months ended 31 March 2010.

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At 31 March 2010, $1,129,758 guarantees were outstanding (31 December 2009: $1,102,672).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Typically, the Group ensures that it has sufficient cash and cash equivalents to meet expected operational expenses, including financial obligations.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group buys and sells derivatives in order to manage market risks. All such transactions are carried at within the guidelines set by the Group treasury management.

Currency risk

The Group is exposed to currency risk on certain revenues such as roaming revenues, purchases and certain operating costs such as roaming expenses and network related costs and resulting receivables and payables, borrowings, deferred payments related to the acquisition of Belarussian Telecom and financial liability in relation to put option for the acquisition of non-controlling shares of Belarussian Telecom that are denominated in a currency other than the respective functional currencies of Group entities, primarily TL for operations conducted in Turkey. The currencies in which these transactions are primarily denominated are EUR, USD and SEK.

Derivative financial instruments such as forward contracts and options are used to hedge exposure to fluctuations in foreign exchange rates. The Group uses forward exchange contracts to hedge its currency risk.

The Group’s investments in its equity accounted investee Fintur and its subsidiaries in Ukraine and Republic of Belarus are not hedged with respect to the currency risk arising from the net assets as those net investments are considered to be long-term in nature.

Interest rate risk

The Group has not entered into any type of derivative instrument in order to hedge interest rate risk as at 31 March 2010.

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6. Operating segments

The Group has three reportable segments, as described below, which are based on the dominant source and nature of the Group's risk and returns as well as the Group's internal reporting structure. These strategic segments offer same types of services, however they are managed separately because they operate in different geographical locations and are affected by different economical conditions.

The Group comprises the following main operating segments: Turkcell, Euroasia and Belarussian Telecom, all of which are GSM operators in their countries.

Other operations mainly include companies operating in telecommunication and betting businesses and companies provide call center and value added services.

Information regarding the operations of each reportable segment is included below. Adjusted EBITDA is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Adjusted EBITDA definition includes revenue, direct cost of revenues excluding depreciation and amortization, selling and marketing expenses and administrative expenses.

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

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6. Operating segments (continued)

	Three months ended 31 March									
	Turkcell		Euroasia		Belarussian Telecom		Other		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Total external revenues	1,329,800	1,136,235	82,456	79,141	10,416	1,038	65,510	66,691	1,488,182	1,283,105
Intersegment revenue	4,522	6,411	575	9	20	2	90,974	64,084	96,091	70,506
Reportable segment adjusted EBITDA	440,398	438,749	5,827	3,605	(9,090)	(6,369)	43,280	41,047	480,415	477,032
Finance income	70,264	187,450	5,273	646	316	180	14,799	17,311	90,652	205,587
Finance cost	(15,605)	(57,248)	(14,324)	(11,783)	(6,223)	(2,844)	(19,317)	(29,959)	(55,469)	(101,834)
Depreciation and amortization	111,358	84,252	23,040	17,409	16,548	5,265	21,658	12,568	172,604	119,494
Share of profit of equity accounted investees	-	-		-	-	-	30,494	9,634	30,494	9,634
Capital expenditure	125,644	187,347	27,114	42,182	35,935	8,980	60,150	54,474	248,843	292,983

	As at 31 March 2010 and 31 December 2009									
	Turkcell		Euroasia		Belarussian Telecom		Other		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Reportable segment assets	3,917,539	3,730,420	698,364	702,847	525,488	517,718	800,155	773,103	5,941,546	5,724,088
Investment in associates	-		-	-	-	-	419,948	383,490	419,948	383,490
Reportable segment liabilities	1,188,179	1,305,206	168,738	189,875	38,508	56,982	114,634	143,607	1,510,059	1,695,670

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6. Operating segments (continued)

Reconciliations of reportable segment revenues, adjusted EBITDA, assets and liabilities and other material items:

	Three months ended 31 March	
	2010	2009
Revenues		
Total revenue for reportable segments	1,427,789	1,222,836
Other revenue	156,484	130,775
Elimination of inter-segment revenue	(96,091)	(70,506)
Consolidated revenue	1,488,182	1,283,105

	Three months ended 31 March	
	2010	2009
Adjusted EBITDA		
Total adjusted EBITDA for reportable segments	437,135	435,985
Other adjusted EBITDA	43,280	41,047
Elimination of inter-segment adjusted EBITDA	(9,714)	(4,827)
Consolidated adjusted EBITDA	470,701	472,205
Finance income	77,054	142,130
Finance costs	(33,340)	(33,610)
Other income	6,242	4,786
Other expenses	(32,570)	(3,469)
Share of profit of equity accounted investees	30,494	9,634
Depreciation and amortization	(169,254)	(118,291)
Consolidated profit before income tax	349,327	473,385

	Three months ended 31 March	
	2010	2009
Finance income		
Total finance income for reportable segments	75,853	188,276
Other finance income	14,799	17,311
Elimination of inter-segment finance income	(13,598)	(63,457)
Consolidated finance income	77,054	142,130

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6. Operating segments (continued)

	Three months ended 31 March	
	2010	2009
Finance costs		
Total finance cost for reportable segments	36,152	71,875
Other finance cost	19,317	29,959
Elimination of inter-segment finance cost	(22,129)	(68,224)
Consolidated finance cost	33,340	33,610

	Three months ended 31 March	
	2010	2009
Depreciation and amortization		
Total depreciation and amortization for reportable segments	150,946	106,926
Other depreciation and amortization	21,658	12,568
Elimination of inter-segment depreciation and amortization	(3,350)	(1,203)
Consolidated depreciation and amortisation	169,254	118,291

	Three months ended 31 March	
	2010	2009
Capital expenditure		
Total capital expenditure for reportable segments	188,693	238,509
Other capital expenditure	60,150	54,474
Elimination of inter-segment capital expenditure	(7,928)	(45,491)
Consolidated capital expenditure	240,915	247,492

	31 March 2010	31 December 2009
Assets		
Total assets for reportable segments	5,141,391	4,950,985
Other assets	800,155	773,103
Investments in equity accounted investees	419,948	383,490
Other unallocated amounts	2,966,520	3,213,188
Consolidated total liabilities	9,328,014	9,320,766

	31 March 2010	31 December 2009
Liabilities		
Total liabilities for reportable segments	1,395,425	1,552,063
Other liabilities	114,634	143,607
Other unallocated amounts	1,720,051	1,728,895

Consolidated total liabilities	3,230,110	3,424,565

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6. Operating segments (continued)

Geographical information

In presenting the information on the basis of geographical segments, segment revenue is based on the geographical location of operations and segment assets are based on the geographical location of the assets.

	Three months ended 31 March	
Revenues	2010	2009
Turkey	1,375,559	1,187,002
Ukraine	82,456	79,141
Belarus	10,416	1,038
Turkish Republic of Northern Cyprus	19,751	15,924
	1,488,182	1,283,105

	31 March 2010	31 December 2009
Non-current assets		
Turkey	3,443,604	3,437,909
Ukraine	664,156	634,068
Belarus	509,113	507,729
Turkish Republic of Northern Cyprus	65,868	66,656
Unallocated non-current assets	458,850	420,303
	5,141,591	5,066,665

7. Revenue

	Three months ended 31 March	
	2010	2009
Communication fees	1,427,895	1,205,436
Monthly fixed fees	12,542	11,182
Commission fees on betting business	7,125	25,347
Call center revenues	5,386	3,442
Simcard sales	4,610	4,892
Other revenues	30,624	32,806
	1,488,182	1,283,105

8. Other Expenses

Other expenses amount to $32,570 and $3,469 for the three months ended 31 March 2010 and 2009, respectively.

Other expenses comprises penalty imposed as a result of investigation of ICTA on tariffs above upper ceiling and charging applications of the Company amounting to $25,497 and $2,090 respectively for the three months ended 31 March 2010.

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9. Personnel expenses

	Three months ended 31 March	
	2010	2009
Wages and salaries (*)	115,290	90,851
Decrease/increase in liability for long-service leave	4,203	(425)
Contributions to defined contribution plans	1,763	1,058
	121,256	91,484

* Wages and salaries include compulsory social security contributions.

10. Finance income and costs

Recognised in profit or loss:

	Three months ended 31 March	
	2010	2009
Interest income on bank deposits	49,076	81,583
Late payment interest income	10,325	9,737
Interest income on contracted receivables	6,855	-
Premium income on option contracts	5,562	1,621
Interest income on available-for-sale financial assets	1,250	921
Net gain on disposal of available-for-sale financial assets transferred from equity	430	-
Net foreign exchange gain	-	47,380
Other interest income	3,556	888
Finance income	77,054	142,130
Discount interest expense on financial liabilities measured at amortised cost	(17,608)	(20,119)
Net foreign exchange loss	(5,713)	
Option premium expense	(3,895)	
Litigation late payment interest expense	(1,448)	(12,552)
Other	(4,676)	(939)
Finance costs	(33,340)	(33,610)
Net finance income recognised in profit or loss	43,714	108,520

Late payment interest income is interest received from subscribers who pay monthly invoices after due date specified on the invoices.

Interest income on contracted receivables is recognised over the amount related to the handset campaigns throughout the contract period.

Litigation late payment interest expense is recognised in relation to legal disputes and detailed explanations are given in note 32.

Borrowings costs capitalized on fixed assets are $2,424 for the three months ended 31 March 2010 (31 March 2009: nil). Interest capitalization ratio is 8.1% for the three months ended 31 March 2010.

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10. Finance income and costs (continued)

Recognised in other comprehensive income:

	Three months ended 31 March	
	2010	2009
Other comprehensive expense:		
Foreign currency translation differences	(62,556)	(538,390)
Net change in fair value of available-for-sale securities	(816)	657
Income tax on other comprehensive income	91	(486)
Other comprehensive expense for the period, net of income tax	(63,281)	(538,219)
Total comprehensive income/(expenses) for the period	(63,281)	(538,219)
Attributable to:		
Owners of Turkcell hetisim Hizmetleri AS	(63,196)	(537,983)
Non-controlling interest	(85)	(236)
Total comprehensive income/(expenses) for the period	(63,281)	(538,219)

11. Income tax expense

	Three months ended 31 March	
	2010	2009
Current tax expense		
Current period	(44,229)	(85,357)
Deferred tax benefit		
Origination and reversal of temporary differences	(40,361)	(35,104)
Benefit of investment incentive recognized	267	322
Utilisation of previously unrecognized tax losses	457	-
	(39,637)	(34,782)
Total income tax expense	(83,866)	(120,139)

Income tax recognized directly in equity

31 March 2010	Before tax	Tax (expense)/ Benefit	Net of tax
Foreign currency translation differences	(62,556)	91	(62,465)
Net change in fair value of available-for-sale securities	(816)		(816)
	(63,372)	91	(63,281)

31 March 2009

Foreign currency translation differences	(538,390)	(486)	(538,876)
Net change in fair value of available-for-sale securities	657	-	657
	(537,733)	(486)	(538,219)

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11. Income tax expense (continued)

Reconciliation of effective tax rate

The reported income tax expense for the three months ended 31 March 2010 and 2009 are different than the amounts computed by applying the statutory tax rate to profit before income tax of the Group, as shown in the following reconciliation:

			2010				2009	
Profit for the period			265,461				353,246	
Total income tax expense			83,866				120,139	
Profit excluding income tax			349,327				473,385	
Income tax using the Company’s domestic tax rate	20	%	(69,865	)	20	%	(94,677	)
Effect of tax rates in foreign jurisdictions	(1	)%	2,890		-		1,884	
Tax exempt income	-		99		-		186	
Utilization of previously unrecognized tax losses	-		456		-		-	
Non deductible expenses	3	%	(9,352	)	1	%	(6,810	)
Tax incentives	-		267		-		322	
Unrecognized deferred tax assets	3	%	(11,440	)	2	%	(11,541	)
Difference in effective tax rate of equity accounted investees	(2	)%	5,503		(1	)%	2,653	
Other	1	%	(2,424	)	3	%	(12,156	)
Total income tax expense			(83,866	)			(120,139	)

The income taxes payable of $46,142 and $93,260 as at 31 March 2010 and 31 December 2009, respectively, represents the amount of income taxes payable in respect of related taxable profit for the period ended 31 March 2010 and 31 December 2009, respectively netted off with advance tax payments.

The Turkish entities within the Group are subject to corporate tax at the rate of 20%. In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns at the end of April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years. Advance tax returns are filed on a quarterly basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting tax exempt income.

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of “disguised profit distribution via transfer pricing”. The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

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12. Property, plant and equipment

Cost or deemed cost	Balance at 1 January 2009	Additions	Disposals	Transfers	Effect of movements in exchange rates	Balance at 31 December 2009
Network infrastructure (All Operational)	4,636,948	219,664	(344,581)	704,608	17,901	5,234,540
Land and buildings	269,094	8,227	-	1,765	(6,342)	272,744
Equipment, fixtures and fittings	280,986	7,831	(9,777)	31,637	713	311,390
Motor vehicles	14,737	1,569	(1,067)	-	(334)	14,905
Leasehold improvements	132,628	4,232	(3,745)	1,138	490	134,743
Construction in progress	436,107	804,244	-	(739,148)	(50,153)	451,050
Total	5,770,500	1,045,767	(359,170)	-	(37,725)	6,419,372
Accumulated Depreciation						
Network infrastructure (All Operational)	3,202,862	349,349	(316,821)	-	38,013	3,273,403
Land and buildings	82,300	16,518	-	-	587	99,405
Equipment, fixtures and fittings	260,872	15,243	(9,031)	-	(724)	266,360
Motor vehicles	12,092	956	(1,029)	-	8	12,027
Leasehold improvements	116,304	2,191	(3,047)	-	507	115,955
Total	3,674,430	384,257	(329,928)	-	38,391	3,767,150
Total property, plant and equipment	2,096,070	661,510	(29,242)	-	(76,116)	2,652,222

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12. Property, plant and equipment (continued)

Cost or deemed cost	Balance at 1 January 2010	Additions	Disposals	Transfers	Effect of movements in exchange rates	Balance at 31 March 2010
Network infrastructure (All Operational)	5,234,540	8,863	(6,084)	121,975	(54,589)	5,304,705
Land and buildings	272,744	647	-	138	(2,698)	270,831
Equipment, fixtures and fittings	311,390	2,777	(322)	1,647	(1,991)	313,501
Motor vehicles	14,905	1,138	(76)	-	(161)	15,806
Leasehold improvements	134,743	1,336	(1)	136	(1,344)	134,870
Construction in progress	451,050	153,090	-	(123,896)	(7,035)	473,209
Total	6,419,372	167,851	(6,483)		(67,818)	6,512,922
Accumulated Depreciation						
Network infrastructure (All Operational)	3,273,403	102,163	(5,562)	-	(30,934)	3,339,070
Land and buildings	99,405	2,690	-	-	(972)	101,123
Equipment, fixtures and fittings	266,360	5,416	(177)	-	(2,018)	269,581
Motor vehicles	12,027	432	(72)	-	(33)	12,354
Leasehold improvements	115,955	739	-	-	(1,187)	115,507
Total	3,767,150	111,440	(5,811)	-	(35,144)	3,837,635
Total property, plant and equipment	2,652,222	56,411	(672)	-	(32,674)	2,675,287

Depreciation expenses for the three months ended 31 March 2010 and 2009 are $111,440 and $70,898 respectively.

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12. Property, plant and equipment (continued)

Leased assets

The Group leases equipment under a number of finance lease agreements. At the end of each of the lease period, the Group has the option to purchase the equipment at a beneficial price. As at 31 March 2010, net carrying amount of fixed assets acquired under finance leases amounted to $64,657 (31 December 2009: $65,844).

Property, plant and equipment under construction

Construction in progress mainly consisted of expenditures in GSM network of the Company, Astelit, Kibris Mobile Telekomunikasyon Limited Sirketi (“Kibris Telekom”) and Belarussian Telecom and non-operational items as at 31 March 2010 and 31 December 2009.

As at 31 December 2009, a mortgage is placed on Izmir and Davutpasa buildings amounting to $986 and $329, respectively (31 December 2009: $996 and $332, respectively).

13. Intangible assets

In April 1998, the Company signed the License with the Turkish Ministry, under which it was granted a GSM license, which is amortized over 25 years with a carrying amount of $392,883 as at 31 March 2010 (31 December 2009: $404,636). The amortization period of the license will end in 2023.

On 30 April 2009, the Company signed a license agreement with ICTA which provides authorization for providing IMT 2000/UMTS services and infrastructure. The Company acquired the A type license providing the widest frequency band for a consideration of EUR 358,000 (excluding VAT). The license is effective for duration of 20 years starting from 30 April 2009. The carrying amount is $482,531 as at 31 March 2010 (31 December 2009: $493,982).

Impairment testing for long-lived assets

The carrying amounts of the Group’s non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Long-lived assets are tested for impairment as at 31 December 2009. As the recoverable amounts of the assets or cash-generating unit are greater than the value in use, no impairment is required.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets, cash generating units. As at 31 December 2009, impairment test for long-lived assets of Astelit, is made on the assumption that Astelit is the cash generating unit. As the recoverable amounts based on the value in use of cash generating units is higher than the carrying amount of cash-generating units of Astelit and A-Tel, no impairment is required.

The assumptions used in value in use calculation of Astelit and A-Tel as at 31 December 2009 are:

Astelit: A 15.7% post-tax WACC rate and a 3.0% terminal growth rate were used to extrapolate cash flows beyond the 6-year forecasts based on the business plans approved by the Board of Directors. Independent appraisal is obtained for fair value to determine recoverable amounts for Astelit. The pre-tax rate for disclosure purposes is 19.5%.

A-Tel: A 14.2% post-tax WACC rate and a 4.0% terminal growth rate were used to extrapolate cash flows beyond the 5-year forecasts based on the plans. The pre-tax rate for disclosure purposes is 16.3%.

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13. Intangible assets (continued)

Cost	Balance at 1 January 2009	Additions	Disposals	Transfers	Impairment	Effects of movements in exchange rates	Balance at 31 December 2009
GSM and other telecommunication operating licenses	986,447	17,027	(19,771)	508,312	-	(26,117)	1,465,898
Computer Software	1,743,264	23,530	(2,319)	185,000	-	1,585	1,951,060
Transmission Lines	31,431	1,350	-	-	-	408	33,189
Central Betting System Operating Right	5,476	28	-	-	-	23	5,527
Brand name	4,655	-	-	-	-	21	4,676
Customer Base	6,370	-	-	-	-	28	6,398
Customs duty and VAT exemption right	51,101	-	-	-	-	224	51,325
Goodwill	244,642	-	-	-	(61,835)	1,549	184,356
Other	1,718	1,062	-	-	-	(482)	2,298
Construction in progress	22,506	680,510	-	(693,312)	-	(4,142)	5,562
Total	3,097,610	723,507	(22,090)		(61,835)	(26,903)	3,710,289
Accumulated Amortization							
GSM and other telecommunication operating licenses	398,677	50,389	(19,771)	-	-	(21,495)	407,800
Computer Software	1,212,943	140,964	(1,940)	-	-	3,875	1,355,842
Transmission Lines	23,585	2,301	-	-	-	154	26,040
Central Betting System Operating Right	3,826	170	-	-	-	20	4,016
Brand name	116	458	-	-	-	10	584
Customer Base	1,337	639	-	-	-	20	1,996
Customs duty and VAT exemption right	3,871	11,416	-	-	-	266	15,553
Other	360	84	-	-	-	33	477
Total	1,644,715	206,421	(21,711)	-	-	(17,117)	1,812,308
Total intangible assets	1,452,895	517,086	(379)	-	(61,835)	(9,786)	1,897,981

The impairment losses on goodwill for the year ended 31 December 2009 is $61,835 recognised in other expenses in the consolidated income statement for the year ended 31 December 2009.

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13. Intangible assets (continued)

Cost	Balance at 1 January 2010	Additions	Disposals	Transfers	Impairment	Effects of movements in exchange rates	Balance at 31 March 2010
GSM and other telecommunication operating licenses	1,465,898	56	-	632	-	(13,725)	1,452,861
Computer Software	1,951,060	5,825	-	44,334	-	(18,162)	1,983,057
Transmission Lines	33,189	22	-	-	-	(342)	32,869
Central Betting System Operating Right	5,527	344	-	-	-	(57)	5,814
Indefeasible Right of Usage	-	22,894	-	-	-	-	22,894
Brand name	4,676	-	-	-	-	(49)	4,627
Customer Base	6,398	-	-	-	-	(66)	6,332
Customs duty and VAT exemption tight	51,325	-	-	-	-	(533)	50,792
Goodwill	184,356	-	-	-	-	(1,914)	182,442
Other	2,298	197	-	-	-	(28)	2,467
Construction in progress	5,562	43,726	-	(44,966)	-	(180)	4,142
Total	3,710,289	73,064	-	-	-	(35,056)	3,748,297
Accumulated Amortization							
GSM and other telecommunication operating licenses	407,800	16,945	-	-	-	(3,782)	420,963
Computer Software	1,355,842	36,701	-	-	-	(13,176)	1,379,367
Transmission Lines	26,040	527	-	-	-	(274)	26,293
Central Betting System Operating Right	4,016	48	-	-	-	(42)	4,022
Indefeasible Right of Usage	-	384	-	-	-	197	581
Brand name	584	116	-	-	-	(7)	693
Customer Base	1,996	163	-	-	-	(22)	2,137
Customs duty and VAT exemption right	15,553	2,903	-	-	-	(179)	18,277
Other	477	27	-	-	-	(190)	314
Total	1,812,308	57,814	-	-	-	(17,475)	1,852,647

Total intangible assets	1,897,981	15,250	-	-	-	(17,581)	1,895,650

Amortization expenses for the three months ended 31 March 2010 and 2009 are $57,814 and $47,393 respectively.

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13. Intangible assets (continued)

Tellcom, a wholly owned subsidiary of the Group, won the tender of BOTAS for indefeasible right to use the capacity of the fiber optic cables already installed by BOTAS for 15 years, the right to install additional fiber optic cables and the right to use the capacity of these fiber optic cables for the same period. Tellcom will pay EUR 20,900 to BOTAS for the right and this transaction has been considered as a finance lease as the lease term is for the major part of the remaining useful life of the fiber optic cables already installed by BOTAS and Tellcom will make significant investment during the initial period of the lease agreement which is an indicator that the transaction is a finance lease. The Group recognized indefeasible right of use amounting to $22,894 which is calculated as the present value of payments to be made to BOTAS till the year 2024.

Impairment testing for cash-generating unit containing goodwill

Goodwill allocated to cash generating units and carrying values of all cash generating units are annually tested for impairment. The recoverable amounts (that is, higher of value in use and fair value less cost to sell) are normally determined on the basis of value in use, applying discounted cash flow calculation. Independent appraisals were obtained for fair values to determine recoverable amounts for Belarussian Telecom and Superonline as at 31 December 2009.

In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of growth in EBITDA, calculated as results from operating activities before depreciation and amortization and other income/(expenses), timing and quantum of future capital expenditure, long term growth rates, and the selection of discount rates to reflect the risks involved.

Belarussian Telecom

The aggregate carrying amount of goodwill allocated to Belarussian Telecom is $162,645. As at 31 December 2009, goodwill arising from the acquisition of Belarussian Telecom was impaired by $61,835 following the adverse movements in the discount rates mainly due to the economic slowdown in Belarus and adverse performance against previous plans. The impairment loss was allocated fully to goodwill and is included in other expense. Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. The calculation of the value in use was based on the following key assumptions:

Based on the increase in the market share and average revenue per user ("ARPU") levels revenues are estimated to increase on a steady way. ARPU is expected to reach to levels close to the competitors by the end of 2016. The anticipated revenue growths will lead also to increased EBITDA on the projected term. Additionally, it is estimated that gross profit margin will also improve throughout the projection period based on the ground that the share of calls to be terminated in Belarusian Telecom network will increase and transmission costs will decrease since it is planned to Belarussian Telecom will construct its own network. Selling and marketing expenses in proportion to revenue is expected to decrease to constant levels at the end of the first three years of operation, since proportion of subscriber acquisition and advertising costs is estimated to decrease.

The projection period for the purposes of goodwill impairment testing is taken as 7 years between 1 January 2010 and 31 December 2016, since, according to the business plan, Belarusian Telecom reaches a mature state in the year 2016.

13. Intangible assets (continued)

Impairment testing for cash-generating unit containing goodwill (continued)

Belarussian Telecom (continued)

Cash flows for further periods (perpetuity) were extrapolated using a constant growth rate of 3.5% which does not exceed the estimated average growth rate for the country.

A post-tax discount rate WACC of 14.1% was applied in determining the recoverable amount of the unit. The post-tax rate was adjusted considering the tax cash outflows and other future tax cash flows and discrepancies between the cost of the assets and their tax bases. The pre-tax rate for disclosure purposes is 16.6%.

Superonline

The aggregate carrying amount of goodwill allocated to Superonline is $21,711. As the recoverable values based on the value in use of the cash generating units is estimated to be higher than carrying amount, no impairment was required for goodwill arising from the acquisition of Superonline as at 31 December 2009. The calculation of the value in use was based on the following key assumptions:

Values assigned to EBITDA for the periods forecasted include the expected synergies to be achieved from operating as a part of the Group. Values assigned to this key assumption reflect past experience except for efficiency improvements and synergies. Management believes that any reasonably possible change in the key assumptions on which Superonline recoverable amount is based would not cause Superonline’s carrying amount to exceed its recoverable amount.

The projection period for the purposes of goodwill impairment testing is taken as 8 years between 1 January 2010 and 31 December 2017, since, according to the Superonline’s business plan, Superonline reaches a mature state in the year 2017.

Cash flows for further periods (perpetuity) were extrapolated using a constant growth rate of 2.5%. This growth rate does not exceed the long-term average growth rate for the market in which Superonline operates.

A post-tax discount rate WACC of 16.8% was applied in determining the recoverable amount of the unit. Discounting post-tax cash flows at a post-tax discount rate and discounting pre tax cash flows at pre-tax discount rate give same results, since the pre-tax discount rate is the post-tax discount rate adjusted to reflect the specific amount and timing of the future tax cash flows. For disclosure purposes pre-tax discount rate is 20.6%.

After the acquisition of Superonline in 2008, management merged Superonline’s operations with its wholly owned subsidiary, Tellcom in May 2009. With the merger, Superonline and Tellcom seized to be separate cash generating units and merged as one cash generating unit under the brand name of Superonline. Therefore, the business plans used for the purpose of the impairment testing represents the merged entities operations.

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14. Equity accounted investees

The Group's share of profit in its equity accounted investees for the three months ended 31 March 2010 and 2009 are $30,494 and $9,634, respectively. Summary financial information for equity accounted investees adjusted for the accounting policy differences for the same events under similar circumstances and not adjusted for the percentage ownership held by the Group is as follows:

	Ownership	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Equity	Total Liabilities and Equity
31 March 2010								
Fintur (associate)	41.45 %	554,979	1,481,017	2,035,996	259,210	785,571	991,215	2,035,996
A-Tel (joint venture)*	50.00 %	48,887	191,931	240,818	6,212	38,537	196,069	240,818
		603,866	1,672,948	2,276,814	265,422	824,108	1,187,284	2,276,814
31 December 2009								
Fintur (associate)	41.45 %	423,754	1,491,371	1,915,125	250,133	804,271	860,721	1,915,125
A-Tel (joint venture)*	50.00 %	46,069	196,524	242,593	6,539	39,476	196,578	242,593
		469,823	1,687,895	2,157,718	256,672	843,747	1,057,299	2,157,718

	Revenue	Direct cost of revenue	Profit/(loss) for the period
31 March 2010			
Fintur (associate)	378,402	(165,185)	88,417
A-Tel (joint venture)*	15,597	(11,807)	3,177
	393,999	(176,992)	91,594
31 March 2009			
Fintur (associate)	373,344	(167,153)	66,082
A-Tel (joint venture)*	16,831	(17,445)	(110)
	390,175	(184,598)	65,972

* Figures mentioned in the above table includes fair value adjustments that arose during acquisition of A-Tel.

14.Equity accounted investees (continued)

The Company's investment in Fintur and A-Tel amounts to $321,490 and $98,458 respectively as at 31 March 2010 (31 December 2009: $285,597 and $97,893).

During 2009, Fintur distributed a total dividend of $200,000. The Group received its share of dividend in December 2009 at the amount of $82,900 and decreased its investment in Fintur by $82,900.

In April 2008, the privatization of the Republic of Azerbaijan's 35.7% ownership in Azercell Telecom B.M. ("Azercell"), a 51% owned consolidated subsidiary of Fintur, was completed. The non-controlling shareholders in Azercell acquired the 35.7% shares of Republic of Azerbaijan increasing their effective ownership in Azercell to 49%. One of the non-controlling shareholders was also granted a put option, giving the shareholder the right to sell its 42.2% stake to Fintur at fair value in certain deadlock situations regarding material decisions at the General Assembly. Fintur has initially accounted for the present value of the estimated option redemption amount as a provision and derecognized the non-controlling interest. The difference between the present value of the estimated option redemption amount and the derecognized non-controlling interest amounting to $647,930 is accounted under equity, in accordance with the Group's accounting policy.

During December 2009 at the General Assembly meeting of A-Tel, it has been decided to distribute dividends and accordingly the Company reduced the carrying value of its investments in A-Tel by the dividends declared of TL 7,248 (equivalent to $4,764 as at 31 March 2010) as at 31 March 2010.

15. Other investments

Non-current investments:

		31 March 2010		31 December 2009	
	Country of incorporation	Ownership (%)	Carrying Amount	Ownership (%)	Carrying Amount
Aks Televizyon Reklamcilik ve Filmcilik Sanayi ve Ticaret AS ("Aks TV")	Turkey	6.24	22,258	6.24	22,492
T Medya Yatirim Sanayi ve Ticaret AS ("T-Medya")	Turkey	10.23	12,136	10.23	12,263
			34,394		34,755

On 2 February 2010, Savings Deposit Insurance Fund ("SDIF") notified that lien was laid on "priority right to purchase back" regarding the shares of Aks TV of which 6.24% were held by Turktelt Hizmetleri AS. In case that, those shares are sold to third parties other than Cukurova Group, SDIF has the right to exercise its priority right to purchase back and the purchase price will be determined within the context of the past agreements signed between previous owners and Cukurova Group.

Investment in Aks TV and T-Medya are classified as available-for-sale financial assets. However, there is not active market available for these equity instruments, and application of valuation techniques is impracticable. Accordingly, the Group measured these investments at cost.

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15. Other investments (continued)

Current investments:

	31 March 2010	31 December 2009
Available-for-sale financial assets		
Government bonds, treasury bills	30,875	62,398
Derivatives not used for hedging		
Option contracts	1,036	-
Deposits maturing after 3 months or more		
Time deposits	5,712	-
	37,623	62,398

TL denominated government bonds with a carrying amount of $30,602 are discounted as at 31 March 2010 (31 December 2009: $62,109). Interest bearing available-for-sale EUR denominated government bonds and treasury bills with a carrying amount of $273 as at 31 March 2010 have stated interest rates of Euribor +1.8% and mature in 6 months to 1 year (31 December 2009: $289).

As at 31 March 2010, USD denominated time deposits amounting to $5,712 have stated interest rates between 7.0%-7.5% and mature in 6 months to 1 year.

The Group’s exposure to credit, currency and interest rate risks related to other investments is disclosed in note 29.

16. Other non-current assets

	31 March 2010	31 December 2009
Value added tax (“VAT”) receivable	54,783	37,628
Prepaid expenses	24,028	22,406
Deposits and guarantees given	6,142	9,597
Advances given for fixed assets	5,415	-
Prepayment for subscriber acquisition cost	1,647	2,867
Others	7,080	2,622
	99,095	75,120

Subscriber acquisition costs are subsidies paid to dealers for engaging a fixed term contract with the subscriber that require a minimum consideration.

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17. Deferred tax assets and liabilities

Unrecognised deferred tax liabilities

At 31 March 2010, a deferred tax liability of $20,107 (31 December 2009: $18,669) for temporary differences of $100,535 (31 December 2009: $93,345) related to an investment in a subsidiary was not recognised because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	31 March 2010	31 December 2009
Deductible temporary differences	46,074	39,186
Tax losses	142,649	140,493
Total unrecognised deferred tax assets	188,723	179,679

The deductible temporary differences do not expire under current tax legislation. Turkish tax legislation does not allow companies to file tax returns on a consolidated basis. Therefore, deferred tax assets have not been recognised in respect of these items resulting from certain consolidated subsidiaries because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

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17. Deferred tax assets and liabilities (continued)

Unrecognised deferred tax assets (continued)

As at 31 March 2010, expiration of tax losses is as follows:

Year Originated	Amount	Expiration Date
2005	155	2010
2006	3,263	2011
2007	12,059	2012
2008	79,137	2013
2009	35,792	2014
2010	4,171	2015 thereafter
	134,577	

As at 31 March 2010, tax losses which will be carried indefinitely are as follows:

Year Originated	Amount
2004	21,061
2005	54,757
2006	95,958
2007	37,398
2008	215,173
2009	27,101
2010	11,485

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities as at 31 March 2010 and 31 December 2009 are attributable to the following:

	Assets		Liabilities		Net	
	31 March 2010	31 December 2009	31 March 2010	31 December 2009	31 March 2010	31 December 2009
Property, plant & equipment and intangible assets	165	84	(160,507)	(170,397)	(160,342)	(170,313)
Investment	-	-	(15,772)	(13,833)	(15,772)	(13,833)
Provisions	24,667	27,474	(10)	-	24,657	27,474
Trade and other payables	32,216	39,271	(4)	(38)	32,212	39,233

Other items	3,431	2,104	(38,822)	(1,039)	(35,391)	1,065
Tax assets / (liabilities)	60,479	68,933	(215,115)	(185,307)	(154,636)	(116,374)
Set off of tax	(57,816)	(66,875)	57,816	66,875	-	-
Net tax assets / (liabilities)	2,663	2,058	(157,299)	(118,432)	(154,636)	(116,374)

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17. Deferred tax assets and liabilities (continued)

Movement in temporary differences as at 31 March 2010 and 31 December 2009

	Balance at 1 January 2009	Recognised in profit or loss	Recognised in other comprehensive income	Effect of movements in exchange rates	Balance at 31 December 2009
Property, plant & equipment and intangible assets	(168,636)	(907)	-	(770)	(170,313)
Investment	(10,267)	(2,353)	(1,091)	(122)	(13,833)
Provisions	10,070	16,802	-	602	27,474
Trade and other payables	44,239	(5,033)	-	27	39,233
Other items	(4,759)	4,793	-	1,031	1,065
Tax credit carry forwards	6	(6)	-	-	-
Total	(129,347)	13,296	(1,091)	768	(116,374)

	Balance at 1 January 2010	Recognised in profit or loss	Recognised in other comprehensive income	Effect of movements in exchange rates	Balance at 31 March 2010
Property, plant & equipment and intangible assets	(170,313)	8,258	-	1,713	(160,342)
Investment	(13,833)	(2,188)	91	158	(15,772)
Provisions	27,474	(2,549)	-	(268)	24,657
Trade and other payables	39,233	(6,658)	-	(363)	32,212
Other items	1,065	(36,500)	-	44	(35,391)
Total	(116,374)	(39,637)	91	1,284	(154,636)

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18. Trade receivables and accrued income

	31 March 2009	31 December 2009
Receivables from subscribers	417,608	392,328
Accrued service income	335,297	318,526
Accounts and checks receivable	52,146	57,867
Receivables from Turk Telekomunikasyon AS (“Turk Telekom”)	1,653	15,031
	806,704	783,752

Trade receivables are shown net of allowance for doubtful debts amounting to $292,474 as at 31 March 2010 (31 December 2009: $268,157). The impairment loss recognized for the three months ended 31 March 2010 and 2009 are $25,988 and $14,506, respectively.

Letters of guarantee received with respect to the accounts and checks receivable are amounted to $169,658 and $164,958 as at 31 March 2010 and 31 December 2009, respectively.

The accrued service income represents revenues accrued for subscriber calls (air-time) and contracted receivables related to handset campaigns, which have not been billed. Due to the volume of subscribers, there are different billing cycles; accordingly, an accrual is made at each period end to accrue revenues for rendered but not yet billed.

Receivables from Turk Telekom represent net amounts that are due from Turk Telekom under the Interconnection Agreement. The Interconnection Agreement provides that Turk Telekom will pay to the Company for Turk Telekom’ s fixed-line subscribers’ calls to GSM subscribers.

The Group’s exposure to credit and currency risks and impairment losses related to trade receivables are disclosed in note 29.

19. Other current assets

	31 March 2010	31 December 2009
Prepaid expenses	253,454	69,559
VAT receivable	27,446	48,760
Receivables from Tax Office	15,989	-
Interest income accruals	10,109	17,727
Advances to suppliers	8,030	12,351
Prepayment for subscriber acquisition cost	7,367	12,527
Restricted cash	5,010	-
Receivable from personnel	2,856	2,767
Other	7,424	11,726
	337,685	175,417