TURKCELL ILETISIM HIZMETLERI A S
Form 6-K
December 14, 2007

**FORM 6-K**

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

**Report of Foreign Issuer**
**Pursuant to Rule 13a-16 or 15d-16 of**
**the Securities Exchange Act of 1934**

For the month of **August 2007**

Commission File Number **001-15092**

# TURKCELL ILETISIM HIZMETLERI A.S.

(Translation of registrant s name into English)

**Turkcell Plaza**
**Mesrutiyet Caddesi No. 153**
**34430 Tepebasi**
**Istanbul, Turkey**
(Address of principal executive offices)

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

**Form 20-F:** ý Form 40-F: o

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

**Note:** Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

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): ______

**Note:** Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant s home country ), or under the rules of the home country exchange on which the registrant s securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant s security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

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

Yes: o **No:** ý

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

**EXHIBIT INDEX**

1 Turkcell Iletisim Hizmetleri A.S. Notes to the Consolidated Interim Financial Statements As at and for the six months ended 30 June 2007

2 Press Release dated August 8, 2007

**EXHIBIT 1**

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**CONSOLIDATED INTERIM BALANCE SHEET**

As at 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

| | Note | 30 June 2007 | 31 December 2006 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 11 | 1,996,579 | 1,916,991 |
| Intangible assets | 12 | 1,269,407 | 1,234,668 |
| Investments in equity accounted investees | 13 | 566,009 | 523,840 |
| Other investments, including derivatives | 14 | 37,812 | 35,095 |
| Due from related parties | 31 | 70,747 | 72,506 |
| Other non-current assets | 15 | 34,075 | 121,465 |
| Deferred tax assets | 16 | 4,798 | 3,052 |
| **Total non-current assets** | | **3,979,427** | **3,907,617** |
| Inventories | | 11,512 | 11,018 |
| Other investments, including derivatives | 14 | 42,452 | 61,733 |
| Due from related parties | 31 | 33,508 | 66,101 |
| Trade receivables and accrued income | 17 | 438,288 | 318,973 |

| | | | |
|---|---|---|---|
| Other current assets | 18 | 383,920 | 125,653 |
| Cash and cash equivalents | 19 | 1,672,491 | 1,598,640 |
| **Total current assets** | | **2,582,171** | **2,182,118** |
| | | | |
| **Total assets** | | **6,561,598** | **6,089,735** |
| | | | |
| **Equity** | | | |
| Share capital | 20 | 1,636,204 | 1,636,204 |
| Share premium | 20 | 434 | 434 |
| Reserves | 20 | 390,418 | (4,884) |
| Retained earnings | 20 | 2,420,133 | 2,394,838 |
| **Total equity attributable to equity holders of the Company** | | **4,447,189** | **4,026,592** |
| | | | |
| **Minority interest** | **20** | **92,942** | **91,375** |
| | | | |
| **Total equity** | | **4,540,131** | **4,117,967** |
| | | | |
| **Liabilities** | | | |
| Loans and borrowings | 22 | 141,630 | 113,503 |
| Employee benefits | 23 | 22,801 | 17,648 |
| Other non-current liabilities | | 967 | 8,683 |
| Deferred tax liabilities | 16 | 165,707 | 196,260 |
| **Total non-current liabilities** | | **331,105** | **336,094** |
| | | | |
| Bank overdraft | 19 | 12,007 | 285 |
| Loans and borrowings | 22 | 550,146 | 526,083 |
| Income taxes payable | 10 | 195,021 | 309,470 |
| Trade and other payables | 26 | 716,999 | 579,421 |
| Due to related parties | 31 | 8,279 | 6,844 |
| Deferred income | 24 | 185,682 | 184,337 |
| Provisions | 25 | 22,228 | 29,234 |
| **Total current liabilities** | | **1,690,362** | **1,635,674** |
| | | | |
| **Total liabilities** | | **2,021,467** | **1,971,768** |
| | | | |
| **Total equity and liabilities** | | **6,561,598** | **6,089,735** |

The notes on page 6 to 77 are an integral part of these consolidated financial statements.

1

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**CONSOLIDATED INTERIM INCOME STATEMENT**

For the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

| | | **Six months ended** | | **Three months ended** | |
|---|---|---|---|---|---|
| | | **30 June** | **30 June** | **30 June** | **30 June** |
| | **Note** | **2007** | **2006** | **2007** | **2006** |
| Revenue | 7 | 2,798,277 | 2,297,548 | 1,503,516 | 1,165,347 |
| Direct cost of revenue | | (1,454,421) | (1,314,352) | (768,426) | (646,998) |
| **Gross profit** | | **1,343,856** | **983,196** | **735,090** | **518,349** |
| Other income | | 8,352 | 10,116 | 5,242 | 8,624 |
| Selling and marketing expenses | | (513,313) | (402,955) | (281,618) | (196,865) |
| Administrative expenses | | (106,859) | (85,545) | (54,427) | (44,272) |
| Other expenses | | (4,099) | (6,689) | (2,083) | (3,061) |
| **Results from operating activities** | | **727,937** | **498,123** | **402,204** | **282,775** |
| Finance income | 9 | 130,044 | 80,482 | 53,274 | 26,879 |
| Finance expenses | 9 | (214,675) | (108,756) | (163,535) | (88,604) |
| **Net finance cost** | | **(84,631)** | **(28,274)** | **(110,261)** | **(61,725)** |
| Share of profit of equity accounted investees | 13 | 26,150 | 35,765 | 8,471 | 19,917 |
| **Profit before income taxes** | | **669,456** | **505,614** | **300,414** | **240,967** |
| Income tax expense | 10 | (147,034) | (252,327) | (46,422) | (164,880) |
| **Profit for the period** | | **522,422** | **253,287** | **000,000** | **76,087** |
| **Attributable to:** | | | | | |
| Equity holders of the Company | | 545,769 | 274,045 | 273,631 | 86,860 |
| Minority interest | | (23,347) | (20,758) | (19,639) | (10,773) |
| **Profit for the period** | | **522,422** | **253,287** | **000,000** | **76,087** |
| Basic and diluted earnings per share (in full USD) | 21 | 0.248077 | 0.124566 | 0.124378 | 0.039482 |

The notes on page 6 to 77 are an integral part of these consolidated financial statements.

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**CONSOLIDATED INTERIM STATEMENT OF RECOGNIZED INCOME AND EXPENSE**

For the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

| | **Six months ended** | | **Three months ended** | |
|---|---|---|---|---|
| | **30 June** | **30 June** | **30 June** | **30 June** |
| | **2007** | **2006** | **2007** | **2006** |
| Foreign exchange translation differences | 284,541 | (540,841) | 207,586 | (542,907) |
| Change in fair value of available-for-sale securities, net of deferred taxes | 2,200 | (233) | 1,851 | (623) |
| **Income/(expense) recognized directly in equity** | **286,741** | **(541,074)** | **209,437** | **(543,530)** |
| **Profit for the period** | 522,422 | 253,287 | 253,992 | 76,087 |
| **Total recognized income/(expense) for the period** | **809,163** | **(287,787)** | **463,429** | **(467,443)** |
| **Attributable to:** | | | | |
| Equity holders of the Company | 831,385 | (267,029) | 481,943 | (456,670) |
| Minority interest | (22,222) | (20,758) | (18,514) | (10,773) |
| **Total recognized income/(expense) for the period** | **809,163** | **(287,787)** | **463,429** | **(467,443)** |

The notes on page 6 to 77 are an integral part of these consolidated financial statements.

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**

For the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

| | **Six months ended** | |
|---|---|---|
| | **2007** | **2006** |
| **Cash flows from operating activities** | | |
| **Profit for the period** | **522,422** | **253,287** |
| **Adjustments for:** | | |
| Depreciation | 260,268 | 269,281 |
| Amortization of intangibles | 126,294 | 113,845 |
| Foreign exchange loss, net | 177,508 | 65,527 |
| Net finance costs | (98,594) | (40,689) |
| Provision for doubtful receivables | 14,303 | 12,008 |
| Income tax expense | 147,034 | 252,327 |
| Share of profit of equity accounted investees | (47,494) | (35,765) |
| Gain on sale of property, plant and equipment | (4,323) | - |
| Translation reserve | 23,570 | (45,219) |
| Net gain/(loss) on remeasurement of investments | (181) | 5,888 |
| Amortization of transaction costs of borrowings | 12,393 | 4,191 |
| | **1,133,200** | **854,681** |
| Change in trade receivables | (110,494) | (56,169) |
| Change in due from related parties | 37,887 | 12,110 |
| Change in inventories | 358 | (11,318) |
| Change in other current assets | (221,025) | (45,347) |
| Change in trading securities | - | (123,301) |
| Change in other non-current assets | 88,626 | 499 |
| Change in due to related parties | 1,123 | 27 |
| Change in trade and other payables | 101,763 | 24,251 |
| Change in other non-current liabilities | (7,846) | 3,497 |
| Change in employee benefits | 3,787 | 1,745 |
| Change in deferred income | (12,926) | 10,614 |
| Change in provisions | (8,459) | (7,063) |
| | **1,005,994** | **664,226** |
| Interest paid | (25,289) | (24,203) |
| Income taxes paid | (336,578) | (62,755) |
| Dividend received | 11,960 | **-** |
| **Net cash from operating activities** | **656,087** | **577,268** |
| | | |
| **Cash flows from investing activities** | | |
| Acquisition of property, plant and equipment | (237,208) | (160,955) |
| Acquisition of intangibles | (83,473) | (56,904) |
| Proceeds from sale of property plant and equipment | 11,586 | - |
| Acquisition of equity accounted investees and other investments | - | (6,168) |
| Acquisition of minority interest | (751) | (22,691) |
| Payment of currency option contracts premium | (3,489) | - |
| Proceeds from currency option contracts | 3,851 | - |
| Acquisition of available-for-sale financial assets | (119) | (5,464) |
| Proceeds from sale of available-for-sale financial assets | 17,386 | 6,712 |

| | | |
|---|---|---|
| Proceeds from settlement of held-to-maturity investments | 7,665 | - |
| Interest received | 123,047 | 74,591 |
| Dividends received | 16,744 | - |
| **Net cash used in investing activities** | **(144,761)** | **(170,879)** |
| | | |
| **Cash flows from financing activities** | | |
| Payment of transaction costs | (205) | (52,126) |
| Proceeds from issuance of loans and borrowings | 436,647 | 819,999 |
| Repayment of borrowings and finance lease liabilities | (426,154) | (857,259) |
| Dividends paid | (457,625) | (342,166) |
| Change in minority interest | 71,377 | 37,617 |
| **Net cash used in financing activities** | **(375,960)** | **(393,935)** |
| | | |
| **Effects of foreign exchange rate fluctuations on balance sheet items** | **104,271** | **(128,569)** |
| | | |
| **Net increase/(decrease) in cash and cash equivalents** | **239,637** | **(116,115)** |
| **Cash and cash equivalents at 1 January** | **1,598,355** | **808,153** |
| Effect of exchange rate fluctuations on cash and cash equivalents | (177,508) | (65,527) |
| **Cash and cash equivalents at 30 June** | **1,660,484** | **626,511** |

The notes on page 6 to 77 are an integral part of these consolidated financial statements.

4

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(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 six months ended 30 June 2007

(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. 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 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 License. Under the 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.

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.

In November 2006, Cukurova Group sold 5.88% of the total shares through secondary offering. The Company did not receive any proceeds from this offering.

As at 30 June 2007, two significant founding shareholders, Sonera Holding BV and Cukurova Group own approximately 37.1% and 21.2%, respectively, of the Company s share capital, and are ultimate counterparties to a number of transactions that are discussed in the related party footnote. On 28 November 2005, upon completion of a series of transactions, Alfa Group acquired 13.2% indirect ownership in the Company through its Altimo subsidiary, one of Russia s leading private telecommunications investors.

The consolidated interim financial statements of the Company as at and for the six and three months ended 30 June 2007 comprise the Company and its seventeen subsidiaries (together referred to as the Group ) and the Group s interest in one associate and one joint venture. The Company s and each of its subsidiaries , associate s and joint ventures interim financial statements are prepared as at and for the six and three months ended 30 June 2007.

6

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(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 ) and its interpretations adopted by the International Accounting Standards Board ( IASB ).

The Group s consolidated interim financial statements were approved by the Board of Directors on 8 August 2007.

**(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. 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: derivative financial instruments, financial instruments held for trading 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, rounded to the nearest thousand. Moreover, all financial information expressed in new Turkish Lira ( TRY ), Euros ( EUR ) and Swedish Krona ( SEK ) have been rounded to the nearest thousand. The functional currency of the Company and its consolidated subsidiaries located in Turkey and Northern Cyprus and Financell BV ( Financell ) is TRY. The functional currency of Euroasia Telecommunications Holding BV ( Euroasia ) is US Dollars. The functional currency of LLC Astelit ( Astelit ) and East Asian Consortium BV ( Eastasia ) is Ukrainian Hryvnia and EUR, respectively.

**(d) Use of estimates and judgments**

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses and disclosure of contingent assets and liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Management discussed with the Audit Committee the development, selection and disclosure of the Company s critical accounting policies and estimates and the application of these policies and estimates. Information about estimates, uncertainty and critical judgements about the contingencies are described in note 30 and detailed analysis with respect to accounting estimates and judgements of bad debts, useful life or expected pattern of consumption of the future economic benefits embodied in depreciable assets is provided below:

7

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(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)**

**Key sources of estimation uncertainty**

In note 27, detailed analysis is provided for the foreign exchange exposure of the Company and risks in relation to foreign exchange movements.

**Critical accounting judgements in applying the Company s accounting policies**

Certain critical accounting judgements in applying the Company s accounting policies are described below.

***Trade receivables and accrued income***

The impairment losses in trade and other receivables are based on management s evaluation of the volume of the receivables outstanding, past experience and general economic conditions.

***Useful life 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 life of the License is based on duration of the license agreement.

***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 the principal. In the absence of specific guidance in IFRSs on distinguishing between an agent and a principal, management considered the following factors:

The Group does not take the responsibility for fulfillment of the games.

The Group does not collect the revenue from the final customer and it does not bear the credit risk.

The Group earns a stated percentage of the total turnover.

**3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated interim financial statements.

**(a) Basis of consolidation**

*(i) Subsidiaries*

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, 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 presently 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.

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**3. Significant accounting policies (continued)**

**(a) Basis of consolidation (continued)**

*(ii) Associates and joint ventures (equity accounted investees)*

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and joint ventures are accounted for using the equity method (equity accounted investees). The consolidated interim financial statements include the Company s share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Company s share of losses exceeds its interest in an equity accounted investee, carrying amount of that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of an associate. The Company s equity accounted investees as at 30 June 2007 are Fintur Holdings B.V. ( Fintur ) and A-Tel Pazarlama ve Servis Hizmetleri AS ( A-Tel ).

*(iii) Transactions eliminated on consolidation*

Intragroup balances and any unrealised gains and losses or 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 to the extent of the Group s interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

*(iv) 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 IFRS 3 Business Combinations ( IFRS 3 ). The assets and liabilities acquired from entities under common control are recognised at the carrying amounts recognised previously in the Company s controlling shareholder s consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Company equity except that any share capital of the acquired entities is recognised as part of share premium.

**(b) Foreign currency**

*(i) Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rate ruling at the date 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 ruling at that date. Foreign exchange differences arising on translation of foreign currency transactions are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial liability designated as a hedge of the net investment in a foreign operation.

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**3. Significant accounting policies (continued)**

**(b) Foreign currency (continued)**

*(ii) Foreign operations*

The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated to US Dollars at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to US Dollars at rates approximating to the exchange rates ruling at the dates of the transactions. Since 1 January 2005, the Group s date of transition to IFRS, 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 translation reserve is transferred to profit or loss. Foreign exchange differences arising on retranslation are recognized directly in a separate component of equity.

*(iii) Translation from functional to presentation currency*

Items included in the 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 US Dollars, which is the presentation currency of the Group. The Group uses US Dollars as the presentation currency for the convenience of investor and analyst community.

Assets and liabilities for each balance sheet presented (including comparatives) are translated to US Dollars at exchange rates at the balance sheet date. Income and expenses for each income statement (including comparatives) in non-hyperinflationary economies are translated to US Dollars at rates approximating to exchange rates at the dates of the transactions.

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

*(iv) Net investment in foreign operations*

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

**(c) Financial instruments**

*(i) Non-derivative financial instruments*

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

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

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group s contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group s obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. 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.

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**3. Significant accounting policies (continued)**

**(c) Financial instruments (continued)**

*(i) Non-derivative financial instruments (continued)*

Accounting for finance income and expense is discussed in note 3(m).

*Held-to-maturity investments*

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 investments are measured at amortised cost using the effective interest method, less any impairment losses.

*Available-for-sale financial assets*

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 profit or loss.

*Investments at fair value through profit or loss*

An instrument is classified as investment 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. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

*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 instruments.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

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

11

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**3. Significant accounting policies (continued)**

**(c) Financial instruments (continued)**

*(iii) Share capital*

*Ordinary shares*

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity.

*Repurchase of share capital*

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

**(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 impairment losses (see note 3(h)).

Cost includes expenditures that are 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.

Where 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.

*(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 item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as expense as incurred.

*(iii) Depreciation*

Depreciation is recognized in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives for current and comparative periods are as follows:

| | |
|---|---|
| Buildings | 25 50 years |
| Network infrastructure | 5 10 years |
| Equipment, fixtures and fittings | 4 5 years |
| Motor vehicles | 4 5 years |
| Central betting terminals | 1 5 years |
| Leasehold improvements | 5 years |

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

12

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**3. Significant accounting policies (continued)**

**(d) Property, plant and equipment (continued)**

*(iii) Depreciation (continued)*

During March 2007, Inteltek renewed its fixed odds betting contract reducing the period of the contract to March 2008 from September 2011, which resulted in change in expected usage of betting property, plant and equipment. As a result, expected useful lives of operational assets decreased. Effect of this change on depreciation expense recognized in direct cost of revenues in current and future periods is as follows:

| | **Six months ended 30 June 2007** | **Year ended 31 December 2007** | **Year ended 31 December 2008** |
|---|---|---|---|
| Increase/(decrease) in depreciation | 3,851 | 10,112 | (1,155) |

**(e) Intangible assets**

Intangible assets acquired by the Group are stated at cost adjusted for the effects of inflation during the hyperinflationary period lasted by 31 December 2005 less accumulated amortization (see below) and impairment losses (see note 3(h)).

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

*(i) Subsequent expenditure*

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure including expenditure on internally generated goodwill and brands, is expensed as incurred.

*(ii) Amortization*

Amortization is recognized in the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite from the date that they are available for use. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. The estimated useful lives for the current and comparative periods are as follows:

| | | |
|---|---|---|
| Computer software | 3 8 | years |
| GSM and other telecommunications license | 3 25 | years |
| Transmission lines | 10 | years |
| Central betting system operating right | 1 5 | years |
| Customer base | 2 | years |

**(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 and 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 balance sheet.

13

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**3. Significant accounting policies (continued)**

**(g) Inventories**

Inventories are stated at the lower of cost and net realisable 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. At 30 June 2007, inventories mainly consist of simcards and scratch cards.

**(h) Impairment**

*(i) Financial assets*

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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 current fair value.

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

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

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

*(ii) Non-financial assets*

The carrying amounts of the Group s non-financial assets, inventories, property, plant and equipment 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 and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

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

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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**3. Significant accounting policies (continued)**

**(h) Impairment (continued)**

*(ii) Non-financial assets (continued)*

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

**(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 TRY 1,961 as at 30 June 2007 (equivalent to full $1,503 as at 30 June 2007) (31 December 2006: full TRY 1,857 (equivalent to full $1,423 as at 30 June 2007)) 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 Group arising from the retirement of the employees. The calculation was based upon the retirement pay ceiling announced by the government.

*(ii) Defined contribution plans*

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred. Turkcell initiated a defined contribution retirement plan for all eligible employees during 2005. Besides, Inteltek Internet Teknoloji Yatirim ve Danismanlik Ticaret AS ( Inteltek ) and Bilyoner Interaktif Hizmetler AS ( Bilyoner ), other consolidated subsidiaries, initiated a defined contribution retirement plan for all eligible employees during 2006. The assets of the plan are held separately from the consolidated interim financial statements of the Group. The Company, Inteltek and Bilyoner are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company, Inteltek and Bilyoner with respect to the retirement plan is to make the specified contributions.

**(j) Provisions**

A provision is recognised in the balance sheet if the Group has a present legal or constructive obligation as a result of a past event 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.

*Onerous contracts*

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**3. Significant accounting policies (continued)**

**(k) Revenue**

Communication fees include all types of postpaid revenues from incoming and outgoing calls, additional services and prepaid 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. Instead, deferred revenue is recorded under current liabilities.

Both postpaid and prepaid services may be bundled with handset or other services and these bundled services and products involve consideration in the form of fixed fee or a fixed fee coupled with continuing payment stream. Deliverables are accounted separately where a market for each deliverable exists and if the recognition criterion is met individually. Costs associated with each deliverable are recognized at the time of revenue recognized. The arrangement consideration is allocated to each deliverable in proportion to the fair value of the individual deliverables.

Commission fees mainly comprised of net takings earned to a maximum of 7% of gross takings, as a head agent of fixed odds betting games starting from 15 March 2007 and 4.3% commission recognized based on the para-mutual and fixed odds betting games operated on Central Betting System. Prior to 15 March 2007, under the former head agency agreement, head agency commission fees were earned to a maximum of 12% of gross takings. Commission revenues are recognized at the time all the services related with the games are fully rendered. Under the head agency agreement, Inteltek is obliged to undertake any excess payout, which is presented on net basis with the commission fees.

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.

Simcard sales are recognized net of returns, discounts and rebates upon initial entry of a new subscriber into the GSM system only to the extent of direct costs. Excess simcard and prepaid simcard sales, if any, are deferred and amortized over the estimated effective subscriber life.

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

**(l) Lease payments**

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized in the income statement 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 expense and the reduction of the outstanding liability. The finance expense 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. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**3. Significant accounting policies (continued)**

**(m) Finance income and expenses**

Finance income comprises interest income on funds invested, 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, net foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, net foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

**(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, key management personnel, shareholders of the Group and the companies that the shareholders have a relationship with are considered to be related parties.

**(o) Income tax expense**

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

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 using the balance sheet method, providing for 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 goodwill, 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.

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.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Information as to the calculation of income tax expense in the income statement for the interim periods presented is included in note 10.

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**3. Significant accounting policies (continued)**

**(p) Earnings per share**

The Group presents basic 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) Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group s primary segment reporting is based on geographical segment and secondary segment reporting is based on business segments.

**(r) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 30 June 2007, and have not been applied in preparing these consolidated interim financial statements:

*IFRS 8 Operating Segments* requires that an entity should disclose information to enable users of its financial statements to evaluate the nature and financial effects of the types of business activities in which it engages and the economic environments in which it operates. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. IFRS 8 is effective for annual financial statements for periods beginning on or after 1 January 2009 and will require additional disclosures for the Group. Earlier adoption is permitted.

*IFRIC 12, Service Concession Arrangements* provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public to private service concession agreements. IFRIC 12 becomes effective for annual periods beginning on or after 1 January 2008 and the Group is evaluating the potential effects on its consolidated financial statements.

*IFRIC 13 Customer Loyalty Programmes* requires that an entity recognise credits that it awards to customers as part of a sales transaction as a separately identifiable component of revenue, which would be deferred at the date of the initial sale. IFRIC 13 is effective for annual periods beginning on or after 1 July 2008 and the Group is evaluating the potential effects on its consolidated financial statements.

*IFRIC 14IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements on such assets. It also addresses when a minimum funding requirement might give rise to a liability. IFRIC 14 is effective for annual periods beginning on or after 1 January 2008, and is not expected to have any impact on the consolidated financial statements of the Group.

18

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**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. Where 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, prudently and without compulsion. 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 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 and 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**

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

**(vi) Non-derivative financial liabilities**

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

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**5. Segment reporting**

***Primary reporting format geographical segments***

Segment information is presented in respect of the Group s geographical and business segments. The primary format, geographical segments, is based on the dominant source and nature of the Group s risk and returns as well as the Group s internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and borrowings and related expenses, corporate assets and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

**Geographical segments:**

A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

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

The Group comprises the following main geographical segments: Turkey, Ukraine, Turkish Republic of Northern Cyprus.

**Business segments:**

In presenting information on the basis of business segments, segment revenue is based on the operational activity of the entities. Segment assets are based on the intended use of the assets.

The Group comprises the following main business segments: Telecommunications and betting businesses

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**5. Segment reporting (continued)**

| | Six months ended 30 June | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Turkey** | | **Ukraine** | | **Turkish Republic of Northern Cyprus** | | **Other** | | **Elinations** | | **Consolidated** | |
| | **2007** | **2006** | **2007** | **2006** | **2007** | **2006** | **2007** | **2006** | **2007** | **2006** | **2007** | **2006** |
| Total external revenues | 2,661,336 | 2,228,966 | 96,794 | 36,854 | 40,147 | 31,728 | | | | | 2,798,277 | 2,297,548 |
| Intersegment revenue | 2,004 | 597 | 616 | | 2,876 | 947 | | | (5,496) | (1,544) | | |
| Total segment revenue | 2,663,340 | 2,229,563 | 97,410 | 36,854 | 43,023 | 32,675 | | | (5,496) | (1,544) | 2,798,277 | 2,297,548 |
| Segment result | 785,018 | 573,241 | (64,290) | (81,776) | 3,708 | 2,393 | | | (752) | 838 | 723,684 | 494,696 |
| Unallocated income, net | | | | | | | | | | | 4,253 | 3,427 |
| Results from operating activities | | | | | | | | | | | 727,937 | 498,123 |
| Net finance cost | | | | | | | | | | | (84,631) | (28,274) |
| Share of profit/(loss) of equity accounted investees | (17,926) | | | | | | 44,076 | 35,765 | | | 26,150 | 35,765 |
| Income tax expense | | | | | | | | | | | (147,034) | (252,327) |
| Profit for the period | | | | | | | | | | | 522,422 | 253,287 |

21

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

## 5. Segment reporting (continued)

| | Three months ended 30 June | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Turkey** | | **Ukraine** | | **Turkish Republic of Northern Cyprus** | | **Other** | | **Elinations** | | **Consolidated** | |
| | **2007** | **2006** | **2007** | **2006** | **2007** | **2006** | **2007** | **2006** | **2007** | **2006** | **2007** | **2006** |
| Total external revenues | 1,428,306 | 1,129,427 | 54,016 | 19,787 | 21,194 | 16,133 | | | | | 1,503,516 | 1,165,347 |
| Intersegment revenue | 1,284 | 250 | 616 | | 1,759 | 695 | | | (3,659) | (945) | | |
| Total segment revenue | 1,429,590 | 1,129,677 | 54,632 | 19,787 | 22,953 | 16,828 | | | (3,659) | (945) | 1,503,516 | 1,165,347 |
| Segment result | 427,062 | 318,006 | (29,193) | (42,476) | 2,034 | 1,217 | | | (858) | 465 | 399,045 | 277,212 |
| Unallocated income, net | 3,159 | 5,563 | | | | | | | | | | |
| Results from operating activities | | | | | | | | | | | 402,204 | 282,775 |
| Net finance cost | | | | | | | | | | | (110,261) | (61,725) |
| Share of profit/(loss) of equity accounted investees | (13,549) | | | | | | 22,020 | 19,917 | | | 8,471 | 19,917 |
| Income tax expense | | | | | | | | | | | (46,422) | (164,880) |
| Profit for the period | | | | | | | | | | | 253,992 | 76,087 |

22

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

## 5. Segment reporting (continued)

**As at 30 June 2007 and 31 December 2006**

| | Turkey | | Ukraine | | Turkish Republic of Northern Cyprus | | Other | | Elinations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** | **2007** | **2006** | **2007** | **2006** | **2007** | **2006** | **2007** | **2006** |
| Segment assets | 3,410,852 | 3,154,146 | 672,853 | 572,474 | 65,897 | 35,529 | 15 | | (19,827) | (563) | 4,129,790 | 3,761,586 |
| Investment in equity accounted investees | 133,101 | 147,568 | | | | | 432,908 | 376,272 | | | 566,009 | 523,840 |
| Unallocated assets | | | | | | | | | | | 1,865,799 | 1,804,309 |
| Total assets | | | | | | | | | | | 6,561,598 | 6,089,735 |
| Segment liabilities | 842,202 | 736,753 | 96,942 | 76,753 | 37,669 | 12,993 | 43 | 119 | (19,071) | (451) | 957,785 | 826,167 |
| Unallocated liabilities | | | | | | | | | | | 1,063,682 | 1,145,601 |
| Total liabilities | | | | | | | | | | | 2,021,467 | 1,971,768 |

**Six months ended 30 June**

| | Turkey | | Ukraine | | Turkish Republic of Northern Cyprus | | Other | | Elinations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** | **2007** | **2006** | **2007** | **2006** | **2007** | **2006** | **2007** | **2006** |
| Capital expenditure | 188,440 | 124,751 | 103,009 | 89,371 | 29,232 | 3,737 | | | | | 320,681 | 217,859 |
| Depreciation | 235,486 | 231,983 | 21,488 | 34,446 | 3,294 | 2,852 | | | | | 260,268 | 269,281 |
| Amortization of intangible assets | 108,969 | 101,151 | 16,482 | 12,261 | 843 | 433 | | | | | 126,294 | 113,845 |
| Impairment losses | 14,970 | 14,312 | 115 | (206) | 262 | 184 | | | | | 15,347 | 14,290 |

**Three months ended 30 June**

| Turkey | Ukraine | Turkish Republic of Northern Cyprus | Other | Elinations | Consolidated |
|---|---|---|---|---|---|

| | Three months ended 30 June | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** | **2007** | **2006** | **2007** | **2006** | **2007** | **2006** | **2007** | **2006** |
| Capital expenditure | 109,647 | 45,225 | 53,038 | 33,701 | 28,000 | 1,269 | | | | | 190,685 | 80,195 |
| Depreciation | 120,479 | 111,000 | 11,928 | 18,740 | 1,644 | 1,384 | | | | | 134,051 | 131,124 |
| Amortization of intangible assets | 55,870 | 48,562 | 7,428 | 6,417 | 553 | 227 | | | | | 63,851 | 55,206 |
| Impairment losses | 7,789 | 7,493 | 74 | (13) | 139 | 307 | | | | | 8,002 | 7,787 |

23

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**5. Segment reporting (continued)**

**Business segments**

| | Six months ended 30 June | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Telecommunications | | Betting | | Other operations | | Consolidated | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Total external revenues | 2,714,553 | 2,202,223 | 76,088 | 87,814 | 7,636 | 7,511 | 2,798,277 | 2,297,548 |
| Capital expenditures | 318,230 | 214,629 | 742 | 1,392 | 1,709 | 1,838 | 320,681 | 217,859 |

| | Three months ended 30 June | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Telecommunications | | Betting | | Other operations | | Consolidated | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Total external revenues | 1,481,711 | 1,133,362 | 17,932 | 27,816 | 3,873 | 4,169 | 1,503,516 | 1,165,347 |
| Capital expenditures | 189,356 | 78,007 | 105 | 1,156 | 1,224 | 1,032 | 190,685 | 80,195 |

| | As at 30 June 2007 and 31 December 2006 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Telecommunications | | Betting | | Other operations | | Consolidated | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Segment assets | 4,083,014 | 3,712,408 | 21,117 | 23,418 | 25,659 | 25,760 | 4,129,790 | 3,761,586 |

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**6. Acquisitions of joint ventures and minority interests**

**Business combination**

During August 2006, the Company acquired 50% shares of A-Tel for a consideration of TRY 218,715 (equivalent to $167,649 and $150,000 at 30 June 2007 and 9 August 2006, respectively). At 30 June 2007, management has not yet completed the evaluation of the fair value of identifiable assets and liabilities of A-Tel and its allocation of the purchase price. The Company has a period up to one year to complete purchase price allocation effective from August 2006, which is the date of acquisition. Therefore, final purchase accounting adjustments may differ from the Company s initial estimates and the allocation of purchase price is subject to refinement. A-Tel is accounted for under equity method and results of the operations for the six and three months ended 30 June 2007 are included in the accompanying consolidated interim financial statements using ownership rate of 50% as at and for the six and three months ended 30 June 2007. Besides, during February 2007 and September 2006, A-Tel s General Assembly decided to distribute dividends and accordingly the Company reduced the carrying value of its investment in A-Tel by the dividends declared of TRY 37,448 (equivalent to $28,704 at 30 June 2007) and TRY 30,300 (equivalent to $23,225 at 30 June 2007) as at 30 June 2007 and 31 December 2006, respectively. On 9 March 2007 and 16 October 2006, such dividends are collected by the Company.

A-Tel is involved in the marketing, selling and distributing the Company s prepaid systems. A-Tel acts as the only dealer of the Company for Muhabbet Kart (a prepaid card), and receives dealer activation fees and simcard subsidies for the sale of Muhabbet Kart. In addition to the sales of simcards and scratch cards through an extensive network of newspaper kiosks located throughout Turkey, the Company has entered into several agreements with A-Tel for sale of campaigns and for subscriber activations. Since 1999, the business cooperation between the Company and A-Tel has provided important support to the Company s sales and marketing activities. With the brand name Muhabbet Kart, A-Tel has proved success in a competitive environment through well structured campaigns. With the acquisition of 50% stake in A-Tel, management believes that the Company will be better positioned in the changing competitive environment and achieve increased benefits by optimizing sales and marketing efforts. A-Tel is a joint venture and its remaining 50% shares are held by Turkey s Savings and Deposit Insurance Fund (the SDIF ).

**Acquisition of minority interests**

In January, March and May 2007, the Company made contribution to capital increase of Euroasia for $27,500 each. As Eurocorp did not participate in these capital increases, ownership of the Company increased from 54.8% to 55.0%. The Group recognised a decrease in minority interests of $751.

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

## 7. Revenue

| | Six months ended | | Three months ended | |
|---|---|---|---|---|
| | **30 June** | **30 June** | **30 June** | **30 June** |
| | **2007** | **2006** | **2007** | **2006** |
| Communication fees | 2,628,509 | 2,158,719 | 1,435,170 | 1,111,132 |
| Commission fees on betting business | 76,088 | 87,814 | 17,932 | 27,816 |
| Monthly fixed fees | 26,062 | 27,271 | 13,467 | 13,373 |
| Simcard sales | 13,421 | 12,041 | 6,548 | 6,260 |
| Call center revenues | 5,603 | 4,524 | 2,553 | 2,131 |
| Other revenues | 48,594 | 7,179 | 27,846 | 4,635 |
| | 2,798,277 | 2,297,548 | 1,503,516 | 1,165,347 |

## 8. Personnel Expenses

| | Six months ended | | Three months ended | |
|---|---|---|---|---|
| | **30 June** | **30 June** | **30 June** | **30 June** |
| | **2007** | **2006** | **2007** | **2006** |
| Wages and salaries (*) | 160,216 | 132,799 | 84,001 | 65,480 |
| Increase in liability for long-service leave | 5,450 | 2,935 | 1,500 | 322 |
| Contributions to defined contribution plans | 573 | 537 | 313 | 285 |
| | 166,239 | 136,271 | 85,814 | 66,087 |

* Wages and salaries include compulsory social security contributions.

## 9. Finance income and expense

| | Six months ended | | Three months ended | |
|---|---|---|---|---|
| | **30 June** | **30 June** | **30 June** | **30 June** |
| | **2007** | **2006** | **2007** | **2006** |
| Interest income | 108,614 | 55,361 | 44,068 | 25,416 |
| Late payment interest income | 13,947 | 16,720 | 6,773 | 7,796 |
| Premium income on option contracts | 2,937 | 5,120 | 1,245 | 2,986 |

| | | | | |
|---|---|---|---|---|
| Other interest income | 2,508 | 3,281 | 835 | 1,520 |
| Gain on financial assets | 2,038 | - | 353 | (2,981) |
| Net foreign exchange gain | - | - | - | (7,858) |
| Finance income | 130,044 | 80,482 | 53,274 | 26,879 |
| | | | | |
| Net foreign exchange loss | (177,508) | (65,527) | (139,877) | (65,527) |
| Interest expense on financial liabilities/assets measured at amortised cost | (24,194) | (34,120) | (12,783) | (14,641) |
| Debt extinguishment cost | (7,878) | - | (7,878) | - |
| Other | (5,095) | (9,109) | (2,997) | (8,436) |
| Finance expenses | (214,675) | (108,756) | (163,535) | (88,604) |
| Net finance cost | (84,631) | (28,274) | (110,261) | (61,725) |

Debt extinguishment cost consists of the difference between the net present value and the face value of the long term syndicated loan on the date of payment date.

Interest expense on borrowings capitalized on fixed assets amounts to $4,328, $1,524, $2,381 and $1,524 for the six and three months ended 30 June 2007 and 2006, respectively.

26

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

## 10. Income tax expense in the income statement

| | Six months ended 30 June 2007 | 30 June 2006 | Three months ended 30 June 2007 | 30 June 2006 |
|---|---|---|---|---|
| Current tax expense | (193,640) | (154,320) | (79,374) | (84,814) |
| Current period | (193,640) | (154,320) | (79,374) | (84,814) |
| **Deferred tax benefit/(expense)** | | | | |
| Origination and reversal of temporary differences | 30,571 | 43,386 | 17,140 | 46,953 |
| Benefit of investment incentive recognized | 16,035 | 11,416 | 15,812 | (1,673) |
| Reduction in tax rate | - | (152,809) | - | (125,346) |
| | 46,606 | (98,007) | 32,952 | (80,066) |
| Total income tax expense | (147,034) | (252,327) | (46,422) | (164,880) |

Income tax recognized directly in equity is amounting to $1,345, $126, $467 and $(364) for the six and three months ended 30 June 2007 and 2006, respectively.

**Reconciliation of effective tax rate**

The reported income tax expense for the six and three months ended 30 June 2007 and 2006 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:

| | | Six months ended 30 June 2007 | | 30 June 2006 | | Three months ended 30 June 2007 | | 30 June 2006 |
|---|---|---|---|---|---|---|---|---|
| Profit before income taxes | | 669,456 | | 505,614 | | 300,414 | | 240,967 |
| Income tax using the Company s domestic tax rate | 20% | (133,891) | 20% | (101,123) | 20% | (60,083) | 20% | (48,193) |
| Effect of tax rates in foreign jurisdictions | (1)% | 4,085 | (1)% | 5,187 | (1)% | 2,091 | (1)% | 3,605 |
| Tax exempt income | (1)% | 6,233 | 0% | 248 | 0% | 922 | 0% | 210 |
| Non deductible items | 0% | (3,062) | 1% | (5,782) | (1)% | 3,103 | (2)% | 5,577 |
| Investment tax credit | (2)% | 16,035 | (2)% | 11,416 | (5)% | 15,812 | 1% | (1,673) |
| Effect of gradual tax rate | 3% | (19,126) | - | - | 0% | (390) | - | - |
| Change in tax rate | - | - | 30% | (152,809) | - | - | 52% | (125,346) |
| Unrecognized deferred tax assets | 3% | (21,760) | 4% | (19,372) | 4% | (10,998) | 3% | (6,919) |
| Other | (1)% | 4,452 | (2)% | 9,908 | (1)% | 3,121 | (3)% | 7,859 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Total income tax expense | 22% | (147,034) | 50% | (252,327) | 15% | (46,422) | 68% | (164,880) |

The income taxes payable of $195,021 at 30 June 2007 represents the amount of current income taxes payable in respect of related taxable profit for the six months ended 30 June 2007. The income taxes payable of $309,470 at 31 December 2006 represents the amount of income taxes payable for the year ended 31 December 2006.

27

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**10. Income tax expense in the income statement (continued)**

According to the article 32 of New Corporate Tax Law No. 5520, the corporate tax rate was reduced from 30% to 20%. In this respect, corporate income of the companies are subject to corporate tax at the rate of 20%, effective from 1 January 2006 onwards. It has been also stated that the advance corporate tax that was calculated and collected on the rate of 30% for the advance corporate tax periods after 1 January 2006 that is in excess of the amount calculated by the new rate for the same periods will be offset against the advance corporate tax for the following advance tax periods.

According to the Income Tax Law which was published in Official Gazette on 8 April 2006, the investment allowance application has been abolished effective from 1 January 2006. Accordingly, tax payers have been granted an option to use the tax benefits of investment incentive certificates given that they file tax returns at 30% corporate tax rate; or file tax returns at 20% corporate tax rate (which is the new comparable tax rate effective from 1 January 2006) without using the tax benefits of investment incentive certificates. The Company used the tax benefit of investment incentive certificates which provides 0.2% net benefit on corporate taxes. However, the respective law allows the taxpayers to utilize their investment allowance rights obtained under the scope of the previous provisions only from their income generated in the years 2006, 2007 and 2008.

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

## 11. Property, plant and equipment

| Cost or deemed cost | Balance at 1 January 2006 | Additions | Disposals | Transfers* | Effect of movements in exchange rates | Balance at 31 December 2006 |
|---|---|---|---|---|---|---|
| Network infrastructure (All Operational) | 4,220,485 | 14,453 | (1,897) | 424,458 | (180,707) | 4,476,792 |
| Land and buildings | 250,517 | 3,972 | (386) | 10,874 | (11,269) | 253,708 |
| Equipment, fixtures and fittings | 292,428 | 6,634 | (1,597) | 7,675 | (12,657) | 292,483 |
| Motor vehicles | 18,982 | 589 | (915) | 15 | (853) | 17,818 |
| Leasehold improvements | 137,196 | 544 | (17) | | (5,893) | 131,830 |
| Construction in progress | 385,367 | 464,588 | | (563,425) | (19,343) | 267,187 |
| **Total** | **5,304,975** | **490,780** | **(4,812)** | **(120,403)** | **(230,722)** | **5,439,818** |
| **Accumulated Depreciation** | | | | | | |
| Network infrastructure (All Operational) | 2,675,018 | 465,549 | (1,261) | | (113,520) | 3,025,786 |
| Land and buildings | 59,342 | 10,615 | | | (2,514) | 67,443 |
| Equipment, fixtures and fittings | 287,901 | 16,649 | (1,228) | | (12,694) | 290,628 |
| Motor vehicles | 14,991 | 1,895 | (632) | | (653) | 15,601 |
| Leasehold improvements | 125,013 | 3,825 | (15) | | (5,454) | 123,369 |
| **Total** | **3,162,265** | **498,533** | **(3,136)** | | **(134,835)** | **3,522,827** |
| **Total property, plant and equipment** | **2,142,710** | **(7,753)** | **(1,676)** | **(120,403)** | **(95,887)** | **1,916,991** |

*The remaining portion of transfer amounting to $120,403 comprises intangible assets.

29

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**11. Property, plant and equipment (continued)**

| **Cost or deemed cost** | **Balance at 1 January 2007** | **Additions** | **Disposals** | **Transfers*** | **Effect of movements in exchange rates** | **Balance at 31 December 2007** |
|---|---|---|---|---|---|---|
| Network infrastructure (All Operational) | 4,476,792 | 17,422 | (196,891) | 216,453 | 322,848 | 4,836,624 |
| Land and buildings | 253,708 | 8,435 | (85) | (4,164) | 18,346 | 276,240 |
| Equipment, fixtures and fittings | 292,483 | 4,602 | (5,501) | 9,868 | 20,924 | 322,376 |
| Motor vehicles | 17,818 | 207 | (4,218) | | 1,373 | 15,180 |
| Leasehold improvements | 131,830 | 536 | (162) | (5,149) | 9,638 | 136,693 |
| Construction in progress | 267,187 | 251,952 | | (262,954) | 16,422 | 272,607 |
| **Total** | **5,439,818** | **283,154** | **(206,857)** | **(45,946)** | **389,551** | **5,859,720** |
| **Accumulated Depreciation** | | | | | | |
| Network infrastructure (All Operational) | 3,025,786 | 242,880 | (189,872) | | 243,355 | 3,322,149 |
| Land and buildings | 67,443 | 5,680 | (35) | | 5,350 | 78,438 |
| Equipment, fixtures and fittings | 290,628 | 9,141 | (5,459) | | 22,513 | 316,823 |
| Motor vehicles | 15,601 | 655 | (4,142) | | 1,239 | 13,353 |
| Leasehold improvements | 123,369 | 1,912 | (86) | | 7,183 | 132,378 |
| **Total** | **3,522,827** | **260,268** | **(199,594)** | | **279,640** | **3,863,141** |
| **Total property, plant and equipment** | **1,916,991** | **22,886** | **(7,263)** | **(45,946)** | **109,911** | **1,996,579** |

*Transfer amounting to $45,946 comprises transfers to intangible assets

30

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

## 11. Property, plant and equipment (continued)

**Leased assets**

The Group leases equipments 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 June 2007, net carrying amount of fixed assets acquired under finance leases amounted to $93,499 (31 December 2006: $92,956).

**Property, plant and equipment under construction**

Construction in progress consisted of expenditures in GSM network of the Company, Astelit and Kibris Mobile Telekomunikasyon Limited Sirketi ( Kibris Telekom ) and non-operational items as at 30 June 2007 and 31 December 2006.

As at 30 June 2007, a mortgage is placed on Izmir and Davutpasa buildings amounting to $1,150 and $383, respectively (31 December 2006: $1,067 and $356, respectively).

## 12. 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 in 25 years with a carrying amount of $555,130 as at 30 June 2007 (31 December 2006: $531,598). The amortization period of the licence will end in 2023.

| **Cost** | **Balance at 1 January 2006** | **Additions** | **Disposals** | **Transfers*** | **Effects of movements in exchange rates** | **Balance at 31 December 2006** |
|---|---|---|---|---|---|---|
| GSM and other telecommunication operating licences | 940,015 | 242 | - | 7,574 | (45,404) | 902,427 |
| Computer Software | 1,454,453 | 13,356 | (204) | 163,531 | (65,802) | 1,565,334 |
| Transmission Lines | 31,735 | 1,287 | (305) | 9 | (1,440) | 31,286 |
| Central Betting System Operating Right | 4,431 | 201 | (393) | - | (201) | 4,038 |
| Customer Base | 1,255 | - | - | - | - | 1,255 |
| Other | 79 | 3 | - | - | 2 | 84 |
| Construction in progress | - | 98,890 | | (50,711) | (614) | 47,565 |
| **Total** | **2,431,968** | **113,979** | **(902)** | **120,403** | **(113,459)** | **2,551,989** |
| **Accumulated Amortization** | | | | | | |
| GSM and other telecommunication operating licences | 280,629 | 58,875 | - | - | (11,675) | 327,829 |
| Computer Software | 833,459 | 168,192 | (70) | - | (35,068) | 966,513 |
| Transmission Lines | 16,660 | 3,067 | (33) | - | (707) | 18,987 |
| Central Betting System Operating Right | 2,146 | 1,038 | (394) | - | (80) | 2,710 |
| Customer Base | 1,002 | 297 | - | - | (44) | 1,255 |
| Other | 17 | 11 | - | - | (1) | 27 |
| **Total** | **1,133,913** | **231,480** | **(497)** | **-** | **(47,575)** | **1,317,321** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Total intangible assets** | **1,298,055** | **(117,501)** | **(405)** | **120,403** | **(65,884)** | **1,234,668** |

(*) Refer to note 11.

31

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**12. Intangible assets (continued)**

| **Cost** | **Balance at 1 January 2007** | **Additions** | **Disposals** | **Transfers*** | **Effects of movements in exchange rates** | **Balance at 30 June 2007** |
|---|---|---|---|---|---|---|
| GSM and other telecommunication operating licences | 902,427 | 26,610 | - | 7,661 | 63,077 | 999,775 |
| Computer Software | 1,565,334 | 4,283 | (22) | 69,915 | 115,803 | 1,755,313 |
| Transmission Lines | 31,286 | 307 | - | - | 2,421 | 34,014 |
| Central Betting System Operating Right | 4,038 | 47 | - | - | 313 | 4,398 |
| Customer Base | 1,255 | - | - | - | 97 | 1,352 |
| Other | 84 | 3 | - | 20 | 3 | 110 |
| Construction in progress | 47,565 | 6,277 | - | (31,650) | - | 22,192 |
| **Total** | **2,551,989** | **37,527** | **(22)** | **45,946** | **181,714** | **2,817,154** |
| | | | | | | |
| **Accumulated Amortization** | | | | | | |
| GSM and other telecommunication operating licences | 327,829 | 20,966 | - | - | 23,153 | 371,948 |
| Computer Software | 966,513 | 103,126 | (15) | - | 79,102 | 1,148,726 |
| Transmission Lines | 18,987 | 1,639 | - | - | 1,547 | 22,173 |
| Central Betting System Operating Right | 2,710 | 547 | - | - | 235 | 3,492 |
| Customer Base | 1,255 | - | - | - | 97 | 1,352 |
| Other | 27 | 16 | - | - | 13 | 56 |
| **Total** | **1,317,321** | **126,294** | **(15)** | **-** | **104,147** | **1,547,747** |
| | | | | | | |
| **Total intangible assets** | **1,234,668** | **(88,767)** | **(7)** | **45,946** | **77,567** | **1,269,407** |

(*) Refer to note 11.

32

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**13. Equity accounted investees**

The Group s share of profit in its equity accounted investees for the six and three months ended 30 June 2007 and 2006 is $26,150, $35,765, $8,471 and $19,917, respectively. Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group is as follows:

| | Ownership | Current Assets | Non-current Assets | Total Assets | Current Liabilities | Non-current Liabilities | Total Liabilities |
|---|---|---|---|---|---|---|---|
| **30 June 2007** | | | | | | | |
| Fintur | 41.45% | 314,937 | 1,227,426 | 1,542,363 | 254,179 | 43,593 | 297,772 |
| A-Tel | 50.00% | 60,122 | 279 | 60,401 | 13,842 | 314 | 14,156 |
| | | 375,059 | 1,227,705 | 1,602,764 | 268,021 | 43,907 | 311,928 |
| **31 December 2006** | | | | | | | |
| Fintur | 41.45% | 310,410 | 1,103,420 | 1,413,830 | 255,319 | 47,445 | 302,764 |
| A-Tel | 50.00% | 103,446 | 105 | 103,551 | 12,301 | 247 | 12,548 |
| | | 413,856 | 1,103,525 | 1,517,381 | 267,620 | 47,692 | 315,312 |

| | Six months ended 30 June | | | Three months ended 30 June | | |
|---|---|---|---|---|---|---|
| | Revenues | Direct cost of revenue | Profit for the period | Revenues | Direct cost of revenue | Profit/(Loss) for the period |
| **2007** | | | | | | |
| Fintur | 652,573 | (263,653) | 106,335 | 354,842 | (144,241) | 53,125 |
| A-Tel | 41,044 | (38,749) | 5,287 | 22,907 | (28,425) | (4,203) |
| | 693,617 | (302,402) | 111,622 | 377,749 | (172,666) | 48,922 |
| **2006** | | | | | | |
| Fintur | 517,118 | (225,502) | 86,285 | 279,150 | (121,845) | 48,051 |

* A-Tel is acquired during August 2006, therefore, income statement of A-Tel is not included in the summary financial information for the six and three months ended 30 June 2006.

33

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**13. Equity accounted investees (continued)**

In 2006, the Group acquired a 50% investment in A-Tel. Details of the transaction and A-Tel s operations are described at Note 6. The Company s investment in Fintur and A-Tel amounts to $432,908 and $133,101, respectively as at 30 June 2007 (31 December 2006: $376,272 and $147,568, respectively).

**14. Other investments, including derivatives**

***Non-current investments:***

| | | **30 June 2007** | | **31 December 2006** | |
|---|---|---|---|---|---|
| | **Country of incorporation** | **Ownership (%)** | **Carrying Amount** | **Ownership (%)** | **Carrying Amount** |
| Aks Televizyon Reklamcilik ve Filmcilik Sanayi ve Ticaret AS ( Aks TV ) | Turkey | 6.24 | 25,959 | 6.24 | 24,093 |
| T Medya Yatirim Sanayi ve Ticaret AS ( T Medya ) | Turkey | 9.23 | 11,853 | 8.23 | 11,002 |
| | | | 37,812 | | 35,095 |

In 2003, the Group acquired a 6.24% interest in Aks TV and a 8.23% interest in T-Medya, media companies owned by Cukurova Group. On 27 June 2007, T-Medya took over Asli Gazetecilik ve Matbaacilik AS and, as a result of this restructring, interest of the Group in T-Medya increased from 8.23% to 9.23%.

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 company measured these investments at cost.

***Current investments:***

| | **30 June 2007** | **31 December 2006** |
|---|---|---|
| **Held to maturity debt securities** | **-** | **7,045** |
| *Government bonds, treasury bills* | - | 7,045 |
| **Available for sale securities** | **42,177** | **54,688** |
| *Government bonds, treasury bills* | 9,763 | 20,683 |
| *Foreign investment equity funds* | 32,414 | 34,005 |
| **Derivatives** | **275** | **-** |
| | 42,452 | 61,733 |

34

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**14. Other investments (continued)**

***Current investments (continued):***

Interest bearing available-for-sale TRY denominated, US Dollars denominated and Euro denominated government bonds and treasury bills with a carrying amount of $8,042, $1,440 and $281, respectively as at 30 June 2007 (31 December 2006: TRY denominated $18,961, US Dollars denominated $1,449 and Euro denominated $273) have stated interest rates of 20.61%, (31 December 2006: 20.61%), Libor+1%-Libor+1.6% (31 December 2006: Libor+1% -Libor+1.6%) and Euribor+1.8% (31 December 2006: Euribor+1.8%), respectively and mature in 2 to 4 years (31 December 2006: 2 to 4 years).

Foreign investment equity funds are denominated in US Dollars with a carrying amount of $32,414 as at 30 June 2007 (31 December 2006: $34,005).

Derivatives are composed of embedded derivatives which are separated from the host contract and accounted for separately at fair value.

**15. Other non-current assets**

| | **30 June 2007** | **31 December 2006** |
|---|---|---|
| Prepaid expenses | 25,862 | 12,687 |
| Deposits and guarantees given | 5,542 | 2,275 |
| Restricted cash | - | 105,378 |
| Others | 2,671 | 1,125 |
| | 34,075 | 121,465 |

**16. Deferred tax assets and liabilities**

***Unrecognised deferred tax assets***

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

| | **30 June 2007** | **31 December 2006** |
|---|---|---|
| Deductible temporary differences | 10,691 | 227 |
| Tax credit carry forwards | 126 | 117 |
| Operating loss carry forwards | 61,990 | 49,633 |
| Total unrecognised deferred tax assets | 72,807 | 49,977 |

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.

35

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**16. Deferred tax assets and liabilities (continued)**

***Unrecognised deferred tax assets (continued)***

As at 30 June 2007, expiration of net operating loss carry forwards are as follows:

| Year Originated | Amount | Expiration Date |
|---|---|---|
| 2002 | 634 | 2007 |
| 2003 | 5,465 | 2008 |
| 2004 | 3,324 | 2009 |
| 2005 | 1,961 | 2010 |
| 2006 | 6,500 | 2011 |
| 2007 | 5,058 | 2012 thereafter |

As at 30 June 2007, net operating loss carry forwards which will be carried indefinitely are as follows:

| Year Originated | Amount |
|---|---|
| 2004 | 24,562 |
| 2005 | 63,861 |
| 2006 | 111,911 |
| 2007 | 30,588 |

***Recognised deferred tax assets and liabilities***

Deferred tax assets and liabilities as at 30 June 2007 and 31 December 2006 are attributable to the following:

| | **Assets** | | **Liabilities** | | **Net** | |
|---|---|---|---|---|---|---|
| | **30 June** | **31 December** | **30 June** | **31 December** | **30 June** | **31 December** |
| | **2007** | **2006** | **2007** | **2006** | **2007** | **2006** |
| Property, plant & equipment and intangible assets | 712 | - | (222,458) | (227,822) | (221,746) | (227,822) |
| Investment | - | - | (23,869) | (30,246) | (23,869) | (30,246) |
| Provisions | 69,452 | 47,334 | - | (204) | 69,452 | 47,130 |
| Other items | 14,324 | 12,459 | (2,936) | (4) | 11,388 | 12,455 |
| Tax credit carry forwards | 3,866 | 5,275 | - | - | 3,866 | 5,275 |
| **Tax assets / (liabilities)** | **88,354** | **65,068** | **(249,263)** | **(258,276)** | **(160,909)** | **(193,208)** |
| Set off of tax | (83,556) | (62,016) | 83,556 | 62,016 | - | - |
| **Net tax assets / (liabilities)** | **4,798** | **3,052** | **(165,707)** | **(196,260)** | **(160,909)** | **(193,208)** |

All temporary differences are recognized in profit or loss except for the deferred tax effects of change in fair value of available-for-sale financial assets amounting $2,062 and $656 as at 30 June 2007 and 31 December 2006, respectively.

36

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

## 17. Trade receivables and accrued income

| | **30 June 2007** | **31 December 2006** |
|---|---|---|
| Receivables from subscribers | 206,537 | 156,111 |
| Accounts and checks receivable | 66,923 | 53,244 |
| Receivables from Turk Telekomunikasyon AS ( Turk Telekom ) | 25,716 | 13,932 |
| Accrued service income | 139,112 | 95,686 |
| | 438,288 | 318,973 |

Trade receivables are shown net of allowance for doubtful debts amounting to $158,262 as at 30 June 2007 (31 December 2006: $133,615). The impairment loss recognized for the six and three months ended 30 June 2007 and 2006 are $15,347, $14,290, $8,002 and $7,787, respectively.

The accrued service income represents revenues accrued for subscriber calls (air-time), which have not been billed. Due to the volume of subscribers, there is 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 as at 30 June 2007 and 31 December 2006 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.

Letters of guarantee received with respect to the accounts and cheques receivable are amounted to $50,260 and $32,308 as at 30 June 2007 and 31 December 2006, respectively.

Receivables denominated in currencies other than the functional currency comprise $54,480 of trade receivables denominated in US Dollar (31 December 2006: $19,721) and $2,781 of trade receivables denominated in Euros (31 December 2006: $608).

## 18. Other current assets

| | **30 June 2007** | **31 December 2006** |
|---|---|---|
| Prepaid expenses | 162,736 | 45,391 |
| Restricted cash | 107,834 | 107 |
| Advances to suppliers | 41,062 | 7,628 |

| | | |
|---|---|---|
| Transaction costs receivable | 27,276 | - |
| Value added tax ( VAT ) receivable | 22,749 | 38,254 |
| Prepayment for subscriber acquisition cost | 12,790 | 10,795 |
| Receivable from personnel | 1,753 | 1,207 |
| Income accruals | - | 15,807 |
| Other | 7,720 | 6,464 |
| | 383,920 | 125,653 |

Prepaid expenses mainly consists of prepaid frequency usage fees amounting to $99,599 as at 30 June 2007 (31 December 2006: nil).

As at 30 June 2007, restricted cash represents amounts deposited at banks as guarantees in connection with the loans used by the Group which will be released on 20 June 2008.

37

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**18. Other current assets (continued)**

Transaction costs receivable consists of premium fees paid to Export Credit Agencies ( ECA s ) for the syndicated long term project financing package of Astelit in the beginning of the borrowing period. Astelit requested the unamortized portion of the premium fees from the ECA s since the syndicated long term project financing package has been early extinguished as of 27 June 2007. The respective ECA Boards approval and reimbursement process of the unamortized portion of the premium fees has not been finalized yet.

Subscriber acquisition costs are subsidies to the subscribers for the handsets, under which Astelit can enforce the minimum customer contract period and can determine revenues that can be linked to individual contracts.

**19. Cash and cash equivalents**

| | **30 June 2007** | **31 December 2006** |
|---|---|---|
| Cash in hand | 360 | 114 |
| Cheques received | 4,086 | 8,644 |
| Banks | 1,667,985 | 1,589,401 |
| -Demand deposits | 156,605 | 135,039 |
| -Time deposits | 1,511,380 | 1,454,362 |
| Bonds and bills | 60 | 481 |
| Cash and cash equivalents | 1,672,491 | 1,598,640 |
| Bank overdrafts | (12,007) | (285) |
| Cash and cash equivalents in the statement of cash flows | 1,660,484 | 1,598,355 |

At 30 June 2007, there has not been any cash and cash equivalents balance deposited in the banks, which are owned and/or controlled by Cukurova Group, a significant shareholder of the Company (31 December 2006: $25,011).

The effective interest rates on the deposits as at 30 June 2007 are 5.6%, 4.4% and 20.9% for US Dollars, Euros and TRY, respectively and they have an average maturity of 42 days. The effective interest rates on the deposits as at 31 December 2006 were 5.6%, 3.7% and 23.1% for US Dollars, Euros and TRY, respectively and they had an average maturity of 28 days.

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

## 20. Capital and reserves

***Reconciliation of movement in capital and reserves***

| | Attributable to equity holders of the Group | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Share Capital** | **Share Premium** | **Legal Reserves** | **Fair Value Reserve** | **Translation Reserve** | **Retained Earnings** | **Total** | **Minority Interest** | **Total Equity** |
| Balance at 1 January 2006 | 1,438,966 | 434 | 104,487 | 800 | (20,697) | 2,102,537 | 3,626,527 | 63,794 | 3,690,321 |
| Increase in capital | 197,238 | | | | | (197,238) | | | |
| Transfer to legal reserves | | | 43,786 | | | (43,786) | | | |
| Total recognized income and expense | | | | 2,015 | (135,275) | 875,491 | 742,231 | (42,573) | 699,658 |
| Dividends to shareholders | | | | | | (342,166) | (342,166) | | (342,166) |
| Acquisition of minority shares | | | | | | | | (17,591) | (17,591) |
| Change in minority interest | | | | | | | | 87,745 | 87,745 |
| **Balance at 31 December 2006** | **1,636,204** | **434** | **148,273** | **2,815** | **(155,972)** | **2,394,838** | **4,026,592** | **91,375** | **4,117,967** |
| Balance at 1 January 2007 | 1,636,204 | 434 | 148,273 | 2,815 | (155,972) | 2,394,838 | 4,026,592 | 91,375 | 4,117,967 |
| Transfer to legal reserves | | | 108,561 | | | (108,561) | | | |
| Total recognized income and expense | | | | 2,200 | 284,541 | 545,769 | 832,510 | (23,347) | 809,163 |
| Dividends to shareholders | | | | | | (411,913) | (411,913) | (45,712) | (457,625) |
| Acquisition of minority shares | | | | | | | | (751) | (751) |
| Change in minority interest | | | | | | | | 71,377 | 71,377 |
| **Balance at 30 June 2007** | **1,636,204** | **434** | **256,834** | **5,015** | **128,569** | **2,420,133** | **4,447,189** | **92,942** | **4,540,131** |

39

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**20. Capital and reserves (continued)**

***Share capital***

At 30 June 2007, common stock represented 2,200,000,000 (31 December 2006: 2,200,000,000) authorized, issued and fully paid shares with a par value of TRY 1 each. In accordance with the Law No. 5083 with respect to the TRY, on 9 May 2005, par value of each share is registered to be one TRY.

In connection with the redenomination of the Turkish Lira and as per the related amendments of Turkish Commercial Code, in order to increase the nominal value of the shares to TRY 1, 1,000 units of shares, each having a nominal value of TRY 0.001 shall be merged and each unit of share having a nominal value of TRY 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 TRY 0.001 to one ordinary share having a nominal value of TRY 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 TRY 0.001 to TRY 1, all shares will have a value of TRY 1. Although the merger process has not been finalized, the practical application is to state each share having a nominal value of TRY 1 which is consented by Capital Markets Board of Turkey ( CMB ).

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

***Translation reserve***

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

***Fair value reserve***

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets including deferred tax effects until the investment is 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.

***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 distributable profits based on the financial statements prepared in accordance with the accounting principles accepted by the CMB, 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.

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**20. Capital and reserves (continued)**

***Dividends (continued)***

On 2 March 2007, Board of Directors of the Company decided to distribute dividends amounting to TRY 567,040 (equivalent to $434,647 and $411,913 as at 30 June 2007 and 23 March 2007, respectively), which represented 65% of distributable income. This represents a net cash dividend of TRY 0.257745 in full (equivalent to $0.197567 in full as at 30 June 2007). Dividend distribution was approved at ordinary General Assembly meeting dated 23 March 2007 and dividend distribution was started on 16 April 2007.

| | 2007 | | 2006 | |
|---|---|---|---|---|
| | TRY | US Dollars * | TRY | US Dollars * |
| Cash dividends | 567,040 | 411,913 | 509,075 | 342,166 |
| Stock dividends | - | - | 345,113 | 231,962 |
| | 567,040 | 411,913 | 854,188 | 574,128 |

*US Dollar equivalents of dividends are computed by using the Central Bank of Turkey s TRY/US Dollars exchange rate on 23 March 2007 and 22 May 2006, which are the dates that the General Assembly of Shareholders approved the dividend distribution.

On 17 January 2007, Board of Directors of Inteltek decided to distribute dividends amounting to TRY 139,838 (equivalent to $107,188 and $101,582 as at 30 June 2007 and 23 March 2007, respectively). Dividend distribution was approved at ordinary General Assembly meeting dated 23 March 2007, and TRY 62,927 (equivalent to $48,235 and $45,712 as at 30 June 2007 and 23 March 2007) of the total dividend was paid to minority shareholders.

**21. Earnings per share**

The calculation of basic and diluted earnings per share as at 30 June 2007 were based on the profit attributable to shareholders for the six and three months ended 30 June 2007 and 2006 of $545,769, $274,045, $273,631 and $86,860, respectively and a weighted average number of shares outstanding during the six and three months ended 30 June 2007 and 2006 of 2,200,000,000 calculated as follows:

| | **Six months ended** | | **Three months ended** | |
|---|---|---|---|---|
| | **30 June** | **30 June** | **30 June** | **30 June** |
| | **2007** | **2006** | **2007** | **2006** |
| Numerator: | | | | |
| Net profit for the period | 545,769 | 274,045 | 273,631 | 86,860 |
| 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 | 0.248077 | 0.124566 | 0.124378 | 0.039482 |

All share amounts and per share figures reflected in the Company s historical financial statements have been retrospectively restated for the stock splits and stock dividends. Total effects of restatements in the number of shares are as follows:

41

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**21. Earnings per share (continued)**

| | **30 June 2007** | **31 December 2006** |
|---|---|---|
| Number of shares at 1 January | 2,200,000,000 | 1,854,887,341 |
| Effects of stock splits | - | 51,661,781 |
| Effects of stock dividends | - | 293,450,878 |
| Number of shares at period end | 2,200,000,000 | 2,200,000,000 |

**22. Loans and borrowings**

This note provides information about the contractual terms of the Group s interest-bearing loans and borrowings. For more information about the Group s exposure to interest rate, foreign currency risk and payment schedule for interest bearing loans, see note 27.

| | **30 June 2007** | **31 December 2006** |
|---|---|---|
| **Non-current liabilities** | | |
| Unsecured bank loans | 141,630 | 5,720 |
| Secured bank loans | - | 107,783 |
| | 141,630 | 113,503 |
| **Current liabilities** | | |
| Current portion of unsecured bank loans | 279 | 190,770 |
| Current portion of secured bank loans | 112,654 | 335,305 |
| Unsecured bank facility | 437,210 | - |
| Current portion of finance lease liabilities | 3 | 8 |
| | 550,146 | 526,083 |

On 30 December 2005, Astelit, together with ING Bank N.V. ( ING Bank ) and Standard Bank London Ltd. ( Standard Bank ), finalized a syndicated long term project financing of $390,000. $368,732 of that facility had been utilized.

By the end of 2006, Turkcell management decided to take over all or a portion of the rights and obligations of Astelit s senior creditors, who may decline to participate in the facilities following the implementation of new restructuring. On 19 April 2007, Astelit sent a letter accompanied by a term sheet, to ING Bank, the Facility Agent. With this term sheet, Astelit proposed restructuring of senior syndicated facility and notified that in case of some or all of the creditors do not consent to the proposed amendments, the Company shall purchase the loans and commitments held by such non-consenting creditors. Since the creditors did not consent to the proposed amendments, Astelit repaid the syndicated long term project financing on 27 June 2007 by obtaining borrowings from Financell, a wholly owned subsidiary of the Company. According to the market conditions and its financial performance, Astelit will redeem loans to Financell in 18 months through a new financing package.

Besides, as part of the project financing package, a long term junior facility up to $150,000 (including interest amounting to $24,000) was also finalized with Turkiye Garanti Bankasi AS Luxemburg Branch and Akbank TAS Malta Branch. The junior facility is fully guaranteed by the Company. This facility has been fully utilized as at 30 June 2007.

42

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**22. Loans and borrowings (continued)**

On 9 January 2007, Board of Directors of the Company mandated Akbank T.A.S., Citibank N.A., T. Garanti Bankasi AS, HSBC Bank Plc, J.P. Morgan Plc and Standard Bank Plc as lead arrangers for an unsecured syndicated financing through a committed facility amounting to $3,000,000. The facility agreement has been signed on 26 February 2007. Since the Company does not foresee any financing need for the near future, the facility agreement has been terminated as of 29 May 2007.

On 24 May 2007, $3,500 loan was borrowed by wholly owned subsidiary, Kibris Telekom, from HSBC Bank Lefkose Branch with a term of 1 year.

On 25 May 2007, $59,000 loan was borrowed by Financell, with a term of 1 year from Akbank.

On 21 June 2007, EUR 4,000 loan was borrowed by Financell, with a term of 1 year from HSBC Bank Plc.

On 27 June 2007, loans amounting to $115,000 and $253,732 were borrowed by Financell from HSBC Bank Plc. and Garanti Bankasi AS with a term of 1 year.

In accordance with the financing agreements with HSBC Bank Plc, the Group shall not cease its control on Financell and there shall not be a change of control within the Company. In the event of any case, the creditor reserves the right to terminate the facility.

As at 30 June 2007, the Company is not subject to any financial covenants or ratios with respect to its borrowings.

Terms and conditions of outstanding loans are as follows:

| | | | | 30 June 2007 | | 31 December 2006 | |
|---|---|---|---|---|---|---|---|
| | **Currency** | **Year of maturity** | **Interest rate type** | **Nominal interest rate** | **Carrying amount** | **Nominal interest rate** | **Carrying amount** |
| Secured bank loans | EUR | 2008 | Floating | Euribor+0.8% | 112,654 | Euribor+0.8% | 107,783 |
| Secured bank loans | USD | 2011* | Floating | | | Libor+1.5%-4.5% | 335,305 |
| Unsecured bank loans | USD | 2012 | Floating | Libor+2.3% | 135,789 | Libor+2.6%-3.5% | 190,770 |
| Unsecured bank loans | EUR | 2008 | Floating | Euribor+0.7% | 11,512 | Euribor+0.7% | 5,720 |
| Unsecured bank loans | USD | 2008 | Floating | Libor+0.6%-0.8% | 431,818 | | |
| Finance lease liabilities | USD | 2007 | Fixed | 7.0%-9.0% | 3 | 7.0% - 9.0% | 8 |
| | | | | | 691,776 | | 639,586 |

*Although the scheduled repayment was in 2011 , Astelit repaid the loan on 27 June 2007.

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**23. 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 5.7%.

Movement in the reserve for employee termination benefits as at 30 June 2007 is as follows:

| | |
|---|---|
| Balance at 1 January 2007 | 17,648 |
| Provision set during the period | 4,441 |
| Payments made during the period | (1,833) |
| Unwind of discount | 1,009 |
| Effect of change in foreign exchange rate | 1,536 |
| Balance at 30 June 2007 | 22,801 |

Obligations for contributions to defined contribution plans are recognized as an expense in the consolidated interim income statement as incurred. The Group incurred $573, $537, $313 and $285 in relation to defined contribution retirement plan for the six and three months ended 30 June 2007 and 2006, respectively.

**24. Deferred income**

Deferred income is classified as current mainly consists of counters sold but to be used by prepaid subscribers as of the reporting date. The amount of deferred income amounted to $185,682 and $184,337 as at 30 June 2007 and 31 December 2006, respectively.

**25. Provisions**

| | **Legal** | **Bonus** | **Total** |
|---|---|---|---|
| Balance at 1 January 2007 | 9,459 | 19,775 | 29,234 |
| Provision made during the period | - | 12,213 | 12,213 |
| Provisions used during the period | - | (20,351) | (20,351) |
| Provisions reversed during the period | - | - | - |
| Unwind of discount | - | (749) | (749) |
| Effect of change in foreign exchange rate | 732 | 1,149 | 1,881 |
| Balance at 30 June 2007 | 10,191 | 12,037 | 22,228 |

In note 30, under legal proceedings section, detailed explanations are given with respect to legal provisions in the captions under Disputes on Turk Telekom Transmission Lines Leases .

The bonus provision totalling to $12,037 comprises only the provision for the six months ended 30 June 2007 and is planned to be paid in March 2008.

44

---

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

## 26. Trade and other payables

The breakdown of trade and other payables as at 30 June 2007 and 31 December 2006 is as follows:

| | **30 June 2007** | **31 December 2006** |
|---|---|---|
| Taxes and withholdings payable | 219,989 | 195,132 |
| Payables to other suppliers | 139,939 | 134,227 |
| Selling and marketing expense accrual | 66,862 | 35,613 |
| Interconnection payables | 64,222 | 69,399 |
| License fee accrual | 56,429 | 43,052 |
| Forward contracts | 39,709 | - |
| Payables to Ericsson companies | 33,682 | 35,503 |
| Payables to Northern Republic of Cyprus Tax Office | 15,000 | - |
| Transmission fee accrual | 12,508 | 7,723 |
| Roaming expense accrual | 9,551 | 9,680 |
| Interconnection accrual | 8,961 | 3,330 |
| Telecommunications Authority share accrual | 8,324 | 16,222 |
| Deposits and guarantees taken from agents | 7,932 | - |
| Other | 33,891 | 29,540 |
| | 716,999 | 579,421 |

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

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

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

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

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

Forward contracts is the fair value of these contracts as at 30 June 2007.

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

On 27 April 2007, Kibris Telekom signed the License Agreement for Installation and Operation of a Digital, Cellular, Mobile Telecommunication System with the Ministry of Communications and Works of the Turkish Republic of Northern Cyprus which will become effective from 1 August 2007 and replace the existing GSM-Mobile Telephony System Agreement dated 25 March 1999. Payables to Northern Republic of Cyprus Tax Office is the unpaid portion of Mobile Communication License fee amounted to $15,000, which will be paid in five equal instalments starting from September 2007.

Trade and other payables denominated in currencies other than the functional currency comprise $90,738 of trade and other payables denominated in US Dollar (31 December 2006: $56,027), $25,395 of trade and other payables denominated in Euros (31 December 2006: $14,465) and $14,826 of trade and other payables denominated in Swedish Krona (31 December 2006: $13,605).

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**27. Financial instruments and financial risk management**

Exposure to credit, interest rate and currency risks arises in the normal course of the Group s business. Derivative financial instruments such as forward contracts and options are used to hedge exposure to fluctuations in foreign exchange rates as well as trading purposes in order to accumulate premiums. The Group s Treasury is committed to effectively manage financial market risks in the context of Group s business strategies and with a view to achieve a balance between acceptable levels of risk and reward. Within this context, the Group implemented a Treasury Risk Management Policy that articulates the recognition, measurement and management of interest rate, foreign exchange, credit and liquidity risks while monitoring macro economic and financial markets conditions. In addition to this, the Group publishes and periodically updates procedures for each type of financial instrument used.

**Credit risk**

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.

Investments are allowed only 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 capital adequacy ratios periodically to ensure credit worthiness.

Transactions involving derivatives are with counterparties with whom the Group has signed agreements and which have sound credit ratings. The Group does not expect any counterparty fail to meet its obligations.

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, including derivatives, in the balance sheet.

In monitoring customer credit risk, customers are grouped according to whether they are an individual or legal entity, ageing profile, maturity and existence of previous financial difficulties. Trade receivables and accrued service income are mainly related to the Group s subscribers.

The Group 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. Impairment loss as a percentage of revenues represented 0.5% of revenues for the six months ended 30 June 2007. If impairment loss as a percentage of revenues increased to 1.5% of revenues, the impairment loss would have been increased by $26,627, negatively impacting profit for the period.

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**27. Financial instruments and financial risk management (continued)**

**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 is:

| | **30 June 2007** | **31 December 2006** |
|---|---|---|
| Due from related parties-long term | 70,747 | 72,506 |
| Other non-current assets | 8,213 | 108,779 |
| Available-for-sale financial assets | 42,177 | 54,688 |
| Held-to-maturity investments | - | 7,045 |
| Derivatives-short term | 275 | - |
| Due from related parties-short term | 33,508 | 66,101 |
| Trade receivables | 438,288 | 318,973 |
| Other current assets | 155,669 | 22,131 |
| Cash and cash equivalents | 1,672,491 | 1,598,640 |
| | **2,421,368** | **2,248,863** |

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 June 2007** | **31 December 2006** |
|---|---|---|
| Receivables from subscribers | 343,925 | 249,810 |
| Receivables from distributors and other operators | 102,298 | 95,162 |
| Other | 4,448 | 2,642 |
| | **450,671** | **347,614** |

**Impairment losses**

The movement in the allowance for impairment in respect of trade receivables as at 30 June 2007 and 31 December 2006 is as follows:

| | **30 June 2007** | **31 December 2006** |
|---|---|---|
| Opening balance | 133,615 | 149,209 |
| Provision set during the period | 15,347 | 30,513 |

| | | |
|---|---|---|
| Write-off | (1,683) | (39,387) |
| Effect of change in foreign exchange rate | 10,983 | (6,720) |
| Closing balance | 158,262 | 133,615 |

The allowance accounts in respect of trade receivables and held-to-maturity investments are 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 is written off against the financial asset directly.

47

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**27. Financial instruments and financial risk management (continued)**

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group s reputation.

Current cash debt coverage ratio as at 30 June 2007 and 31 December 2006 is as follows:

| | **30 June 2007** | **31 December 2006** |
|---|---|---|
| Cash and cash equivalents | 1,672,491 | 1,598,640 |
| Current liabilities | 1,690,362 | 1,635,674 |
| Current cash debt coverage ratio | 99% | 98% |

**Interest rate risk**

As at 30 June 2007, interest on the Group s assets was fixed excluding floating rate note holdings. Most of the floating rate holdings are denominated in TRY. As at 30 June 2007, holdings of Turkish government floating rate notes of the Company carry a face value of TRY 10,000 (equivalent to $7,665 as at 30 June 2007) and have a fair value of TRY 10,491 (equivalent to $8,042 as at 30 June 2007). Therefore, the Company is not exposed to interest rate risk on financial assets, apart from these floating rate notes, as at 30 June 2007. The Group has not entered into any type of derivative instrument in order to hedge interest rate risk as at 30 June 2007.

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**27. Financial instruments and financial risk management (continued)**

**Interest rate risk (continued)**

**Effective interest rates and repricing analysis:**

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their average effective interest rates at 30 June 2007 and 31 December 2006 in which they mature or, if earlier, reprice.

| | | 30 June 2007 | | | | | | 31 December 2006 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Effective | | | | | More | Effective | | | | | More |
| | Note | interest rate | Total | 1 year | 1-2 years | 2-5 years | than 5 years | interest rate | Total | 1 year | 1-2 years | 2-5 Years | than 5 years |
| **Fixed rate instruments** | | | | | | | | | | | | | |
| Cash and cash equivalents* | 19 | | | | | | | | | | | | |
| USD | | 5.6% | 719,977 | 719,977 | - | - | - | 5.6% | 723,042 | 723,042 | - | - | - |
| EUR | | 4.4% | 77,113 | 77,113 | - | - | - | 3.7% | 107,124 | 107,124 | - | - | - |
| TRY | | 20.9% | 873,046 | 873,046 | - | - | - | 23.1% | 753,741 | 753,741 | - | - | - |
| Other | | | 2,355 | 2,355 | - | - | - | | 14,733 | 14,733 | - | - | - |
| Restricted cash | 18 | 4.3% | 107,834 | 107,834 | - | - | - | 4.3% | 105,485 | 107 | 105,378 | - | - |
| Held to maturity securities | 14 | | - | - | - | - | - | 23.4% | 7,045 | 7,045 | - | - | - |
| Finance lease obligations | 22 | 9.9% | (3) | (3) | - | - | - | 9.9% | (8) | (8) | - | - | - |
| Bank overdraft | 19 | | (12,007) | (12,007) | - | - | - | - | (285) | (285) | - | - | |
| | | | 1,768,315 | 1,768,315 | - | - | - | | 1,710,877 | 1,605,499 | 105,378 | - | - |
| **Variable rate instruments** | | | | | | | | | | | | | |
| Available for sale securities | 14 | | | | | | | | | | | | |
| Foreign inv. equity funds | | ** | 32,414 | 32,414 | - | - | - | ** | 34,005 | 34,005 | - | - | - |
| Gov. bonds, treasury bills | | | | | | | | | | | | | |
| USD | | 6.5% | 1,440 | 1,440 | - | - | - | 6.3% | 1,449 | 1,449 | - | - | - |
| EUR | | 4.7% | 281 | 281 | - | - | - | 4.4% | 273 | 273 | - | - | - |
| TRY | | 20.4% | 8,042 | 8,042 | - | - | - | 22.1% | 18,961 | 18,961 | - | - | - |
| Secured bank loans | 22 | | | | | | | | | | | | |
| USD floating rate loans | | | - | - | - | - | - | 11.7% | (335,305) | (335,305) | - | - | - |
| Euro floating rate loans*** | | 4.4% | (112,654) | (112,654) | - | - | - | 4.4% | (107,783) | - | (107,783) | - | - |
| Unsecured bank loans | 22 | | | | | | | | | | | | |
| USD floating rate loans | | 7.6% | (567,607) | (431,818) | - | - | (135,789) | 7.8% | (190,770) | (190,770) | - | - | - |
| Euro floating rate loans | | 4.7% | (11,512) | (5,671) | (5,841) | - | - | 4.4% | (5,720) | - | (5,720) | - | |
| | | | (649,596) | (507,966) | (5,841) | - | (135,789) | | (584,890) | (471,387) | (113,503) | - | - |

* Effective interest rate of cash and cash equivalents represent effective interest rate on time deposits amounting to $1,511,380 as at 30 June 2007 (31 December 2006: $1,454

** Effective interest rate is not calculated for foreign investment equity funds since they have no coupon payments.

*** Loan agreement was closed on floating rate basis. However, interest rate is fixed since there is only one interest payment till maturity.

**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended 30 June 2007

(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

**27. Financial instruments and financial risk management (continued)**

**Foreign currency risk**

The Group s functional currency is TRY for operations conducted in Turkey, but certain revenues, purchases, operating costs and expenses and resulting receivables and payables are denominated in foreign currencies, primarily US Dollars, Euro and Swedish Krona. To hedge foreign currency risks, foreign exchange forward contracts and currency options are used, especially against US Dollars. Forward exchange contracts generally mature within one year.

Assets and liabilities denominated in foreign currencies shown below are presented in their original currencies:

| | **31 December 2006** | | |
|---|---|---|---|
| | **USD** | **EUR** | **SEK** |
| **Foreign currency denominated assets** | | | |
| Due from related parties-long term | 70,417 | - | - |
| Other non-current assets | 127 | 80,000 | - |
| Other investments | 28,524 | 5,468 | - |
| Due from related parties-short term | 22,433 | 74 | - |
| Trade receivables and accrued income | 19,721 | 462 | - |
| Other current assets | 487 | 61 | - |
| Cash and cash equivalents | 723,042 | 87,020 | - |
| | 864,751 | 173,085 | - |
| **Foreign currency denominated liabilities** | | | |
| Loans and borrowings-long term | - | (86,168) | - |
| Other non-current liabilities | (7,006) | - | - |
| Loans and borrowings-short term | (526,074) | - | - |
| Trade and other payables | (56,027) | (10,981) | (93,948) |
| Due to related parties | (1,074) | (1,329) | - |
| Forward exchange contracts | - | - | - |
| | (590,181) | (98,478) | (93,948) |
| **Net foreign currency position** | 274,570 | 74,607 | (93,948) |

**30 June 2007**