

TURKCELL ILETISIM HIZMETLERI A S  
Form 20-F/A  
April 24, 2008  
Table of Contents

As filed with the Securities and Exchange Commission on April 24, 2008

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 20-F/A**

(Amendment No. 1)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934  
OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from            to

OR

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**Date of event requiring this shell company report**

**Commission File Number: 1-15092**

## **TURKCELL ILETISIM HIZMETLERI A.S.**

(Exact Name of Registrant as Specified in Its Charter)

### **TURKCELL**

(Translation of Registrant's Name Into English)

**Republic of Turkey**

(Jurisdiction of Incorporation or Organization)

**Turkcell Plaza**

**Mesrutiyet Caddesi No: 71**

**34430 Tepebasi**

**Istanbul, Turkey**

(Address of Principal Executive Offices)

**Mr. Serkan Okandan**

**Telephone: +90 212 313 1201**

**Facsimile: +90 212 292 5390**

**Turkcell Plaza**

**Mesrutiyet Caddesi No: 71**

**34430 Tepebasi**

**Istanbul, Turkey**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

**Securities registered pursuant to Section 12(b) of the Act:**

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
<b>American Depositary Shares</b>	<b>New York Stock Exchange</b>
<b>Ordinary Shares, Nominal Value TRY 1.000*</b>	<b>New York Stock Exchange</b>
	<b>Istanbul Stock Exchange</b>

\*Not for trading on the NYSE, but only in connection with the registration of ADSs representing such ordinary shares pursuant to the requirements of the Securities and Exchange Commission.

**Securities registered pursuant to Section 12(g) of the Act:**

**None**

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**

**None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

<b>Ordinary Shares, Nominal Value TRY 1.000</b>	<b>2,200,000,000</b>
---	----------------------

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. **Yes**  **No**

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. **Yes**  **No**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes**  **No**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. **Item 17**  **Item 18**

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). **Yes**  **No**



**Table of Contents****Table of Contents**

	<b>Page</b>
ITEM 1. <u>IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	2
ITEM 2. <u>OFFER STATISTICS AND EXPECTED TIMETABLE</u>	2
ITEM 3. <u>KEY INFORMATION</u>	3
<u>3.A Selected Financial Data</u>	3
<u>3.B Capitalization and Indebtedness</u>	10
<u>3.C Reasons for the Offer and Use of Proceeds</u>	10
<u>3.D Risk Factors</u>	10
ITEM 4. <u>INFORMATION ON THE COMPANY</u>	23
<u>4.A History and Development of the Company</u>	23
<u>4.B Business Overview</u>	23
<u>4.C Organizational Structure</u>	71
<u>4.D Property, Plants and Equipment</u>	71
ITEM 4A. <u>UNRESOLVED STAFF COMMENTS</u>	72
ITEM 5. <u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	72
<u>5.A Operating Results</u>	77
<u>5.B Liquidity and Capital Resources</u>	97
<u>5.C Research and Development, Patents and Licenses, etc.</u>	102
<u>5.D Trend Information</u>	103
<u>5.E Off-Balance Sheet Arrangements</u>	103
<u>5.F Tabular Disclosure of Contractual Obligations</u>	104
<u>5.G Safe Harbor</u>	105
ITEM 6. <u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	105
<u>6.A Directors and Senior Management</u>	105
<u>6.B Compensation</u>	108
<u>6.C Board Practices</u>	109
<u>6.D Employees</u>	111
<u>6.E Share Ownership</u>	112
ITEM 7. <u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	113
<u>7.A Major Shareholders</u>	113
<u>7.B Related Party Transactions</u>	115
<u>7.C Interests of Experts and Counsel</u>	117
ITEM 8. <u>FINANCIAL INFORMATION</u>	117
<u>8.A Consolidated Statements and Other Financial Information</u>	117
<u>8.B Significant Changes</u>	120
ITEM 9. <u>THE OFFER AND LISTING</u>	120
<u>9.A Offer and Listing Details</u>	120
<u>9.B Plan of Distribution</u>	122
<u>9.C Markets</u>	123
<u>9.D Selling Shareholders</u>	123
<u>9.E Dilution</u>	123
<u>9.F Expenses of the Issue</u>	123
ITEM 10. <u>ADDITIONAL INFORMATION</u>	123
<u>10.A Share Capital</u>	123
<u>10.B Memorandum and Articles of Association</u>	123
<u>10.C Material Contracts</u>	133
<u>10.D Exchange Controls</u>	133
<u>10.E Taxation</u>	133
<u>10.F Dividends and Paying Agents</u>	139
<u>10.G Statement by Experts</u>	140
<u>10.H Documents on Display</u>	140
<u>10.I Subsidiary Information</u>	140

**Table of Contents**

	<b>Page</b>
ITEM 11. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	140
ITEM 12. <u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	142
ITEM 13. <u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	142
ITEM 14. <u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	142
ITEM 15. <u>CONTROLS AND PROCEDURES</u>	142
ITEM 16A. <u>AUDIT COMMITTEE FINANCIAL EXPERT</u>	145
ITEM 16B. <u>CODE OF ETHICS</u>	145
ITEM 16C. <u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	145
ITEM 16D. <u>EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	146
ITEM 16E. <u>PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	146
ITEM 17. <u>FINANCIAL STATEMENTS</u>	146
ITEM 18. <u>FINANCIAL STATEMENTS</u>	146
ITEM 19. <u>EXHIBITS</u>	146

**Table of Contents**

**Explanatory Note**

This Form 20-F/A is being filed by Turkcell Iletisim Hizmetleri A.S. (the Company ) as Amendment No. 1 to its Annual Report on Form 20-F for the fiscal year ended December 31, 2007, filed with the Securities and Exchange Commission (the Commission ) on April 23, 2008 (the 2007 20-F ). The purpose of this Form 20-F/A is to amend the 2007 20-F to delete from Item 3.D and Item 7.A a statement regarding the relationship between Alfa Group and Nadash International Holdings, Inc. and to revise our statement in Item

15(b) regarding the attestation report.

Other than as expressly set forth above, this Form 20-F/A does not, and does not purport to, amend, update, or restate the information in any Item of the Company s 2007 20-F.

**Table of Contents**

**ITEM 3. KEY INFORMATION**

**3.A Selected Financial Data**

Our audited consolidated financial statements as of December 31, 2007 and 2006 and for each of the years in the three-year period ended December 31, 2007 included in this annual report have been prepared in accordance with IFRS as issued by the IASB.

You should read the following information in conjunction with Item 5. Operating and Financial Review and Prospects, our audited consolidated financial statements as of December 31, 2007 and 2006 and for each of the years in the three-year period ended December 31, 2007, and the related notes appearing elsewhere in this annual report.

The following table presents our selected consolidated statement of operations, balance sheet and cash flow data as of and for each of the years in the three-year period ended December 31, 2007, presented in accordance with IFRS as issued by the IASB which has been derived from our audited consolidated financial statements as of and for the years ended December 31, 2007, 2006 and 2005. The information appearing under the captions Other Financial Data is not derived from the audited financial statements.



**Table of Contents**

	2007	2006	2005
	(Million \$, except share data and other certain data)		
<b>Selected Financial Data Prepared in Accordance with IFRS As Issued by the IASB</b>			
<b>Consolidated Statement of Operations Data</b>			
Revenues			
Communication fees	5,976.9	4,406.7	4,295.9
Commission fees on betting business	181.3	172.4	112.5
Monthly fixed fees	54.8	57.6	54.9
Simcard sales	20.8	21.0	50.3
Call center revenues and other revenues	94.8	42.6	14.4
Total revenues	6,328.6	4,700.3	4,528.0
Direct cost of revenues(1)	(3,103.4)	(2,627.9)	(2,701.6)
Gross profit	3,225.2	2,072.4	1,826.4
Other income	7.8	8.1	15.4
Administrative expenses	(252.8)	(154.9)	(154.0)
Selling and marketing expenses	(1,138.2)	(827.5)	(700.5)
Other expenses	(22.5)	(6.5)	(4.9)
Results from operating activities	1,819.5	1,091.6	982.4
Finance income	308.4	184.0	167.5
Finance expense	(551.1)	(108.0)	(191.2)
Net finance income/(expense)	(242.7)	76.0	(23.7)
Share of profit of equity accounted investees(2)	64.9	78.6	68.2
Profit before gain on net monetary position, net	1,641.7	1,246.2	1,026.9
Gain on net monetary position, net			11.0
Profit before income taxes	1,641.7	1,246.2	1,037.9
Income tax expense	(322.4)	(413.2)	(290.5)
Profit for the period	1,319.3	833.0	747.4
Attributable to:			
Equity holders of the Company	1,350.2	875.5	772.2
Minority interest	(30.9)	(42.5)	(24.8)
Profit for the period	1,319.3	833.0	747.4
Basic and diluted earnings per share(3)	0.613710	0.397951	0.351021
<b>Consolidated Balance Sheet Data (at period end)</b>			
Cash and cash equivalents	3,095.3	1,598.6	808.2
Total assets	8,469.0	6,089.7	5,215.1
Long-term debt(8)	140.4	113.5	79.2
Total debt(9)	760.0	639.6	657.3
Total liabilities	2,537.8	1,971.8	1,524.8
Share capital	1,636.2	1,636.2	1,439.0
Total equity/net assets	5,931.2	4,117.9	3,690.3
Weighted average number of shares(3)	2,200,000,000	2,200,000,000	2,200,000,000
<b>Consolidated Cash Flow Data</b>			
Net cash from operating activities	2,156.2	1,854.9	1,072.6
Net cash used for investing activities	(440.5)	(632.5)	(659.2)
Net cash used for financing activities	(255.0)	(395.8)	(347.6)
<b>Other Financial Data</b>			
Dividends declared or proposed(4)	557.0	411.9	342.2
Dividends per share (declared or proposed)(5)(10)	0.253172	0.187227	0.155545
Gross margin(6)	51%	44%	40%
Adjusted EBITDA(7)	2,627.1	1,820.0	1,722.2
Capital expenditures	783.1	604.8	772.6

- (1) Direct cost of revenues includes ongoing license fee and universal service fund payments, transmission fees, base station rents, billing costs, depreciation and amortization charges, technical, repair and maintenance expenses, roaming charges, interconnection fees, cost of Simcards sold, handset costs offered as part of our loyalty programs and personnel expenses for technical personnel.



**Table of Contents**

- (2) Share of profit of equity accounted investees includes primarily the income (loss) from Fintur Holdings B.V. ( Fintur ) and A-Tel Pazarlama ve Servis Hizmetleri A.S. ( A-Tel ) of which we own 41.45% and 50.00%, respectively. Results of A-Tel s operations have been included in our consolidated financial statements since August 2006. Fintur currently holds all of our International GSM investments other than our Northern Cyprus and Ukraine operations.
- (3) Net income per share figures and weighted average number of shares reflected in our historical financial statements have been retrospectively restated for the stock splits and stock dividends as explained in note 22 to our audited consolidated financial statements.
- (4) The U.S. Dollar equivalent of the cash dividends declared for the year ending December 31, 2007, which amount to TRY 648.7 million, was computed by using the Central Bank of Turkey s TRY/U.S. Dollar exchange rate on December 31, 2007. The General Assembly meeting to approve the distribution of dividends for 2007 is expected to take place on April 25, 2008.
- (5) In 2006, we declared dividends of \$342.2 million for the year ended December 31, 2005, when 1,854,887,341 of our shares were outstanding. The decision of the Board of Directors was approved by the General Assembly which was held on May 22, 2006. Dividends per share for the year ending December 31, 2005 are computed over 2,200,000,000 shares in order to reflect the effect of certain stock splits and stock dividends as explained in note 22 to our consolidated financial statements. In 2007, we declared dividends of \$411.9 million for the year ended December 31, 2006, when 2,200,000,000 of our shares were outstanding. The decision of the Board of Directors was approved by the General Assembly meeting which was held on March 23, 2007. In 2008, we declared dividends of \$557.0 million for the year ended December 31, 2007, when 2,200,000,000 of our shares were outstanding. The General Assembly meeting to approve the declaration of dividends by the Board of Directors is expected to be held on April 25, 2008.
- (6) Gross margin has been calculated as gross profit divided by total revenues.
- (7) Adjusted EBITDA is a non-GAAP financial measure that equals net income before finance income, finance expense, income tax benefit (expense), other income, other expense, minority interest, share of profit of equity accounted investees, gain on net monetary position, depreciation and amortization.
- (8) Consists of long-term loans and borrowings and long-term lease obligations.
- (9) Consists of long-term and short-term loans and borrowings and lease obligations.
- (10) Dividend per share figures in TRY are TRY 0.2948699 for the year ended December 31, 2007, TRY 0.257745 for the year ended December 31, 2006 and TRY 0.231398 for the year ended December 31, 2005.

**Table of Contents**

	2004	2003
	(Million \$, except share data and other certain data)	
<b>Selected Financial Data Prepared in Accordance with US GAAP</b>		
<b>Consolidated Statement of Operations Data</b>		
<b>Revenues</b>		
Communication fees	3,088.1	2,143.6
Commission fees on betting business	20.3	
Monthly fixed fees	51.9	41.1
Simcard sales	28.3	24.4
Call center revenues and other revenues	12.2	10.1
Total revenues	3,200.8	2,219.2
Direct cost of revenues(1)	(2,001.2)	(1,613.2)
Gross profit	1,199.6	606.0
Administrative expenses	(137.3)	(137.2)
Selling and marketing expenses	(349.2)	(294.6)
Income from operations	713.1	174.2
Income (loss) from related parties, net	1.9	3.7
Interest income (expense), net	31.3	(366.3)
Other income (expense), net	7.1	6.2
Equity in net income (loss) of unconsolidated investees(2)	43.6	18.9
Minority interest in income (loss) of consolidated subsidiaries	7.5	3.6
Translation loss	(11.3)	(102.4)
Income (loss) before taxes	793.2	(262.1)
Income tax benefit (expense)	(281.4)	477.3
Net income (loss)	511.8	215.2
Basic and diluted earnings per share(5)	0.232636	0.097818
<b>Consolidated Balance Sheet Data (at period end)</b>		
Cash and cash equivalents	763.8	582.7
Total assets	4,361.5	3,867.3
Long-term debt(3)	269.7	522.2
Total debt(4)	832.6	630.2
Total liabilities	2,376.0	2,320.0
Share capital	636.1	636.1
Total equity/net assets	1,985.5	1,547.3
Weighted average number of shares(5)	2,200,000,000	2,200,000,000
<b>Consolidated Cash Flow Data</b>		
Net cash from operating activities	603.9	1,041.3
Net cash used for investing activities	(542.3)	(198.9)
Net cash used for financing activities	119.5	(653.8)
<b>Other Financial Data</b>		
Dividends declared(6)	182.2	78.1
Dividends per share (declared)(7)	0.082818	0.035500
Gross margin(8)	37.5%	27.3%
Capital expenditures	486.7	172.9

- (1) Direct cost of revenues includes ongoing license fee, transmission fees, base station rents, billing costs, depreciation and amortization charges, technical, repair and maintenance expenses, roaming charges, interconnection fees, cost of Simcards sold and personnel expenses for technical personnel.
- (2) Equity in net income (loss) of consolidated investees includes primarily the income (loss) from Fintur Holdings B.V. ( Fintur ) of which we own 41.45%. Fintur currently holds all of our International GSM investments other than our Northern Cyprus and Ukraine operations.
- (3) Consists of long-term loans and borrowings and long-term lease obligations.
- (4) Consists of long-term and short-term loans and borrowings and lease obligations.

---

**Table of Contents**

- (5) Net income per share figures and weighted average number of shares reflected in our historical financial statements have been retrospectively restated for the stock splits and stock dividends.
- (6) In 2004, we paid dividends of 78.1 million for the year ended December 31, 2003, when 500,000,000 of our shares are outstanding. In 2005, we paid dividends of 182.2 million for the year ended December 31, 2004, when 1,854,887,341 of our shares are outstanding.
- (7) Dividends per share for the year ended December 31, 2004 and 2003 is computed over 2,200,000,000 shares in order to reflect the effect of certain stock splits.
- (8) Gross margin has been calculated as gross profit divided by total revenues.

Adjusted EBITDA is a non-GAAP financial measure which equals net income before finance income, finance expense, income tax benefit (expense), other income, other expense, minority interest, share of profit of associates, gain on net monetary position, depreciation and amortization. Our management reviews Adjusted EBITDA as a key indicator each month to monitor our cash generation ability and liquidity position. Net income is generally considered by our management as the main indicator for our operating performance. Adjusted EBITDA is not a measurement of liquidity under IFRS as issued by the IASB and should not be construed as a substitute for net income (loss) as a measure of performance or cash flow from operations as a measure of liquidity.

We believe Adjusted EBITDA, among other measures, facilitates liquidity comparisons from period to period and management decision making. It also facilitates liquidity comparisons from company to company. Adjusted EBITDA as a liquidity measure eliminates potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates) and the age and book depreciation of tangible assets (affecting relative depreciation expense). We also present Adjusted EBITDA because we believe it is frequently used by securities analysts, investors and other interested parties in evaluating the liquidity of other mobile operators in the telecommunications industry in Europe, many of which present Adjusted EBITDA when reporting their results.

Nevertheless, Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations, as reported under IFRS as issued by the IASB.

Some of these limitations are:

it does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;

it does not reflect changes in, or cash requirements for, our working capital needs;

it does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;

although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;

it is not adjusted for all non-cash income or expense items that are reflected in our consolidated statement of cash flows; and

other companies in our industry may calculate this measure differently than we do, limiting its usefulness as a comparative measure. We compensate for these limitations by relying primarily on our results under IFRS as issued by the IASB and using Adjusted EBITDA measures only supplementally. See Item 5 Operating and Financial Review and Prospects and the consolidated financial statements contained elsewhere in this annual report.

**Table of Contents**

The following table provides a reconciliation of Adjusted EBITDA, as calculated using financial data prepared in accordance with IFRS as issued by the IASB, to net cash from operating activities, which we believe is the most directly comparable financial measure calculated and presented in accordance with IFRS as issued by the IASB.

	Year ended December 31,		
	2007	2006	2005
	(Million \$)		
<b>Adjusted EBITDA</b>	2,627.1	1,820.0	1,722.2
Income tax expense	(322.4)	(413.2)	(290.5)
Other operating income/(expense)	(10.8)	0.3	10.5
Financial income	1.6	(46.4)	(187.6)
Financial expense	(264.4)	19.9	76.8
Net decrease in assets and liabilities	125.1	474.3	(258.8)
<b>Net cash from operating activities</b>	<b>2,156.2</b>	<b>1,854.9</b>	<b>1,072.6</b>

The following table presents selected operational data:

**Operating Results**

	Year ended December 31,		
	2007	2006	2005
<b>Industry Data</b>			
Estimated population of Turkey (in millions)(1)	70.6	74.4	73.4
<b>Turkcell Data</b>			
Number of postpaid subscribers at end of period (in millions)(2)	6.4	5.8	5.4
Number of prepaid subscribers at end of period (in millions)(2)	29.0	26.0	22.5
Total subscribers at end of period (in millions)(2)	35.4	31.8	27.9
Average monthly revenue per user (in \$)(3)	14.3	12.1	14.0
Postpaid	37.6	31.0	33.5
Prepaid	9.2	7.8	9.0
Average monthly minutes of use per subscriber(4)	76.3	70.3	67.7
Churn(5)	19.9%	14.7%	10.1%
Number of Turkcell employees at end of period	2,875	2,751	2,818
Number of employees of consolidated subsidiaries at end of period(6)	6,782	5,257	4,658

- (1) The Turkish population for 2007 is based on data derived from the address-based population registration system announced in January 2008. The Turkish population for 2006 and 2005 has been estimated based upon the 1996 and 2000 censuses prepared by the Turkish Statistical Institute, applying a projected monthly growth rate of 0.13%.
- (2) Subscriber numbers do not include the subscribers in Ukraine and Northern Cyprus.
- (3) We calculate average revenue per user, ARPU, using the weighted average number of our subscribers during the period. ARPU does not include the results of our operations in Ukraine and Northern Cyprus.
- (4) Average monthly minutes of use per subscriber is calculated by dividing the total of incoming and outgoing airtime minutes of use by the average monthly number of postpaid and prepaid subscribers for the year divided by twelve. Our Minutes of Usage ( MoU ) calculation does not include our operations in Ukraine and Northern Cyprus.
- (5) Churn rate is the percentage calculated by dividing the total number of subscriber disconnections during a period by the average number of subscribers for the same period. For these purposes, we define average number of subscribers as the number of subscribers at the beginning of the period plus one half of the total number of gross subscribers acquired during the period. Churn refers to subscribers that are both voluntarily and involuntarily disconnected from our network. Our churn calculations do not include our operations in Ukraine and Northern Cyprus.
- (6) See Item 6.D. Employees for information with respect to our consolidated subsidiaries.



**Table of Contents**

**Exchange Rate Data**

Effective January 1, 2005, the Turkish parliament redenominated the Turkish Lira and created a new currency, the New Turkish Lira or TRY. One million Turkish Lira is equal to one New Turkish Lira. Turkish Lira remained in circulation along with the New Turkish Lira until the end of 2005. Effective January 1, 2006, only New Turkish Lira are in circulation in Turkey.

The Federal Reserve Bank of New York does not report a noon buying rate for the New Turkish Lira and historically has not reported a noon buying rate for the Turkish Lira. For the convenience of the reader, this annual report presents translations of certain New Turkish Lira amounts into U.S. Dollars at the relevant New Turkish Lira exchange rate for purchases of U.S. Dollars at the TRY/\$ Exchange Rate announced by the Central Bank of Turkey. In addition, this annual report presents translations of certain New Turkish Lira amounts into U.S. Dollars at the relevant New Turkish Lira exchange rate for purchases of U.S. Dollars at the TRY/\$ Exchange Rate announced by the Central Bank of Turkey. Prior to January 1, 2006, unless otherwise stated, any balance sheet data in U.S. Dollars derived from our consolidated financial statements are translated from New Turkish Lira into U.S. Dollars at rates announced by the Central Bank of Turkey on the date of such balance sheet for monetary assets and liabilities and at historical rates for equity and non-monetary assets and liabilities. Starting from January 1, 2006, any balance sheet data (monetary or non-monetary) in U.S Dollars derived from our consolidated financial statements are translated from New Turkish Lira into U.S Dollars at exchange rates at the balance sheet date. Income and expenses for each income statement (including comparatives) are translated to U.S. Dollars at monthly average exchange rates. Any data from our consolidated statements of operations in U.S. Dollars derived from our consolidated financial statements are translated from New Turkish Lira into U.S. Dollars at historic rates. Unless otherwise indicated, the TL/\$ exchange rate or TRY/\$ exchange rate used in this annual report is the TL/\$ exchange rate or TRY/\$ exchange rate in respect of the date of the financial information being referred to.

The following table sets forth, for the periods and the dates indicated, the Central Bank of Turkey's buying rates for U.S. Dollars. These rates may differ from the actual rates used in preparation of our consolidated financial statements and other information appearing herein. The TRY/\$ exchange rate as of April 1, 2008 was TRY 1.306 = \$1.00.

	Year ended December 31,(1)					
	2008(2)(3)	2007(2)	2006(2)	2005(2)	2004	2003
High	1.306	1.450	1.693	1.400	1,550,710	1,746,390
Low	1.145	1.163	1.297	1.254	1,301,340	1,348,023
Average(1)	1.190	1.303	1.431	1.344	1,422,514	1,492,581
Period End	N/A	1.165	1.406	1.342	1,342,100	1,395,835

Source: Central Bank of Turkey

- (1) Calculated based on the average of the exchange rates on the last day of each month during the relevant period.
- (2) These columns set forth the Central Bank of Turkey's buying rates for U.S. Dollars expressed in New Turkish Lira.
- (3) Through April 1, 2008.

	April	March	February	January	December	November	October
	2008(1)	2008	2008	2008	2007	2007	2007
High	1.306	1.277	1.222	1.222	1.186	1.212	1.231
Low	1.306	1.191	1.159	1.145	1.163	1.168	1.177

Source: Central Bank of Turkey

- (1) Through April 1, 2008.
- No representation is made that the New Turkish Lira or the U.S. Dollar amounts in this annual report could have been or could be converted into U.S. Dollars or New Turkish Lira, as the case may be, at any particular rate. Changes in the exchange rate between New Turkish Lira and U.S. Dollars could affect our financial results. For a discussion of the effects of fluctuating exchange rates on our business, see Item 5A. Operating Results.





---

**Table of Contents**

**3.B Capitalization and Indebtedness**

Not applicable.

**3.C Reasons for the Offer and Use of Proceeds**

Not applicable.

**3.D Risk Factors**

**Competition in our home market has increased in recent years and may continue to increase in the future.**

We face intensifying competition in our home market from other GSM providers and other telecommunications companies offering competing services, which could affect our ability to add new customers at current rates and lead to a decrease in the size of our market share. In the Turkish GSM market, we currently face competition from Vodafone Telekomunikasyon A.S. ( Vodafone ) and Avea Iletisim Hizmetleri A.S. ( Avea ). Competition has increased in recent years due, in part, to structural changes in the competitive environment. The Vodafone Group, a large multinational GSM operator, acquired all the shares of Telsim Mobil Telekomunikasyon Hizmetleri A.S. ( Telsim ), one of our Turkish GSM competitors, on May 24, 2006, established Vodafone as the new operating company for Telsim and rebranded Telsim as Vodafone. In addition, Turk Telekomunikasyon A.S. ( Turk Telekom ), the fixed-line telecommunications operator in Turkey, increased its stake in Avea from approximately 40.5% to 81% in September 2006. Turk Telekom is 55% owned by Oger Telecom, a multinational GSM operator in which Saudi Telecom Company, the Arab world's largest telephone company, agreed in January 2008 to buy a 35% stake.

This competition has been increasingly focused on price, as well as other factors such as quality of service, use of bundled offers (including free minutes or free SMS messages) and increasing handset subsidies from GSM operators. Such competition may make it more difficult to attract and retain customers, causing higher churn rates as customers switch carriers to take advantage of lower offers. In addition, it may pressure us to lower prices.

We also face competition from Turk Telekom and other telecommunications service providers. Turk Telekom's fixed line products and those of these other providers may provide an alternative to GSM for customers' communications needs for both voice and data transmission. In light of such circumstances, we expect competition from Turk Telekom's fixed line business and from these other telecommunications service providers to intensify in the future.

In addition, as further discussed below, we expect that third generation ( 3G ) licenses and other types of licenses will be offered in Turkey, which will potentially open the door to new competitors.

**The Telecommunications Authority has and may continue to require us to maintain certain prices for our services, which has and may continue to have a material adverse effect on our business and results of operations.**

In response to complaints by Vodafone and Avea, the Telecommunications Authority has recently required us to maintain certain prices for our services. For the tariffs that we charge our subscribers for calls terminated on our network (on-net tariffs), the Telecommunications Authority mandated that our regular and discounted on-net tariffs could not be less than the lowest interconnection rate applicable. In addition, the Telecommunications Authority set a maximum price of TRY 0.66 (including Value Added Tax ( VAT )) that we may charge our subscribers for calls that are terminated outside of our network on other mobile operators' common subscription packages.

Due to the high-level of complexity involved, we sought clarification of its decisions and we have taken actions to revise some of our tariffs and campaigns to comply with the Telecommunications Authority's new policy to the extent practical and to our best understanding.

## **Table of Contents**

The Telecommunication Authority's actions have negatively affected our ability to design and launch new campaigns and offers and, consequently, have had a negative impact on our business, particularly on our fourth quarter 2007 and first quarter 2008 results.

We have also commenced litigation against the Telecommunications Authority to challenge these decisions, which we believe exceed the scope of its authority and violate the terms of our license agreement. See Item 8.A. Consolidated Statements and Other Financial Information Legal Proceedings.

Following discussions with the Telecommunications Authority seeking clarification of its decisions, we have designed an alternative interconnection scheme with a new pricing model that we believe is compliant with the Telecommunications Authority's decision. We believe that the flexibility that we will regain through this model will be sufficient to allow us to devise pricing and marketing strategies that will be attractive to current and potential subscribers.

However, no assurance can be given that these strategies will be successful, or that our litigation will be decided in a manner that is both favorable to us and timely or that we will not have further disagreements with the Telecommunications Authority regarding this matter.

If the Telecommunications Authority disagrees with our alternative interconnection scheme and we are required to implement the decisions of the Telecommunications Authority in the manner presently required by it, we would in all likelihood be required to modify our tariffs and our marketing strategy in ways that would make us less competitive with regard to price in the Turkish GSM market, which could continue to harm our market share and continue to have a material adverse effect on our business and results of operations.

**Regulatory changes in Turkey with respect to issues such as Mobile Number Portability ( MNP ), licenses for third generation ( 3G ) technology and dealership exclusivity may result in increased competition and/or the entrance of new direct or indirect competitors, which could have a material adverse effect on our business and results of operations.**

The Telecommunications Authority has made or proposed changes to regulations relating to 3G technologies, MNP, long distance licensing and other technologies that could increase the competition we face in the Turkish communications market, in part by making it easier and/or more attractive for new direct and indirect competitors to enter the market. In addition, the Telecommunications Authority is in the process of preparing regulations for Mobile Virtual Network Operators ( MVNO ), Worldwide Interoperability for Microwave Access ( WiMAX ) licensing, Wireless Broadband Access Services operator licenses ( WBA ) and Value Added Services ( VAS ) licenses, which, if and when they are issued, could significantly affect market dynamics.

The issuance of 3G licenses and the introduction of 3G services in Turkey could lead to significant changes in the competitive environment. We expect a tender process for the granting of 3G licenses to take place during 2008, although no announcement for such process has yet been made. The Telecommunications Authority had cancelled the 3G tender process in 2007 and, accordingly, there may be further delays. Our failure to obtain a 3G license or to implement 3G could affect our competitive position. Our ability to implement 3G services will be dependent on clearing the 3G regulatory and licensing process. We understand that the Telecommunications Authority may attempt to award at least four 3G licenses, possibly resulting in at least one new entrant into the current market, which could affect market dynamics and lead to further deterioration in our market share.

The Telecommunications Authority has issued regulations on MNP, which allow subscribers to keep their existing telephone numbers when changing telephone operators. These regulations are expected to become operational in the fourth quarter of 2008 based on a public statement of the Telecommunications Authority. The introduction of MNP into the Turkish market may lead to increased churn rates and subscriber retention and

## Table of Contents

acquisition costs and may have a significant impact on both Turkcell and the market. Turkcell must ensure it implements MNP on a timely basis, otherwise a delayed implementation may result in the imposition of fines by the Telecommunications Authority. However, we believe that the MNP regulations conflict with our rights under our license agreement. As such, we initiated a lawsuit on March 29, 2007 for the annulment of the MNP regulations. While we do not protest the substance of mobile number portability, we do, however, believe that our rights under our license agreement should remain protected. We believe that the best way for us to protect our rights is to seek to annul the MNP regulations. The lawsuit is pending and we can give no assurance regarding its outcome. See Item 8.A. Consolidated Statements and Other Financial Information Legal Proceedings.

We expect to face increased competition from, among others, long distance carriers and fixed line telephony providers. In May 2004, the Telecommunications Authority granted long distance licenses, allowing licensees to provide both domestic and international Long Distance Telephony Services ( LDTS ). Over 45 companies hold such licenses but only some are operational. Although these long distance telephony providers have not yet had a significant effect on our operations, in the long term they could have the effect of driving down prices and shifting traffic patterns for long distance calls in Turkey.

The Competition Board has modified its regulations in 2007 in a manner that effectively provides that companies with a market share in excess of 40% shall not be within the scope of the Board's block exemption for vertical exclusivity arrangements with other companies and that previously granted individual exemptions may cease to be valid from July 2008. We have previously obtained an individual exemption from the Competition Board for the exclusivity provisions with respect to our dealer agreements, and have submitted a request to the Competition Board for an individual exemption with respect to our exclusive dealer arrangements. We are awaiting a response. If we are not granted such exception, we may be required to terminate the exclusivity provisions in our arrangements with our dealers, effective as of July 1, 2008.

Each of these regulatory changes could result in increased competition and/or the entrance of new direct or indirect competitors, which may have a negative impact on our ability to attract and retain customers, the competitiveness of our products and services, our distribution channels, our brand and visibility and our infrastructure investments, any of which could have a material adverse effect on our business, consolidated financial condition and results of operations.

### **Economic and political developments in Turkey and internationally have had, and may continue to have, a material adverse effect on our business, consolidated financial condition, results of operations or liquidity.**

Although the Turkish economy has benefited from a prolonged period of relative stability, it has experienced significant turmoil in the recent past and remains vulnerable to such turmoil in the future for reasons related to both domestic and international conditions. With a substantial portion of our revenues, assets and business derived from and located in Turkey and denominated in New Turkish Lira, adverse developments in the Turkish market may have a material adverse effect on our business, consolidated financial condition and results of operations, as well as on the price of our shares and ADSs.

Turkey remains vulnerable to global shocks and global liquidity problems as a result of its continuing current account deficit (which is one of the widest current account deficits on a nominal basis) and continuing elevated energy prices which are expected to have adverse effects on both inflation and the current account deficit. Inflation figures depend on various factors such as oil prices, domestic pricing behavior and the currency exchange rate trends. The latter is viewed as presenting a serious risk this year. However, the monetary policy of the Central Bank of Turkey as well as the government's commitment on fiscal policies and the continuation of the structural reforms are expected to continue to be key factors in maintaining Turkey's financial strength. The government's approach towards the new IMF program will also be important as it is still an anchor for foreign investors, particularly in an increasingly uncertain global environment.

## **Table of Contents**

The Turkish economy has also been and will continue to be vulnerable to political instability. Political uncertainty within Turkey, including actions by terrorist and ethnic separatist groups, along with armed conflict and the threat of armed conflict in neighboring countries, such as Iran, Syria, Georgia and Armenia, historically have been among the potential risks associated with investment in Turkish companies. The instability surrounding the situation in Iraq, as well as tension in and involving the Kurdish regions of northern Iraq, could also have negative economic consequences for us. Although relations with the United States have always played a major role in the stability of the Turkish economy, the relationship has become even more important due to the United States' presence in Iraq.

For 2008, we are particularly concerned about the case currently pending before Turkey's highest court challenging Turkey's Ruling Party the Justice and Development Party (AKP), which may result in the dissolution of the party, bringing down the current governing majority. If successful, the dissolution of the AKP could lead to political turmoil and could slow or halt government reforms and policies sought by the European Union (EU) and the business community. Other challenging issues that are presently expected for Turkey in 2008 are a continuing headscarf debate, constitutional disputes and terrorism arising from the Southeast region. Internationally, ongoing disputes over Cyprus, negotiations for EU accession and military action along the border with Iraq may also be major issues.

For these and other reasons, 2008 is expected to be another challenging year.

### **The development and growth of the Turkish mobile telecommunications markets could affect our business and results of operations.**

The growth of our business is dependent to a large extent on the development of the Turkish mobile telecommunications market. If the Turkish mobile telecommunications market slows in growth or develops in unexpected ways, this could harm our business and results of operations.

The subscriber mobile line penetration rate in Turkey is relatively low in comparison to the average EU penetration rate. As of the end of December 2007, the subscriber mobile line penetration rate in Turkey was approximately 88% according to the Telecommunications Authority. This figure is higher than the actual individual customer penetration rate because it includes multiple Simcard usage. The development of our business will depend, in large part, on the level of demand for mobile telecommunications in Turkey. Although we expect continued growth in the number of mobile telecommunications subscribers in Turkey, we expect the growth rate to be less than that of recent years.

We are focused on increasing average monthly revenue per user in TRY and average monthly minutes of use per subscriber rather than purely growing our subscriber base. These parameters will, however, be negatively affected by an increasing prepaid subscriber base. In addition, the size and usage patterns of our future subscriber base will be affected by a number of factors outside of our control. Such factors include general economic conditions, consumption tax on mobile phone usage, changes in the regulatory environment, the development of and changes to the GSM market, the availability, quality and cost to the subscriber of competing mobile services and improvements in the quality and availability of fixed line telephone services in Turkey. Recently, pricing regulations implemented by the Telecommunications Authority have also been a significant factor. Given these factors, it is difficult to predict with any degree of certainty the growth and usage patterns of our subscribers and our ability to increase revenues or profitability. In recent months, we have experienced an increase in churn and it is possible that in the future we may not grow our subscriber base in line with the market. Any adverse change in the growth and usage patterns of our subscribers could harm our business and results of operations.

### **Our strategy for growth is partly dependent on new investment opportunities. These new investment opportunities could affect our business and results of operations, and the return on our investments cannot be guaranteed.**

Our strategy for growth is to selectively seek and evaluate new investment opportunities. We have identified four focus areas in which we intend to pursue opportunities to grow our business: core GSM business in Turkey;

## **Table of Contents**

new business models through our value added services; new technologies that will create synergies with our current business; and international markets, with our main focus being mobile solutions. Such opportunities may include, both in Turkey and overseas, the acquisition of other companies, the purchase of telecommunication licenses, entrance into new lines of business and the use of new technologies. We may not, however, be able to successfully integrate and manage the opportunities we pursue. In pursuit of our growth strategy, our management may divert undue attention and/or cash resources away from other ongoing business concerns, which could harm our business and result of operations. In addition, investments may not provide expected returns or returns that are in line with those of our core business. See the discussion below regarding our proposed acquisition of Syriatel.

### **We may be unable to adapt to technological changes in the communications market.**

The telecommunications industry is characterized by rapidly changing technology with related changes in customer demands for new products and services at competitive prices. Technological developments are also shortening product life cycles and facilitating convergence of various segments in the telecommunications industry, including in our core GSM business. Our future success will largely depend on our ability to anticipate, invest in and implement new technologies with the levels of service and prices that customers demand. Technological advances may also affect our level of earnings and financial condition by shortening the useful life of some of our assets.

The operation of our business depends in part upon the successful deployment of continually evolving mobile communications technologies, which requires significant capital expenditures. There can be no assurance that such technologies will be developed according to anticipated schedules, that they will perform according to expectations or that they will achieve commercial acceptance. We may be required to make more capital expenditures than we currently expect if suppliers fail to meet anticipated schedules, performance of such technologies fall short of expectations or commercial success is not achieved.

The effects of technological changes on our business cannot be predicted. In addition, it is impossible to predict with any certainty whether the technology selected by us will be the most economical, efficient or capable of attracting customer usage. There can be no assurance that we will be able to develop new products and services that will enable us to compete effectively.

### **A large amount of our business is or may be subject to certain legal and regulatory arrangements.**

Certain actions by the Turkish government, the Telecommunications Authority or other regulatory authorities in Turkey (such as the Competition Board) have in the past, and could in the future, adversely affect our business, consolidated financial condition, results of operations or liquidity. Such actions may include:

changes in laws, regulations or governmental policy, or their interpretation, including revisions to the interconnection and access regime or the imposition of price controls;

any unfavorable change in corporate and/or income tax legislation, or the imposition of additional consumption taxes or other taxes on subscribers or mobile operators;

granting additional mobile telephone licenses or other telephony licenses to new entrants and existing operators;

the establishment of limitations on our operations or restrictions on our ability to provide services to existing or new subscribers;

investigations, enforcement actions or other assessments of the Competition Board or other regulatory authorities;

denial of discretionary benefits that we may seek in expanding our network;

the introduction of additional fees or charges by governmental authorities; and

introduction of new regulations regarding protection of personal data of subscribers and/or users.

---

## **Table of Contents**

Additionally, in the case of war, general mobilization or when the Telecommunications Authority considers it necessary for public safety or national defense, we may be required to surrender the control of our network wholly or partially to the Telecommunications Authority for a limited or unlimited period.

**The Telecommunications Authority has designated Turkcell as an operator holding significant market power in access to GSM mobile networks and the call origination market, which could affect our competitiveness and have a material adverse effect on our results of operations.**

Pursuant to the Access and Interconnection Regulation (the Regulation), which became effective on May 23, 2003 and sets forth the rights and obligations of the operators in the telecommunications sector in Turkey, the Telecommunications Authority has designated us an operator holding significant market power in the GSM Mobile Telecommunication Services Market and GSM Mobile Call Termination Services Market and Vodafone an operator holding significant market power in the GSM Mobile Call Termination Services Market. On January 4, 2005, the Telecommunications Authority designated Turkcell individually as an operator holding significant market power in the GSM Mobile Call Termination Services Market. Finally, on December 15, 2005, the Telecommunications Authority designated Turkcell, Vodafone, and Avea as operators holding significant market power in the GSM Mobile Call Termination Services Market and designated Turkcell individually as an operator holding significant market power in the Access to GSM Mobile Networks and Call Originating Markets.

As a result of this designation, our company as an operator holding significant market power is required to provide interconnection services on a cost-based basis while operators not designated as operator holding significant market power can set their prices differently than the operators designated as such. In addition, due to our designation as an operator holding significant market power in the GSM mobile call termination services market, the Telecommunications Authority annually reviews our prices for interconnection services and has the authority to publish Standard Reference Interconnection Tariffs, which recommend call termination fees for us. These Standard Reference Interconnection Tariffs are not necessarily directly applicable to our current or future interconnection agreements. However, if we are unable to reach an agreement with other parties on prices for interconnection services, the Telecommunications Authority may use the Standard Reference Interconnection Tariffs, as it has done in connection with our previous disputes with Turk Telekom and Avea. This mechanism may have the effect of reducing the rates we are able to charge for interconnection services, which could have a material adverse effect on our business and results of operations.

**We could face severe penalties, including limitation or revocation of our license in extreme cases, if applicable regulatory authorities determine that we are not in compliance with the requirements of our license or applicable regulations.**

The statutes, rules and regulations applicable to our activities and our license are generally new, subject to change, in some cases, incomplete, and have been subject to limited governmental interpretation. Precedents for and experience with business and telecommunications regulations in Turkey are generally limited. In addition, there have been several changes to the relevant legal regime in recent years. There can be no assurance that the law or legal system will not change further or be interpreted in a manner that could materially and adversely affect our operations.

Our license contains a number of requirements, including requirements regarding operation, quality and coverage of the GSM network; national security issues; maintenance of confidentiality; prohibitions on anti-competitive behavior; and compliance with international and national GSM standards. If we fail to meet any requirement in our license or to comply with applicable regulations, we could be subject to sanction, including the limitation or revocation of our license.

Lack of clarity with respect to Turkish telecommunications law, the Turkish legal system, our license and/or the regulatory framework governing the Turkish telecommunications industry could impede our ability to operate effectively under our license and have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity.



## **Table of Contents**

In addition, Turkey's accession talks with the EU may require further modifications in the regulatory framework governing the Turkish telecommunications industry, any or all of which may be detrimental to our competitive position or our operations.

For a description of our license and the regulatory regime under which we operate in Turkey, see Item 4.B. Business Overview Regulation of the Turkish Telecommunications Industry. In addition to the foregoing, our indirectly owned subsidiary, Limited Liability Company Astelit (Astelit), holds GSM licenses in Ukraine. If Astelit fails to comply with the terms and conditions of its license agreement it may incur significant penalties, which could have a material adverse effect on our international expansion strategy and our business and results of operations.

### **The Turkish CMB has informed us that our appointment of one of our board members to the audit committee does not satisfy Turkish legal requirements with respect to audit committees.**

Alexey Khudyakov was appointed to the audit committee on July 21, 2006. Alexey Khudyakov's status on the audit committee is as an observer member because under the US Sarbanes-Oxley Act of 2002 he is not considered an independent audit committee member due to his position with one of our affiliated shareholders. On January 26, 2007, the Turkish CMB informed Turkcell that Alexey Khudyakov's current status, as an observer member on the audit committee, does not satisfy the requirements under Article 25, Committees Responsible for Auditing of the CMB. The CMB has stated that steps must be taken urgently so that our Company can comply with Article 25. We believe that Mr. Khudyakov does fully meet the requirements of Article 25 as he is a non-executive board member. In March 2007, we commenced a lawsuit before an administrative court seeking to suspend the execution and to annul the decision of the CMB with respect to Mr. Khudyakov.

The administrative court ultimately dismissed our suit in January 2008. In March 2008, we appealed before the Council of State.

If our position in this matter does not ultimately prevail over that of the CMB, our compliance with the listing requirements of the New York Stock Exchange (NYSE) could be called into question, to the extent that the relevant rules of NYSE are based on home country compliance. In this case, remedial action could be required.

### **We are involved in various claims and legal actions arising in the ordinary course of our business.**

We are involved in various claims and legal actions with governmental authorities in Turkey, including the Competition Board, the Telecommunications Authority and certain other parties. In addition, we may be involved in additional claims and legal actions with various governmental and other parties in the future. For a more detailed discussion of all of our significant disputes, see Item 8.A. Financial Information and note 31 to our audited consolidated financial statements included in Item 18. Financial Statements of this annual report on Form 20-F.

### **We are exposed to foreign exchange rate risks that could significantly affect our results of operation and financial position.**

We are exposed to foreign exchange rate risk because certain amounts of purchases, operating costs and expenses, receivables and payments are denominated in multiple currencies, primarily U.S. Dollars, Euros and Swedish Krona. In addition, a substantial majority of our debt obligations are currently, and are expected to continue to be, denominated in U.S. Dollars and Euros. Although we have successfully operated in a hyperinflationary environment with continuous devaluation of the Turkish currency since our inception, sudden increases in inflation or the devaluation rate have had, and may continue to have, an adverse effect on our consolidated financial condition, results of operations or liquidity.

## **Table of Contents**

We use analytical techniques such as market valuation and sensitivity and volatility analysis to manage and monitor foreign exchange risk. We keep a portion of our monetary assets in U.S. Dollars, Euros and Swedish Krona, and a portion in New Turkish Lira to reduce our foreign currency exposure. However, fluctuations between New Turkish Lira, on the one hand, and U.S. Dollars, Euros and Swedish Krona, on the other, may have an unfavorable impact on us, as they did in 2007.

In order to manage market volatility in the foreign exchange and fixed income markets, we enter into option and forward contracts in line with our treasury policies. Any options exercised that are either above or below market levels might result in unfavorable results to us.

When we translate our results of operations and financial position into U.S. Dollars for the purpose of preparing our financial statements that are expressed in U.S. Dollars, the dollar amounts will vary in accordance with applicable exchange rates. We do not hedge this so-called translation risk .

**TeliaSonera, the Cukurova Group, Alfa Telecom Turkey as well as other Alfa Group entities ( Alfa Group ) and Nadash International Holdings, Inc. ( Nadash ) together currently hold a majority of our outstanding share capital which allows them together to exercise a controlling influence over us. This ownership may also have the effect of delaying, deferring or preventing a change of control of Turkcell.**

As of the date of this annual report on Form 20-F, TeliaSonera and the Cukurova Group currently own, directly or indirectly, approximately 37.1% and 18.0%, respectively, of our share capital. On the basis of publicly available information (Form 13D filings), Alfa Group, which previously held, indirectly, 13.2% of our shares, has as of January 2008 transferred control of over 50% of these shares to Nadash.

Our Board of Directors currently consists of seven members, and five members are required for a quorum. Two members of the board are affiliated with each of TeliaSonera, the Cukurova Group and the Alfa Group, with the seventh member being independent. On the basis of publicly available information (Form 13D filings), we understand Alfa Group is required to use reasonable endeavors to cause the appointment of one nominee of each of the Alfa Group and Nadash to our Board of Directors.

TeliaSonera and Cukurova Group hold a portion of their interests and the Alfa Group and Nadash hold all of their interests in us through Turkcell Holding, a holding company that owns 51% of our shares. If TeliaSonera, the Cukurova Group, the Alfa Group and Nadash act together they have the ability to control the Board of Directors and exercise a controlling influence over matters requiring a simple majority vote of the shareholders at a general assembly. To the extent that the interests of TeliaSonera, the Cukurova Group, the Alfa Group and Nadash differ from our interests, or those of our other shareholders could be disadvantaged by any actions that TeliaSonera, the Cukurova Group, the Alfa Group and Nadash might individually or collectively, as two shareholders or three shareholders, seek to pursue.

The ownership of a substantial percentage of our outstanding ordinary shares by TeliaSonera, the Cukurova Group, the Alfa Group and Nadash and the affiliation of these shareholders with members of the Board of Directors may have the effect of delaying, deferring or preventing a change in control of Turkcell, may discourage bids for our ordinary shares or ADSs and may adversely affect the market price of our ordinary shares or ADSs.

**Certain of our principal shareholders are currently involved in a dispute which could adversely impact their ability to achieve the consensus necessary to approve important matters relating to our business and operations.**

The Cukurova Group and TeliaSonera are currently involved in a dispute regarding the previously proposed sale by the Cukurova Group to TeliaSonera of certain holdings in Turkcell Holding A.S. Class B shares. The

## **Table of Contents**

Cukurova Group and TeliaSonera are also currently involved in a dispute regarding the sale by the Cukurova Group to Cukurova Telecom Holdings Limited, a joint venture between the Cukurova Group and the Alfa Group, of certain holdings in Turkcell Holding A.S. Class B shares. In addition, as part of this dispute on August 21, 2006, TeliaSonera filed a lawsuit for the purpose of invalidating our General Assembly Meeting held on May 22, 2006, as well as all resolutions taken at that meeting, including with respect to dividends and the election of board members. The court decided that the General Assembly meeting of May 22, 2006 was validly held.

Based on publicly available information, we understand that the arbitration tribunal of the International Chamber of Commerce ( ICC ) recently held that a binding share purchase agreement for the proposed sale was concluded between TeliaSonera and the Cukurova Group and that the Cukurova Group is obligated to fulfill the agreement, despite already having sold some of the disputed shares to the Alfa Group. In addition, the Alfa Group recently indicated publicly that it is seeking early repayment of an approximately \$1.35 billion loan which it made to the Cukurova Group due to an alleged default under the relevant loan agreement. The Cukurova Group has denied such alleged default, has indicated that Alfa Group has no grounds to force early repayment of such loan and that the Cukurova Group intends to initiate legal proceedings to oppose the claims of Alfa Group. Based on publicly available information, another arbitration tribunal of the ICC in Vienna has issued an award finding that Cukurova has violated certain share transfer restrictions in the shareholders' agreement between Cukurova and TeliaSonera relating to Turkcell Holding. The arbitration tribunal in Vienna has ordered Cukurova Holding to take all measures available to it, including good faith negotiations with Alfa Group, to repurchase the transferred shares. The arbitration tribunal has reserved its rights to decide about other claims brought by TeliaSonera, including damages.

According to publicly available information, in 2005 an independent group petitioned a court regarding the exemption provided by the CMB for the sale of shares between the Cukurova Group and the Alfa Group. It is claimed that under Turkish law the CMB exemption for this sale by the Cukurova Group should not have been granted and this transfer should have triggered a tender offer for minority shareholders. The court annulled the exemption by the CMB. In March 2007, the Cukurova Group and the Alfa Group appealed the decision. At present there has been no outcome to the case.

These disputes could result in the failure of our major shareholders to have a cooperative relationship, which could adversely impact the ability of our principal shareholders to achieve the consensus necessary to approve important matters relating to our business and operations.

**We hold interests in several companies that may expose us to various economic, political, social, financial and liquidity risks and may not provide the benefits that we expect.**

Our investments in subsidiaries and associated companies within Turkey and internationally could expose us to economic, political, social, financial and liquidity risks. We have investments in Azerbaijan, Georgia, Kazakhstan, Moldova and the Ukraine, and we are negotiating to make an investment in Syria through the acquisition of a controlling interest in Syriatel. In addition, we are exploring investment opportunities in Belarus. Specifically, on April 10, 2008, our Board of Directors decided to conduct the necessary studies to submit a proposal directly, or through one of our subsidiaries, to the shareholders of Belarusian Telecommunication Network ( BeST ), based in the Republic of Belarus, to purchase the majority of the company's shares. Along with Turkey, these countries are generally considered by international investors to be emerging markets. Their legal systems, including telecommunications regulations, are relatively underdeveloped, their economies have only recently begun to open to market principles and their respective institutions and commercial practices are relatively weaker and less developed. There can be no assurance that political, legal, economic, social or other developments in these nations will not have an adverse impact on our investments and businesses in these countries.

Our international and domestic operations may not benefit us in the way we expect for the reasons cited above, as well as other reasons, including general macroeconomic conditions, poor management and legal, regulatory or political obstacles.

## **Table of Contents**

### *Ukraine*

We have been operating in Ukraine since the second half of 2004 through our subsidiary Astelit. The country is undergoing a great deal of change and any political instability in Ukraine may have a negative impact on our operations. Although the Ukrainian currency has been relatively stable against the U.S. Dollar for almost five years, this situation may change in the future as a result of the country's balance of payments issues and recent statements made by the Chairman of the Board of Governors of the National Bank of Ukraine that the Bank might consider its monetary policy with regard to maintaining the current exchange rate of the Hryvna against the U.S. Dollar if the rate would continue hurting Ukrainian exporters. Furthermore, the granting of a 3G license to Ukrtelecom and issuing the National Roaming law in 2006 created an additional mobile player in the market. The privatization of Ukrtelecom is on the agenda of the government. Moreover, should we have a conflict of interest in the future with Eurocorp, the other shareholder of our local partner Euroasia Telecommunications Holdings B.V. ( Euroasia ), our consolidated subsidiary that controls and consolidates our Ukrainian operations, it may affect the ability of Astelit's management to move forward with its business plan.

Ukrainian tax authorities are increasingly directing their attention to the business community as a result of the overall Ukrainian economic environment. In respect of this, the local and national tax environment in Ukraine is constantly changing and subject to inconsistent application, interpretation and enforcement. Non-compliance with Ukrainian laws and regulations can lead to the imposition of severe penalties and interest. While the management of Astelit believes it has complied with Ukrainian tax legislation, there have been many new tax and foreign currency laws and related regulations introduced in recent years that are not always clearly written.

### *Northern Cyprus*

We have operated a GSM network in Northern Cyprus since July 1999, which may expose us to a number of risks. Any hostilities and/or political instability in Cyprus may have a material adverse effect on the Northern Cypriot economy as well as on the Turkish economy, the progress of Turkey's accession talks with the EU and our investments and business in Northern Cyprus.

### *Turkey*

Our wholly owned indirect subsidiary, Tellcom Iletisim Hizmetleri A.S. ( Tellcom ), has begun a program to establish a fiber-optic network capable of wholesale voice carrying services and data transmission. Tellcom plans to spend up to \$200 million in capital expenditures in 2008, and Tellcom may require several years to generate the expected returns from such capital expenditure, if at all. If Tellcom is not able to successfully carry out its plans to establish a fiber optic network, if such plans require materially more financing than currently expected or if Tellcom is not able to successfully develop its business, this could have a material adverse effect on our business and results of operations.

Tellcom's broadband investment can be expected to yield positive returns only in the long-term due to high investment cost as the planned infrastructure covers a wide area (incity, intercity and fiber local loop) and uses fiber-based technologies. The risks of this investment are multi-faceted as there are regulatory and procedural unknowns as well as an increasingly dynamic competitive environment.

Inteltek Internet Teknoloji Yatirim ve Danismanlik Ticaret A.S. ( Inteltek ), our 55%-owned subsidiary, tendered for and signed a contract with the General Directorate of Youth and Sports in 2003 which authorized Inteltek to establish and operate a risk management center and become head agent for fixed odds betting. This activity became fully operational during 2004. Since then, the validity of this contract has been challenged by various lawsuits and by new laws reducing the commissions payable to Inteltek and requiring the fixed odds betting business to be subject to new tenders. A new law passed on February 27, 2008 by the Turkish Parliament appears to have stabilized this situation. This new law requires a new contract to be signed with Inteltek for a period of up to one year, and provides for a new tender to be conducted for the operation of the fixed odds betting

## **Table of Contents**

business. In application of this new law, a new contract to be valid up to one year took effect on March 1, 2008. No assurance can be given that Inteltek will be able to win the expected tender for this business on terms that will be commercially acceptable.

### *Syria*

Specific risks related to our proposed investment in Syria are discussed below.

#### **We are negotiating to make a significant acquisition in Syria, a country subject to international sanctions.**

We are engaged in negotiations with Al Mashreq Investment Fund to acquire a majority stake in Syriatel, the leading GSM operator in Syria. No assurance can be given that these negotiations will be successful and that we will acquire a majority stake in Syriatel. However, if we do, doing business in Syria will entail certain risks. Syria has been identified by the U.S. State Department as a state sponsor of terrorism. Furthermore, Al Mashreq Investment Fund is represented by Rami Makhoul, a Syrian businessman who has been designated by the U.S. Department of Treasury as a person improperly benefiting from the Syrian regime. Current and future U.S. laws and regulations, as well as legal and regulatory actions, targeting Syria and Syrian individuals such as Mr. Makhoul, may curtail our ability to do business in that country and may impede our exercise of control over Syriatel. Turkcell itself, as well as certain of its key employees (notably those who are U.S. citizens), could be subject to sanctions under such laws and regulations as a result of our activities in Syria. In addition, although our purchase of shares in Syriatel should not be subject to prior Syrian governmental or regulatory approval, the Syrian government has effective control over all aspects of the economy and may impose requirements. All the preceding factors could have a material adverse effect on our financial position and results of operations.

Furthermore, investors may be reticent to invest in a company doing business in Syria, and future laws, regulations and policies could also discourage or prohibit investors from investing in a company doing business in Syria. These factors could have an adverse effect on the demand for our shares.

Our eventual acquisition of Syriatel and the success of our business activities there may also be affected by a number of other factors, including:

our ability to manage differences between Syriatel's management and accounting systems and standards and our own (both those differences that are known and those that we may yet discover) and to successfully integrate these systems and standards;

our ability to manage technical differences between Syriatel's network and operating systems and our own (both those differences that are known and those that we may yet discover) and to successfully integrate these systems;

the reaction of Syrian subscribers and potential subscribers to our acquisition of a controlling interest in Syriatel and to the new commercial strategies that we intend to introduce;

our ability to identify key trends in the Syrian market and to respond to these in a timely and successful manner;

currency exchange rate fluctuations, notably between the Turkish Lira, Syrian pound and other relevant currencies; and

the competitive and regulatory environment in the Syrian telecommunications market, including the actions of current and future competitors, and any actions taken by the regulators that may affect costs, pricing and competition levels.

#### **Spectrum limitations may adversely affect our ability to provide services to our subscribers.**

The number of subscribers that can be accommodated on a mobile network is constrained by the amount of spectrum allocated to the operator of the network and is also affected by subscriber usage patterns and network



## **Table of Contents**

infrastructure. The spectrum is a continuous range of frequencies within which the waves have certain specific characteristics and we only have 10 MHz of spectrum in the 900 MHz band. As our subscriber base and service offerings increase, there will be a need for more capacity for mobile voice and data; however, with the currently available spectrum, we may face a bottleneck, especially in the metropolitan areas. To overcome this bottle neck, we have applied for the allocation of additional frequencies in the GSM 900 MHz band. There can be no assurance that we can obtain additional frequencies in the 900 MHz band or additional spectrum in the 1800 MHz band or 3G or Universal Mobile Telecommunications System ( UMTS ) with High Speed Packet Access ( HSPA ) technology which works in a completely differeny frequency band (2.1 GHz) at reasonable cost or at all, or that such additional frequencies will not be awarded to our competitors.

### **There are alleged health risks related to BTS and the use of handsets which could expose us to liability and lead to reduced usage of mobile phones.**

We are aware of allegations that there may be health risks associated with the effects of electromagnetic signals from BTS and from mobile telephone handsets. While there is currently no substantiated link between exposure to electromagnetic signals at the level transmitted by our BTS and mobile telephone handsets and long-term damage to health, the actual or perceived health risks of mobile communications devices could adversely affect us through a reduction in subscribers, reduced usage per subscriber, increased difficulty in obtaining sites for base stations and exposure to potential liability. Furthermore, we may not be able to obtain insurance with respect to such liability on commercially reasonable terms. In recent years, legal proceedings have been brought against GSM mobile operators seeking the removal of base station sites for health reasons. Such legal proceedings may make it more difficult for us to establish and maintain such sites.

### **We are dependent on certain suppliers for network equipment and for the provision of data services.**

Like all operators, we purchase our GSM network equipment including our switching system, base station controllers ( BSCs ), BTS, transmission equipment and the software required to operate all these from a limited number of major equipment suppliers. Although we are not bound to purchase our equipment solely from any given supplier and we are making efforts to diversify, there can be no assurance that we will be able to obtain equipment from one or more alternative suppliers on a timely basis in the event that any current supplier is for any reason unable or unwilling to satisfy equipment requirements. This could occur if, for example, the growth in demand for network equipment exceeds the ability of suppliers of this equipment as a whole to meet such demands. Like all operators, the failure of any of our suppliers to supply equipment to us could have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity.

In addition, equipment from alternative suppliers may not always be compatible with our existing equipment, and our employees may not be familiar with the technical specifications and maintenance requirements of equipment from alternative suppliers. These factors could also have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity.

### **We are dependent on certain systems and suppliers for IT services and our business continuity is at risk due to our exposure to potential natural disasters, regular or severe IT failures, human error, hacking and IT migration risk.**

We are heavily dependent on IT systems, suppliers for IT services and our IT employees for the continuity of our business. We also regularly upgrade or convert our IT systems. Currently, we have a Business Continuity Management ( BCM ) scheme that is designed to protect and minimize the potential damage to Turkcell s operations should we experience a crisis situation due a potential natural disaster, such as an earthquake. The implementation of the BCM was completed by the end of 2007. In addition, should we experience regular or severe IT failures, whether due to system outages, human error or deliberate transferring, fraud or hacking, not successfully migrate to alternative or improved IT systems or experience a crisis situation, we may not fully recover our IT systems. If such event(s) occurred, it would result in interruptions in the continuity of our business which could have a material adverse effect on our business, consolidated financial position and results of operations.

## **Table of Contents**

**If we are unable to retain key personnel, or maintain the loyalty of our distributors and their key personnel, our business, consolidated financial condition or results of operations could be materially and adversely affected.**

Our performance depends, to a significant extent, on the abilities and continued service of our key personnel. Competition for qualified telecommunications and information technology personnel in Turkey is intense. In addition, we are dependent on our distributors and their personnel in the growth and maintenance of our customer base. The loss of the services or loyalty of key personnel could adversely affect our financial condition or results of operations as well as breaches of confidentiality regarding our customer, operation and business plan details, particularly if a number of such persons were to join a competitor. Retention of high-caliber individuals in these positions is also key to our being able to deliver on our strategy.

**The borrowings of our majority owned subsidiaries may expose us to interest rate risk and possibly increased interest expense, obligate us to meet certain covenants and expose us to financial risks if such subsidiaries fail to meet some of their obligations set forth in the agreements related to their financing arrangements or they require additional financing, each of which could have a material adverse effect on our consolidated financial condition and results of operations.**

As of December 31, 2007, the major portion of our outstanding debt consists of the \$540 million long-term financing facility for Astelit, which consists of a \$390 million senior facility and a \$150 million junior facility. Financell B.V. ( Financell ), our wholly owned financing subsidiary, undertook the \$390 million long-term senior syndicated facility for Astelit on June 27, 2007. This facility has a variable interest rate. We fixed the Euribor rate for some portion of our debt until maturity instead of the market practice of setting the rate for three or six months in order to partially hedge our interest rate risk against possible short-term interest rate increases. In order to hedge the interest rate risk, we continue to look for hedging alternatives such as interest rate swaps. There are no outstanding swap arrangements due to the cost of such arrangements in the market and the general market view of forward interest rates. Consequently, an increase in the Libor or Euribor rates would cause an increase in the amount of our interest payments and could have a material adverse effect on our results of operations.

In the future we might be obliged to accept certain covenants in connection with obtaining financing on a consolidated basis or for our majority owned subsidiaries.

**Cancellation of our ADSs has been halted on a limited basis and this may adversely affect liquidity and trading of our ADSs.**

Due to uncertainties arising after January 1, 2006 surrounding the application of the Turkish capital gains tax and withholding related thereto on the deemed capital gains which arise on the cancellation of ADSs, our ADR depository, JPMorgan Chase Bank, N.A., consistent with the practice of all depository banks for Turkish issuers, halted the issuance and cancellation of ADRs. Trading of our ADSs on the New York Stock Exchange has continued and has not been impacted by the closure of the issuance and cancellation books of our ADR depository.

On March 8, 2007, the Turkish Ministry of Finance issued a new communiqué that facilitated the reopening of the ADS issuance and cancellation books based on certain conditions. On May 17, 2007, our ADR depository reopened our ADS issuance books and, on a limited basis, our ADS cancellation books. Cancellations are currently limited to non-resident beneficiaries (i.e. beneficiaries not resident or incorporated in the Republic of Turkey) who have purchased ADSs on or after January 1, 2006.

Due to the continued halt of cancellation of our ADSs, except for non-resident beneficiaries who purchased ADSs on or after January 1, 2006, if there were a sudden or significant increase in persons wishing to sell ADSs, there may be adverse effects on liquidity and market disruption in the trading of our ADSs.



**Table of Contents****ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS****7.A Major Shareholders**

The following table sets forth our major shareholders' ordinary share ownership representing approximately 70.62% of our company's capital. The following information is as of April 1, 2008.

Name and Address of Owner	Nominal TRY Value of Shares Owned(1)	Percent of Class
<b>Sonera Holding B.V.(2)</b> P.O. Box 8675 NL 3009 AR Rotterdam The Netherlands	287,632,179.557	13.07%
<b>Cukurova Holding A.S.(3)</b> Buyukdere Cad. Yapi Kredi Plaza A Blok Kat: 15, 80620, Levent, Istanbul, Turkey	91,195,509.429	4.15%
<b>Turkcell Holding A.S.(4)</b> Buyukdere Cad. Yapi Kredi Plaza A Blok Kat: 15 80620, Levent, Istanbul, Turkey	1,122,000,000.238	51.00%
<b>Turkiye Genel Sigorta A.S.(3)</b> Meclisi Mebusan Cad., No: 91 80040, Salipazari, Istanbul, Turkey	1,558,452.599	0.07%
<b>Bankrupt Bilka Bilgi Kaynak Ve Iletisim San.ve Tic. A.S .</b> Cumhuriyet Cad. No: 16 Kat: 2 Oda: 2 Sisli, Istanbul, Turkey	153,999.575	0.01%
<b>M.V. Holding A.S.(5)</b> K.V.K. Plaza Bayar Cad., Gulbahar Sok. No: 14 81090 Kozyatagi, Istanbul, Turkey	51,021,712.590	2.32%
Shares Publicly Held	646,438,146.012	29.38%

(1) On April 29, 2005, the General Assembly approved a revaluation of our ordinary shares from TL 1,000 to TRY 1. The revaluation resulted in the formation of fractional shares, which have not yet been merged into whole ordinary shares. Therefore, we give the nominal value of the ordinary shares owned rather than the units or fractional units thereof.

(2) Controlled by TeliaSonera.

(3) Controlled by Cukurova Group.

(4) Controlled indirectly by the Cukurova Group and Alfa Telecom (through its Altimo subsidiary).

(5) Controlled by Murat Vargi.

As of March 12, 2008, Turkcell had 85,131,415 ADRs outstanding held by 43 registered ADR holders. To the best of our knowledge, as of March 31, 2008, in accordance with the loan agreements signed between our shareholders and various banks, 60,124,379.642 of our shares having a nominal value of TRY 60,124,379.642 have been pledged by our shareholders as security in favor of such banks.

On June 23, 2006, a pledge was established in favor of SDIF over 16,000,000 Turkcell shares, each having a nominal value of TRY 1 in connection with a Share Certificate Pledge and Subordinate Pledge Agreements signed between SDIF and Cukurova Holding A.S., an appropriate annotation regarding the pledge has been made in the share book of Turkcell.



**Table of Contents**

On November 8, 2006 Cukurova Holding A.S. offered 64,720,522.819 registered shares with a nominal value of TRY 64,720,502.819 for circulation on the Istanbul Stock Exchange. These shares are shown among the publicly held shares. In addition, Cukurova Investments N.V. offered 63,591,825.482 registered shares with a nominal value of TRY 63,591,825.482 for circulation on the Istanbul Stock Exchange. These shares we also offered through a secondary public offering on the NYSE.

The pledge right which was established on our shares owned by Cukurova Holding A.S., in connection with the Share Certificate Pledge Agreement dated September 27, 2005, signed between Cukurova Holding A.S. and SDIF and the Subordinate Pledge Agreement dated September 28, 2005, signed between Cukurova Holding A.S. and Yapi ve Kredi Bankasi A.S. ( YKB ), on 17,626,227.756 units of our shares, each having a nominal value of TRY 1 has been removed from the Share Book of Turkcell through a resolution of our Board of Directors on February 21, 2007.

On May 11, 2007 our Board of Directors approved a resolution for the blank endorsement of 11,000,000 shares, each having a nominal value of TRY 1, and held by MV Holding A.S. for their transfer and assignment pursuant to paragraph m of Article 9 of the Istanbul Stock Exchange Quotation Regulation.

On May 11, 2007 our Board of Directors also approved a resolution for the blank endorsement of 9,218,606.390 of our shares, each having a nominal value of TRY 1, and held by MV Investment N.V. for their transfer and assignment pursuant to paragraph m of Article 9 of the Istanbul Stock Exchange Quotation Regulation.

Also on May 11, 2007, 1,781,393.610 registered shares, which were owned by M.V. Investments N.V. and previously endorsed in blank for circulation on the Istanbul Stock Exchange in parts on April 21, 2004 and October 21, 2004, were listed among publicly held shares.

It was understood from the announcement of Cukurova S.A., which was sent to the Istanbul Stock Exchange on July 16, 2007, that Cukurova Holding A.S. and Cukurova Investments N.V. sold and transferred some of our shares to JP Morgan Securities Ltd. for sale to foreign investors. This transaction s total nominal value was TRY 74,782,937.

A pledge right on some of our shares owned by Cukurova Holding A.S. was established in favor of YKB as per the financial restructuring agreement signed on September 28, 2005, between YKB and Cukurova Holding A.S. We were informed by Cukurova Holding A.S. that the aforementioned pledge has been removed. Accordingly, the pledge annotation in our Share Book with a total nominal value of TRY 21,197,403.690 was cancelled on August 22, 2007.

It has been understood from the announcement of Cukurova Holding A.S. which was sent to the Istanbul Stock Exchange on July 16, 2007, that 7,598,502.084 units of these shares (6,991,406.768 units of registered shares and 607,095.316 units of shares which were already endorsed in blank) have been transferred and assigned to JP Morgan Securities Ltd. by Cukurova Holding A.S. in order to be sold to investors residing abroad. Our board of directors resolved to approve the circulation of our shares in the total nominal value of TRY 6,991,406.768 through the blank endorsement of these shares.

A pledge right on some of our shares owned by Cukurova Investments N.V. was established in favor of YKB as per the financial restructuring agreement signed on September 28, 2005, between YKB and Cukurova Holding N.V. As per the letter sent by YKB to Cukurova Holding A.S., the latter informed us that the aforementioned pledge has been removed. Accordingly, the pledge annotation in our Share Book with a total nominal value of TRY 67,184,434.916 was cancelled on August 22, 2007.

It has been understood from the above mentioned letters and the announcement of Cukurova Holding A.S. which was sent to the Istanbul Stock Exchange on July 16, 2007 that 67,184,434.916 units of shares

## **Table of Contents**

(64,494,842.514 units of registered shares and 2,689,592.402 units of shares which were already endorsed in blank) have been transferred and assigned to JP Morgan Securities Ltd. by Cukurova Investments N.V. in order to be sold to investors residing abroad and our Board of Directors resolved on August 22, 2007 to approve the circulation of our shares in the total nominal value of TRY 64,494,842.514 through the blank endorsement of these shares.

On December 18, 2007 our Board of Directors approved a blank endorsement of 16,494,257.660 shares held by MV Investments N.V. and 22,000,000 shares held by MV Holding A.S., each having a nominal value of TRY 1 per share, for their transfer and assignment pursuant to paragraph m of Article 9 of the Istanbul Stock Exchange Quotation Regulation.

On the basis of publicly available information (Form 13D filings), Alfa Group, which previously held, indirectly, 13.2% of our shares, has as of January 2008 transferred control over 50% of these shares to Nadash.

### **7.B Related Party Transactions**

We have entered into agreements with our executive officers and with several of our current and former shareholders or affiliates of shareholders. We believe that all of such agreements are on terms that are comparable to those that would be available in transactions with unrelated parties. Our policy is to seek price quotes for services and goods we purchase and select the most favorable price.

#### ***Formation of Fintur***

In connection with the formation of Fintur, we entered into a shareholders agreement with the other Fintur shareholders. The Fintur shareholders agreement provides that the Board of Directors will consist of five members. TeliaSonera is entitled to appoint three members and we are entitled to appoint two members. Important board decisions, such as approval of the annual budgets and business plans, establishment of or participation in new companies or acquisition, transfer or dissolution of subsidiaries or branches must be approved by at least four board members. Important shareholder decisions, such as amending the Articles of Association, increasing or decreasing the share capital, appointing or dismissing board members, approving dividend distributions, issuing securities, approving liquidation, merger or consolidation or appointing external auditors must be approved by those shareholders holding at least two-thirds of Fintur's share capital. The shareholders agreement also provides that the representation of Fintur on the Board of Directors of companies in which Fintur holds shares will be considered on a case by case basis. However, we and TeliaSonera will also have the right to nominate an equal number of members to the boards of each company in which Fintur holds shares.

#### ***Agreements with KVK Teknoloji:***

KVK Teknoloji, incorporated on 23 October 2002, one of our principal Simcard distributors, is a Turkish company, which is affiliated with some of our shareholders. In addition to sales of Simcards and scratch cards, we have entered into several agreements with KVK Teknoloji, in the form of advertisement support protocols, each lasting for different periods pursuant to which KVK Teknoloji must place advertisements for our services in newspapers. The objective of these agreements is to promote and increase handset sales with our prepaid and postpaid brand Simcards, thereby supporting the protection of our market share in the prevailing market conditions. The prices of the contracts were determined according to the cost of advertising for KVK Teknoloji and the total advertisement benefit received, reflected in our market share in new subscriber acquisitions. Distributors' campaign projects and market share also contributed to the budget allocation. The total amount of Simcard and scratch card sales to KVK Teknoloji in 2007 amounted to \$627.1 million.

---

**Table of Contents**

***Agreements with A-Tel:***

A-Tel is involved in the marketing, selling and distributing of our prepaid systems. A-Tel is a 50-50 joint venture between us and SDIF. A-Tel acts as our only dealer for Muhabbet Kart (a prepaid card), and receives dealer activation fees and Simcard subsidies for the sale of Muhabbet Kart. In addition to sales of Simcards and scratch cards, through an extensive network of newspaper kiosks located throughout Turkey, we have entered into several agreements with A-Tel for sales campaigns and for subscriber activations. The total amount of Simcard and scratch card sales to A-Tel in 2007 amounted to \$141.2 million.

On October 20, 2005, Cukurova Group offered to sell to Turkcell the A-Tel Option Contract, under which the holder has the right to purchase 50% shares of A-Tel for a consideration of \$150 million. Turkcell conducted tax, legal and financial due diligence review at A-Tel. In the Board of Directors meeting dated March 22, 2006, the board resolved to accept the proposal and the purchase of 50% of A-Tel shares by Turkcell for a consideration of \$150 million based on the findings of the due diligence conducted at A-Tel. On August 9, 2006 we acquired the 50% shares of A-Tel. The results of A-Tel's operation have been included in the consolidated financial statements.

***Agreements with Digital Platform:***

Digital Platform, a direct-to-home digital television service company under the Digiturk brand name, is a subsidiary of one of our principal shareholders, the Cukurova Group. Digital Platform acquired the broadcasting rights for Turkish Super Football League by the tender held on July 15, 2004, until May 31, 2008, and the broadcasting rights were extended until May 31, 2010 with a new agreement dated May 5, 2005. On December 23, 2005, we signed a Restructuring Framework Agreement with Digital Platform. The agreement includes the restructuring of our receivables from Digital Platform amounting to \$71.2 million as of December 31, 2007 and sponsorship and advertisement services that we will utilize on Digital Platform infrastructure. Under the agreement, Digital Platform commits to pay amounts due to Turkcell through July 15, 2011 along with the interest in cash and advertisement services. According to the Restructuring Framework Agreement and in the context and as an integral part of the agreement, we committed to purchase sponsorship and advertisement from Digital Platform amounting to \$99.8 million excluding VAT until July 15, 2011. We also have an agreement related to the corporate group SMS services that we offer to Digital Platform, and an agreement for call center services provided by one of our subsidiary, Global. The total amount of call center service fees and interest charges from Digital Platform was approximately \$16.8 million in 2007.

***Agreements with Millenicom Telekomunikasyon Hizmetleri A.S.:***

European Telecommunications Holding AG ( ETH ), whose majority shares are owned by Cukurova Group, holds the majority shares of Millenicom Telekomunikasyon Hizmetleri A.S. ( Millenicom Telekomunikasyon ). Millenicom Telekomunikasyon is rendering and receiving call termination and international traffic carriage services for and from us. In 2007, the total amounts charged by and charged to Millenicom Telekomunikasyon were \$11.1 million and \$12.4 million, respectively.

***Agreements with ADD:***

ADD, a media planning and marketing company, is a Turkish company owned by one of our principal shareholders, Cukurova Group. We entered into a media purchasing agreement with ADD on January 23, 2002, which expired on December 31, 2002 and was further extended to December 31, 2003. In 2004 and 2005, the agreement was revised again with similar terms. On September 1, 2006 a revised agreement was signed with ADD and the validity period of the agreement has been extended to August 31, 2008. The purpose of this agreement is to benefit from the expertise and bargaining power of ADD against third parties regarding the formation of media purchasing strategies for both postpaid and prepaid brands. Additionally, ADD is a party of the sponsorship and advertisement agreements which are an integral part of the Restructuring Framework Agreement signed between us and Digital Platform. The contract prices were determined according to prevailing market prices for media purchasing. The total amount charged by ADD in 2007 amounted to \$167.5 million.

## **Table of Contents**

### ***Agreements with Hobim:***

Hobim, one of the leading data processing and application service provider companies in Turkey, is owned by the Cukurova Group, one of our principal shareholders. We have entered into invoice printing and archiving agreements with Hobim under which Hobim provides us with scratch card printing services, monthly invoice printing services, and manages archiving of invoices and subscription documents for an indefinite period of time. Prices of the agreements are determined as per unit cost plus profit margin. The total amount charged by Hobim related to these contracts in 2007 amounted to \$17.2 million.

### ***Agreements with Baytur:***

The principal shareholder of Baytur, a construction company, is the Cukurova Group. Baytur committed to complete construction of 484 apartments within the scope of an agreement signed among us, Baytur and the land owner, which is a governmental organization, on October 19, 2004. The agreement amount is \$39.7 million. During 2007, Baytur settled its obligation in respect of the project and we wholly paid the remaining contract amount to Baytur in 2007. In 2007, we paid \$5.1 million to Baytur within the scope of this contract.

### ***Betting SA:***

Betting SA is incorporated under the laws of Greece and owned by one of the major shareholders of Inteltek. Inteltek signed a service agreement with Betting SA on March 11, 2004 to receive consultancy services including monitoring operations, providing continuous evaluation of betting, maximizing game revenues of fixed odds betting, and operating fixed odds betting games in an efficient manner with integrity and security. In 2007, the total amount charged by Betting SA related to this agreement was \$8.7 million (2006: \$16.0 million).

### ***Agreements with Kyivstar:***

The Alfa Group, a minor shareholder of us, holds the majority shares of Kyivstar. Astelit is receiving call termination and international traffic carriage services from Kyivstar. In 2007, the total amounts charged by and charged to Kyivstar were \$36.1 million and \$40.2 million, respectively.

## **7.C Interests of Experts and Counsel**

Not Applicable.

---

**Table of Contents**

**ITEM 15. CONTROLS AND PROCEDURES**

(a) *Disclosure Controls and Procedures.* The Chief Executive Officer and the Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in US Exchange Act Rule 13a-15(e)) as of the end of the period covered by this Form 20-F, have concluded that, as of such date, the Company's disclosure controls and procedures were effective, except for the material weakness described below.

(b) *Management's Annual Report on Internal Control Over Financial Reporting.* The management of Turkcell is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934), and for performing an assessment of the effectiveness of internal control over financial reporting as of December 31, 2007. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

- (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Internal control over financial reporting has inherent limitations. It is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. In addition, it can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements will not be prevented or detected on a timely basis by internal controls over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design safeguards to reduce, though not eliminate, this risk.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

Management assessed the effectiveness of the internal control over financial reporting as of December 31, 2007 based on criteria established in the Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ). Based on its assessment and those criteria, management continued to identify as of December 31, 2007 the following material weakness in internal control over financial reporting:

Despite management's efforts during 2007, there remained a lack of effective IT general controls over access to revenue related IT systems used to monitor shared user mechanism and usage, particularly a lack of effective log and alarm review structures in our database systems, operating systems and applications used to monitor transactions of privileged system users in IT systems related to revenue process. This control deficiency did not result in an adjustment in the interim or annual consolidated financial statements of Turkcell as of December 31, 2007.

**Table of Contents**

Management concluded that the Company's internal control over financial reporting was not effective, as of December 31, 2007, because of the material weakness discussed herein, based on its assessment and the criteria set forth in Internal Control-Integrated Framework issued by COSO.

The effectiveness of our internal control over financial reporting as of December 31, 2007 has been audited by Akis Bagimsiz Denetim ve Serbest Muhasebeci Mali Musavirlik AS, our independent registered public accounting firm in Turkey, as stated in their attestation report which appears below under Item 15(d), Attestation Report of the Registered Public Accounting Firm.

*(c) Remediation of Material Weaknesses in Internal Control over Financial Reporting*

The Company's remediation efforts of the material weakness identified above began in 2007 and actions taken are summarized as follows:

- a. During 2007, the Company established control procedures to remediate the material weakness that was identified during management's assessment as of December 31, 2006, by establishing a log and alarm infrastructure to monitor Operating and Database systems and business applications that are financially critical to the Company. Notwithstanding the aforementioned, this infrastructure did not fully eliminate the weakness such that database log and alarms, operating system alarms, application log and alarms and alarm review mechanisms were not successful in both design and operation.
- b. In 2007, the Company started a study in the scope of Security Surveillance Project, to enhance Database log and alarm mechanisms by establishing proper technologies. Moreover in 2008, Operating System alarms will be strengthened in order to cover critical cycles such as revenue. In addition, alarm review tasks will be developed to acceptable levels by assigning additional staff and structure in order to remediate lack of monitoring effectiveness.



**Table of Contents**

(d) *Attestation Report of the Registered Public Accounting Firm.*

***Report of Independent Registered Public Accounting Firm***

The Board of Directors and Shareholders

Turkcell Iletisim Hizmetleri A.S.:

We have audited Turkcell Iletisim Hizmetleri A.S.'s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ). Turkcell Iletisim Hizmetleri A.S.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment: The Company did not maintain effective IT general controls over access to programs and data especially to monitor the privileged system users in IT systems over revenue process. The Company did not maintain effective controls to log and create alarms in the Company's database systems, operating systems and applications used to monitor transactions of privileged system users in IT systems related to the revenue process. We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Turkcell Iletisim Hizmetleri A.S. as of December 31, 2007 and 2006, and the related consolidated statements of income, recognized income and expenses, and cash flows for each of the years in the three-year period ended December 31, 2007. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2007 consolidated financial statements, and this report does not affect our report dated April 23, 2008, which expressed an unqualified opinion on those consolidated financial statements.

**Table of Contents**

In our opinion, because of the effect of the aforementioned material weakness on the achievement of the objectives of the control criteria, Turkcell Iletisim Hizmetleri A.S. has not maintained effective internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control Integrated Framework issued by the COSO.

We do not express an opinion or any other form of assurance on management's statements referring to corrective actions taken after December 31, 2007, relative to the aforementioned material weakness in internal control over financial reporting.

/s/ Akis Bagimsiz Denetim Serbest Muhasebeci

Mali Musavirlik A.S.

April 23, 2008

Istanbul, Turkey

(e) *Changes in Internal Control Over Financial Reporting.* There were no changes in connection with the evaluation required by Rule 13a-15(d) and Rule 15d-15 in the Company's internal control over financial reporting that occurred during the year ended December 31, 2007, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Table of Contents**

**ITEM 19. EXHIBITS**

<b>EXHIBIT NUMBER</b>	<b>DESCRIPTION</b>
1.1*	Articles of Association of Turkcell Iletisim Hizmetleri A.S.
8.1**	Subsidiaries of Turkcell.
12.1	Certification of Sureyya Ciliv, Chief Executive Officer of Turkcell Iletisim Hizmetleri A.S., pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
12.2	Certification of Serkan Okandan, Chief Financial Officer of Turkcell Iletisim Hizmetleri A.S., pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
13.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
15.1**	Consent of Independent Registered Public Accounting Firm.
15.2**	Consent of Independent Registered Public Accounting Firm.

\* Previously filed as an exhibit to Turkcell s Form 20-F filed on April 13, 2006.

\*\* Previously filed as an exhibit to Turkcell s Form 20-F filed on April 23, 2008.

**Table of Contents**

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this amended annual report on its behalf.

TURKCELL ILETISIM HIZMETLERI A.S.

Date: April 24, 2008

By: /s/ SUREYYA CILIV  
**Sureyya Ciliv**  
**Chief Executive Officer**

Date: April 24, 2008

By: /s/ SERKAN OKANDAN  
**Serkan Okandan**  
**Chief Financial Officer**