TURKCELL ILETISIM HIZMETLERI A S
Form 6-K
November 04, 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

Report on Form 6-K dated November 4 2010

Commission File Number: 001-15092

TURKCELL ILETISIM HIZMETLERI A.S.
(Translation of registrant's name in 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 Q Form 40-F £

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 £ No Q

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 £ No Q

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 £ No Q

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

Enclosure: Turkcell's Q3 2010 IFRS Report

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2010
(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

	Note	30 September 2010	31 December 2009
Assets			
Property, plant and equipment	12	2,995,910	2,652,222
Intangible assets	13	1,877,230	1,897,981
GSM and other telecommunication operating licences		1,044,867	1,058,098
Computer software		571,813	595,218
Other intangible assets		260,550	244,665
Investments in equity accounted investees	14	473,942	383,490
Other investments	15	36,061	34,755
Due from related parties	33	6,690	21,039
Other non-current assets	16	109,331	75,120
Deferred tax assets	17	3,279	2,058
Total non-current assets		5,502,443	5,066,665
Inventories		20,479	28,205
Other investments	15	587	62,398
Due from related parties	33	108,636	108,843
Trade receivables and accrued income	18	917,404	783,752
Other current assets	19	254,441	175,417
Cash and cash equivalents	20	3,185,265	3,095,486
Total current assets		4,486,812	4,254,101
Total assets		9,989,255	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	(235,665)	(512,095)
Retained earnings	21	5,009,802	4,712,254
Total equity attributable to equity holders of Turkcell Iletisim Hizmetleri AS		6,433,547	5,859,569
Non-controlling interests	21	(9,871)	36,632

Total equity		6,423,676	5,896,201
Liabilities			
Loans and borrowings	24	1,380,828	821,179
Employee benefits	25	31,777	27,776
Provisions	27	60,173	5,676
Other non-current liabilities	23	173,466	154,991
Deferred tax liabilities	17	129,293	118,432
Total non-current liabilities		1,775,537	1,128,054
Bank overdraft	20	6,196	5,244
Loans and borrowings	24	417,015	690,780
Income taxes payable	11	109,706	93,260
Trade and other payables	28	928,316	1,038,762
Due to related parties	33	17,334	14,780
Deferred income	26	169,853	248,518
Provisions	27	141,622	205,167
Total current liabilities		1,790,042	2,296,511
Total liabilities		3,565,579	3,424,565
Total equity and liabilities		9,989,255	9,320,766

The notes on page 7 to 103 are an integral part of these consolidated financial statements.

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TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
For the nine and three months ended 30 September 2010
(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

		Nine months ended		Three months ended	
	Note	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Revenue	7	4,495,528	4,268,949	1,539,600	1,587,876
Direct cost of revenue		(2,487,082)	(2,208,402)	(842,855)	(836,357)
Gross profit		2,008,446	2,060,547	696,745	751,519
Other income		12,310	16,809	2,660	8,399
Selling and marketing expenses		(796,289)	(804,715)	(251,010)	(289,003)
Administrative expenses		(252,104)	(191,069)	(79,809)	(67,621)
Other expenses	8	(44,399)	(11,510)	(3,978)	(1,442)
Results from operating activities		927,964	1,070,062	364,608	401,852
Finance income	10	214,052	242,153	67,334	69,331
Finance costs	10	(98,092)	(173,103)	(19,991)	(70,481)
Net finance income/(costs)		115,960	69,050	47,343	(1,150)
Share of profit of equity accounted investees	14	95,002	51,977	34,962	27,204
Profit before income tax		1,138,926	1,191,089	446,913	427,906
Income tax expense	11	(249,516)	(261,353)	(91,447)	(93,808)
Profit for the period		889,410	929,736	355,466	334,098
Profit/(loss) attributable to:					
Owners of Turkcell Iletisim Hizmetleri AS		920,235	922,932	366,998	332,927
Non-controlling interests		(30,825)	6,804	(11,532)	1,171
Profit for the period		889,410	929,736	355,466	334,098
Basic and diluted earnings per share (in full USD)	22	0.418289	0.419515	0.166817	0.151330

The notes on page 7 to 103 are an integral part of these consolidated financial statements.

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TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the nine and three months ended 30 September 2010
(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

	Nine months ended		Three months ended	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Profit for the period	889,410	929,736	355,466	334,098
Other comprehensive income:				
Foreign currency translation differences	228,242	129,434	516,136	156,308
Net change in fair value of available-for-sale securities	(1,318)	2,156	-	403
Income tax on other comprehensive income	1,512	3,430	1,283	805
Other comprehensive income for the period, net of income tax	228,436	135,020	517,419	157,516
Total comprehensive income for the period	1,117,846	1,064,756	872,885	491,614
Total comprehensive income/(expense) attributable to:				
Owners of Turkcell Iletisim Hizmetleri AS	1,147,429	1,057,309	882,491	490,223
Non-controlling interests	(29,583)	7,447	(9,606)	1,391
Total comprehensive income for the period	1,117,846	1,064,756	872,885	491,614

The notes on page 7 to 103 are an integral part of these consolidated financial statements.

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine months ended 30 September 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 Non-controlling Interest Put Option	Translation Reserve	Retained Earnings	Total	Non-control Interest
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	-	-	-	-	-	-	-	922,932	922,932	6,804
Other comprehensive income and expense										
Foreign currency translation differences, net of tax	-	-	-	-	-	-	132,221	-	132,221	643
Net change in fair value of available-for-sale securities, net of tax	-	-	-	-	2,156	-	-	-	2,156	-
Total other comprehensive income and expense	-	-	-	-	2,156	-	132,221	-	134,377	643
Total comprehensive income and expense	-	-	-	-	2,156	-	132,221	922,932	1,057,309	7,447
Increase in legal reserves	-	-	-	103,541	-	-	-	(103,541)	-	-
Dividends paid	-	-	-	-	-	-	-	(713,297)	(713,297)	(31,082
Change in non-controlling	-	-	-	-	-	-	-	-	-	(1,272

interest										
Capital contribution granted	-	4,547	-	-	-	-	-	-	4,547	-
Balance at 30 September 2009	1,636,204	22,749	434	482,320	2,277	(286,922)	(666,141)	4,543,165	5,734,086	33,209
Total comprehensive income										
Profit for the period	-	-	-	-	-	-	-	171,060	171,060	4,008
Other comprehensive income and expense										
Foreign currency translation differences, net of tax	-	-	-	-	-	-	(80,729)	-	(80,729)	(179
Net change in fair value of available-for-sale securities, net of tax	-	-	-	-	(959)	-	-	-	(959)	-
Total other comprehensive income and expense	-	-	-	-	(959)	-	(80,729)	-	(81,688)	(179
Total comprehensive income and expense	-	-	-	-	(959)	-	(80,729)	171,060	89,372	3,829
Increase in legal reserves	-	-	-	1,971	-	-	-	(1,971)	-	-
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	(406
Change in reserve for non-controlling interest put option	-	-	-	-	-	36,088	-	-	36,088	-
Capital contribution granted	-	23	-	-	-	-	-	-	23	-
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/(loss) for the period	-	-	-	-	-	-	-	920,235	920,235	(30,825
Other comprehensive income and expense										
Foreign currency translation differences, net of tax	-	-	-	-	-	-	228,512	-	228,512	1,242
Net change in fair value of available-for-sale securities, net of tax	-	-	-	-	(1,318)	-	-	-	(1,318)	-
Total other comprehensive income and expense	-	-	-	-	(1,318)	-	228,512	-	227,194	1,242
Total comprehensive income and expense	-	-	-	-	(1,318)	-	228,512	920,235	1,147,429	(29,583
Increase in legal reserves	-	-	-	49,236	-	-	-	(49,236)	-	-
Dividends paid	-	-	-	-	-	-	-	(573,451)	(573,451)	(17,090
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	170
Balance at 30 September 2010	1,636,204	22,772	434	533,527	-	(250,834)	(518,358)	5,009,802	6,433,547	(9,871

The notes on page 7 to 103 are an integral part of these consolidated financial statements.

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine and three months ended 30 September 2010
(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

	Note	Nine months 30 September 2010	2009
Cash flows from operating activities			
Profit for the period		889,410	929,736
Adjustments for:			
Depreciation	12	323,010	239,441
Amortization of intangible assets	13	180,590	147,091
Net finance (income)/cost	10	(138,848)	(141,935)
Income tax expense	11	249,516	261,353
Share of profit of equity accounted investees		(119,335)	(79,578)
(Gain)/loss on sale of property, plant and equipment		101	317
Deferred income		(87,998)	(13,720)
Impairment of fixed assets		51,837	15,032
Provision for impairment of trade receivables	18	90,088	49,637
Provision for employee benefits	25	8,061	6,176
Provision for personnel bonuses		32,173	26,439
Provision for legal cases	27	37,502	112,662
		1,516,107	1,552,651
Change in trade receivables	18	(195,475)	(262,612)
Change in due from related parties	33	17,770	19,194
Change in inventories		8,786	(3,341)
Change in other current assets	19	(82,268)	(91,202)
Change in other non-current assets	16	(21,425)	(14,482)
Change in due to related parties	33	2,201	(4,994)
Change in trade and other payables		(106,572)	53,391
Change in other current liabilities		(26,664)	(67,183)
Change in other non-current liabilities	23	5,797	8,429
Change in employee benefits	25	(5,103)	(5,075)
Change in provisions	27	(140,997)	(67,740)
		972,157	1,117,036
Interest paid		(28,690)	(14,539)
Income tax paid		(233,924)	(295,445)
Dividends received		26,889	-
Net cash from operating activities		736,432	807,052
Cash flows from investing activities			
Acquisition of property, plant and equipment		(588,009)	(718,946)
Acquisition of intangible assets	12	(94,513)	(648,672)
Proceeds from sale of property, plant and equipment	13	5,980	2,581
Proceeds from currency option contracts		10,256	7,840

Payment of currency option contracts premium		(4,666)	(294)
Acquisition of available-for-sale securities		(8,516)	(74,519)
Proceeds from sale of available-for-sale securities		74,508	33,270
Interest received		213,252	243,007
Net cash used in investing activities		(391,708)	(1,155,733)
Cash flows from financing activities			
Proceeds from issuance of loans and borrowings		894,773	954,858
Loan transaction costs		(12,100)	(14,357)
Repayment of borrowings		(641,216)	(551,640)
Change in non-controlling interest		170	-
Proceeds from capital contribution		-	4,547
Dividends paid		(590,541)	(744,380)
Net cash used in financing activities		(348,914)	(350,972)
Effects of foreign exchange rate fluctuations on statement of financial position items		93,017	70,773
Net decrease in cash and cash equivalents		88,827	(628,880)
Cash and cash equivalents at 1 January	20	3,090,242	3,255,420
Cash and cash equivalents at 30 September	20	3,179,069	2,626,540

The notes on page 7 to 103 are an integral part of these consolidated financial statements.

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
As at and for the nine and three months ended 30 September 2010
(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

Notes to the consolidated interim financial statements

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
As at and for the nine and three months ended 30 September 2010
(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

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 30 September 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") and in July 2010, redeemed these shares.

The consolidated interim financial statements of the Company as at and for the nine and three months ended 30 September 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 nine and three months ended 30 September 2010.

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
As at and for the nine and three months ended 30 September 2010
(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

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 Company selected the presentation form of "function of expense" for the statement of income in accordance with IAS 1 "Presentation of Financial Statements".

The Company reports cash flows from operating activities by using the indirect method in accordance with IAS 7 "Statement of Cash Flows", whereby profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

The Group's consolidated interim financial statements were approved by the Board of Directors (the "Board") on 3 November 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"), Ukranian Hryvnia ("HRV") 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, Surtur BV and Turkcell Europe is EUR. The functional currency of LLC Astelit ("Astelit"), LLC Global Bilgi ("Global LLC") and UkrTower LLC ("UkrTower") is HRV. The functional currency of Belarusian Telecommunications Network ("Belarusian Telecom") and FLLC Global Bilgi ("Global FLLC") is Belarusian 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 Standard 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.

2. Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

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, commission fees, revenue recognition and income taxes are provided below:

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 doubtful receivables.

The Company management believes that the collection trend in the recent years reflect the composition of trade receivables better than a longer period. Therefore; the Company changed the collection trend used in the calculation of allowance for doubtful receivables in the current period and this change is accounted as a change in estimates in accordance with International Accounting Standard No. 8 (“IAS 8”) “Accounting Policies, Changes in Accounting Estimates and Errors”. Based on the evaluation performed, the change in the collection trend used in the calculation of allowance for doubtful receivables caused the following impact on bad debt provision expense:

	Previous reference period	Revised reference period	Impact
Bad debt expense for the nine months period ended 30 September 2010	356,786	369,948	(13,162)

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TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
As at and for the nine and three months ended 30 September 2010
(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

2. Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

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

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.

In accordance with International Accounting Standard No. 16 ("IAS 16") "Property, Plant and Equipment" and International Accounting Standard No. 38 ("IAS 38") "Intangible Assets", the residual value and the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with International Accounting Standard No. 8 ("IAS 8") "Accounting Policies, Changes in Accounting Estimates and Errors". As part of yearly review of useful lives of assets, the Group made necessary evaluation by considering current technologic and economic conditions and recent business plans. Based on the evaluation performed, changes in the useful lives caused the following prospective impacts on depreciation and amortization charges;

	Previous useful lives	Revised useful lives	Impact
Depreciation and amortisation charge for the nine months ended 30 September 2010	559,599	555,437	4,162

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 International Accounting Standard No. 18 "Revenue" 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:

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

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TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
As at and for the nine and three months ended 30 September 2010
(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

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 contracts are allocated among the different units according the following criteria:

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

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

Changes to the accounting policies are applied retrospectively and the prior period's financial statements are restated accordingly. The Group did not have any major changes in the accounting policies during the current period.

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 except for the allowance for doubtful receivables and the useful lives of property, plant and equipment and intangible assets.

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 Standard 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 30 September 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 puttable 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 statement of income, 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 monthly average exchange rates.

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 statement of income.

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 statement of income (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 statement of income upon disposal of the foreign operations.

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 which are not recognised or designated as financial instruments at fair value through profit or loss are recognised initially at fair value plus 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(m).

- 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 statement of income when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in statement of income.

- 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 reclassification 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.

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3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i)Non-derivative financial instruments (continued)

- 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(h)(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 statement of income.

- 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 Standard 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.

- 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 statement of income when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognized in statement of income.

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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(h)(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.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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 statement of income.

Changes in the obligation to dismantle, remove assets on sites and to restore the site on which they are located, other than changes deriving from the passing of time, are added or deducted from the cost of the assets in the period in which they occur. The amount deducted from the cost of the asset shall not exceed the balance of the carrying amount on the date of change, and any excess balance is recognized immediately in statement of income.

(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 statement of income as incurred.

(iii)Depreciation

Depreciation is recognized in the statement of income 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
Mobile network infrastructure	6 – 8 years
Fixed network infrastructure	3 – 25 years
Call center equipment	5 – 8 years
Equipment, fixtures and fittings	4 – 5 years
Motor vehicles	4 – 5 years
Central betting terminals	10 years
Leasehold improvements	5 years

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3. Significant accounting policies (continued)

(d)Property, plant and equipment (continued)

(iii)Depreciation (continued)

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

(e) Intangible assets

(i) 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).

Amortization

Amortization is recognized in the statement of income 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

In accordance with the new legislation issued by ICTA, the infrastructure operator authorization right of the Company's subsidiary, Superonline, has become infinite. As a result, Superonline revised the expected useful lives of its operating license and related fixed network equipment from 15 years to 25 years.

(ii) Computer Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

Amortization

Amortisation is recognized in the statement of income 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

(iii) 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(h)(ii)).

Indefeasible Rights of Use (IRU) correspond to the right to use a portion of the capacity of an asset granted for a fixed period of time. IRUs are recognized as an intangible asset when the Group has specific indefeasible right to use an identified portion of the underlying asset and the duration of the right is the major part of the underlying asset's economic life. IRUs are amortised over the shorter of the expected period of use and the life of the contract.

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3. Significant accounting policies (continued)

(e) Intangible assets (continued)

(iii) Other intangible assets (continued)

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 statement of income 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.

Amortization

Amortization is recognized in the statement of income 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

From 1 January 2010 the Group has applied IFRS 3 (2008) “Business Combinations” in accounting for business combinations. The change in accounting policy has been applied prospectively and had no effect as there is no business combination in the current period.

For acquisitions on or after 1 January 2010, the Group measures goodwill as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree) and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

When the excess is negative, a bargain purchase gain is recognised immediately in statement of income.

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.

(iv)Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

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3. Significant accounting policies (continued)

(e) Intangible assets (continued)

(iv)Internally-generated intangible assets – research and development expenditure (continued)

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to statement of income in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

(f) 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.

(g)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 30 September 2010, inventories mainly consist of simcards, scratch cards, handsets and modems.

(h)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.

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3. Significant accounting policies (continued)

(h)Impairment (continued)

(i)Financial assets (continued)

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 statement of income. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to statement of income.

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 statement of income. 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 statement of income. 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.

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.

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3. Significant accounting policies (continued)

(i)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 2,517 as at 30 September 2010 (equivalent to full $1,734 as at 30 September 2010), which is effective from 1 July 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 statement of income 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.

(j)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.

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 30 September 2010.

Dismantling, removal and restoring sites obligation

The Company is required to incur certain costs in respect of a liability to dismantle and remove assets and to restore sites on which the assets were located. The dismantling costs are calculated according to best estimate of future expected payments discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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3. Significant accounting policies (continued)

(k)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 right of use to its subscribers, and recognises any unused portion of these free granted right of use as at the balance sheet date 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 considerations relating to the bundled contract are allocated among the different units according the following criteria:

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

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

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.

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 distributors, net of returns, discounts and rebates. Simcard costs are also recognized upfront upon sale of the simcard to the distributors.

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.

3. Significant accounting policies (continued)

(l) Lease payments

Payments made under operating leases are recognized in statement of income 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.

(m)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 statement of income. 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.

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 statement of income in the period in which they are incurred.

(n)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.

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3. Significant accounting policies (continued)

(o)Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in statement of income 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.

(p)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.

(q)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 Belarusian Telecom as operating segments.

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3. Significant accounting policies (continued)

(r) 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.

(s) 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 statement of income 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 statement of income on a straight-line basis over the expected lives of the related assets.

(t) New standards and interpretations

(a) New and amended standards and interpretations adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

IFRS 3 (revised), "Business Combinations" and consequential amendments to IAS 27, "Consolidated and Separate Financial Statements", IAS 28, "Investments in Associates" and IAS 31, "Interests in Joint Ventures" are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting 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 “non-controlling interests”) either at fair value or at the non-controlling interests’ share of the fair value of the identifiable net assets of the acquiree,

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 statement of income as incurred,

d)in step acquisitions, previously held interests are to be re-measured to fair value at the date of the subsequent acquisition with the value included in goodwill calculation. Gain or loss arising from the re-measurement shall be recognized as part of statement of income.

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3. Significant accounting policies (continued)

(t) New standards and interpretations (continued)

(a)New and amended standards and interpretations adopted by the Group (continued)

As the Group has adopted IFRS 3 (revised), it is required to adopt IAS 27 (revised), "Consolidated and Separate Financial Statements", at the same time. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in statement of income. Since the non-controlling interests have a deficit balance, net loss amounting to $35,155 is accounted in non-controlling interests in accordance with IAS 27 (revised) in the current period. There have been no transactions whereby an interest in an entity is retained after the loss of control of that entity; there have been no transactions with non-controlling interests.

IFRIC 18, "Transfers of Assets from Customers", is effective for transfer of assets received on or after 1 July 2009. This interpretation is applied by the Group this interpretation for the revenue recognition of assets transferred to its customers.

(b)Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group

IFRIC 17, "Distributions of non-cash assets to owners", is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

"Additional exemptions for first-time adopters" (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.

IFRS 2, "Share-based Payments - Group Cash-settled Share Payment Arrangements", is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as the Group does not have share-based payment plans.

(c)The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted

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.

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.

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3. Significant accounting policies (continued)

(t) New standards and interpretations (continued)

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted (continued)

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.

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. The Group has not yet had an opportunity to consider the potential impact of the adoption of this amendment to the standard.

(d) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted

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. The Group does not expect any impact of the adoption of this amendment on the financial statements.

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 this amendment to the standard.

Annual Improvements May 2010

Further to the above amendments and revised standards, the IASB has issued Annual Improvements to IFRSs in May 2010 that cover 7 main standards/interpretations as follow: IFRS 1, "First-time Adoption of International Financial Reporting Standards", IFRS 3, "Business Combinations", IFRS 7, "Financial Instruments: Disclosures", IAS 1, "Presentation of Financial Statements", IAS 27, "Consolidated and Separate Financial Statements", IAS 34, "Interim Financial Reporting" and IFRIC 13, "Customer Loyalty Programmes". With the exception of amendments to IFRS 3 and IAS 27 which are effective on or after 1 July 2010, all other amendments are effective on or after 1 January 2011. Early adoption of these amendments is allowed. The Group has not yet had an opportunity to consider the potential impact of the adoption of these amendments to the standards.

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 Uluslararası 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 Belarusian 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 Belarusian 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.

(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.

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4.Determination of fair values (continued)

(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 non-controlling share put option

The Group measures the estimated exercise price of the financial liability originating from put options granted to non-controlling interests 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 30 September 2010.

5.Financial risk management

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

- Credit risk
- Liquidity risk
- Market 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.

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 30 September 2010, TL appreciated against USD by 3.6% and appreciated against EUR by 8.6%, HRV appreciated against USD by 0.9% and BYR depreciated against USD by 5.1% 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.

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5.Financial risk management (continued)

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, aging profile, maturity and existence of previous financial difficulties. Trade receivables and accrued service income are mainly related to the Group's subscribers. The Group's 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.

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 2.0% of revenues for the period ended 30 September 2010. If impairment loss as a percentage of revenues increased to 2.5% of revenues, the impairment loss would have been increased by $22,300 negatively impacting profit for the nine months ended 30 September 2010.

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At 30 September 2010, $1,350,647 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 manage 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.

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5.Financial risk management (continued)

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 Belarusian Telecom and financial liability in relation to put option for the acquisition of non-controlling shares of Belarusian 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, Republic of Belarus, Azerbaijan and Germany 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 30 September 2010.

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 Belarusian Telecom, all of which are GSM operators in their countries.

Other operations mainly include companies operating in telecommunication and betting businesses and companies provide internet and broadband services, 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. Adjusted EBITDA is not a financial measure defined by IFRS as a measurement of financial performance and may not be comparable to other similarly-titled indicators used by other companies.

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)

	Nine months ended 30 September									
	Turkcell		Euroasia		Belarusian Telecom		Other		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2
Total external revenue	3,994,543	3,835,311	254,904	257,031	32,811	8,730	213,270	167,877	4,495,528	4,268,9
Inter-segment revenue	12,111	19,579	2,593	1,267	43	6	286,015	220,020	300,762	240,87
Reportable segment adjusted EBITDA	1,369,776	1,397,612	47,594	13,286	(26,116)	(24,688)	156,803	96,427	1,548,057	1,482,(
Finance income	194,511	221,972	5,751	1,333	586	507	58,339	33,622	259,187	257,43
Finance cost	(66,952)	(130,934)	(31,912)	(45,610)	(21,238)	(5,297)	(46,473)	(17,286)	(166,575)	(199,1
Depreciation and amortization	349,530	283,985	90,776	56,822	58,025	20,940	64,542	43,637	562,873	405,38
Share of profit of equity accounted investees	-	-	-	-	-	-	95,002	51,977	95,002	51,977
Capital expenditure	400,009	1,069,031	45,067	109,196	76,673	69,560	218,251	180,152	740,000	1,427,9

	Three months ended 30 September									
	Turkcell		Euroasia		Belarusian Telecom		Other		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Total external revenue	1,368,271	1,428,083	83,992	92,818	12,322	5,138	75,015	61,837	1,539,600	1,587,876
Inter-segment revenue	3,952	7,684	902	412	19	1	98,636	84,895	103,509	92,992
	508,854	516,792	21,472	7,355	(9,704)	(10,122)	58,593	38,758	579,215	552,783

Reportable segment adjusted EBITDA										
Finance income	62,217	57,346	(1,461)	(5,005)	147	151	28,975	6,075	89,878	58,567
Finance cost	(34,417)	(31,652)	(6,188)	(26,263)	(5,244)	337	(3,043)	(5,343)	(48,892)	(62,921)
Depreciation and amortization	119,171	105,960	39,125	19,756	25,621	10,046	23,682	16,182	207,599	151,944
Share of profit of equity accounted investees	-	-	-	-	-	-	34,962	27,204	34,962	27,204

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Capital expenditure	129,928	204,626	4,970	31,876	23,931	32,666	103,272	66,297	262,101	335,465

6.Operating segments (continued)

	As at 30 September 2010 and 31 December 2009									
	Turkcell		Euroasia		Belarusian Telecom		Other		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Reportable segment assets	4,109,195	3,730,420	637,589	702,847	541,863	517,718	994,196	773,103	6,282,843	5,724,088
Investment in associates	-	-	-	-	-	-	473,942	383,490	473,942	383,490
Reportable segment liabilities	1,150,858	1,305,206	151,758	189,875	57,303	56,982	162,623	143,607	1,522,542	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:

	Nine months ended		Three months ended	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Revenue				
Total revenue for reportable segments	4,297,005	4,121,924	1,469,458	1,534,136
Other revenue	499,285	387,897	173,651	146,732
Elimination of inter-segment revenue	(300,762)	(240,872)	(103,509)	(92,992)
Consolidated revenue	4,495,528	4,268,949	1,539,600	1,587,876

	Nine months ended		Three months ended	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Adjusted EBITDA				
Total adjusted EBITDA for reportable segments	1,391,254	1,386,210	520,622	514,025
Other adjusted EBITDA	156,803	96,427	58,593	38,758
Elimination of inter-segment adjusted EBITDA	(32,567)	(16,310)	(8,496)	(7,432)
Consolidated adjusted EBITDA	1,515,490	1,466,327	570,719	545,351
Finance income	214,052	242,153	67,334	69,331
Finance costs	(98,092)	(173,103)	(19,991)	(70,481)
Other income	12,310	16,809	2,660	8,399
Other expenses	(44,399)	(11,510)	(3,978)	(1,442)
Share of profit of equity accounted investees	95,002	51,977	34,962	27,204
Depreciation and amortization	(555,437)	(401,564)	(204,793)	(150,456)
Consolidated profit before income tax	1,138,926	1,191,089	446,913	427,906

	Nine months ended		Three months ended	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Finance income				
Total finance income for reportable segments	200,848	223,812	60,903	52,492

Other finance income	58,339	33,622	28,975	6,075
Elimination of inter-segment finance income	(45,135)	(15,281)	(22,544)	10,764
Consolidated finance income	214,052	242,153	67,334	69,331

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6.Operating segments (continued)

	Nine months ended		Three months ended	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Finance costs				
Total finance cost for reportable segments	120,102	181,841	45,849	57,578
Other finance cost	46,473	17,286	3,043	5,343
Elimination of inter-segment finance cost	(68,483)	(26,024)	(28,901)	7,560
Consolidated finance cost	98,092	173,103	19,991	70,481

	Nine months ended		Three months ended	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Depreciation and amortization				
Total depreciation and amortization for reportable segments	498,331	361,747	183,917	135,762
Other depreciation and amortization	64,542	43,637	23,682	16,182
Elimination of inter-segment depreciation and Amortization	(7,436)	(3,820)	(2,806)	(1,488)
Consolidated depreciation and amortization	555,437	401,564	204,793	150,456

	Nine months ended		Three months ended	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Capital expenditure				
Total capital expenditure for reportable segments	521,749	1,247,787	158,829	269,168
Other capital expenditure	218,251	180,152	103,272	66,297
Elimination of inter-segment capital expenditure	(25,299)	(60,677)	(9,147)	(9,689)
Consolidated capital expenditure	714,701	1,367,262	252,954	325,776

	30 September 2010	31 December 2009
Assets		
Total assets for reportable segments	5,288,647	4,950,985
Other assets	994,196	773,103
Investments in equity accounted investees	473,942	383,490
Other unallocated amounts	3,232,470	3,213,188
Consolidated total assets	9,989,255	9,320,766

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6.Operating Segments (continued)

	30 September 2010	31 December 2009
Liabilities		
Total liabilities for reportable segments	1,359,919	1,552,063
Other liabilities	162,623	143,607
Other unallocated amounts	2,043,037	1,728,895
Consolidated total liabilities	3,565,579	3,424,565

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.

	Nine months ended		Three months ended	
Revenues	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Turkey	4,149,370	3,951,476	1,424,674	1,470,494
Ukraine	255,752	257,031	84,840	92,818
Belarus	32,811	8,730	11,212	5,138
Turkish Republic of Northern Cyprus	57,595	51,712	18,874	19,426
	4,495,528	4,268,949	1,539,600	1,587,876

	30 September 2010	31 December 2009
Non-current assets		
Turkey	3,781,937	3,437,909
Ukraine	607,775	634,068
Belarus	527,855	507,729
Turkish Republic of Northern Cyprus	68,948	66,656
Unallocated non-current assets	515,928	420,303
	5,502,443	5,066,665

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7.Revenue

	Nine months ended		Three months ended	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Communication fees	4,281,319	4,101,190	1,462,036	1,536,279
Monthly fixed fees	54,326	31,680	23,011	10,214
Commission fees on betting business	20,365	27,139	6,821	7,017
Simcard sales	18,603	18,203	4,021	6,605
Call center revenues	16,930	13,854	5,725	6,059
Other revenues	103,985	76,883	37,986	21,702
	4,495,528	4,268,949	1,539,600	1,587,876

8.Other Expenses

Other expenses amount to $44,399, $11,510, $3,978 and $1,442 for the nine and three months ended 30 September 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, Special Communication Tax ("SCT") and VAT calculated on roaming services that had to be collected from subscribers as a result of tax settlement amounting to $12,900 and provision set for SCT on the discounts applied to distributors for prepaid scratch card sales between January 2005 and January 2007 amounting to $5,825 based on the previous settlement gains. Besides, provision set for the SCT on the discounts applied to distributors for prepaid scratch card sales in 2003 and 2004 was $14,539 as of 31 December 2009. However, it has been settled at $2,765 and the difference is reflected to "other expense" as income.

9. Personnel expenses

	Nine months ended		Three months ended	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Wages and salaries (*)	358,361	294,263	123,117	106,835
Increase in liability for long-service leave	8,061	6,176	797	3,564
Contributions to defined contribution plans	3,624	3,000	925	1,058
	370,046	303,439	124,839	111,457

* Wages and salaries include compulsory social security contributions and bonuses.

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10.Finance income and costs

Recognised in statement of income:

	Nine months ended		Three months ended	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Interest income on bank deposits	143,067	171,734	47,726	43,249
Late payment interest income	30,900	29,293	9,680	10,827
Interest income on contracted receivables	19,878	18,731	5,989	11,716
Premium income on option contracts	10,256	7,840	2,639	2,496
Net gain on disposal of available-for-sale financial assets transferred from equity	1,318	2,060	-	2,041
Interest income on available-for-sale financial assets	1,121	4,283	(316)	553
Net foreign exchange gain	-	-	-	(3,218)
Other finance income	7,512	8,212	1,616	1,667
Finance income	214,052	242,153	67,334	69,331
Discount interest expense on financial liabilities measured at amortised cost	(48,739)	(48,779)	(15,407)	(23,258)
Net foreign exchange loss	(29,543)	(43,373)	4,674	(43,373)
Option premium expense	(4,666)	(294)	(454)	(192)
Litigation late payment interest expense	927	(76,347)	(2,081)	(1,746)
Other finance cost	(16,071)	(4,310)	(6,723)	(1,912)
Finance costs	(98,092)	(173,103)	(19,991)	(70,481)
Net finance income recognised in statement of income	115,960	69,050	47,343	(1,150)

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. Litigation late payment interest expense comprises accrued interest amounting to $10,235 calculated over SCT and VAT from roaming services that had to be collected from subscribers as a result of tax settlement and accrued interest amounting to $7,815 calculated over SCT on the discounts applied to distributors for prepaid scratch card sales between January 2005 and January 2007 which is calculated based on the previous settlement gains. Besides, accrued interests calculated over SCT on the discounts applied to distributors for prepaid scratch card sales in 2003 and 2004 was $28,400 as of 31 December 2009. However, after settlement, it has been calculated as $5,671 and the difference is reflected to “litigation late payment interest expense” as income. Detailed explanations are given in Note 32.

Borrowings costs capitalized on fixed assets are $8,019 and $2,932 for the nine and three months ended 30 September 2010 ($1,862 for the nine and three months ended 30 September 2009, respectively). Interest capitalization ratio is 19.2% and 24.9% for the nine and three months ended 30 September 2010.

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11.Income tax expense

	Nine months ended		Three months ended	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
Current tax expense				
Current period	(240,649)	(263,358)	(99,787)	(94,373)
Deferred tax benefit				
Origination and reversal of temporary differences	(11,995)	573	6,468	203
Benefit of investment incentive recognized	815	1,432	290	362
Utilisation of previously unrecognized tax losses	2,313	-	1,582	-
	(8,867)	2,005	8,340	565
Total income tax expense	(249,516)	(261,353)	(91,447)	(93,808)

Income tax recognized directly in equity for the nine months ended 30 September

2010	Before tax	Tax (expense)/ benefit	Net of tax
Foreign currency translation differences	228,242	1,512	229,754
Net change in fair value of available-for-sale securities	(1,318)	-	(1,318)
	226,924	1,512	228,436
2009			
Foreign currency translation differences	129,434	3,430	132,864
Net change in fair value of available-for-sale securities	2,156	-	2,156
	131,590	3,430	135,020

Income tax recognized directly in equity for the three months ended 30 September

2010	Before tax	Tax (expense)/ benefit	Net of tax
Foreign currency translation differences	516,136	1,283	517,419
Net change in fair value of available-for-sale securities	-	-	-
	516,136	1,283	517,419
2009			
Foreign currency translation differences	156,308	805	157,113

Net change in fair value of available-for-sale securities	403	-	403
	156,711	805	157,516

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11.Income tax expense (continued)

Reconciliation of effective tax rate

The reported income tax expense for the nine and three months ended 30 September 2010 and 2009 are different than the amounts computed by applying the statutory tax rate to profit before income tax of the Company, as shown in the following reconciliation:

	Nine months ended				Three months ended			
		30 September 2010		30 September 2009		30 September 2010		30 September 2009
Profit for the period		889,410		929,736		355,466		334,098
Total income tax expense		249,516		261,353		91,447		93,808
Profit before income tax		1,138,926		1,191,089		446,913		427,906
Income tax using the Company’s domestic tax rate	20 %	(227,785)	20 %	(238,218)	20 %	(89,382)	20 %	(85,581)
Effect of tax rates in foreign jurisdictions	(1)%	8,852	(1)%	6,116	(1)%	3,336	(1)%	2,825
Tax exempt income	-	666	-	693	-	-	-	-
Utilization of previously unrecognized tax losses	-	2,313	-	-	-	1,582	-	-
Non-deductible expenses	2 %	(24,458)	2 %	(20,946)	3 %	(12,248)	4 %	(15,391)
Tax incentives	-	815	-	1,432	-	290	-	362
Unrecognized deferred tax assets	2 %	(24,466)	2 %	(20,217)	-	466	2 %	(10,554)
Difference in effective tax rate of equity accounted investees	(2)%	17,398	(1)%	12,761	(1)%	6,509	(1)%	6,031
Other	-	(2,851)	-	(2,974)	-	(2,000)	(2)%	8,500
Total income tax expense		(249,516)		(261,353)		(91,447)		(93,808)

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11.Income tax expense (continued)

The income taxes payable of $109,706 and $93,260 as at 30 September 2010 and 31 December 2009, respectively, represents the amount of income taxes payable in respect of related taxable profit for the periods ended 30 September 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	Impairment	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	310,051	(316,821)	-	39,298	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	344,959	(329,928)	-	39,298	38,391	3,767,150
Total property, plant and equipment equipment	2,096,070	700,808	(29,242)	-	(39,298)	(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	Impairment	Effect of movements in exchange rates	Balance at 30 September 2010
Network infrastructure (All operational) Operational)	5,234,540	153,909	(540,208)	670,507	-	174,089	5,692,837
Land and buildings	272,744	3,724	-	-	-	9,836	286,304
Equipment, fixtures and fittings	311,390	9,441	(1,923)	(37,343)	-	9,885	291,450
Motor vehicles	14,905	2,712	(1,882)	-	-	436	16,171
Leasehold improvements	134,743	5,200	(770)	-	-	4,972	144,145
Construction in progress	451,050	475,682	(1,827)	(614,719)	(943)	3,715	312,958
Total	6,419,372	650,668	(546,610)	18,445	(943)	202,933	6,743,865
Accumulated depreciation							
Network infrastructure (All operational)	3,273,403	299,050	(536,617)	19,419	50,793	129,068	3,235,116
Land and buildings	99,405	8,046	-	-	-	4,000	111,451
Equipment, fixtures and fittings	266,360	12,155	(1,490)	(18,041)	20	8,059	267,063
Motor vehicles	12,027	1,320	(1,757)	-	-	479	12,069
Leasehold improvements	115,955	2,439	(666)	-	81	4,447	122,256
Total	3,767,150	323,010	(540,530)	1,378	50,894	146,053	3,747,955
Total property, plant and equipment equipment	2,652,222	327,658	(6,080)	17,067	(51,837)	56,880	2,995,910

Depreciation expenses for the nine months ended 30 September 2010 and 2009 are $374,847 and $254,473, respectively including impairment losses and recognised in direct cost of revenues.

The impairment losses on property, plant and equipment for the nine months ended 30 September 2010 and 2009 are $51,837and $14,743, respectively and recognised in depreciation expense.

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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 30 September 2010, net carrying amount of fixed assets acquired under finance leases amounted to $66,614 (31 December 2009: $65,844).

Property, plant and equipment under construction

Construction in progress mainly consisted of capital expenditures in GSM network of the Company, Astelit, Kibris Mobile Telekomunikasyon Limited Sirketi ("Kibris Telekom") and Belarusian Telecom and non-operational items as at 30 September 2010 and 31 December 2009.

As at 30 September 2010, a mortgage is placed on Izmir building in favour of Yapı ve Kredi Bankası A.S., Interbank A.S. and Pamukbank T.A.S founded at 25 August 1992 amounting to $1,033 (31 December 2009: $996) and also on Davutpasa building in favour of Pamukbank T.A.S founded at 11 December 1997 amounting to $344 (31 December 2009: $332) due to previous debts of BMC Sanayi ve Ticaret A.S. Those buildings were sold to Turkcell with their mortgages. Since the debts of BMC Sanayi ve Ticaret A.S. was paid and the Company has no liability to Savings Deposit Insurance Fund ("SDIF") related to Interbank A.S. and Pamukbank T.A.S., the Company asked for the release of mortgage on Izmir building on 13 March 2006. However, the mortgage is still valid due to the outstanding debts of Cukurova Group to SDIF.

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 $396,072 as at 30 September 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 $492,651 as at 30 September 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 statement of income.

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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 30 September 2010
GSM and other telecommunication operating licenses	1,465,898	260	-	1,821	-	53,274	1,521,253
Computer software	1,951,060	20,658	-	57,359	-	67,135	2,096,212
Transmission lines	33,189	283	-	-	-	1,236	34,708
Central betting system operating right	5,527	361	-	-	-	208	6,096
Indefeasible right of usage	-	24,094	-	-	-	-	24,094
Brand name	4,676	-	-	-	-	176	4,852
Customer base	6,398	-	-	-	-	240	6,638
Customs duty and VAT exemption right	51,325	-	-	-	-	1,928	53,253
Goodwill	184,356	-	-	-	-	6,924	191,280
Other	2,298	589	-	-	-	-	2,887
Construction in progress	5,562	72,362	-	(77,640)	-	(246)	38
Total	3,710,289	118,607	-	(18,460)	-	130,875	3,941,311
Accumulated amortization							
GSM and other telecommunication operating licenses	407,800	51,991	-	-	-	16,595	476,386
Computer software	1,355,842	116,306	-	(1,393)	-	53,644	1,524,399
Transmission lines	26,040	1,343	-	-	-	1,038	28,421
Central betting system operating right	4,016	155	-	-	-	209	4,380
Indefeasible right of usage	-	1,148	-	-	-	-	1,148
Brand name	584	348	-	-	-	38	970
Customer base	1,996	487	-	-	-	97	2,580
Customs duty and VAT exemption right	15,553	8,686	-	-	-	977	25,216
Other	477	126	-	-	-	(22)	581
Total	1,812,308	180,590	-	(1,393)	-	72,576	2,064,081
Total intangible assets	1,897,981	(61,983)	-	(17,067)	-	58,299	1,877,230

Amortization expenses for the nine months ended 30 September 2010 and 2009 are $180,590 and $147,091, respectively including impairment losses and recognised in direct cost of revenues.
Computer software includes internally generated capitalized software development costs that meet the definition of an intangible asset. The amount of internally generated capitalized costs is $19,788 for the nine months ended 30 September 2010 (31 December 2009: $24,987).

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, including 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 $24,094 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 Belarusian 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.

Belarusian Telecom

As at 31 December 2009, the aggregate carrying amount of goodwill allocated to Belarusian Telecom is $162,645 and goodwill arising from the acquisition of Belarusian 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 Belarusian 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.

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13. Intangible assets (continued)

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

Belarusian 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

As at 31 December 2009, 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 nine and three months ended 30 September 2010 and 2009 are $95,002, $51,977, $34,962 and $27,204, 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	Non-controlling interest	Equity attributable to parent	Total liabilities and equity
30 September 2010									
Fintur (associate)	41.45 %	753,350	1,438,724	2,192,074	311,370	781,427	447,268	652,009	2,192,074
A-Tel (joint venture)*	50.00 %	52,538	195,902	248,440	1,561	39,344	-	207,535	248,440
		805,888	1,634,626	2,440,514	312,931	820,771	447,268	859,544	2,440,514
31 December 2009									
Fintur (associate)	41.45 %	423,754	1,491,371	1,915,125	250,133	804,271	405,846	454,875	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	405,846	651,453	2,157,718

	Nine months ended 30 September			Three months ended 30 September		
	Revenue	Direct cost of revenue	Profit/(loss) for the period	Revenue	Direct cost of revenue	Profit/(loss) for the period
30 September 2010						
Fintur (associate)	1,265,854	(529,996)	280,542	459,623	(196,058)	105,342
A-Tel (joint venture)*	47,836	(39,110)	5,034	16,326	(15,203)	(1,133)
	1,313,690	(569,106)	285,576	475,949	(211,261)	104,209
30 September 2009						
	1,186,151	(496,589)	232,365	419,713	(171,508)	99,227

Fintur (associate)						
A-Tel (joint venture)*	55,562	(68,616)	(14,692)	19,996	(26,231)	(7,913)
	1,241,713	(565,205)	217,673	439,709	(197,739)	91,314

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

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14.Equity accounted investees (continued)

The Company's investment in Fintur and A-Tel amounts to $370,586 and $103,356 respectively as at 30 September 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 2010, Fintur has decided to distribute dividends amounting to $70,000. The Company reduced the carrying value of its investments in Fintur by the cash collected dividend of $29,015 on 5 May 2010.

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 April 2010 and 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 1,241 (equivalent to $855 as at 30 September 2010) and TL 7,248 (equivalent to $4,995 as at 30 September 2010) as at 30 September 2010.

15.Other investments

Non-current investments:

		30 September 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	23,336	6.24	22,492
T Medya Yatirim Sanayi ve Ticaret AS ("T-Medya")	Turkey	10.03	12,725	10.03	12,263
			36,061		34,755

On 2 February 2010, 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 Turktell Bilişim 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:

	30 September 2010	31 December 2009
Available-for-sale financial assets		
Government bonds, treasury bills	276	62,398
Derivatives not used for hedging		
Option contracts	221	-
Time deposits		
Deposits maturing after 3 months or more	90	-
	587	62,398

There is no TL denominated government bonds as at 30 September 2010 (31 December 2009: $62,109). Interest bearing available-for-sale EUR denominated government bonds and treasury bills with a carrying amount of $276 as at 30 September 2010 have stated interest rates of Euribor+1.8% and mature in 3 months (31 December 2009: $289).

As at 30 September 2010, BYR denominated time deposits maturing after 3 months or more amounting to $90 have stated interest rate of 10.5%.

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

	30 September 2010	31 December 2009
VAT receivable	47,359	37,628
Prepaid expenses	36,162	22,406
Deposits and guarantees given	9,875	9,597
Advances given for fixed assets	9,494	-
Prepayment for subscriber acquisition cost	-	2,867
Others	6,441	2,622
	109,331	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 30 September 2010, a deferred tax liability of $19,914 (31 December 2009: $18,669) for temporary differences of $99,569 (31 December 2009: $93,345) related to investments in subsidiaries 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:

	30 September 2010	31 December 2009
Deductible temporary differences	66,061	39,186
Tax losses	143,543	140,493
Total unrecognised deferred tax assets	209,604	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 30 September 2010, expiration of tax losses is as follows:

Year Originated	Amount	Expiration Date
2005	155	2010
2006	3,405	2011
2007	11,513	2012
2008	71,392	2013
2009	38,064	2014
2010	7,140	2015 thereafter
	131,669	

As at 30 September 2010, tax losses which will be carried indefinitely are as follows:

Year Originated	Amount
2004	16,007
2005	38,856
2006	63,794
2007	55,719
2008	241,034
2009	44,896
2010	8,530

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities as at 30 September 2010 and 31 December 2009 are attributable to the following:

	Assets		Liabilities		Net	
	30 September 2010	31 December 2009	30 September 2010	31 December 2009	30 September 2010	31 December 2009
Property, plant & equipment and intangible assets	264	84	(171,528)	(170,397)	(171,264)	(170,313)
Investment	-	-	(17,561)	(13,833)	(17,561)	(13,833)
Provisions	28,936	27,474	(87)	-	28,849	27,474
Trade and other payables	30,812	39,271	(21)	(38)	30,791	39,233

Other items	14,994	2,104	(11,823)	(1,039)	3,171	1,065
Tax assets / (liabilities)	75,006	68,933	(201,020)	(185,307)	(126,014)	(116,374)
Net off of tax	(71,727)	(66,875)	71,727	66,875	-	-
Net tax assets / (liabilities)	3,279	2,058	(129,293)	(118,432)	(126,014)	(116,374)

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17. Deferred tax assets and liabilities (continued)

Movement in temporary differences as at 30 September 2010 and 31 December 2009

	Balance at 1 January 2009	Recognised in statement of income	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 statement of income	Recognised in other comprehensive income	Effect of movements in exchange rates	Balance at 30 September 2010
Property, plant & equipment and intangible assets	(170,313)	5,718	-	(6,669)	(171,264)
Investment	(13,833)	(4,957)	1,512	(283)	(17,561)
Provisions	27,474	361	-	1,014	28,849
Trade and other payables	39,233	(10,412)	-	1,970	30,791
Other items	1,065	423	-	1,683	3,171
Total	(116,374)	(8,867)	1,512	(2,285)	(126,014)

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18. Trade receivables and accrued income

	30 September 2010	31 December 2009
Receivables from subscribers	463,304	392,328
Accrued service income	374,780	318,526
Accounts and checks receivable	77,101	57,867
Receivables from Turk Telekomunikasyon AS (“Turk Telekom”)	2,219	15,031
	917,404	783,752

Trade receivables are shown net of allowance for doubtful debts amounting to $369,948 as at 30 September 2010 (31 December 2009: $268,157). The impairment loss recognized for the nine and three months ended 30 September 2010 and 2009 are $90,088, $49,637, $27,200 and $18,293, respectively.

Letters of guarantee received with respect to the accounts and checks receivable are amounted to $189,614 and $164,958 as at 30 September 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

	30 September 2010	31 December 2009
Prepaid expenses	155,388	69,559
VAT receivable	38,621	48,760
Receivables from Tax Office	16,764	-
Advances to suppliers	14,325	12,351
Interest income accruals	7,172	17,727
Restricted cash	5,801	-
Receivables from personnel	2,906	2,767
Prepayment for subscriber acquisition cost	1,659	12,527

Other	11,805	11,726
	254,441	175,417

Prepaid frequency usage fees amounting $54,855 as at 30 September 2010 is included in prepaid expenses (31 December 2009: nil).

As at 30 September 2010, restricted cash represents amounts deposited at banks as guarantees in connection with the loan utilized by Azerinteltek amounting to $5,841 and mature in 4 to 12 months.

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

20. Cash and cash equivalents

	30 September 2010	31 December 2009
Cash in hand	1,346	157
Cheques received	1,144	1,154
Banks	3,182,525	3,093,889
-Demand deposits	186,681	199,764
-Time deposits	2,995,844	2,894,125
Bonds and bills	250	286
Cash and cash equivalents	3,185,265	3,095,486
Bank overdrafts	(6,196)	(5,244)
Cash and cash equivalents in the statement of cash flows	3,179,069	3,090,242

As at 30 September 2010, cash and cash equivalents deposited in banks, that are owned and/or controlled by Cukurova Group, a significant shareholder of the Company is amounting to $52,610 (31 December 2009: nil).

As at 30 September 2010, average maturity of time deposits is 75 days (31 December 2009: 69 days)

The Group’s exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 29.

21. Capital and reserves

Share capital

As at 30 September 2010, common stock represented 2,200,000,000 (31 December 2009: 2,200,000,000) authorized, issued and fully paid shares with a par value of TL 1 each. In accordance with the Law No. 5083 with respect to TL, on 9 May 2005, par value of each share is registered to be one TL.

In connection with the redenomination of the TL and as per the related amendments of Turkish Commercial Code, in order to increase the nominal value of the shares to TL 1, 1,000 units of shares, each having a nominal value of TL 0.001 shall be merged and each unit of share having a nominal value of TL 1 shall be issued to represent such shares. The Company is still in the process of merging 1,000 existing ordinary shares, each having a nominal value of TL 0.001 to one ordinary share having a nominal value of TL 1 each. After the share merger which appears as a provisional article in the Articles of Association to convert the value of each share with a nominal value of TL 0.001 to TL 1, all shares will have a value of TL 1. Although the merger process has not been finalized, the practical application is to state each share having a nominal value of TL 1 which is consented by Capital Markets Board of Turkey (“CMB”). Accordingly, number of shares data is adjusted for the effect of this merger.

The holders of shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

As at 30 September 2010, total number of pledged shares hold by various institutions is 137,200 (31 December 2009: 137,200).

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21. Capital and reserves (continued)

Capital contribution

Capital contribution comprises the contributed assets and certain liabilities that the government settled on behalf of the Group that do not meet the definition of a government grant which the government is acting in its capacity as a shareholder.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the interim financial statements of foreign and domestic operations from their functional currencies to presentation currency of USD.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognized or the asset is impaired.

Legal reserve

Under the Turkish Commercial Code, Turkish companies are required to set aside first and second level legal reserves out of their profits. First level legal reserves are set aside 5% of the distributable income per statutory accounts each year. The ceiling on the first legal reserves is 20% of the paid-up capital. The reserve requirement ends when the 20% of paid-up capital level has been reached. Second legal reserves correspond to 10% of profits actually distributed after the deduction of the first legal reserves and the minimum obligatory dividend pay-out (5% of the paid-up capital). There is no ceiling for second legal reserves and they are accumulated every year.

Reserve for non-controlling interest put option liability

The reserve for non-controlling interest put option liability includes the difference between the put option liability granted to the non-controlling shareholders in existing subsidiaries recognised and the amount of non-controlling interest derecognized. Subsequent changes in the fair value of the put option liability are also recognised in this reserve.

Dividends

The Company has adopted a dividend policy, which is set out in its corporate governance guidance. As adopted, the Company’s general dividend policy is to pay dividends to shareholders with due regard to trends in the Company’s operating performance, financial condition and other factors.

The Board of Directors intends to distribute cash dividends in an amount of not less than 50% of the Company’s lower of distributable profit based on the financial statements prepared in accordance with the accounting principles accepted by the CMB or statutory records, for each fiscal year starting with profits for fiscal year 2004. However, the payment of dividends will still be subject to cash flow requirements of the Company, compliance with Turkish law and the approval of and amendment by the Board of Directors and the General Assembly of Shareholders.

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21. Capital and reserves (continued)

Dividends (continued)

On 10 March 2010, the Company's Board of Directors has proposed a dividend distribution for the year ended 31 December 2009 amounting to TL 859,259 (equivalent to $592,102 and $573,451 as at 30 September 2010 and 29 April 2010, respectively), which represented 50% of distributable income. This represents a net cash dividend of full TL 0.3905723 (equivalent to full $0.2691375 and $0.2606596 as at 30 September 2010 and 29 April 2010, respectively) per share. This dividend proposal was discussed and approved at our Ordinary General Assembly of Shareholders held on 29 April 2010. Dividend distribution started on 17 May 2010 and completed as at 30 September 2010.

	2010		2009	
	TL	USD*	TL	USD*
Cash dividends	859,259	573,451	1,098,193	713,297

* USD equivalents of dividends are computed by using the Central Bank of the Republic of Turkey's TL/USD exchange rate on 29 April 2010 and 8 May 2009, which are the dates that the General Assembly of Shareholders approved the dividend distribution.

In the Ordinary General Assembly Meeting of Inteltek held on 15 April 2010, it has been decided to distribute dividends amounting to TL 55,980 (equivalent to $38,575 as at 30 September 2010). The dividend was paid on 29 April 2010.

22. Earnings per share

The calculations of basic and diluted earnings per share as at 30 September 2010 and 2009 were based on the profit attributable to ordinary shareholders for the nine and three months ended 30 September 2010 and 2009 of $920,235, $922,932, $366,998 and $332,927 respectively and a weighted average number of shares outstanding during the year ended 30 September 2010 and 2009 of 2,200,000,000 calculated as follows:

	Nine months ended 30 September		Three months ended 30 September	
	2010	2009	2010	2009
Numerator:				
Net profit for the period attributed to owners	920,235	922,932	366,998	332,927
Denominator:				
Weighted average number of shares	2,200,000,000	2,200,000,000	2,200,000,000	2,200,000,000
Basic and diluted earnings per share	0.418289	0.419515	0.166817	0.151330

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23. Other non-current liabilities

	30 September 2010	31 December 2009
Consideration payable in relation to acquisition of BeST	83,487	75,319
Financial liability in relation to put option	68,177	63,152
Deposits and guarantees taken from agents	16,292	13,951
Other	5,510	2,569
	173,466	154,991

Consideration payable in relation to acquisition of Belarusian Telecom represents the present value of long-term deferred payments to the seller. Total deferred payments amount to $200,000, of which $100,000 will be paid on 31 December 2010. The present value of this liability amounted to $99,423 as at 30 September 2010 is classified under trade and other payables (see Note 28). Payment of an additional $100,000 is contingent on financial performance of Belarusian Telecom, and based on management's estimations, expected to be paid during the first quarter of 2015. The present value of the contingent consideration is $83,487 as at 30 September 2010 (31 December 2009: $75,319).

Non-controlling shareholders in Belarusian Telecom were granted a put option, giving the shareholders the right to sell their entire stake to Beltel Telekomunikasyon Hizmetleri AS ("Beltel") at fair value during a specified period. The Group accounted for the present value of the estimated option redemption amount as a provision and derecognized the non-controlling interest. The Company has estimated a value based on multiple approaches 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 to 30 September 2010.

The difference between the present value of the estimated option redemption and derecognized non-controlling interests amounting to $18,343 has been presented as reserve for non-controlling interest put option under equity.

24. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk and payment schedule for interest bearing loans, see Note 29.

	30 September 2010	31 December 2009
Non-current liabilities		
Unsecured bank loans	1,338,023	793,210
Secured bank loans	22,356	25,253
Finance lease liabilities	20,449	2,716

	1,380,828	821,179
Current liabilities		
Current portion of unsecured bank loans	313,378	226,463
Current portion of secured bank loans	3,102	-
Unsecured bank facility	90,418	461,788
Secured bank facility	5,841	-
Current portion of finance lease liabilities	4,276	2,529
	417,015	690,780

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24. Loans and borrowings (continued)

Finance lease liabilities are payable as follows:

	30 September 2010			31 December 2009		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	5,091	815	4,276	2,768	239	2,529
Between one and five years	25,436	4,987	20,449	2,815	99	2,716
	30,527	5,802	24,725	5,583	338	5,245

Tellcom, a wholly owned subsidiary of the Group, acquired indefeasible right of use with BOTAS and will pay EUR 20,900 to BOTAS for the right. The Group recognized indefeasible right of use amounting to $24,094 which is calculated as the present value of payments to be made to BOTAS till the year 2024. As of 30 September 2010, the carrying amount of lease liability related to BOTAS agreement is $20,869.

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24. Loans and borrowings (continued)

Terms and conditions of outstanding loans are as follows:

				30 September 2010			31 December 2009		
	Currency	Year of maturity	Interest rate type	Nominal interest rate	Face value	Carrying amount	Nominal interest rate	Face value	Carrying amount
Unsecured bank loans	USD	2012	Floating	Libor+2.25%-3.75%	491,000	486,903	Libor+2.3%-3.75%	491,000	487,563
Unsecured bank loans	USD	2010-2012	Floating	Libor+2.1%	312,000	313,798	-	-	-
Unsecured bank loans	USD	2015	Floating	Libor+2.9%-3.0%	188,500	188,871	-	-	-
Unsecured bank loans	USD	2009-2014	Fixed	2.24%	169,972	165,665	2.24%	191,219	183,710
Unsecured bank loans	USD	2013	Floating	Libor+2.24%-2.45%	111,500	111,520	-	-	-
Unsecured bank loans	USD	2011-2015	Fixed	2.37%	110,870	107,349	-	-	-
Unsecured bank loans	USD	2011	Fixed	2.80%	63,500	64,848	2.80%	63,500	63,505
Unsecured bank loans	USD	2010	Fixed	2.80%	63,387	64,733	2.80%	113,387	113,395
Unsecured bank loans	USD	2010-2016	Fixed	2.81%	59,654	56,904	2.81%	69,856	66,051
Unsecured bank loans	USD	2009-2014	Floating	Libor+%1.35	57,412	55,965	Libor+%1.35	64,589	62,162
Unsecured bank loans	USD	2013	Fixed	4.10%-4.35%	55,000	55,065	-	-	-
Secured bank loans**	BYR	2020	Floating	RR*+2%	21,389	25,458	RR*+2%	22,487	25,253
Unsecured bank loans	USD	2011	Floating	Libor+1.75%	24,500	24,622	-	-	-
Unsecured bank loans	USD	2010-2012	Fixed	2.97%	17,505	17,621	2.97%	25,958	26,236
Unsecured bank loans	EUR	2013	Floating	Libor+3.465%	16,333	16,546	-	-	-
Unsecured bank loans	USD	2010-2013	Fixed	2.97%	9,811	9,846	-	-	-

Secured bank loans	USD	2011	Fixed	5.00%	5,800	5,841	-	-	-
Unsecured bank loans	USD	2011	-	-	1,063	1,063	-	-	-
Unsecured bank loans	BYR	2010	Floating	½ RR*	469	500	½ RR*	1,971	2,085
Unsecured bank loans	USD	2010	Floating	Libor+2.0%-3.5%	-	-	Libor+2.0%-3.5%	476,000	476,754
Finance lease liabilities	EUR	2010-2024	Fixed	3.35%	26,542	20,869	-	-	-
Finance lease liabilities	USD	2010-2011	Fixed	4.64%	3,983	3,856	5.7%	5,583	5,245
					1,810,190	1,797,843		1,525,550	1,511,959

* Refinancing rate of the National Bank of the Republic of Belarus.

** Secured by Rebuplic of Belarus Government.

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25. Employee benefits

International Accounting Standard No. 19 ("IAS 19") "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The liability for this retirement pay obligation is recorded in the accompanying consolidated interim financial statements at its present value using a discount rate of 5.9%.

Movement in the reserve for employee termination benefits as at 30 September 2010 and 31 December 2009 are as follows:

	30 September 2010	31 December 2009
Opening balance	27,776	26,717
Provision set/reversed during the period	7,046	6,350
Payments made during the period	(5,272)	(5,410)
Unwind of discount	1,015	1,534
Effect of change in foreign exchange rate	1,212	(1,415)
Closing balance	31,777	27,776

Obligations for contributions to defined contribution plans are recognized as an expense in the consolidated statement of income as incurred. The Group incurred $3,624, $3,000, $925 and $1,058 in relation to defined contribution retirement plan for the nine and three months ended 30 September 2010 and 2009, respectively.

26. Deferred income

Deferred income primarily consists of right of use sold but not used by prepaid subscribers and it is classified as current as at 30 September 2010. The amount of deferred income is $169,853 and $248,518 as at 30 September 2010 and 31 December 2009, respectively.

27. Provisions

Non-current provisions:

	Legal	Obligations for dismantling, removing and site restoration	Other	Total
Balance at 1 January 2009	-	4,490	-	4,490
Provision made/used during the period	95	590	467	1,152
Effect of change in foreign exchange rate	-	34	-	34
Balance at 31 December 2009	95	5,114	467	5,676

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27. Provisions (continued)

Non-current provisions: (continued)

	Legal	Obligations for dismantling, removing and site restoration	Other	Total
Balance at 1 January 2010	95	5,114	467	5,676
Provision made/used during the period	616	53,513	175	54,304
Effect of change in foreign exchange rate	-	193	-	193
Balance at 30 September 2010	711	58,820	642	60,173

Legal provisions are set for the probable cash outflows related to legal disputes.

The Group is required to incur certain costs in respect of a liability to dismantle and remove assets and to restore sites on which the assets were located. The dismantling costs are calculated according to best estimate of future expected payments discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The above mentioned additions to obligations for dismantling, removing and site restoration during the period are non-cash transactions recorded against property, plant and equipment.

Current provisions:

	Legal	Bonus	Total
Balance at 1 January 2009	44,258	38,091	82,349
Provision made during the period	158,580	36,784	195,364
Provisions used during the period	(40,018)	(37,996)	(78,014)
Unwind of discount	-	235	235
Effect of change in foreign exchange rate	5,098	135	5,233
Balance at 31 December 2009	167,918	37,249	205,167

	Legal	Bonus	Total
Balance at 1 January 2010	167,918	37,249	205,167
Provision made/(reversed) during the period	35,433	32,506	67,939
Provisions used during the period	(101,167)	(37,249)	(138,416)
Unwind of discount	2,069	(333)	1,736
Effect of change in foreign exchange rate	3,458	1,738	5,196
Balance at 30 September 2010	107,711	33,911	141,622

Legal provisions are set for the probable cash outflows related to legal disputes. In note 32, under legal proceedings section, detailed explanations are given with respect to legal provisions.

The bonus provision totalling to $33,911 comprises mainly the provision for the nine months ended 30 September 2010 and is planned to be paid in March 2011.

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28. Trade and other payables

The breakdown of trade and other payables as at 30 September 2010 and 31 December 2009 is as follows:

	30 September 2010	31 December 2009
Payables to other suppliers	306,466	354,057
Taxes and withholdings payable	221,681	215,375
Consideration payable in relation to acquisition of Belarusian Telecom	99,423	97,605
Payables to Ericsson companies	74,793	115,980
License fee accrual	60,016	38,289
Selling and marketing expense accrual	56,495	62,783
Roaming expense accrual	20,567	61,783
Interconnection payables	16,795	31,957
ICTA share accrual	13,443	18,543
Interconnection accrual	7,416	5,343
Payables to KKTC Tax Office	775	1,046
Other	50,446	36,001
	928,316	1,038,762

Balances due to other suppliers are arising in the ordinary course of business.

Taxes and withholdings include VAT payable, special communications tax, frequency usage fees payable to ICTA and personnel income taxes.

Consideration payable in relation to acquisition of Belarusian Telecom represents present value of short-term deferred payments to the seller. Total deferred payment amounts to $200,000, of which $100,000 will be paid on 31 December 2010. The remaining consideration is classified under other non-current liabilities section (Note 23).

Payables to Ericsson companies comprise due to Ericsson Turkey, Ericsson Sweden and Ericsson AB arising from fixed asset purchases, site preparation and other services.

Turkcell is one of parties of 2 different signed agreements with Ericsson Turkey, namely Supply and Maintenance&Support Service Agreements. In fact, hardware and software responsibility within the scope of Supply Agreement belongs to Ericsson AB. Since, Turkcell signed the agreement with Ericsson Turkey, Ericsson Turkey transfer its supply responsibility to Ericsson AB with the signed protocol between Ericsson Turkey, Turkcell and Ericsson AB. Based on the the Supply Agreement, Ericsson Turkey committed Turkcell to provide GSM network in operating condition, spare part, installation, training and documentation. Besides, this agreement provides Turkcell to non-exclusive, untransferable and perpetual software licence for GSM softwares. According to Maintenance&Support Service Agreement, Ericsson Turkey provides Turkcell problem report processing service, consultancy service and emergency state service. Based on these two agreements, Ericsson AB is the guarantor for commitments of Ericsson Turkey to Turkcell. For agreements signed between Turkcell and Ericsson Turkey, of which Ericsson Sweden is the guarantor, parties signed a supplementary agreement on 1 January 2010 and extended the period of GSM service agreement until 31 December 2010.

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28. Trade and other payables (continued)

In accordance with the license agreement, Turkcell pays 90% of the ongoing license fee, which equals 15% of its gross revenue, to the Turkish Treasury and 10% as universal service fund to the Turkish Ministry.

Selling and marketing expense accrual is mainly resulted from services received from third parties related to marketing activities of the Group which are not yet invoiced.

Payables to interconnection suppliers arise from voice and SMS termination services rendered by other GSM operators.

Interconnection accrual represents net balance of uninvoiced call termination services received from other operators and interconnection services rendered to other operators.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 29.

29. Financial instruments

Credit risk

Exposure to credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	30 September 2010	31 December 2009
Due from related parties-non current	33	6,690	21,039
Other non-current assets*	16	24,501	11,996
Available-for-sale financial assets	15	276	62,398
Due from related parties-current	33	108,636	108,843
Trade receivables and accrued income	18	917,404	783,752
Other current assets*	19	35,783	29,284
Cash and cash equivalents**	20	3,183,919	3,095,329
Option contracts	15	221	-
Time deposits maturing in 3 months or more	15	90	-
		4,277,520	4,112,641

* Non-financial instruments such as prepaid expenses and advances given are excluded from other current assets and other non-current assets.

** Cash on hand is excluded from cash and cash equivalents.

The maximum exposure to credit risk for trade receivables arising from sales transactions including those classified as due from related parties at the reporting date by type of customer is:

	30 September 2010	31 December 2009
Receivable from subscribers	837,379	710,747
Receivables from distributors and other operators	75,825	85,949
Other	4,200	1,312
	917,404	798,008

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29. Financial instruments (continued)

Credit risk (continued)

Exposure to credit risk: (continued)

The aging of trade receivables and due from related parties as at 30 September 2010 and 31 December 2009:

	30 September 2010	31 December 2009
Not past due	836,198	746,545
1-30 days past due	45,131	38,406
1-3 months past due	33,542	47,031
3-12 months past due	101,301	81,310
1-5 years past due	15,249	342
More than 5 years	1,309	-
	1,032,730	913,634

Impairment losses

The movement in the allowance for impairment in respect of trade receivables as at 30 September 2010 and 31 December 2009 is as follows:

	30 September 2010	31 December 2009
Opening balance	268,157	196,637
Impairment loss recognised	90,088	75,379
Write-off	(4,819)	(7,978)
Effect of change in foreign exchange rate	16,522	4,119
Closing balance	369,948	268,157

The impairment loss recognised of $90,088 for the period ended 30 September 2010 relates to its estimate of incurred losses in respect of trade receivables.

The allowance accounts in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable and is written off against the trade receivable directly.

Liquidity risk

Current cash debt coverage ratio as at 30 September 2010 and 31 December 2009 is as follows:

	30 September 2010	31 December 2009
Cash and cash equivalents	3,185,265	3,095,486
Current liabilities	1,790,042	2,296,511
Current cash debt coverage ratio	178 %	135 %

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29. Financial instruments (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	30 September 2010								
	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years	Carrying Amount	Contractual cash flows
Non-derivative financial Liabilities									
Secured bank loans	31,299	(46,728)	(5,851)	(3,477)	(5,106)	(13,792)	(18,502)	25,253	(46,659)
Unsecured bank loans	1,741,819	(1,874,532)	(255,856)	(157,410)	(703,128)	(747,982)	(10,156)	1,481,461	(1,583,273)
Finance lease liabilities	24,725	(30,527)	(3,256)	(1,835)	(2,645)	(5,721)	(17,070)	5,245	(5,583)
Trade and other payables*	543,271	(547,729)	(547,729)	-	-	-	-	723,222	(728,795)
Bank overdraft	6,196	(6,196)	(6,196)	-	-	-	-	5,244	(5,244)
Due to related parties	17,334	(17,365)	(17,365)	-	-	-	-	14,780	(14,884)
Consideration payable in relation to acquisition of Belarusian Telecom	182,910	(200,000)	(100,000)	-	-	(100,000)	-	172,924	(200,000)
Financial liability in relation to put option	68,177	(75,155)	-	-	-	(75,155)	-	63,152	(75,155)
Derivative financial Liabilities									
Option contracts	221	(221)	(221)	-	-	-	-	-	-
TOTAL	2,615,952	(2,798,453)	(936,474)	(162,722)	(710,879)	(942,650)	(45,728)	2,491,281	(2,659,593)

* Advances taken, taxes and withholding payable are excluded from trade and other payables.

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29. Financial instruments (continued)

Exposure to currency risk

The Group's exposure to foreign currency risk based on notional amounts is as follows:

		31 December 2009	
	USD	EUR	SEK
Foreign currency denominated assets			
Due from related parties-non current	20,605	-	-
Other non-current assets	1	-	-
Other investments	-	201	-
Due from related parties-current	22,295	825	-
Trade receivables and accrued income	31,121	18,605	10
Other current assets	2,372	71	-
Cash and cash equivalents	1,324,795	99,734	1
	1,401,189	119,436	11
Foreign currency denominated liabilities			
Loans and borrowings-non current	(830,434)	-	-
Other non-current liabilities	(189,105)	-	-
Loans and borrowings-current	(514,439)	-	-
Trade and other payables	(366,279)	(65,562)	(722)
Due to related parties	(4,199)	(1,194)	-
	(1,904,456)	(66,756)	(722)
Net exposure	(503,267)	52,680	(711)

		30 September 2010	
	USD	EUR	SEK
Foreign currency denominated assets			
Due from related parties-non current	-	2	-
Other non-current assets	1	-	-
Other investments	90	203	-
Due from related parties-current	24,888	330	-
Trade receivables and accrued income	51,632	15,880	-
Other current assets	5,781	1,099	10
Cash and cash equivalents	1,354,071	190,827	1
	1,436,463	208,341	11
Loans and borrowings-non current	(1,375,329)	(30,112)	-
Other non-current liabilities	(198,658)	-	-
Loans and borrowings-current	(370,118)	(1,393)	-
Trade and other payables	(260,782)	(40,838)	-

Due to related parties	(2,809)	(1,250)	-
	(2,207,696)	(73,593)	-
Net exposure	(771,233)	134,748	11

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29. Financial instruments (continued)

Exposure to currency risk (continued)

The following significant exchange rates are applied during the period:

	Average Rate		Reporting Date	Closing Rate
	30 September 2010	30 September 2009	30 September 2010	31 December 2009
TL/USD	1.5162	1.5706	1.4512	1.5057
TL/EUR	1.9964	2.1383	1.9754	2.1603
TL/SEK	0.2051	0.1983	0.2146	0.2082
BYR/USD	2,966.4	2,782.8	3,010.0	2,863.0
HRV/USD	7.9336	7.7323	7.9135	7.9850

Sensitivity analysis

The basis for the sensitivity analysis to measure foreign exchange risk is an aggregate corporate-level currency exposure. The aggregate foreign exchange exposure is composed of all assets and liabilities denominated in foreign currencies. The analysis excludes net foreign currency investments.

10% strengthening of the TL, HRV, BYR against the following currencies as at 30 September 2010 and 31 December 2009 would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss	
	2010	2009
USD	77,123	50,327
EUR	(18,342)	(7,558)
SEK	-	10

10% weakening of the TL, HRV, BYR against the following currencies as at 30 September 2010 and 31 December 2009 would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss	
	2010	2009
USD	(77,123)	(50,327)
EUR	18,342	7,558
SEK	-	(10)

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29. Financial instruments (continued)

Interest rate risk

As at 30 September 2010 and 31 December 2009 the interest rate profile of the Group's interest-bearing financial instruments was:

	Note	30 September 2010 Effective Interest Rate		30 September 2010 Carrying Amount		31 December 2009 Effective interest rate		31 December 2009 Carrying Amount	
Fixed rate instruments									
Time deposits	20								
USD		3.1	%	1,338,762		3.6	%	1,425,695	
EUR		3.1	%	259,846		2.3	%	146,183	
TL		9.3	%	1,397,170		10.1	%	1,318,614	
Other		9.4	%	66		17.6	%	3,633	
Available-for-sale securities	15								
Gov. bonds, treasury bills									
TL		-		-		14.8	%	62,109	
Time deposits maturing after 3 months or more	15								
USD		10.5	%	90					
Finance lease obligations	24								
USD		4.6	%	(3,856	)	5.7	%	(5,245	)
EUR		3.4	%	(20,869	)	-		-	
Unsecured bank loans	24								
USD fixed rate loans		3.8	%	(542,031	)	3.7	%	(452,897	)
Secured bank loans	24								
USD fixed rate loans		5.2	%	(5,841	)	-		-	
Variable rate instruments									
Available-for-sale securities	15								
Gov. bonds, treasury bills									
EUR		5.1	%	276		5.1	%	289	
Secured bank loans	24								
BYR floating rate loans		10.6	%	(25,458	)	12.3	%	(25,253	)
Unsecured bank loans	24								
USD floating rate loans		3.6	%	(1,181,679	)	3.8	%	(1,026,479	)
EUR floating rate loans		4.1	%	(16,546	)	-		-	

BYR floating rate loans	2.0	%	(500	)	2.1	%	(2,085	)

Sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments:

A change of 1% in interest rates for available for sale financial assets would have increased/(decreased) equity by nil (31 December 2009: $186).

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29. Financial instruments (continued)

Interest rate risk (continued)

Sensitivity analysis (continued)

Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates as at 30 September 2010 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis is performed on the same basis as at 30 September 2010 and 31 December 2009.

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
30 September 2010				
Variable rate instruments	(6,805)	6,805	-	-
Cash flow sensitivity (net)	(6,805)	6,805	-	-
31 December 2009				
Variable rate instruments	(4,912)	4,912	-	-
Cash flow sensitivity (net)	(4,912)	4,912	-	-

Fair values

The fair values of financial assets and liabilities together with the carrying amounts shown in the statement of financial position are as follows:

		30 September 2010		31 December 2009	
	Note	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets carried at fair value					
Available for sale securities	15	276	276	62,398	62,398
Option contracts		221	221	-	-
		497	497	62,398	62,398
Assets carried at amortized cost					
Due from related parties-long term	33	6,690	6,690	21,039	21,039
Other non-current assets*	16	24,501	24,501	11,996	11,996
Due from related parties-short term	33	108,636	108,636	108,843	108,843
Trade receivables and accrued income	18	917,404	917,404	783,752	783,752
Other current assets*	19	35,783	35,783	29,284	29,284

Cash and cash equivalents	20	3,185,265	3,185,265	3,095,486	3,095,486
Time deposits maturing after 3 months or more	15	90	90	-	-
		4,278,369	4,278,369	4,050,400	4,050,400
Liabilities carried at fair value					
Put Option for Best Acquisition	23	(68,177)	(68,177)	(63,152)	(63,152)
		(68,177)	(68,177)	(63,152)	(63,152)
Liabilities carried at amortized cost					
Loans and borrowings-long term	24	(1,380,828)	(1,380,828)	(821,179)	(821,179)
Bank overdrafts	20	(6,196)	(6,196)	(5,244)	(5,244)
Loans and borrowings-short term	24	(417,015)	(417,015)	(690,780)	(690,780)
Trade and other payables**	28	(543,271)	(543,271)	(723,222)	(723,222)
Due to related parties	33	(17,334)	(17,334)	(14,780)	(14,780)
Deferred Payments	23-28	(182,910)	(182,910)	(172,924)	(172,924)
		(2,547,554)	(2,547,554)	(2,428,129)	(2,428,129)

* Non-financial instruments such as prepaid expenses and advances given are excluded from other current assets and other non-current assets.

** Advances taken, taxes and withholdings payable are excluded from trade and other payables.

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The methods used in determining the fair values of financial instruments are discussed in Note 4.

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29. Financial instruments (continued)

Fair values (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method:

The different levels have been identified as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets and liability, either directly or indirectly.

Level 3: inputs for the asset or liability that are not based on observable market.

	Level 1	Level 2	Level 3	Total
30 September 2010				
Available-for sale financial assets	-	-	276	276
Option contracts	221	-	-	221
	221	-	276	497
Financial liability in relation to put option	-	-	68,177	68,177
	-	-	68,177	68,177

	Level 1	Level 2	Level 3	Total
31 December 2009				
Available-for sale financial assets	62,109	-	289	62,398
	62,109	-	289	62,398
Financial liability in relation to put option	-	-	63,152	63,152
	-	-	63,152	63,152

	Available-for sale financial assets	Financial liability in relation to put option	Total
Balance as at 1 January 2010	289	(63,152)	(62,863)
Total gains or losses:			
in profit or loss	-	(5,025)	(5,025)
in other comprehensive income	(13)	-	(13)

Balance as at 30 September 2010	276	(68,177)	(67,901)

The table above shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

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29. Financial instruments (continued)

Fair values (continued)

Fair value hierarchy (continued)

Total gains or losses included in profit or loss for the period in the following table are presented in the statement of comprehensive income as follows:

	Available-for sale financial assets	Financial liability in relation to put option	Total
Total gains or losses included in profit or loss for the period:			
Net financing costs	-	(5,025)	(5,025)