TURKCELL ILETISIM HIZMETLERI A S
Form 6-K
January 07, 2008

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 **November 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. Consolidated Interim Financial Statements As at and for the nine months ended 30 September 2007
2	Press Release dated November 7, 2007

EXHIBIT 1

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

CONSOLIDATED INTERIM BALANCE SHEET

As at 30 September 2007

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

	Note	30 September 2007	31 December 2006
Assets			
Property, plant and equipment	12	2,132,525	1,916,991
Intangible assets	13	1,319,438	1,234,668
Equity accounted investees	14	617,922	523,840
Other investments, including derivatives	15	41,541	35,095
Due from related parties	32	69,742	72,506
Other non-current assets	16	40,701	121,465
Deferred tax assets	17	3,690	3,052
Total non-current assets		**4,225,559**	**3,907,617**
Inventories		14,569	11,018
Other investments, including derivatives	15	29,109	61,733
Due from related parties	32	36,996	66,101
Trade receivables and accrued income	18	525,738	318,973
Other current assets	19	302,796	125,653

Cash and cash equivalents	20	2,514,528	1,598,640
Total current assets		**3,423,736**	**2,182,118**
Total assets		**7,649,295**	**6,089,735**
Equity			
Share capital	21	1,636,204	1,636,204
Share premium	21	434	434
Reserves	21	757,404	(4,884)
Retained earnings	21	2,821,321	2,394,838
Total equity attributable to equity holders of the Company		**5,215,363**	**4,026,592**
Minority interest	**21**	**133,379**	**91,375**
Total equity		**5,348,742**	**4,117,967**
Liabilities			
Loans and borrowings	23	139,695	113,503
Employee benefits	24	24,083	17,648
Other non-current liabilities		1,417	8,683
Deferred tax liabilities	17	120,483	196,260
Total non-current liabilities		**285,678**	**336,094**
Bank overdraft	20	2	285
Loans and borrowings	23	600,248	526,083
Income taxes payable	11	323,931	309,470
Trade and other payables, including derivatives	27	802,792	579,421
Due to related parties	32	8,411	6,844
Deferred income	25	247,918	184,337
Provisions	26	31,573	29,234
Total current liabilities		**2,014,875**	**1,635,674**
Total liabilities		**2,300,553**	**1,971,768**
Total equity and liabilities		**7,649,295**	**6,089,735**

The notes on page 6 to 84 are an integral part of these consolidated interim financial statements

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TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

CONSOLIDATED INTERIM INCOME STATEMENT

For the nine months ended 30 September 2007

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

		Nine months ended 30 September		**Three months ended 30 September**	
	Note	**2007**	**2006**	**2007**	**2006**
Revenue	8	4,521,043	3,496,941	1,722,766	1,199,393
Direct cost of revenue		(2,254,272)	(1,965,853)	(799,851)	(651,501)
Gross profit		**2,266,771**	**1,531,088**	**922,915**	**547,892**
Other income		10,153	10,596	1,801	480
Selling and marketing expenses		(810,166)	(615,657)	(296,853)	(212,702)
Administrative expenses		(163,726)	(125,718)	(56,867)	(40,173)
Other expenses		(3,541)	(8,612)	558	(1,923)
Results from operating activities		**1,299,491**	**791,697**	**571,554**	**293,574**
Finance income	10	213,516	121,015	83,472	40,533
Finance expense	10	(445,394)	(65,974)	(230,719)	42,782
Net finance costs		**(231,878)**	**55,041**	**(147,247)**	**83,315**
Share of profit of equity accounted investees		43,346	62,268	17,196	26,503
Profit before income tax		**1,110,959**	**909,006**	**441,503**	**403,392**
Income tax expense	11	(197,220)	(361,249)	(50,186)	(108,922)
Profit for the period		**913,739**	**547,757**	**391,317**	**294,470**
Attributable to:					
Equity holders of the Company		946,957	585,859	401,188	311,814
Minority interest		(33,218)	(38,102)	(9,871)	(17,344)
Profit for the period		**913,739**	**547,757**	**391,317**	**294,470**
Basic and diluted earnings per share (in full USD)	22	0.430435	0.266300	0.182358	0.141734

The notes on page 6 to 84 are an integral part of these consolidated interim financial statements

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TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

CONSOLIDATED INTERIM STATEMENT OF RECOGNIZED INCOME AND EXPENSE

For the nine months ended 30 September 2007

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

	Nine months ended 30 September		**Three months ended 30 September**	
	2007	**2006**	**2007**	**2006**
Foreign currency translation differences	641,370	(352,682)	356,829	188,159
Net change in fair value of available-for-sale securities	1,737	(303)	(463)	(70)
Income and expense recognized directly in equity	**643,107**	**(352,985)**	**356,366**	**188,089**
Profit for the period	913,739	547,757	391,317	294,470
Total recognized income for the period	**1,556,846**	**194,772**	**747,683**	**482,559**
Attributable to:				
Equity holders of the Company	1,600,684	232,874	769,299	499,903
Minority interest	(43,838)	(38,102)	(21,616)	(17,344)
Total recognized income for the period	**1,556,846**	**194,772**	**747,683**	**482,559**

The notes on page 6 to 84 are an integral part of these consolidated interim financial statements

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TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2007

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

	Nine months ended	
	2007	**2006**
Cash flows from operating activities		
Profit for the period	**913,739**	**547,757**
Adjustments for:	**1,063,684**	**804,120**
Depreciation	395,764	397,279
Amortization of intangibles	193,034	167,883
Foreign exchange loss, net	382,615	12,764
Net finance income	(156,414)	(60,832)
Provision for doubtful receivables	23,872	17,711
Income tax expense	197,220	361,249
Share of profit of equity accounted investees	(76,407)	(68,712)
Gain on sale of property, plant and equipment	(90)	-
Translation reserve	96,980	(27,123)
Net gain/(loss) on remeasurement of investments	2,381	(2,579)
Amortization of transaction costs of borrowings	4,729	6,480
	(378,643)	**(179,955)**
Change in trade receivables	(183,425)	(94,158)
Change in due from related parties	39,479	25,424
Change in inventories	(1,715)	(1,733)
Change in other current assets	(37,231)	(31,449)
Change in other non-current assets	(22,551)	454
Change in due to related parties	897	794
Change in trade and other payables	(3,890)	60,007
Change in other current liabilities	149,923	(30,614)
Change in other non-current liabilities	(7,545)	3,382
Change in employee benefits	3,494	1,005
Change in deferred income	32,481	1,323
Change in provisions	(790)	(7,369)
Interest paid	(22,954)	(44,266)
Income tax paid	(337,767)	(62,755)
Dividend received	12,951	**-**
Net cash from operating activities	**1,598,780**	**1,171,922**
Cash flows from investing activities		
Proceeds from sale of property plant and equipment	3,361	-
Proceeds from currency option contracts	14,345	-
Proceeds from sale of available-for-sale financial assets	27,114	6,712
Proceeds from settlement of held-to-maturity investments	8,300	9,218
Interest received	192,789	109,383
Dividends received	18,131	-

Acquisition of property, plant and equipment	(383,622)	(291,207)
Acquisition of intangibles	(116,968)	(102,876)
Acquisition of minority interest	-	(17,529)
Payment of currency option contracts premium	(7,809)	-
Investment in other investments	-	(152,466)
Acquisition of available-for-sale financial assets	(119)	(52,617)
Acquisition of held-to-maturity investments	-	(6,015)
Net cash used in investing activities	**(244,478)**	**(497,397)**
Cash flows from financing activities		
Payment of transaction costs	(205)	(52,166)
Proceeds from issuance of loans and borrowings	469,673	847,690
Repayment of borrowings	(427,682)	(915,309)
Dividends paid	(457,625)	(342,166)
Change in minority interest	123,721	61,272
Reimbursement of borrowing costs	11,983	-
Net cash used in financing activities	**(280,135)**	**(400,679)**
Effects of foreign exchange rate fluctuations on balance sheet items	**224,620**	**(84,164)**
Net increase/(decrease) in cash and cash equivalents	**1,298,787**	**189,682**
Cash and cash equivalents at 1 January	**1,598,356**	**808,153**
Effect of exchange rate fluctuations on cash and cash equivalents	(382,615)	(12,764)
Cash and cash equivalents at 30 September	**2,514,528**	**985,071**

The notes on page 6 to 84 are an integral part of these consolidated interim financial statements

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TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the nine months ended 30 September 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 nine months ended 30 September 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. The address of the Company s registered office is Turkcell Plaza, Mesrutiyet caddesi No:71, 34430 Tepebasi/Istanbul. It is engaged in establishing and operating a Global System for Mobile Communications (GSM) network in Turkey and regional states.

In April 1998, the Company signed a license agreement (the 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 July 2007 and November 2006, Cukurova Group sold 3.24% and 5.88% of the total shares, respectively. The Company did not receive any proceeds from this offering.

As at 30 September 2007, two significant founding shareholders, Sonera Holding BV and Cukurova Group own approximately 37.1% and 18.0%, 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 nine and three months ended 30 September 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 nine and three months ended 30 September 2007.

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the nine months ended 30 September 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 7 November 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 Turkish Republic of Northern Cyprus is TRY. The functional currency of Euroasia Telecommunications Holding BV (Euroasia) and Financell BV (Financell) 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 in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Information about estimates, uncertainty and critical judgements about the contingencies are described in note 31 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:

Key sources of estimation uncertainty

In note 28, detailed analysis is provided for the foreign exchange exposure of the Company and risks in relation to foreign exchange movements.

Critical accounting judgments in applying the Company s accounting policies

Certain critical accounting judgments 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.

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the nine months ended 30 September 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)

Critical accounting judgments in applying the Company s accounting policies (continued)

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 a principal. In the absence of specific guidance under 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 proceeds 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, and have been applied consistently by Group entities.

Certain comparative amounts have been reclassified to conform with the current year s presentation.

(a) Basis of consolidation

(i) Subsidiaries

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

(ii) Acquisition from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are excluded from the scope of 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 Group s controlling shareholder s consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group equity.

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TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the nine months ended 30 September 2007

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

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

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

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and jointly controlled entities (equity accounted investees) are accounted for using the equity method and are initially recognised at cost. The Group s investment includes goodwill identified on acquisition, net of any accumulated impairment loss. The consolidated interim financial statements include the Group s share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group s share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. The Group s equity accounted investees as at 30 September 2007 are Fintur Holdings B.V. (Fintur) and A-Tel Pazarlama ve Servis Hizmetleri AS (A-Tel).

(iv) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation of foreign currency transactions are recognised in the income statement. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised directly in equity.

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TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the nine months ended 30 September 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 exchange rates approximating to the exchange rates at the dates of the transactions.

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

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

(iii) Translation from functional to presentation currency

Items included in the 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 monthly average exchange rates.

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

(iv) Net investment in foreign operations

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

(c) Financial instruments

(i) Non-derivative financial instruments

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

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

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

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TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the nine months ended 30 September 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.

Financial assets at fair value through profit or loss

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

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.

Changes in fair value of separable embedded derivatives are recognised immediately in profit or loss.

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

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TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the nine months ended 30 September 2007

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

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognized in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the nine months ended 30 September 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)

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 reviewed at each reporting date.

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:

	Nine months ended 30 September 2007	**Year ended 31 December 2007**	**Year ended 31 December 2008**
Increase/(decrease) in depreciation	6,903	10,934	(1,604)

(e) Intangible assets

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

(i) Subsequent expenditure

Subsequent expenditure 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 recognised in profit or loss as incurred.

(ii) Amortization

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

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

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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3. Significant accounting policies (continued)

(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.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses. The cost of inventory is determined using the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. At 30 September 2007, inventories mainly consist of simcards and scratch cards.

(h) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired.

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 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.

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3. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Non-financial assets

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

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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the cash-generating unit).

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

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 2,030 as at 30 September 2007 (equivalent to full $1,685 as at 30 September 2007) (31 December 2006: full TRY 1,857 (equivalent to full $1,541 as at 30 September 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 Company and its subsidiaries in Turkey arising from the retirement of the employees. The calculation was based upon the retirement pay ceiling announced by the Government.

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TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the nine months ended 30 September 2007

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3. Significant accounting policies (continued)

(i) Employee benefits (continued)

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss when they are due. 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 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 if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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.

(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.

In connection with campaigns, 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. Loyalty programs for both postpaid and prepaid services may be bundled with other services. 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.

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3. Significant accounting policies (continued)

(k) Revenue (continued)

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 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.

(m) Finance income and expenses

Finance income comprises interest income on funds invested (including available-for sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group s right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

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

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

(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.

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3. Significant accounting policies (continued)

(o) Income tax

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 assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

(p) Earnings per share

The Group presents basic 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 returns that are different from those of other segments. Segment information is presented in respect of the Group s business and geographical segments. The Group s primary format for segment reporting is based on geographical segment and secondary segment reporting is based on business segments.

Inter-segment pricing is determined on an arm s length basis.

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 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.

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3. Significant accounting policies (continued)

(r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective at 30 September 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 11, IFRS 2 Group and Treasury Share Transactions requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Group s 2008 financial statements, with retrospective application required. It is not expected to have any impact on the consolidated financial statements.

Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as a part of the cost of that asset. The revised IAS 23 will become mandatory for the Group s 2009 financial statements and will not constitute a change in accounting policy for the Group.

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. At present, the Group provides telecommunications services which it recognizes property, plant and equipment and depreciates on a straight-line basis over the term of the concession agreement. 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.

Revised IAS 1 Presentation of Financial Statements does not change the recognition measurement or disclosure of transactions and events that are required by other IFRSs. The revised standard introduces as a financial statement the statement of comprehensive income . The revised standard is effective for annual financial periods beginning on or after 1 January 2009, with early adoption permitted.

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.

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4. Determination of fair values

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

(i) Property, plant and equipment

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

(iv) 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.

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5. Financial risk management

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

Credit risks

Liquidity risks

Market risk

This note presents information about the Group s exposure to each of the above risks, the Group s objectives, policies and processes for measuring and managing risk, and the Group s management of capital.

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

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

Credit risk

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

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

In monitoring customer credit risk, customers are grouped according to whether they are an individual or legal entity, ageing profile, maturity and existence of previous financial difficulties. Trade receivables and accrued service income are mainly related to the Group s subscribers. The Group exposure to credit risk on trade receivables is influenced mainly by the individual payment characteristics of post-paid subscribers.

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.

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 nine months ended 30 September 2007. If impairment loss as a percentage of revenues increased to 1.5% of revenues, the impairment loss would have been increased by $43,944, negatively impacting profit for the nine months ended 30 September 2007.

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5. 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, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group s reputation.

Market risk

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

Foreign currency risk

The Group is exposed to currency risk on certain revenues such as roaming revenues, purchases and certain operating costs such as roaming expenses and network related costs and resulting receivables and payables and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily TRY for operations conducted in Turkey. The currencies in which these transactions are primarily denominated are Euro, US Dollars and Swedish Krona.

Derivative financial instruments such as forward contracts and options are used to hedge exposure to fluctuations in foreign exchange rates. The Group uses forward exchange contracts to hedge its currency risk, most with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

The Group s investments in its equity pick-up investee Fintur and its subsidiary in Ukraine are not hedged with respect to the currency risk arising from the net assets as those currency positions are considered to be long-term in nature.

To manage foreign currency risk more efficiently, the Group enters into forward contracts, details of which are given in note 28.

Interest rate risk

The Group has not entered into any type of derivative instrument in order to hedge interest rate risk as at 30 September 2007.

The Board s policy is to maintain a strong capital base as to maintain investor, creditor and market confidence and to sustain future development of the business.

6. Segment reporting

Geographical 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.

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.

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6. Segment reporting (continued)

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

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6. Segment reporting (continued)

	Nine months ended 30 September											
	Turkey		**Ukraine**		**Turkish Republic of Northern Cyprus**		**Other**		**Eliminations**		**Consolidated**	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Total external revenues	4,287,142	3,390,172	171,939	57,629	61,962	49,140					4,521,043	3,496,941
Inter-segment revenue	3,667	998	949		4,432	3,987			(9,048	(4,985)		
Total segment revenue	4,290,809	3,391,170	172,888	57,629	66,394	53,127			(9,048	(4,985	4,521,043	3,496,941
Segment result	1,370,674	911,872	(86,141)	(128,436)	8,261	4,801			85	1,476	1,292,879	789,713
Unallocated income, net											6,612	1,984
Results from operating activities											1,299,491	791,697
Net finance costs											(231,878)	55,041
Share of profit/(loss) of equity accounted investees	(32,729)	(738)					76,075	63,006			43,346	62,268
Income tax expense											(197,220)	(361,249)
Profit for the period											913,739	547,757

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6. Segment reporting (continued)

	Three months ended 30 September											
	Turkey		**Ukraine**		**Turkish Republic of Northern Cyprus**		**Other**		**Eliminations**		**Consolidated**	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Total external revenues	1,625,806	1,161,206	75,145	20,775	21,815	17,412					1,722,766	1,199,393
Inter-segment revenue	1,663	401	333		1,556	3,040			(3,552	(3,441)		
Total segment revenue	1,627,469	1,161,607	75,478	20,775	23,371	20,452			(3,552	(3,441	1,722,766	1,199,393
Segment result	585,656	338,631	(21,851)	(46,660)	4,553	2,408			837	638	569,195	295,017
Unallocated income/(expense), net											2,359	(1,443)
Results from operating activities											571,554	293,574
Net finance costs											(147,247)	83,315
Share of profit/(loss) of equity accounted investees	(14,803)	(738)					31,999	27,241			17,196	26,503
Income tax expense											(50,186)	(108,922)
Profit for the period											391,317	294,470

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TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the nine months ended 30 September 2007

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

6. Segment reporting (continued)

Business segments

As at 30 September 2007 and 31 December 2006

	Turkey		Ukraine		Turkish Republic of Northern Cyprus		Other		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Segment assets	3,624,158	3,154,146	640,916	572,474	71,291	35,529	461,895		(470,587)	(563)	4,327,673	3,761,586
Investment in equity accounted investees	142,038	147,568					475,884	376,272			617,922	523,840
Unallocated assets											2,703,700	1,804,309
Total assets											7,649,295	6,089,735
Segment liabilities	956,778	736,753	71,430	76,753	23,888	12,993	51	119	(8,934)	(451)	1,043,213	826,167
Unallocated liabilities											1,257,340	1,145,601
Total liabilities											2,300,553	1,971,768

Nine months ended 30 September

	Turkey		Ukraine		Turkish Republic of Northern Cyprus		Other		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Capital expenditure	345,714	268,148	129,146	116,637	33,922	9,298					508,782	394,083
Depreciation	354,785	340,181	36,468	52,877	4,511	4,221					395,764	397,279
Amortization of intangible assets	166,373	148,423	25,112	18,793	1,549	667					193,034	167,883
Impairment losses	22,136	22,110	254	(188)	1,482	295					23,872	22,217

	Three months ended 30 September											
	Turkey		Ukraine		Turkish Republic of Northern Cyprus		Other		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Capital expenditure	157,274	143,397	26,137	27,266	4,690	5,561					188,101	176,224
Depreciation	119,299	108,198	14,980	18,431	1,217	1,369					135,496	127,998
Amortization of intangible assets	57,404	47,272	8,630	6,532	706	234					66,740	54,038
Impairment losses	7,166	6,783	139	12	1,220	487					8,525	7,282

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TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

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As at and for the nine months ended 30 September 2007

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6. Segment reporting (continued)

Business segments

	Nine months ended 30 September							
	Telecommunications		**Betting**		**Other operations**		**Consolidated**	
	2007	2006	2007	2006	2007	2006	2007	2006
Total external revenue	4,392,592	3,334,874	116,113	133,485	12,338	28,582	4,521,043	3,496,941
Capital expenditure	499,212	387,693	1,093	1,830	8,477	4,560	508,782	394,083

	Three months ended 30 September							
	Telecommunications		**Betting**		**Other operations**		**Consolidated**	
	2007	2006	2007	2006	2007	2006	2007	2006
Total external revenue	1,678,039	1,132,650	40,025	45,672	4,702	21,071	1,722,766	1,199,393
Capital expenditure	180,982	173,063	351	439	6,768	2,722	188,101	176,224

	As at 30 September 2007 and 31 December 2006							
	Telecommunications		**Betting**		**Other operations**		**Consolidated**	
	2007	2006	2007	2006	2007	2006	2007	2006
Segment assets	4,272,148	3,712,408	22,207	23,418	33,318	25,760	4,327,673	3,761,586

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7. 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 $150,000 at 9 August 2006, acquisition date). At 30 September 2007, management completed the evaluation of the fair value of identifiable assets and liabilities of A-Tel and its allocation of the purchase price. A-Tel is accounted for under equity method and results of the operations for the nine and three months ended 30 September 2007 are included in the accompanying consolidated interim financial statements using ownership rate of 50% as at and for the nine and three months ended 30 September 2007.

In the five months ended 31 December 2006, A-Tel contributed profit of $12,273. If the acquisition had occurred on 1 January 2006, management estimates that consolidated profit for the year ended 31 December 2006 would have been $848,752. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 January 2006.

On the acquisition of A-tel shares, the Group s interest in the net fair value of the identifiable assets and liabilities exceeded the cost of the acquisition by $7,848. The Group reassessed the measurement of the acquired assets and liabilities and reduced acquired intangible assets by $7,848.

The carrying amount and fair values of the acquired assets and liabilities are given below:

	Pre-acquisition carrying amounts	Fair value adjustments	Recognized values on acquisition
Property, plant and equipment	73		73
Intangible assets		250,926	250,926
Deferred tax assets/(liabilities)	92	(53,324)	(53,232)
Due from related parties	10,948		10,948
Trade and other receivables	3,187		3,187
Inventory	27		27
Other current asset	224		224
Other investments, including derivatives	1,855		1,855
Cash and cash equivalents	96,803		96,803
Employee benefits	(221)		(221)
Trade and other payables	(1,501)		(1,501)
Income taxes payable	(1,809)		(1,809)
Due to related parties	(7,280)		(7,280)
Net identifiable assets and liabilities	102,398	197,602	300,000

	Pre-acquisition carrying amounts	Fair value adjustments	Recognized values on acquisition
Percentage of acquired shares			50%
Net acquired assets and liabilities			150,000

Pre-acquisition carrying amounts were determined based on applicable IFRSs immediately before the acquisition. The values of assets and liabilities recognized on acquisition are their estimated fair values (see note 4 for methods used in determining fair values).

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

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7. Acquisitions of joint ventures and minority interests (continued)

Business combination (continued)

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 $31,082 at 30 September 2007) and TRY 30,300 (equivalent to $25,149 at 30 September 2007) as at 30 September 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% share 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, May, July and September 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.

8. Revenue

	Nine months ended 30 September		**Three months ended 30 September**	
	2007	**2006**	**2007**	**2006**
Communication fees	4,270,800	3,277,834	1,642,291	1,119,000
Commission fees on betting business	116,113	133,485	40,025	45,672
Monthly fixed fees	39,979	41,756	13,917	14,485
Simcard sales	18,626	14,965	5,205	2,924
Call center revenues	9,064	7,005	3,461	2,481
Other revenues	66,461	21,896	17,867	14,831

	4,521,043	3,496,941	1,722,766	1,199,393

9. Personnel Expenses

	Nine months ended 30 September		Three months ended 30 September	
	2007	**2006**	**2007**	**2006**
Wages and salaries*	254,238	195,772	94,022	62,598
Increase in liability for long-service leave	5,490	3,110	40	175
Contributions to defined contribution plans	900	758	327	221
	260,628	199,640	94,389	62,994

* Wages and salaries include compulsory social security contributions.

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10. Finance income and expense

Recognised in profit or loss:

	Nine months ended 30 September		**Three months ended 30 September**	
	2007	**2006**	**2007**	**2006**
Interest income on bank deposits	166,770	82,445	58,156	27,084
Late payment interest income	24,329	23,092	10,382	6,372
Premium income on option contracts	14,475	8,586	11,538	3,466
Net gain on financial assets	3,860	2,125	1,822	2,125
Other interest income	4,082	4,767	1,574	1,486
Finance income	213,516	121,015	83,472	40,533
Net foreign exchange loss	(382,615)	(12,764)	(205,107)	52,763
Discount interest expense on financial liabilities measured at amortised cost	(30,929)	(48,551)	(6,735)	(14,431)
Debt extinguishment cost	(17,549)	-	(9,671)	-
Option premium expense	(7,594)	-	(7,594)	-
Other	(6,707)	(4,659)	(1,612)	4,450
Finance expense	(445,394)	(65,974)	(230,719)	42,782
Net finance costs	(231,878)	55,041	(147,247)	83,315

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

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.

Interest expense on borrowings capitalized on fixed assets amounts to $8,192, $1,675, $3,864 and $151 for the nine and three months ended 30 September 2007 and 2006, respectively.

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11. Income tax expense

	Nine months ended		**Three months ended**	
	30 September 2007	**2006**	**30 September 2007**	**2006**
Current tax expense				
Current period	(297,800)	(246,497)	(104,160)	(92,177)
	(297,800)	(246,497)	(104,160)	(92,177)
Deferred tax benefit/(expense)				
Origination and reversal of temporary differences	79,649	18,106	49,078	(25,280)
Benefit of investment incentive recognized	20,931	19,951	4,896	8,535
Reduction in tax rate	-	(152,809)	-	-
	100,580	(114,752)	53,974	(16,745)
Total income tax expense	(197,220)	(361,249)	(50,186)	(108,922)

Income tax recognized directly in equity is amounting to $1,234, $61, $(111) and $14 for the nine and three months ended 30 September 2007 and 2006, respectively.

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TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

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11. Income tax expense (continued)

Reconciliation of effective tax rate

The reported income tax expense for the nine and three months ended 30 September 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:

		Nine months ended				Three months ended		
		30 September 2007		**2006**		**30 September 2007**		**2006**
Profit for the period		913,739		547,757		391,317		294,470
Total income tax expense		197,220		361,249		50,186		108,922
Profit excluding income tax		1,110,959		909,006		441,503		403,392
Income tax using the Company s domestic tax rate	20%	(222,192)	20%	(181,801)	20%	(88,301)	20%	(80,678)
Effect of tax rates in foreign jurisdictions	(1)%	5,817	(1)%	7,723	-	1,732	(1)%	2,536
Tax exempt income	(1)%	8,567	-	317	(1)%	2,334	-	-
Non deductible expenses	1%	(10,528)	1%	(7,318)	2%	(7,466)	-	(1,784)
Tax incentives	(2)%	20,931	(2)%	19,951	(1)%	4,896	(2)%	8,535
Effect of gradual tax rate	1%	(5,862)		-	(3)%	13,264	-	-
Change in tax rate	-	-	17%	(152,809)	-	-	-	-
Difference in effective tax rate of equity accounted investees	(1)%	12,095	-	-	(3)%	12,095	-	-
Temporary differences and current year losses for which no deferred tax asset was recognized	2%	(26,287)	3%	(29,743)	1%	(4,527)	3%	(10,371)
Other	(2)%	20,239	2%	(17,569)	(4)%	15,787	7%	(27,160)
Total income tax expense	18%	(197,220)	40%	(361,249)	11%	(50,186)	27%	(108,922)

The income taxes payable of $323,931 at 30 September 2007 represents the amount of estimated income taxes payable in respect of related taxable profit for the nine months ended 30 September 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.

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.

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12. 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)	2,714,156	465,549	(1,261)	-	(115,296)	3,063,148
Land and buildings	59,342	10,615	-	-	(2,514)	67,443
Equipment, fixtures and fittings	248,763	16,649	(1,228)	-	(10,918)	253,266
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.

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12. 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 30 September 2007
Network infrastructure (All Operational)	4,476,792	34,228	(207,897)	329,780	695,125	5,328,028
Land and buildings	253,708	23,825	(128)	(4,131)	39,498	312,772
Equipment, fixtures and fittings	292,483	8,726	(6,205)	2,004	45,047	342,055
Motor vehicles	17,818	448	(4,629)	-	2,890	16,527
Leasehold improvements	131,830	1,341	(61)	(5,278)	20,814	148,646
Construction in progress	267,187	398,931	-	(398,060)	35,767	303,825
Total	**5,439,818**	**467,499**	**(218,920)**	**(75,685)**	**839,141**	**6,451,853**
Accumulated Depreciation						
Network infrastructure (All Operational)	3,063,148	371,301	(204,927)	-	567,676	3,797,198
Land and buildings	67,443	8,623	(27)	-	11,818	87,857
Equipment, fixtures and fittings	253,266	12,733	(6,199)	-	16,041	275,841
Motor vehicles	15,601	789	(4,486)	-	2,689	14,593
Leasehold improvements	123,369	2,318	(19)	-	18,171	143,839
Total	**3,522,827**	**395,764**	**(215,658)**	**-**	**616,395**	**4,319,328**
Total property, plant and equipment	**1,916,991**	**71,735**	**(3,262)**	**(75,685)**	**222,746**	**2,132,525**

* The remaining portion of transfer amounting to $75,685 comprises intangible assets.

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TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

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12. 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. At 30 September 2007, net carrying amount of fixed assets acquired under finance leases amounted to $96,963 (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 September 2007 and 31 December 2006.

As at 30 September 2007, a mortgage is placed on Izmir and Davutpasa buildings amounting to $560 and $415, respectively (31 December 2006: $1,067 and $356, respectively).

13. Intangible assets

In April 1998, the Company signed the License with the Turkish Ministry, under which it was granted a GSM license, which is amortized in 25 years with a carrying amount of $591,573 as at 30 September 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 12.

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13. Intangible assets (continued)

Cost	**Balance at 1 January 2007**	**Additions**	**Disposals**	**Transfers***	**Effects of movements in exchange rates**	**Balance at 30 September 2007**
GSM and other telecommunication operating licences	902,427	28,814	-	13,868	135,793	1,080,902
Computer Software	1,565,334	9,903	(24)	101,686	249,298	1,926,197
Transmission Lines	31,286	364	-	-	5,214	36,864
Central Betting System Operating Right	4,038	52	-	-	673	4,763
Customer Base	1,255	-	-	-	209	1,464
Other	84	165	-	20	(204)	65
Construction in progress	47,565	1,985	-	(39,889)	-	9,661
Total	**2,551,989**	**41,283**	**(24)**	**75,685**	**390,983**	**3,059,916**
Accumulated Amortization						
GSM and other telecommunication operating licences	327,829	35,553	-	-	50,651	414,033
Computer Software	966,513	154,106	(16)	-	175,271	1,295,874
Transmission Lines	18,987	2,508	-	-	3,448	24,943
Central Betting System Operating Right	2,710	848	-	-	547	4,105
Customer Base	1,255	-	-	-	209	1,464
Other	27	19	-	-	13	59
Total	**1,317,321**	**193,034**	**(16)**	**-**	**230,139**	**1,740,478**
Total intangible assets	**1,234,668**	**(151,751)**	**(8)**	**75,685**	**160,844**	**1,319,438**

(*) Refer to note 12.

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TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

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14. Equity accounted investees

The Group s share of profit in its equity accounted investees for the nine and three months ended 30 September 2007 and 2006 was $43,346, $62,268, $17,196 and $26,503, 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 September 2007							
Fintur (associate)	41.45%	372,964	1,331,036	1,704,000	265,504	45,323	310,827
A-Tel (joint venture)	50.00%	75,272	282,875	358,147	16,272	56,829	73,101
		448,236	1,613,911	2,062,147	281,776	102,152	383,928
31 December 2006							
Fintur (associate)	41.45%	310,410	1,103,420	1,413,830	255,319	47,445	302,764
A-Tel (joint venture)	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

	Nine months ended 30 September			Three months ended 30 September		
	Revenues	Direct cost of revenue	Profit for the period	Revenues	Direct cost of revenue	Profit for the period
2007						
Fintur (associate)	1,063,879	(431,175)	183,533	411,306	(167,522)	77,198
A-Tel (joint venture)	66,345	(73,601)	4,348	25,301	(34,852)	(939)
	1,130,224	(504,776)	187,881	436,607	(202,374)	76,259
2006						
Fintur (associate)	837,598	(338,420)	152,006	320,480	(112,918)	65,721
A-Tel (joint venture)*	12,472	(36)	10,920	12,472	(36)	10,920
	850,070	(338,456)	162,926	332,952	(112,954)	76,641

*Since A-tel was acquired in August 2006, summary financial information of A-tel is for the two months ended 30 September 2006.

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TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the nine months ended 30 September 2007

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

14. 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 in note 7. The Company s investment in Fintur and A-Tel amounts to $475,884 and $142,038, respectively as at 30 September 2007 (31 December 2006: $376,272 and $147,568, respectively).

15. Other investments, including derivatives

Non-current investments:

		30 September 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	28,109	6.24	24,093
T Medya Yatirim Sanayi ve Ticaret AS (T Medya)	Turkey	9.23	12,835	8.23	11,002
Embedded derivatives	-	-	597	-	-
			41,541		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 restructuring, interest of the Group in T-Medya increased from 8.23% to 9.23%.

Investment in Aks TV and T-Medya is 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 September 2007	31 December 2006
Held to maturity investments	**-**	**7,045**
Government bonds, treasury bills	-	7,045