TURKCELL ILETISIM HIZMETLERI A S
Form 6-K
February 22, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

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

Report on Form 6-K dated February 22, 2013

Commission File Number: 001-15092

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

Turkcell Plaza
Mesrutiyet Caddesi No. 153
34430 Tepebasi
Istanbul, Turkey

(Address of Principal Executive Offices)

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

Form 20-F Q Form 40-F £

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

Yes £ No Q

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

Yes £ No Q

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

Yes £ No Q

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-
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Enclosure: A press release dated February 21, 2013 announcing Turkcell's Fourth Quarter and Full Year 2012 results and IFRS Report for Q4 2012.

Fourth Quarter and Full Year 2012 Results

Content

- Please note that all financial data is consolidated and comprises that of Turkcell Iletisim Hizmetleri A.S., (the “Company”, or “Turkcell”) and its subsidiaries and associates (together referred to as the “Group”). All non-financial data is unconsolidated and comprises Turkcell only figures. The terms “we”, “us”, and “our” in this press release refer only to the Company, except in discussions of financial data, where such terms refer to the Group, and where context otherwise requires.
- In this press release, a year on year comparison of our key indicators is provided and figures in parentheses following the operational and financial results for the year end 2012 refer to the same item in the year end of 2011 and figures in parentheses following the operational and financial results for the fourth quarter 2012 refer to the same item in the fourth quarter of 2011. For further details, please refer to our consolidated financial statements and notes as at and

for the year ended December 31, 2012 which can be accessed via our web site in the investor relations section (www.turkcell.com.tr).

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Fourth Quarter and Full Year 2012 Results

HIGHLIGHTS

FULL YEAR 2012

- Turkcell Group accelerated its growth for the full year posting a 12% revenue increase to TRY10,507 million (TRY9,370 million) and 11% EBITDA1 rise to TRY3,242 million (TRY2,913 million). Group EBITDA margin stood at 30.9% (31.1%)

  - Turkcell Turkey registered revenues of TRY8,724 million (TRY8,030 million) on growth of 9% mainly due to:

    - 6% growth in voice revenues2 to TRY6,442 million (TRY6,086 million)

    - 44% growth in mobile broadband revenues to TRY1,040 million (TRY724 million)

- Revenues of subsidiaries3 rose by 33% to TRY1,783 million (TRY1,340 million) while their contribution to the top line climbed 3pp to 17% (14%)

  - EBITDA of subsidiaries3 improved by 33% to TRY532 million (TRY399 million), while their contribution to Group EBITDA rose by 2pp to 16% (14%)

- Group net income increased by 77% to TRY2,079 million (TRY1,178 million). Excluding one-off items, net income would have increased by 20% to TRY2,291 million (TRY1,913 million)

FOURTH QUARTER 2012

- Turkcell Group posted a record quarterly revenue of TRY2,807 million (TRY2,446 million) on 15% year-on-year growth and EBITDA1 of TRY848 million (TRY695 million) marking a 22% year-on-year increase. Group EBITDA margin rose to 30.2% (28.4%)

  - Turkcell Turkey posted revenues of TRY2,290 million (TRY2,042 million) on growth of 12% mainly due to:

    - 11% rise in voice revenues2 to TRY1,675 million (TRY1,511 million), on a continuing growth trend for the fifth consecutive quarter

    - 47% growth in mobile broadband revenues to TRY295 million (TRY200 million)

- Revenues of subsidiaries3 increased 28% to TRY517 million (TRY404 million) while their contribution to the top line rose by 1pp to 18% (17%)

  - EBITDA of subsidiaries3 improved by 37% to TRY146 million (TRY107 million), while their contribution to Group EBITDA grew by 2pp to 17% (15%)

- Group net income rose by 38% to TRY459 million (TRY332 million). Excluding one off items, net income would have increased by 29% to TRY565 million (TRY437 million)

(1) EBITDA is a non-GAAP financial measure. See page 15 for the reconciliation of EBITDA to net cash from operating activities.
(2) Voice revenues include outgoing, incoming, roaming and other (comprising almost 2% of Turkcell Turkey) revenues.
(3) Including eliminations.
(*) For details, please refer to our consolidated financial statements and notes as at and for the year ended December 31, 2012 which can be accessed via our web site.

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Fourth Quarter and Full Year 2012 Results

COMMENTS FROM CEO, SUREYYA CILIV

"In 2012, Turkcell Group continued to grow at an accelerated pace. Revenues rose by 12% year-on-year to TRY 10.5 billion, while EBITDA increased by 11% to TRY 3.2 billion and net profit reached TRY 2.1 billion.

Turkcell Turkey's revenues rose by 9% compared to last year, while voice revenues grew by 6% and mobile broadband revenues increased by 44%. Turkey's fiber broadband provider, Turkcell Superonline posted a year on year rise of 49% while our Ukraine operation increased its revenues by 10% in USD terms. Consequently, the revenue and EBITDA contribution of our subsidiaries to the Group both rose by 33%.

We took further steps this year in our transformation from a GSM operator to a communications and technology company initiated in 2007. With our nationwide mobile broadband speed of 43.2 Mbps, and fiber broadband speed of 1,000 Mbps, we eased access to information and served as a global example on several fronts. With our network investments and cutting edge telecommunication and technology solutions such as Turkcell Smart Cloud, Turkcell Wallet, Turkcell TV and Turkcell Smart Health, we contributed more value to both the economy and our customers. Day by day we continue to increase this value, which combines superior customer experience through innovative solutions and affordable Turkcell branded smartphones and tablets.

I am confident that in 2013 Turkcell Group will deliver even more value to our customers, employees, business partners and shareholders without compromising our focus on innovation and operational excellence. We would like to thank all of our stakeholders for sharing our success story with us."

OVERVIEW OF TURKCELL TURKEY

The mobile market grew by 2.3 million subscribers in 2012 compared to the previous year, mainly driven by increased data subscriptions and growth in population. Accordingly, mobile line penetration increased to 89% from 87% in 2011.

In 2012 the mobile market remained highly competitive. The market continued to focus on price accompanied by all direction minutes which continued to result in increasing interconnect costs. Although we witnessed some upward price movements in the second half, RPM levels for the full year further declined by around 7% compared to 2011.

In this environment we continued to focus on generating value for our customers and offering superior customer experience. Throughout the year, we maintained our leader position in the market with 590 thousand net subscriber additions as well as achieved the lowest annual churn rate of 27.1% since 2008. In the meantime, we achieved the highest postpaid net additions of 1.5 million in the market. This increase in our postpaid subscriber base, along with higher voice and data usage, was the main contributor to our 10% rise in ARPU for the quarter and 6% for the full year.

On the terminal front, the overall smartphone market continued to grow. We led the market in 2012 with our wide device portfolio and variety of offers, as well as through our expertise in sales & service channels. In accordance with our vision of increasing smartphone penetration and promoting mobile broadband usage, in 2012 we launched our "Smartphone Festival" campaign through our collaboration with device vendors and added two new models to the Turkcell branded T-series smartphones. Through the "Smartphone Festival" we offered our customers smartphones at affordable prices, while the T-Series became the most preferred smartphone of the campaign for its affordability and local content developed in-house by Turkcell. With these efforts we increased the number of smartphones by 2.4 million to 6.2 million while penetration on our network reached 19% in 2012. Moreover on the strength of the success that we achieved with our T-Series, we recently launched our first “Turkcell Tablet” in the growing tablet market. We designed the “Turkcell Tablet” to further widen access to mobile broadband and offer a superior customer experience with preloaded Turkcell applications at affordable price. During the quarter, on the mobile broadband side we also differentiated our offers through speed based and data sharing plans.

In 2012, we continued investments in our superior mobile and fiber networks and cutting edge technology to provide the best customer experience and maintain the "Turkcell is the one" perception with our innovative solutions. Accordingly in 2012 we launched our new products "Turkcell Smart Cloud" providing cloud computing services, "Turkcell TV" enabling online TV services and "Mobile Wallet" providing mobile banking, payment and loyalty services. Furthermore we continued to invest in our M2M business with Turkcell Smart Health solutions.

For 2013 we believe that voice, mobile broadband and increased contribution of our subsidiaries should continue to be key growth drivers. We are expecting consolidated revenues in the range of TRY11,200 million –TRY11,400 million and consolidated EBITDA in the range of TRY3,300 million –TRY3,500 million. We expect operational group capex as a percentage of revenues to be around 15%.

Fourth Quarter and Full Year 2012 Results

FINANCIAL AND OPERATIONAL REVIEW

The following discussion focuses principally on the developments and trends in our business in the fourth quarter and full year 2012 in TRY terms. Selected financial information for the fourth quarter of 2011, third quarter of 2012 and full year 2011, both in TRY and US$ prepared in accordance with IFRS, and in TRY prepared in accordance with the Capital Markets Board of Turkey's standards is also included at the end of this press release.

Financial Review of Turkcell Group

	Quarter			Year		
Profit & Loss Statement (million TRY)	Q411	Q412	y/y%	FY11	FY12	y/y%
Total Revenue	2,445.5	2,807.3	14.8 %	9,370.1	10,507.0	12.1 %
Direct cost of revenues1	(1,791.8)	(1,760.1)	(1.8 %)	(5,954.3)	(6,487.3)	9.0 %
Direct cost of revenues1/revenues	(73.3 %)	(62.7 %)	10.6pp	(63.5 %)	(61.7 %)	1.8pp
Depreciation and amortization	(596.4)	(395.5)	(33.7 %)	(1,592.9)	(1,411.7)	(11.4 %)
Gross Margin	26.7 %	37.3 %	10.6pp	36.5 %	38.3 %	1.8pp
Administrative expenses	(103.8)	(125.9)	21.3 %	(410.9)	(484.2)	17.8 %
Administrative expenses/revenues	(4.2 %)	(4.5 %)	(0.3pp)	(4.4 %)	(4.6 %)	(0.2pp
Selling and marketing expenses	(451.6)	(469.0)	3.9 %	(1,684.9)	(1,705.7)	1.2 %
Selling and marketing expenses/revenues	(18.5 %)	(16.7 %)	1.8pp	(18.0 %)	(16.2 %)	1.8pp
EBITDA2	694.7	847.8	22.0 %	2,912.9	3,241.5	11.3 %
EBITDA Margin	28.4 %	30.2 %	1.8pp	31.1 %	30.9 %	(0.2pp)
Net finance income / (expense)	27.8	79.4	185.6 %	17.3	467.5	2602.3 %
Finance expense	(111.8)	(79.5)	(28.9 %)	(528.3)	(224.2)	(57.6 %)
Finance income	139.6	158.9	13.8 %	545.6	691.7	26.8 %
Share of profit of associates	55.0	42.5	(22.7 %)	227.1	218.5	(3.8 %)
Other income / (expense)	(10.4)	(23.9)	129.8 %	(218.5)	(105.2)	(51.9 %)
Monetary gains / (losses)	273.5	42.6	(84.4 %)	273.5	169.9	(37.9 %)
Non-controlling interests	5.8	3.2	(44.8 %)	43.3	21.0	(51.5 %)
Income tax expense	(118.3)	(136.9)	15.7 %	(485.0)	(522.5)	7.7 %
Net Income	331.7	459.2	38.4 %	1,177.7	2,079.0	76.5 %

(1) Including depreciation and amortization expenses.
(2) EBITDA is a non-GAAP financial measure. See page 15 for the reconciliation of EBITDA to net cash from operating activities.

Revenue in Q412 rose by 15% year-on-year to TRY2,807.3 million (TRY2,445.5 million), mainly due to 12% growth in Turkcell Turkey's revenues and a 28% rise in the contribution of subsidiaries.

- Turkcell Turkey registered voice revenue growth of 11% to TRY1,675 million (TRY1,511 million), while mobile broadband and services revenues grew 16% to TRY615 million (TRY531 million).
  - Mobile broadband revenues reached TRY295 million (TRY200 million) on 47% growth.
  - Mobile broadband and services revenues constituted 27% (26%) of Turkcell Turkey revenues.
- The contribution of subsidiaries to the topline increased to 18% (17%). In particular, Turkcell Superonline grew its revenues by 35% to TRY190 million (TRY141 million), while Astelit's revenues rose by 5% to US$103 million (US$98 million).

For the full year of 2012, revenues grew by 12% to TRY10,507.0 million (TRY9,370.1 million) driven by a 9% increase in Turkcell Turkey's revenues, and 33% increase in the contribution of subsidiaries.

Fourth Quarter and Full Year 2012 Results

- Turkcell Turkey posted voice revenue growth of 6% to TRY6,442 million (TRY6,086 million) while mobile broadband and services revenues rose by 17% to TRY2,282 million (TRY1,944 million).
  - o Mobile broadband revenues increased 44% to TRY1,040 million (TRY724 million).
  - o Mobile broadband and services revenues share in Turkcell Turkey's revenues grew 2pp to 26% (24%).
- Subsidiaries contribution to Group revenues reached 17% (14%), in particular due to Turkcell Superonline's 49% revenue growth to TRY684 million (TRY460 million) and Astelit's revenue increase of 10% to US$405 million (US$369 million).

Direct cost of revenues dropped by 1.8% in Q412 to TRY1,760.1 million (TRY1,791.8 million) while as a percentage of revenues declined to 62.7% (73.3%). This was mainly driven by the decrease in depreciation and amortization (10.3pp), network related expenses (1.0pp) and other cost items (0.9pp) as opposed to the increase in interconnect costs (1.6pp) as a percentage of revenues.

In Q412 depreciation and amortization decreased by 34% to TRY395.5 million (TRY596.4 million). Depreciation expenses in Q411 were relatively higher due to the one-time impact of inflation accounting amounting to TRY240 million and the impairment impact in Belarusian operations.

For the full year 2012, direct cost of revenues rose by 9.0% to TRY6,487.3 million (TRY5,954.3 million). As a percentage of revenues, direct costs declined to 61.7% (63.5%) mainly due to the decrease in depreciation and amortization (3.6pp) and other cost items (0.5pp) as opposed to the increase in interconnect costs (1.8pp) and wages and salaries (0.5pp).

The table below presents the interconnect revenues and costs of Turkcell Turkey:

Million TRY	Quarter			Year		
	Q411	Q412	y/y%	FY11	FY12	y/y%
Interconnect revenues	215.6	314.1	45.7%	786.5	1,098.1	39.6%
as a % of revenues	10.6%	13.7%	3.1pp	9.8%	12.6%	2.8pp
Interconnect costs	(227.4)	(308.6)	35.7%	(851.9)	(1,125.5)	32.1%
as a % of revenues	(11.1%)	(13.5%)	(2.4pp)	(10.6%)	(12.9%)	(2.3pp)

Administrative expenses as a percentage of revenues increased by 0.3pp to 4.5% (4.2%) in Q412, mainly due to the increase in bad debt expenses (0.8pp) as opposed to the decrease in wages and salaries (0.2pp) and other cost items (0.3pp) as a percentage of revenues. Bad debt expenses were higher in Q412 mainly due to the increase in the postpaid subscriber base and increased handset bundled offers. Please also note that in Q411 bad debt expenses were positively impacted by improved collections during the period. For the full year of 2012, administrative expenses as a percentage of revenues increased by 0.2pp to 4.6% (4.4%) mainly due to the increase in bad debt expenses (0.5pp) as opposed to the decrease in wages and salaries (0.1pp) and other cost items (0.2pp).

Selling and marketing expenses as a percentage of revenues fell by 1.8pp to 16.7% (18.5%) in Q412 mainly driven by the decrease in selling expenses (0.6pp), marketing expenses (0.7pp) and other cost items (0.5p). For the full year selling and marketing expenses as a percentage of revenues decreased by 1.8pp to 16.2% (18.0%) mostly due to the decrease in prepaid frequency usage fee (0.8pp), selling expenses (0.4pp), marketing expenses (0.4pp) and other cost items (0.2pp).

EBITDA in Q412 rose 22% to TRY847.8 million from TRY694.7 million in Q411, while the EBITDA margin improved 1.8pp to 30.2% (28.4%). The margin increase was mainly driven by the decrease in direct cost of revenues (excluding depreciation and amortization) of 0.3pp and selling and marketing expenses of 1.8pp as opposed to the increase in administrative expenses of 0.3pp as a percentage of revenues.

(*)EBITDA is a non-GAAP financial measure. See page 15 for the reconciliation of EBITDA to net cash from operating activities.

Fourth Quarter and Full Year 2012 Results

For the full year, EBITDA reached TRY3,241.5 million (TRY2,912.9 million) on an increase of 11% while the margin decreased by 0.2pp from 31.1% to 30.9%. This decrease was mainly due to the increase in direct costs (excluding depreciation and amortization) of 1.8pp and administrative expenses of 0.2pp as opposed to the decline in selling and marketing expenses of 1.8pp as a percentage of revenues.

The contribution of subsidiaries to Group EBITDA improved by 37% to TRY146 million (TRY107 million) with the improved EBITDA of Turkcell Superonline and Astelit in Q412. In the full year contribution of subsidiaries to Group EBITDA increased by 33% to TRY532 million (TRY399 million).

Net finance income in Q412 rose by 185.6% to TRY79.4 million compared to TRY27.8 million in Q411. The increase in net finance income mainly relates to the lower translation loss of TRY6 million (TRY92 million) in Q412. In Q411 net finance income was negatively impacted by the TRY95 million translation loss stemming from Belarusian operations due to the 49.1% devaluation in the BYR/$US rate in Belarus.

For the full year we recorded net finance income of TRY467.5 million (TRY17.3 million) mainly driven by the lower translation loss of TRY5 million (TRY386 million) and a higher interest income on bank deposits. In FY11 net finance income was adversely impacted by the translation loss of TRY438 million recorded by BeST in consequence of the 178% devaluation in the BYR/$US rate in Belarus.

Share of profit of equity accounted investees, comprising our share in the net income of unconsolidated investees Fintur and A-Tel decreased 22.7% to TRY42.5 million (TRY55.0 million) in Q412. For the full year of 2012, our share in the net income of unconsolidated investees decreased 3.8% to TRY218.5 million (TRY227.1 million).

Income tax expense was at TRY136.9 million in Q412 (TRY118.3 million) on a rise of 15.7% compared to Q411. TRY172.3 million of the total tax charge comprised current tax charges, while deferred tax income of TRY35.4 million was recorded. In FY12 the total taxation charge rose by 7.7% to TRY522.5 million (TRY485.0 million). Of the total tax charge, TRY564.3 million was related to current tax charge while a deferred tax income of TRY41.8 million was recorded.

Million TRY	Quarter			Year		
	Q411	Q412	y/y%	FY11	FY12	y/y%
Current Tax expense	(122.9)	(172.3)	40.2%	(512.2)	(564.3)	10.2%
Deferred Tax Income/expense	4.6	35.4	669.6%	27.2	41.8	53.7%
Income Tax expense	(118.3)	(136.9)	15.7%	(485.0)	(522.5)	7.7%

Net income increased by 38% to TRY459 million (TRY332 million) in Q412 mainly due to higher EBITDA. In Q411 and Q412 net income was impacted by several one off items. Excluding the one-off impacts net income would have increased by 29% to TRY565 million in Q412 from TRY437 million in Q411.

In Q411, consolidated net income was impacted by one off items mainly relating to our Belarusian operations, impairment charges and other provisions. One-off items relating to BeST mainly comprised; the inflation accounting impact on depreciation and amortization (negative impact of TRY240 million), inflation adjustments on non-monetary items recorded as monetary gains (positive impact of TRY274 million), translation loss (TRY95 million) relating to devaluation in Belarus and impairment charges (TRY16 million).

In Q412 consolidated net income was impacted by one-off impacts mainly relating provision booked for A-Tel, useful life revision of our fixed assets and other impacts relating to legal disputes and the BeST impairment.

Fourth Quarter and Full Year 2012 Results

For the full year of 2012, net income increased by 77% to TRY2,079 million (TRY1,178 million) due to higher EBITDA and lower impact from one off items. Excluding one-off impacts net income would have risen 20% to TRY2,291 million in FY12 from TRY1,913 million in FY11.

For the full year of 2011, net income was mainly impacted by the translation losses of TRY438 million and impairment charges of TRY204 million recorded at BeST due to devaluation in Belarus.

For the full year of 2012 net income was impacted by impairment recognized and provision booked for A-Tel, useful life revision of our fixed assets and other impacts relating to legal disputes and the BeST impairment.

Net income impacts (million TRY)	Q411	FY11	Net income impacts (million TRY)	Q412	FY12
Net income excluding one-offs*	437	1,913	Net income excluding one-offs*	565	2,291
Best related items	(66)	(597)	A-Tel**	(28)	(100)
Other impairment charges	(34)	(40)	Useful Life Revision of assets	(31)	(31)
Other provisions	(5)	(98)	Other impacts	(47)	(81)
Net income reported	332	1,178	Net income reported	459	2,079

* Net income excluding one-off impacts is a presentation of our net income, adjusted to exclude certain items that we consider to be exceptional. However, it should not be relied upon as comparable to reported net income prepared in accordance with the IFRS that we apply

** For details, please refer to consolidated financial statements and notes as at and for the year ended December 31, 2012 which can be accessed via our web site

Total debt as of December 31, 2012, amounted to TRY3,040 million (US$1,705 million) in consolidated terms. Debt balance of Ukraine was TRY1,214 million (US$681 million), Belarus was TRY851 million (US$478 million) and Turkcell Superonline was TRY648 million (US$364 million).

TRY1,733 million (US$972 million) of our consolidated debt is at a floating rate, while TRY1,936 million (US$1,086 million) will mature within less than a year. In FY12, our debt/annual EBITDA ratio in TRY terms decreased to 94%. (Please note that the figures in parentheses refer to US$ equivalents).

Cash flow analysis: Capital expenditures including non-operational items in Q412 amounted to TRY713.4 million, of which TRY399.8 million was related to Turkcell Turkey, TRY159.6 million to Turkcell Superonline, TRY60.6 million to Astelit and TRY65.4 million to BeST. In addition, the other cash flow item mainly relates to increase in trade payables and dividend received from Fintur.

For the full year, capital expenditures including non-operational items stood at TRY1,738.8 million, of which TRY947.3 million was related to Turkcell Turkey, TRY451.7 million to Turkcell Superonline, TRY138.6 million to Astelit and TRY95.2 million to BeST. The other cash flow item mainly relates to the increase in trade receivables and corporate tax payment.

Please note that in 2012 operational capex as a percentage of revenues was around 15%. We expect a similar ratio of around 15% for 2013.

Fourth Quarter and Full Year 2012 Results

Consolidated Cash Flow (million TRY)	Quarter		Year	
	Q411	Q412	FY11	FY12
EBITDA1	694.7	847.8	2,912.9	3,241.5
LESS:				
Capex and License**	(716.2)	(713.4)	(1,635.8)	(1,738.8)
Turkcell	(361.3)	(399.8)	(894.3)	(947.3)
Ukraine2	(51.9)	(60.6)	(122.9)	(138.6)
Investment & Marketable Securities	(1,596.1)	(32.6)	(1,596.1)	1,556.5
Net interest Income/ (expense)	120.2	85.5	403.0	472.1
Other	87.1	391.2	(508.7)	(977.5)
Net Change in Debt	(14.2)	(90.4)	58.0	(293.3)
Cash generated / (used)	(1,424.5)	488.1	(366.7)	2,260.5
Cash balance	4,738.4	6,998.9	4,738.4	6,998.9

(1) EBITDA is a non-GAAP financial measurement. See page 15 for the reconciliation of EBITDA to net cash from operating activities.
(2) The appreciation of reporting currency (TRY) against US$ is included in this line.
(*) For details, please refer to consolidated financial statements and notes as at and for the year ended December 31, 2012 which can be accessed via our web site
(**) Capex includes both operational and non-operational capex.

Fourth Quarter and Full Year 2012 Results

Operational Review in Turkey

Summary of Operational data	Quarter			Year		
	Q411	Q412	y/y%	FY11	FY12	y/y%
Number of total subscribers (million)	34.5	35.1	1.7 %	34.5	35.1	1.7 %
Postpaid	11.7	13.2	12.8 %	11.7	13.2	12.8 %
Prepaid	22.9	21.9	(4.4 %)	22.9	21.9	(4.4 %)
ARPU, blended (TRY)	19.7	21.7	10.2 %	19.8	20.9	5.6 %
Postpaid	37.5	38.1	1.6 %	38.5	37.7	(2.1 %)
Prepaid	11.0	12.1	10.0 %	11.0	11.5	4.5 %
ARPU (Average Monthly Revenue per User), blended (US$)	10.8	12.2	13.0 %	11.9	11.6	(2.5 %)
Postpaid	20.6	21.3	3.4 %	23.1	21.0	(9.1 %)
Prepaid	6.0	6.8	13.3 %	6.6	6.4	(3.0 %)
Churn (%)*	7.7 %	7.2 %	(0.5pp)	27.9 %	27.1 %	(0.8pp)
MOU (Average Monthly Minutes of usage per subscriber), blended	220.4	244.1	10.8 %	213.8	243.3	13.8 %

(*): including the impact of the regulatory change in the definition of prepaid life cycle.

Subscribers of Turkcell Turkey increased by 590 thousand in 2012 compared to the previous year and reached 35.1 million despite the aggressive competitive environment. During the year we significantly increased our postpaid subscriber base reaching 13.2 million with the addition of 1.5 million subscribers. We achieved this through our mobile broadband focus, switches from prepaid, segmented offers and customer loyalty focus. Accordingly our postpaid subscriber share in total subscriber base has further improved to 37.5% (33.8%).

Churn Rate refers to voluntarily and involuntarily disconnected subscribers. In Q412, our churn rate decreased to 7.2% from 7.7% in Q411 mainly due to our greater focus on customer retention and satisfaction and promoting the contracted offers that meet customer needs. For the full year our churn rate decreased to 27.1%, the lowest level since 2008.

MoU climbed by 10.8% to 244.1 minutes in Q412 while it increased 13.8% to 243.3 minutes for the full year. This increase in MoU was led by flat rate offers with high incentives throughout the year and higher package utilizations.

ARPU in TRY terms increased by 10.2% to TRY21.7 (TRY19.7) in Q412 while rose by 5.6% to TRY20.9 (TRY19.8) in FY12 with the increase in our postpaid subscriber base along with higher voice and data usage.

Despite increased voice and mobile broadband usage, postpaid ARPU for the full year decreased 2.1% to TRY37.7 (TRY38.5) due to intense competition as well as the dilutive impact of switches from the prepaid segment. Meanwhile prepaid ARPU rose by 4.5% to TRY11.5 (TRY11.0) mainly driven by higher package penetration and increasing voice and data usage.

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OTHER DOMESTIC AND INTERNATIONAL OPERATIONS

Astelit continued its solid financial performance in Q412, posting a revenue growth of 5.0% to US$103.0 million (US$98.1 million) along with 10.8% growth in EBITDA to US$27.6 million (US$24.9 million). Revenue growth was mainly driven by subscriber base expansion and higher mobile data and other value-added services revenues. Meanwhile Astelit continued to improve its operational profitability, which was up by 1.4pp to 26.8% (25.4%).

For the full year, Astelit delivered topline growth of 10% to US$405.4 million (US$368.8 million) driven by growth of the subscriber base and higher mobile data and other value-added services revenues. Meanwhile Astelit improved its EBITDA by 21.4% to US$114.4 million (US$94.2 million) and EBITDA margin by 2.7pp to 28.2% (25.5%). EBITDA margin improvement resulted from an efficient approach to marketing as well as other cost control measures conducted by the company.

On a year-on-year basis, Astelit recorded 1 million net additions, increasing its 3-month active subscriber base to 8.0 million with the contribution of its regional growth strategy. MoU declined by 5.2% to 184.5 minutes (194.7 minutes) in Q412 and 4.4% to 189.3 minutes (198.0 minutes) in FY12. The decrease in MoU was mainly driven by the lower usage of new subscribers. On the other hand, the ARPU decrease by 8.5% in Q412 to US$4.3 (US$4.7) and by 4.3% in FY12 to US$4.5 (US$4.7) was mainly related to price competition in the market especially on voice offers.

Astelit		Quarter			Year	
	Q411	Q412	y/y%	FY11	FY12	y/y%
Number of subscribers (million)1	9.7	11.1	14.4%	9.7	11.1	14.4%
Active (3 months)2	7.0	8.0	14.3%	7.0	8.0	14.3%
MOU (minutes)	194.7	184.5	(5.2%)	198.0	189.3	(4.4%)
ARPU (Average Monthly Revenue per User), blended (US$)	3.4	3.1	(8.8%)	3.4	3.3	(2.9%)
Active (3 months)	4.7	4.3	(8.5%)	4.7	4.5	(4.3%)
Revenue (million UAH)	783.0	823.4	5.2%	2,938.8	3,239.8	10.2%
Revenue (million US$)	98.1	103.0	5.0%	368.8	405.4	9.9%
EBITDA (million US$)3	24.9	27.6	10.8%	94.2	114.4	21.4%
EBITDA margin	25.4%	26.8%	1.4pp	25.5%	28.2%	2.7pp
Net profit/(loss) (million US$)	(16.4)	(18.5)	12.8%	(75.8)	(56.1)	(26.0%)
Capex (million US$)	26.6	34.1	28.2%	65.1	77.8	19.5%

(1) We may occasionally offer campaigns and tariff schemes that have an active subscriber life differing from the one that we normally use to deactivate subscribers and calculate churn.
(2) Active subscribers are those who in the past three months made a transaction which brought revenue to the Company.

(3) EBITDA is a non-GAAP financial measurement. See page 15 for the reconciliation of Euroasia's EBITDA to net cash from operating activities. Euroasia holds a 100% stake in Astelit.
(*) Astelit, in which we hold a 55% stake through Euroasia, has operated in Ukraine since February 2005.

Turkcell Superonline continued its momentum in the fourth quarter of the year achieving revenue growth of 35.3% while EBITDA margin was at 20.6% (22.1%). Increased marketing activities in the last quarter of the year adversely impacted the EBITDA margin.

In Q412, residential segment revenues grew by 89% mainly driven by the 59% increase in FTTX subscriber base. Continuing our fiber investments, we increased our home passes to around 1.3 million and reached 425 thousand FTTX subscribers. The corporate segment posted a 32% growth in Q412 with the contribution of increasing synergies achieved at the Group level and the integrated solutions offered in consequence. The share of the residential and corporate segment increased to 62% (52%) while the share of non-group revenues increased to 74% (64%).

Fourth Quarter and Full Year 2012 Results

Meanwhile, our nominal EBITDA increased by 26% due to the rising weight of the more profitable data business.

For the full year, Turkcell Superonline's contribution to group financials continued to improve on 48.6% revenue growth. The EBITDA margin increased 3.1pp to 20.8% (17.7%) driven by the more profitable data business. In the meantime, having recorded a positive full year EBITDA in 2009 and EBIT in 2011, Turkcell Superonline for the first time posted positive full year net income in 2012.

In 2012, residential segment revenues grew by 92% while the corporate segment grew by 65%. The share of the residential and corporate segment increased to 58% (48%) while the share of non-group revenues at Turkcell Superonline was at 71% (61%) in 2012.

Turkcell Superonline (million TRY)		Quarter			Year	
	Q411	Q412	y/y%	FY11	FY12	y/y%
Revenue	140.7	190.3	35.3 %	460.5	684.1	48.6 %
Residential	34.7	65.7	89.3 %	110.3	211.7	91.9 %
Corporate	38.8	51.4	32.5 %	112.9	186.0	64.7 %
Wholesale	67.2	73.2	8.9 %	237.3	286.4	20.7 %
EBITDA 1	31.1	39.2	26.0 %	81.6	142.5	74.6 %
EBITDA Margin	22.1 %	20.6 %	(1.5pp)	17.7 %	20.8 %	3.1pp
Capex	172.4	159.6	(7.4 %)	392.7	451.7	15.0 %

(1)EBITDA is a non-GAAP financial measure. See page 15 for the reconciliation of EBITDA to net cash from operating activities.
(*)Turkcell Superonline is our wholly-owned subsidiary, providing fiber broadband.

Fintur continued to improve its total subscriber base during year to 21.2 million mainly driven by 2.7 million subscriber growth in Kazakhstan. Fintur's consolidated revenue increased by 5.9% to US$541 million in Q412 (US$511 million) while revenues grew by 3.5% to US$2,027 million (US$1,958 million) for the full year.

We account for our investment in Fintur using the equity method. Fintur's contribution to net income decreased from TRY65 million to TRY49 million while its contribution in USD terms decreased from US$36 million to US$27 million in Q412. Fintur's contribution to Turkcell's net income was US$143 million in 2012 (US$165 million).

Fintur		Quarter			Year	
	Q411	Q412	y/y%	FY11	FY12	y/y%
Subscribers (million)	18.2	21.2	16.5 %	18.2	21.2	16.5 %
Kazakhstan	10.8	13.5	25.0 %	10.8	13.5	25.0 %
Azerbaijan	4.2	4.4	4.8 %	4.2	4.4	4.8 %
Moldova	1.1	1.3	18.2 %	1.1	1.3	18.2 %
Georgia	2.1	2.1	-	2.1	2.1	-
Revenue (million US$)	511	541	5.9 %	1,958	2,027	3.5 %
Kazakhstan	317	331	4.4 %	1,211	1,221	0.8 %
Azerbaijan	137	151	10.2 %	526	579	10.1 %
Moldova	21	21	-	79	79	-
Georgia	36	38	5.6 %	142	148	4.2 %
Other1	-	-	-	-	-	-

Fintur's contribution to Group's net income (million US$)	36	27	(25.0 %)	165	143	(13.3 %)

1) Includes intersegment eliminations

(*) We hold a 41.45% stake In Fintur which has interests in Kazakhstan, Azerbaijan, Moldova, and Georgia.

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Fourth Quarter and Full Year 2012 Results

Turkcell Group Subscribers amounted to approximately 69.2 million as of December 31, 2012. This figure is calculated by considering the number of subscribers in Turkcell and each of our subsidiaries and unconsolidated investees. It includes the total number of mobile subscribers in Turkcell Turkey, Astelit, BeST, KKTCell ("Northern Cyprus"), Turkcell Europe and Fintur. Turkcell Group subscribers increased by 4.4 million compared to the previous year, due to the improved subscriber base of Fintur, Astelit and Turkcell Turkey. This was despite the 0.7 million decline in BeST's subscriber base during the year in line with BeST's churn policy and value focus approach.

Turkcell Group Subscribers (million)	2011	2012	y/y%	
Turkcell Turkey	34.5	35.1	1.7	%
Ukraine	9.7	11.1	14.4	%
Fintur	18.2	21.2	16.5	%
Northern Cyprus	0.4	0.4	-	
Belarus	1.8	1.1	(38.9	%)
Turkcell Europe	0.2	0.3	50.0	%
TURKCELL GROUP	64.8	69.2	6.8	%

OVERVIEW OF THE MACROECONOMIC ENVIRONMENT

The foreign exchange rates that have been used in our financial reporting, along with certain macroeconomic indicators, are set out below.

	Q411	Quarter Q412	y/y%	FY11	Year FY12	y/y%
TRY / US$ rate						
Closing Rate	1.8889	1.7826	(5.6 %)	1.8889	1.7826	(5.6 %)
Average Rate	1.8209	1.7854	(1.9 %)	1.6698	1.7913	7.3 %
Consumer Price Index (Turkey)	5.7 %	2.7 %	(3.0pp)	10.4 %	6.2 %	(4.2pp)
GDP Growth (Turkey)	5.0 %	n.a.	n.a.	8.5 %	n.a.	n.a.
UAH/ US$ rate						
Closing Rate	7.99	7.99	-	7.99	7.99	-
Average Rate	7.98	7.99	0.1 %	7.97	7.99	0.3 %
BYR/ US$ rate						
Closing Rate	8.350	8.570	2.6 %	8.350	8.570	2.6 %
Average Rate	8.025	8.548	6.5 %	5.038	8.326	65.3 %

Fourth Quarter and Full Year 2012 Results

RECONCILIATION OF NON-GAAP FINANCIAL MEASUREMENTS: We believe that EBITDA is a measurement commonly used by companies, analysts and investors in the telecommunications industry that enhances the understanding of our cash generation ability and liquidity position, and assists in the evaluation of our capacity to meet our financial obligations. We also use EBITDA as an internal measurement tool, and accordingly, we believe that its presentation provides useful and relevant information to analysts and investors. Our EBITDA definition includes Revenue, Direct Cost of Revenue excluding depreciation and amortization, Selling and Marketing expenses and Administrative expenses, but excludes translation gain/(loss), finance income, share of profit of equity accounted investees, gain on sale of investments, income/(loss) from related parties, minority interest and other income/(expense). EBITDA is not a measure of financial performance under IFRS, and should not be construed as a substitute for net earnings (loss) as a measure of performance, or cash flow from operations as a measure of liquidity. The following table provides a reconciliation of EBITDA, which is a non-GAAP financial measurement, to net cash from operating activities, which we believe is the most directly comparable financial measurement calculated and presented in accordance with IFRS.

Turkcell Group (million US$)	Quarter			Year		
	Q411	Q412	y/y%	FY11	FY12	y/y%
EBITDA	383.5	474.8	23.8 %	1,748.1	1,808.4	3.4 %
Income tax expense	(67.1)	(76.6)	14.2 %	(292.2)	(291.5)	(0.2 %)
Other operating income / (expense)	1.9	25.0	1215.8 %	(57.9)	17.5	-
Financial income	7.5	(2.6)	-	29.0	5.0	(82.8 %)
Financial expense	(13.9)	(44.3)	218.7 %	(81.5)	(125.3)	53.7 %
Net increase / (decrease) in assets and liabilities	(29.6)	274	-	(419.7)	(225.8)	(46.2 %)
Net cash from operating activities	282.3	650.3	130.4 %	925.8	1,188.3	28.4 %

Turkcell Superonline (million TRY)	Quarter			Year		
	Q411	Q412	y/y%	FY11	FY12	y/y%
EBITDA	31.1	39.2	26.0 %	81.6	142.5	74.6 %
Other operating income / (expense)	0.3	2.4	700.0 %	0.9	4.6	411.1 %
Financial income	1.0	(0.3)	-	6.6	10.5	59.1 %
Financial expense	(15.0)	(14.6)	(2.7 %)	(49.1)	(42.6)	(13.2 %)
Net increase / (decrease) in assets and liabilities	47.5	(37.7)	-	(40.6)	(74.8)	84.2 %
Net cash from operating activities	64.8	(11.0)	-	(0.6)	40.2	-

Euroasia (million US$)	Quarter			Year		

	Q411	Q412	y/y%	FY11	FY12	y/y%
EBITDA	24.9	27.6	10.8%	94.2	114.4	21.4%
Other operating income / (expense)	1.9	0.5	(73.7%)	2.1	0.7	(66.7%)
Financial income	0.3	1.2	300.0%	0.7	2.5	257.1%
Financial expense	(14.8)	(16.1)	8.8%	(54.2)	(56.3)	3.9%
Net increase / (decrease) in assets and liabilities	13.4	45.7	241.0%	26.5	79.9	201.5%
Net cash from operating activities	25.7	58.9	129.2%	69.3	141.2	103.8%

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Fourth Quarter and Full Year 2012 Results

FORWARD-LOOKING STATEMENTS: This release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Safe Harbor provisions of the US Private Securities Litigation Reform Act of 1995. This includes in particular our targets for revenue, EBITDA and capex in 2013. More generally, all statements other than statements of historical facts included in this press release, including, without limitation, certain statements regarding our operations, financial position and business strategy may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as, among others, “will,” “expect,” “intend,” “estimate,” “believe” or “continue.”
Although Turkcell believes that the expectations reflected in such forward-looking statements are reasonable at this time, it can give no assurance that such expectations will prove to be correct. All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements. For a discussion of certain factors that may affect the outcome of such forward looking statements, see our Annual Report on Form 20-F for 2011 filed with the U.S. Securities and Exchange Commission, and in particular the risk factor section therein. We undertake no duty to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

ABOUT TURKCELL: Turkcell is the leading communications and technology company in Turkey, with 35.1 million subscribers as of December 31, 2012. Turkcell is a leading regional player, with market leadership in five of the nine countries in which it operates with its approximately 69.2 million subscribers as of December 31, 2012. It has become one of the first among the global operators to have implemented HSPA+. It has achieved up to 43.2 Mbps speed using the Dual Carrier technology, and is continuously working to provide the latest technology to its customers, e.g. 84 Mbps in the near future. Turkcell Superonline, a wholly owned subsidiary of Turkcell, is the one and only telecom operator to offer households fiber broadband connection at speeds of up to 1,000 Mbps in Turkey. As of December 31, 2012, Turkcell population coverage is at 99.17% in 2G and 84.02% in 3G. Turkcell reported a TRY10.5 billion (US$5.9 billion) revenue with total assets of TRY18.7 billion (US$10.5 billion) as of December 31, 2012. It has been listed on the NYSE and the ISE since July 2000, and is the only NYSE-listed company in Turkey. Read more at www.turkcell.com.tr

For further information please contact Turkcell

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

	Quarter Ended December 31, 2011	Quarter Ended September 30, 2012	Quarter Ended December 31, 2012	12 Months Ended December 31, 2011	12 Months Ended December 31, 2012
Consolidated Statement of Operations Data					
Revenues					
Communication fees	2,252.8	2,544.8	2,534.5	8,724.7	9,626.7
Commission fees and revenue on betting business	31.5	28.7	63.0	86.5	159.1
Monthly fixed fees	24.7	21.8	21.7	104.5	90.7
Simcard sales	8.2	11.3	6.4	35.3	32.9
Call center revenues and other revenues	128.3	146.2	181.7	419.1	597.6
Total revenues	2,445.5	2,752.8	2,807.3	9,370.1	10,507.0
Direct cost of revenues	(1,791.8)	(1,663.6)	(1,760.1)	(5,954.3)	(6,487.3)
Gross profit	653.7	1,089.2	1,047.2	3,415.8	4,019.7
Administrative expenses	(103.8)	(117.6)	(125.9)	(410.9)	(484.2)
Selling & marketing expenses	(451.6)	(399.6)	(469.0)	(1,684.9)	(1,705.7)
Other Operating Income / (Expense)	(10.4)	(78.7)	(23.9)	(218.5)	(105.2)
Operating profit before financing costs	87.9	493.3	428.4	1,101.5	1,724.6
Finance costs	(111.8)	(41.9)	(79.5)	(528.3)	(224.2)
Finance income	139.6	163.2	158.9	545.6	691.7
Monetary gain	273.5	47.5	42.6	273.5	169.9
Share of profit of equity accounted investees	55.0	60.9	42.5	227.1	218.5
Income before taxes and minority interest	444.2	723.0	592.9	1,619.4	2,580.5
Income tax expense	(118.3)	(157.9)	(136.9)	(485.0)	(522.5)
Income before minority interest	325.9	565.1	456.0	1,134.4	2,058.0
Non-controlling interests	5.8	5.7	3.2	43.3	21.0
Net income	331.7	570.8	459.2	1,177.7	2,079.0
Net income per share	0.15	0.26	0.21	0.54	0.95
Other Financial Data					
Gross margin	26.7 %	39.6 %	37.3 %	36.5 %	38.3 %
EBITDA(*)	694.7	912.0	847.8	2,912.9	3,241.5
Capital expenditures	716.2	445.6	713.4	1,635.8	1,738.8
Consolidated Balance Sheet Data (at period end)					

Cash and cash equivalents	4,738.4	6,510.8	6,998.9	4,738.4	6,998.9
Total assets	17,186.7	18,031.5	18,687.4	17,186.7	18,687.4
Long term debt	1,997.3	1,109.6	1,103.8	1,997.3	1,103.8
Total debt	3,528.6	3,127.4	3,039.6	3,528.6	3,039.6
Total liabilities	6,360.3	5,663.3	5,923.7	6,360.3	5,923.7
Total shareholders' equity / Net Assets	10,826.4	12,368.2	12,763.7	10,826.4	12,763.7

** For further details, please refer to our consolidated financial statements and notes as at 31 December 2012 on our web site.

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

	Quarter Ended December 31, 2011	Quarter Ended September 30, 2012	Quarter Ended December 31, 2012	12 Months Ended December 31, 2011	12 Months Ended December 31, 2012
Consolidated Statement of Operations Data					
Revenues					
Communication fees	2,252.8	2,544.8	2,534.5	8,724.7	9,626.7
Commission fees and revenue on betting business	31.5	28.7	63.0	86.5	159.1
Monthly fixed fees	24.7	21.8	21.7	104.5	90.7
Simcard sales	8.2	11.3	6.4	35.3	32.9
Call center revenues and other revenues	128.3	146.2	181.7	419.1	597.6
Total revenues	2,445.5	2,752.8	2,807.3	9,370.1	10,507.0
Direct cost of revenues	(1,790.5)	(1,662.5)	(1,759.5)	(5,948.8)	(6,482.1)
Gross profit	655.0	1,090.3	1,047.8	3,421.3	4,024.9
Administrative expenses	(103.8)	(117.6)	(125.9)	(410.9)	(484.2)
Selling & marketing expenses	(451.6)	(399.6)	(469.0)	(1,684.9)	(1,705.7)
Other Operating Income / (Expense)	(10.4)	(79.0)	(23.6)	(217.3)	(105.3)
Operating profit before financing costs	89.2	494.1	429.3	1,108.2	1,729.7
Finance costs	(111.8)	(41.9)	(79.5)	(528.3)	(224.2)
Finance income	139.7	163.2	158.9	545.6	691.7
Monetary gain	273.5	47.5	42.6	273.5	169.9
Share of profit of equity accounted investees	55.0	60.9	42.5	227.1	218.5
Income before taxes and minority interest	445.6	723.8	593.8	1,626.1	2,585.6
Income tax expense	(118.1)	(158.0)	(136.8)	(486.1)	(523.6)
Income before minority interest	327.5	565.8	457.0	1,140.0	2,062.0
Non-controlling interests	5.8	5.7	3.2	43.3	21.0
Net income	333.3	571.5	460.2	1,183.3	2,083.0
Net income per share	0.15	0.26	0.21	0.54	0.95
Other Financial Data					
Gross margin	26.8 %	39.6 %	37.3 %	36.5 %	38.3 %
EBITDA(*)	694.7	912.0	847.8	2,912.9	3,241.5
Capital expenditures	716.2	445.6	713.4	1,635.8	1,738.8
Consolidated Balance Sheet Data (at period end)					

Cash and cash equivalents	4,738.4	6,510.8	6,998.9	4,738.4	6,998.9
Total assets	17,147.0	17,996.1	18,653.0	17,147.0	18,653.0
Long term debt	1,997.3	1,109.6	1,103.8	1,997.3	1,103.8
Total debt	3,528.6	3,127.4	3,039.6	3,528.6	3,039.6
Total liabilities	6,353.5	5,657.8	5,918.1	6,353.5	5,918.1
Total shareholders’ equity / Net Assets	10,793.5	12,338.3	12,734.9	10,793.5	12,734.9

** For further details, please refer to our consolidated financial statements and notes as at 31 December 2012 on our web site.

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

	Quarter Ended December 31, 2011	Quarter Ended September 30, 2012	Quarter Ended December 31, 2012	12 Months Ended December 31, 2011	12 Months Ended December 31, 2012
Consolidated Statement of Operations Data					
Revenues					
Communication fees	1,231.6	1,413.1	1,419.6	5,225.4	5,374.0
Commission fees and revenue on betting business	17.3	16.0	35.3	51.4	89.0
Monthly fixed fees	13.6	12.1	12.1	63.0	50.6
Simcard sales	4.5	6.2	3.6	21.2	18.3
Call center revenues and other revenues	69.0	81.4	101.9	248.7	333.9
Total revenues	1,336.0	1,528.8	1,572.5	5,609.7	5,865.8
Direct cost of revenues	(960.8)	(924.3)	(986.1)	(3,528.9)	(3,622.3)
Gross profit	375.2	604.5	586.4	2,080.8	2,243.5
Administrative expenses	(56.1)	(65.4)	(70.5)	(246.5)	(270.5)
Selling & marketing expenses	(246.7)	(221.9)	(262.8)	(1,010.6)	(953.2)
Other Operating Income / (Expense)	4.8	(43.8)	(13.4)	(128.7)	(58.8)
Operating profit before financing costs	77.2	273.4	239.7	695.0	961.0
Finance costs	(28.6)	(23.6)	(44.4)	(289.7)	(125.5)
Finance income	82.2	90.6	88.7	330.3	386.1
Monetary gain	144.8	27.1	24.0	144.8	95.3
Share of profit of equity accounted investees	30.3	33.9	23.7	136.9	121.7
Income before taxes and minority interest	305.9	401.4	331.7	1,017.3	1,438.6
Income tax expense	(67.1)	(87.7)	(76.6)	(292.2)	(291.5)
Income before minority interest	238.8	313.7	255.1	725.1	1,147.1
Non-controlling interests	3.2	3.2	1.8	26.6	11.7
Net income	242.0	316.9	256.9	751.7	1,158.8
Net income per share	0.11	0.14	0.12	0.34	0.53
Other Financial Data					
Gross margin	28.1%	39.5%	37.3%	37.1%	38.2%
EBITDA(*)	383.5	506.2	474.8	1,748.1	1,808.4
Capital expenditures	367.7	253.5	401.0	866.0	975.5
Consolidated Balance Sheet Data (at period end)					

Cash and cash equivalents	2,508.5	3,648.1	3,926.2	2,508.5	3,926.2
Total assets	9,098.8	10,103.4	10,483.2	9,098.8	10,483.2
Long term debt	1,057.4	621.8	619.2	1,057.4	619.2
Total debt	1,868.1	1,752.3	1,705.2	1,868.1	1,705.2
Total liabilities	3,367.2	3,173.3	3,323.1	3,367.2	3,323.1
Total equity	5,731.6	6,930.1	7,160.1	5,731.6	7,160.1

* Please refer to the notes on reconciliation of Non-GAAP Financial measures on page 15
** For further details, please refer to our consolidated financial statements and notes as at 31 December 2012 on our web site.

TURKCELL DAHİLİ

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2012
(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

(The Group's audited consolidated financial statements prepared as at and for the year ended 31 December 2010 and 31 December 2011 were approved by the Audit Committee and the Board of Directors (Board Resolution dated 23 February 2011 and numbered 797 and dated 22 February 2012 and numbered 908, respectively). However, consolidated financial statements prepared as at and for the year ended 31 December 2010 were not approved by the General Assemblies on 21 April 2011, 11 August 2011 and 12 October 2011. The General Assembly on 29 June 2012 could not convene since the quorum required had not been reached and the consolidated financial statements prepared as at and for the year ended 31 December 2010 and 31 December 2011 could not be presented for approval.)

	Note	2012	2011
Assets			
Property, plant and equipment	13	3,061,199	2,709,600
Intangible assets	14	1,296,117	1,246,308
GSM and other telecommunication operating licenses		678,694	691,895
Computer software		568,447	502,974
Other intangible assets		48,976	51,439
Investments in equity accounted investees	15	256,931	414,392
Other investments	16	29,069	22,568
Due from related parties	34	-	43
Other non-current assets	17	125,299	125,389
Trade receivables	19	216,149	113,581
Deferred tax assets	18	14,823	3,286
Total non-current assets		4,999,587	4,635,167
Inventories		48,903	26,069
Other investments	16	22,205	844,982
Due from related parties	34	7,414	43,215
Trade receivables and accrued income	19	1,209,007	842,381
Other current assets	20	269,905	198,458
Cash and cash equivalents	21	3,926,215	2,508,529
Total current assets		5,483,649	4,463,634
Total assets		10,483,236	9,098,801
Equity			
Share capital	22	1,636,204	1,636,204
Share premium	22	434	434
Capital contributions	22	22,772	22,772
Reserves	22	(1,628,110)	(1,920,974)

Retained earnings	22	7,207,563	6,053,702
Total equity attributable to equity holders of Turkcell Iletisim Hizmetleri AS		7,238,863	5,792,138
Non-controlling interests	22	(78,719)	(60,533)
Total equity		7,160,144	5,731,605
Liabilities			
Loans and borrowings	25	619,196	1,057,380
Employee benefits	26	41,452	28,259
Provisions	28	148,894	58,219
Other non-current liabilities	24	117,888	92,669
Deferred tax liabilities	18	44,169	67,374
Total non-current liabilities		971,599	1,303,901
Bank overdraft	21	-	1,084
Loans and borrowings	25	1,087,447	811,953
Income taxes payable	12	76,533	61,891
Trade and other payables	29	953,601	929,488
Due to related parties	34	55,614	14,582
Deferred income	27	91,166	118,376
Provisions	28	87,132	125,921
Total current liabilities		2,351,493	2,063,295
Total liabilities		3,323,092	3,367,196
Total equity and liabilities		10,483,236	9,098,801

The notes on page 7 to 139 are an integral part of these consolidated financial statements.

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TURKCELL DAHİLİ

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2012
(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

(The Group's audited consolidated financial statements prepared as at and for the year ended 31 December 2010 and 31 December 2011 were approved by the Audit Committee and the Board of Directors (Board Resolution dated 23 February 2011 and numbered 797 and dated 22 February 2012 and numbered 908, respectively). However, consolidated financial statements prepared as at and for the year ended 31 December 2010 were not approved by the General Assemblies on 21 April 2011, 11 August 2011 and 12 October 2011. The General Assembly on 29 June 2012 could not convene since the quorum required had not been reached and the consolidated financial statements prepared as at and for the year ended 31 December 2010 and 31 December 2011 could not be presented for approval.)

	Note	2012	2011	2010
Revenue	8	5,865,787	5,609,679	5,982,093
Direct costs of revenue		(3,622,309)	(3,528,928)	(3,349,035)
Gross profit		2,243,478	2,080,751	2,633,058
Other income		18,094	32,600	14,668
Selling and marketing expenses		(953,187)	(1,010,615)	(1,085,750)
Administrative expenses		(270,477)	(246,543)	(347,290)
Other expenses	9	(76,924)	(161,236)	(64,233)
Results from operating activities		960,984	694,957	1,150,453
Finance income	11	386,088	330,277	277,130
Finance costs	11	(125,510)	(289,648)	(102,662)
Net finance income		260,578	40,629	174,468
Monetary gain		95,325	144,813	-
Share of profit of equity accounted investees	15	121,733	136,907	122,839
Profit before income tax		1,438,620	1,017,306	1,447,760
Income tax expense	12	(291,491)	(292,193)	(320,799)
Profit for the year		1,147,129	725,113	1,126,961
Profit/(loss) attributable to:				
Owners of Turkcell Iletisim Hizmetleri AS		1,158,835	751,709	1,170,176
Non-controlling interests		(11,706)	(26,596)	(43,215)
Profit for the year		1,147,129	725,113	1,126,961
Basic and diluted earnings per share (in full USD)	23	0.53	0.34	0.53

The notes on page 7 to 139 are an integral part of these consolidated financial statements.

TURKCELL DAHİLİ

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012
(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

(The Group's audited consolidated financial statements prepared as at and for the year ended 31 December 2010 and 31 December 2011 were approved by the Audit Committee and the Board of Directors (Board Resolution dated 23 February 2011 and numbered 797 and dated 22 February 2012 and numbered 908, respectively). However, consolidated financial statements prepared as at and for the year ended 31 December 2010 were not approved by the General Assemblies on 21 April 2011, 11 August 2011 and 12 October 2011. The General Assembly on 29 June 2012 could not convene since the quorum required had not been reached and the consolidated financial statements prepared as at and for the year ended 31 December 2010 and 31 December 2011 could not be presented for approval.)

	2012	2011	2010
Profit for the year	1,147,129	725,113	1,126,961
Other comprehensive income/(expense), net of tax:			
Foreign currency translation differences	312,708	(1,293,917)	(184,352)
Net change in fair value of available-for-sale securities	-	-	(1,318)
Change in cash flow hedge reserve	(860)	(459)	-
Actuarial loss arising from employee benefits (Note 26)	(4,911)	-	-
Tax effect of foreign currency translation differences	2,145	(4,430)	(754)
Tax effect of actuarial loss from employee benefits	960	-	-
Other comprehensive income/(expense) for the year, net of tax	310,042	(1,298,806)	(186,424)
Total comprehensive income for the year	1,457,171	(573,693)	940,537
Total comprehensive income/(expense) attributable to:			
Owners of Turkcell Iletisim Hizmetleri AS	1,467,154	(540,624)	984,187
Non-controlling interest	(9,983)	(33,069)	(43,650)
Total comprehensive income for the year	1,457,171	(573,693)	940,537

The notes on page 7 to 139 are an integral part of these consolidated financial statements.

TURKCELL DAHİLİ

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012
(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

(The Group's audited consolidated financial statements prepared as at and for the year ended 31 December 2010 and 31 December 2011 were approved by the Audit Committee and the Board of Directors (Board Resolution dated 23 February 2011 and numbered 797 and dated 22 February 2012 and numbered 908, respectively). However, consolidated financial statements prepared as at and for the year ended 31 December 2010 were not approved by the General Assemblies on 21 April 2011, 11 August 2011 and 12 October 2011. The General Assembly on 29 June 2012 could not convene since the quorum required had not been reached and the consolidated financial statements prepared as at and for the year ended 31 December 2010 and 31 December 2011 could not be presented for approval.)

	Attributable to equity holders of the Company									
	Share Capital	Capital Contribution	Share Premium	Legal Reserves	Fair Value Reserve	Cash Flow Hedge Reserves	Reserve for Non-Controlling Interest Put Option	Translation Reserve	Retained Earnings	Total
Balance at 1 January 2010	1,636,204	22,772	434	484,291	1,318	-	(250,834)	(746,870)	4,712,254	5,859,56
Total comprehensive income										
Profit for the year	-	-	-	-	-	-	-	-	1,170,176	1,170,17
Other comprehensive income/(expense)										
Foreign currency translation differences, net of tax	-	-	-	-	-	-	(461)	(184,210)	-	(184,671
Net change in fair value of available-for-sale securities, net of tax	-	-	-	-	(1,318)	-	-	-	-	(1,318
Total other comprehensive income/(expense)	-	-	-	-	(1,318)	-	(461)	(184,210)	-	(185,989
Total comprehensive income/(expense),	-	-	-	-	(1,318)	-	(461)	(184,210)	1,170,176	984,187

net of tax										
Increase in legal reserves	-	-	-	50,652	-	-	-	-	(50,652)	-
Dividends paid (Note 22)	-	-	-	-	-	-	-	-	(573,451)	(573,451
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-
Change in reserve for non-controlling interest put option	-	-	-	-	-	-	(12,689)	-	-	(12,689
Balance at 31 December 2010	1,636,204	22,772	434	534,943	-	-	(263,984)	(931,080)	5,258,327	6,257,61
					-	-				
Balance at 1 January 2011	1,636,204	22,772	434	534,943	-	-	(263,984)	(931,080)	5,258,327	6,257,61
Total comprehensive income										
Profit for the year	-	-	-	-	-	-	-	-	751,709	751,709
Other comprehensive income/(expense)										
Foreign currency translation differences, net of tax	-	-	-	-	-	-	(10,717)	(1,281,157)	-	(1,291,8
Change in cash flow hedge reserve	-	-	-	-	-	(459)	-	-	-	(459
Net change in fair value of available-for-sale securities, net of tax	-	-	-	-	-	-			-	-
Total other comprehensive income/(expense)	-	-	-	-	-	(459)	(10,717)	(1,281,157)	-	(1,292,3
Total comprehensive income/(expense), net of tax	-	-	-	-	-	(459)	(10,717)	(1,281,157)	751,709	(540,624
Transfer from legal reserves	-	-	-	(1,004)	-	-	-	-	1,004	-
Dividends paid (Note 22)	-	-	-	-	-	-	-	-	-	-
Effects of inflation accounting (Note 2b)	-	-	-	-	-	-	-	-	42,662	42,662
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-

Change in reserve for non-controlling interest put option	-	-	-	-	-	-	32,484	-	-	32,484
Balance at 31 December 2011	1,636,204	22,772	434	533,939	-	(459)	(242,217)	(2,212,237)	6,053,702	5,792,13
Balance at 1 January 2012	1,636,204	22,772	434	533,939	-	(459)	(242,217)	(2,212,237)	6,053,702	5,792,13
Total comprehensive income										
Profit for the year	-	-	-	-	-	-	-	-	1,158,835	1,158,83
Other comprehensive income/(expense)										
Foreign currency translation differences, net of tax	-	-	-	-	-	-	3,951	309,179	-	313,130
Defined benefit plan actuarial losses	-	-	-	-	-	-	-	-	(3,951)	(3,951
Change in cash flow hedge reserve	-	-	-	-	-	(860)	-	-	-	(860
Total other comprehensive income/(expense), net of tax	-	-	-	-	-	(860)	3,951	309,179	(3,951)	308,319
Total comprehensive income/(expense)	-	-	-	-	-	(860)	3,951	309,179	1,154,884	1,467,15
Transfers from legal reserves	-	-	-	1,023	-	-	-	-	(1,023)	-
Dividend paid (Note 22)	-	-	-	-	-	-	-	-	-	-
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-
Change in reserve for non-controlling interest put option (Note 30)	-	-	-	-	-	-	(20,429)	-	-	(20,429
Balance at 31 December 2012	1,636,204	22,772	434	534,962	-	(1,319)	(258,695)	(1,903,058)	7,207,563	7,238,86

The notes on page 7 to 139 are an integral part of these consolidated financial statements.

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TURKCELL DAHİLİ

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2012
(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

(The Group's audited consolidated financial statements prepared as at and for the year ended 31 December 2010 and 31 December 2011 were approved by the Audit Committee and the Board of Directors (Board Resolution dated 23 February 2011 and numbered 797 and dated 22 February 2012 and numbered 908, respectively). However, consolidated financial statements prepared as at and for the year ended 31 December 2010 were not approved by the General Assemblies on 21 April 2011, 11 August 2011 and 12 October 2011. The General Assembly on 29 June 2012 could not convene since the quorum required had not been reached and the consolidated financial statements prepared as at and for the year ended 31 December 2010 and 31 December 2011 could not be presented for approval.)

	Note	2012	2011	2010
Cash flows from operating activities				
Profit for the year		1,147,129	725,113	1,126,961
Adjustments for:				
Depreciation and impairment of fixed assets	13	562,788	636,758	515,515
Amortization of intangible assets	14	225,844	287,792	241,839
Net finance (income)	11	(317,295)	(300,307)	(237,628)
Income tax expense	12	291,491	292,193	320,799
Share of profit of equity accounted investees	15, 34	(134,995)	(165,408)	(154,457)
(Gain)/loss on sale of property, plant and equipment		(2,599)	(3,771)	101
Unrealized foreign exchange and monetary gain/loss on operating assets		(40,855)	(159,292)	(5,847)
Impairment losses on goodwill		-	52,971	23,499
Provision for impairment of trade receivables and due from related parties	30	62,431	31,361	126,257
Deferred income	27	(34,269)	(16,005)	(77,854)
Provision for equity accounted investees	9	19,299	-	-
Impairment losses on equity accounted investees and other non-current investments	9	40,250	21,558	-
		1,819,219	1,402,963	1,879,185
Change in trade receivables	19	(487,538)	(275,271)	(204,403)
Change in due from related parties	34	37,583	33,984	28,752
Change in inventories		(21,279)	(6,110)	3,083
Change in other current assets	20	(45,798)	(35,736)	(29,389)
Change in other non-current assets	17	(21,278)	(22,867)	(29,011)
Change in due to related parties	34	1,669	4,159	(3,775)
Change in trade and other payables		(4,811)	43,853	32,541
Change in other current liabilities		(48)	57,741	(96,118)
Change in other non-current liabilities	24	(11,840)	(21,185)	(14,051)
Change in employee benefits	26	6,596	3,917	2,690
Change in provisions	28	40,007	(8,060)	(45,102)

		1,312,482	1,177,388	1,524,402
Interest paid		(56,343)	(46,716)	(38,829)
Income tax paid		(307,262)	(276,176)	(322,754)
Dividends received		239,377	71,331	99,759
Net cash generated by operating activities		1,188,254	925,827	1,262,578
Cash flows from investing activities				
Acquisition of property, plant and equipment		(758,898)	(660,359)	(912,097)
Acquisition of intangible assets	14	(208,040)	(198,607)	(132,827)
Proceeds from sale of property, plant and equipment		9,679	8,603	8,506
Proceeds from currency option contracts	11	2,250	6,081	12,147
Payment of currency option contracts premium	11	(280)	(1,267)	(4,988)
Acquisition of financial assets		(27,360)	(858,667)	(16,762)
Proceeds from sale of financial assets		897,057	11,191	70,528
Acquisition of subsidiary net-off cash acquired	7	-	578	-
Interest received		390,155	281,965	270,602
Net cash used in investing activities		304,563	(1,410,482)	(704,891)
Cash flows from financing activities				
Proceeds from issuance of loans and borrowings		670,549	552,859	1,071,777
Loan transaction costs		-	(938)	(12,100)
Repayment of borrowings		(833,552)	(516,901)	(772,892)
Change in non-controlling interest		282	544	89
Dividends paid		(8,485)	(3,989)	(590,541)
Net cash generated by/(used in) financing activities		(171,206)	31,575	(303,667)
Net (decrease)/increase in cash and cash equivalents		1,321,611	(453,080)	254,020
Cash and cash equivalents at 1 January		2,507,445	3,296,267	3,090,242
Effects of foreign exchange rate fluctuations on cash and cash equivalents		97,159	(335,742)	(47,995)
Cash and cash equivalents at 31 December	21	3,926,215	2,507,445	3,296,267

The notes on page 7 to 139 are an integral part of these consolidated financial statements.

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2012
(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

(The Group's audited consolidated financial statements prepared as at and for the year ended 31 December 2010 and 31 December 2011 were approved by the Audit Committee and the Board of Directors (Board Resolution dated 23 February 2011 and numbered 797 and dated 22 February 2012 and numbered 908, respectively). However, consolidated financial statements prepared as at and for the year ended 31 December 2010 were not approved by the General Assemblies on 21 April 2011, 11 August 2011 and 12 October 2011. The General Assembly on 29 June 2012 could not convene since the quorum required had not been reached and the consolidated financial statements prepared as at and for the year ended 31 December 2010 and 31 December 2011 could not be presented for approval.)

Notes to the consolidated financial statements

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2012
(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

(The Group's audited consolidated financial statements prepared as at and for the year ended 31 December 2010 and 31 December 2011 were approved by the Audit Committee and the Board of Directors (Board Resolution dated 23 February 2011 and numbered 797 and dated 22 February 2012 and numbered 908, respectively). However, consolidated financial statements prepared as at and for the year ended 31 December 2010 were not approved by the General Assemblies on 21 April 2011, 11 August 2011 and 12 October 2011. The General Assembly on 29 June 2012 could not convene since the quorum required had not been reached and the consolidated financial statements prepared as at and for the year ended 31 December 2010 and 31 December 2011 could not be presented for approval.)

1. Reporting entity

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

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

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

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

As at 31 December 2012, two significant founding shareholders, Sonera Holding BV and Cukurova Group, directly and indirectly, own approximately 37.1% and 13.8%, respectively of the Company's share capital and are ultimate counterparties to a number of transactions that are discussed in the related parties footnote. Alfa Group holds 13.2% of the Company's shares indirectly through Cukurova Holdings Limited and Turkcell Holding AS.

The consolidated financial statements of the Company as at and for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in one associate and one joint venture. Subsidiaries of the Company, their locations and their business are given in Note 35. The Company's and each of its subsidiaries', associate's and joint venture's financial statements are prepared as at and for the year ended 31 December 2012.

2. Basis of preparation

(a)Statement of compliance

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

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

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

Authority for restatement and approval of consolidated financial statements belongs to the Board of Directors. Consolidated financial statements are approved by the Board of Directors by the recommendation of Audit Committee of the Company.

The Group's audited consolidated financial statements prepared as at and for the year ended 31 December 2010 and 31 December 2011 were approved by the Audit Committee and the Board of Directors (Board Resolution dated 23 February 2011 and numbered 797 and dated 22 February 2012 and numbered 908, respectively). However, consolidated financial statements prepared as at and for the year ended 31 December 2010 were not approved by the General Assemblies on 21 April 2011, 11 August 2011 and 12 October 2011. The General Assembly on 29 June 2012 could not convene since the quorum required had not been reached and the consolidated financial statements prepared as at and for the year ended 31 December 2010 and 31 December 2011 could not be presented for approval.

The consolidated financial statements as at and for the year ended 31 December 2012 was approved for by the Board of Directors on 21 February 2013.

(b)Basis of measurement

The accompanying consolidated financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRSs as issued by the IASB. They are prepared on the historical cost basis adjusted for the effects of inflation during the hyperinflationary periods in accordance with International Accounting Standard No. 29. ("Financial Reporting in Hyperinflationary Economies") ("IAS 29"), where applicable, except that the following assets and liabilities are stated at their fair value: put option liability, derivative financial instruments and financial instruments classified as available-for-sale. The methods used to measure fair value are further discussed in Note 4. Hyperinflationary period lasted by 31 December 2005 in Turkey and commenced on 1 January 2011 in Belarus. In the financial statements of subsidiaries operating in Belarus, restatement adjustments have been made to compensate the effect of changes in the general purchasing power of the Belarusian Ruble in accordance with IAS 29. IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. Such cumulative rate in Belarus was 179% for the three years ended 31 December 2012 based upon the consumer price index ("CPI") announced by the National Statistical Committee of the Republic of Belarus.

TURKCELL DAHİLİ

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2012
(Amounts expressed in thousands of US Dollars unless otherwise indicated except share amounts)

(The Group's audited consolidated financial statements prepared as at and for the year ended 31 December 2010 and 31 December 2011 were approved by the Audit Committee and the Board of Directors (Board Resolution dated 23 February 2011 and numbered 797 and dated 22 February 2012 and numbered 908, respectively). However, consolidated financial statements prepared as at and for the year ended 31 December 2010 were not approved by the General Assemblies on 21 April 2011, 11 August 2011 and 12 October 2011. The General Assembly on 29 June 2012 could not convene since the quorum required had not been reached and the consolidated financial statements prepared as at and for the year ended 31 December 2010 and 31 December 2011 could not be presented for approval.)

2. Basis of preparation (continued)

(b)Basis of measurement (continued)

Such index and the conversion factors used to adjust the financial statements of the subsidiaries operating in Belarus for the effect of inflation as at 31 December 2012 are given below:

Dates	Index	Conversion Factor
31 December 2008	1.3524	3.0692
31 December 2009	1.4856	2.7940
31 December 2010	1.6345	2.5395
31 December 2011	3.4109	1.2169
31 December 2012	4.1508	1.0000

The annual change in the BYR exchange rate against USD and Euro can be compared with the rates of general price inflation in Belarus according to the CPI as set out below:

Years	2010	2011	2012
Currency change USD (%)	5%	178%	3%
Currency change Euro (%)	(3)%	172%	5%
CPI inflation (%)	10%	109%	22%

As at 31 December 2012 the exchange rate announced by the National Bank of the Republic of Belarus was BYR 8,570 = USD 1, BYR 11,340 = Euro 1 (31 December 2011: BYR 8,350 = USD 1, BYR 10,800 = Euro 1).

The main guidelines for the IAS 29 restatement are as follows:

– All statement of financial of position items, except for the ones already presented at the current purchasing power level, are restated by applying a general price index.

–

Monetary assets and liabilities of the subsidiaries operating in Belarus are not restated because they are already expressed in terms of the current measuring unit at the balance sheet date. Monetary items presents money held and items to be received or paid in money.

– Non-monetary assets and liabilities of the subsidiaries operating in Belarus are restated by applying, to the initial acquisition cost and any accumulated depreciation, the change in the general price index from the date of acquisition or initial recording to the balance sheet date. Hence, property, plant and equipment, investments and similar assets are restated from the date of their purchase, not to exceed their market value. Depreciation is similarly restated. The components of shareholders' equity are restated by applying the applicable general price index from the dates the components were contributed or arose otherwise.

– All items in the statement of income of the subsidiaries operating in Belarus, except non-monetary items in the statement of financial position that have effect over statement of income, are restated by applying the relevant conversion factors from the dates when the income and expense items were initially recorded in the financial statements.

– The gain or loss on the net monetary position is the result of the effect of general inflation and is the difference resulting from the restatement of non-monetary assets, shareholders' equity and statement of income items. The gain or loss on the net monetary position is included in net income.

2. Basis of preparation (continued)

(b)Basis of measurement (continued)

The comparative amounts relating to the subsidiaries operating in Belarus in the 2011 consolidated financial statements are not restated. The translation effect of Belarusian Ruble ("BYR") denominated equity accounts determined upon the application of inflation accounting to USD is accounted under translation reserve in the consolidated financial statements as at 31 December 2012. Since the carrying value of Belarusian Telecom as of 1 January 2011 is limited by the value in use determined in accordance with the impairment analysis as of the same date, the net effect amounting to $42,662 as a result of the inflation accounting effect on the carrying value of Best as of 1 January 2011 less reassessed corresponding additional impairment charge amounting to $87,341 is presented as "Effects of Hyperinflation" within the opening balance of retained earnings for the financial year 2011.

(c)Functional and presentation currency

The consolidated financial statements are presented in US Dollars ("USD" or "$"), rounded to the nearest thousand. Moreover, all financial information expressed in Turkish Lira ("TL"), Euro ("EUR") and Ukranian Hryvnia ("HRV") has been rounded to the nearest thousand. The functional currency of the Company and its consolidated subsidiaries located in Turkey and Turkish Republic of Northern Cyprus is TL. The functional currency of Euroasia Telecommunications Holding BV ("Euroasia") and Financell BV ("Financell") is USD. The functional currency of Eastasian Consortium BV ("Eastasia"), Beltur Coöperatief UA, Surtur BV and Turkcell Europe is EUR. The functional currency of LLC Astelit ("Astelit"), LLC Global Bilgi ("Global LLC") and UkrTower LLC ("UkrTower") is HRV. The functional currency of Belarusian Telecommunication Network ("Belarusian Telecom"), LLC Lifetech and FLLC Global Bilgi ("Global FLLC") is Belarusian Ruble ("BYR"). The functional currency of Azerinteltek QSC ("Azerinteltek") is Azerbaijan Manat.

(d)Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in Notes 4 and 33 and detailed analysis with respect to accounting estimates and critical judgments of allowance for doubtful receivables, useful lives or expected patterns of consumption of the future economic benefits embodied in depreciable assets, commission fees, revenue recognition, income taxes and impairment testing for cash-generating unit containing goodwill are provided below:

2. Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

Key sources of estimation uncertainty

Following severe balance of payments crisis in 2011, the economic data indicates that the Belarusian economy stabilized in 2012. This reflected the authorities' tightening of economic policies in late 2011 that was successful in reducing inflation and stabilizing the foreign exchange market. Inflation fell sharply from over 100% at the end of 2011 to 21.7% in 2012. The National Bank of the Republic of Belarus ("NBRB") has stabilized foreign exchange market with the help of a "managed float" exchange policy. During 2012, NBRB gradually decreased the refinance rate by 15%, from 45% to 30% per annum. As the cumulative inflation in the last three years exceeded 100%, Belarus was considered a hyperinflationary economy. In this context, IAS 29 "Reporting in Hyperinflationary Economies" is applied by subsidiaries operating in Belarus in financial statements starting from their annual financial statements for the year ending 31 December 2011 as detailed in Note 2(b).

Although downside economic risks have been reduced, macroeconomic stability is still fragile. Belarus remains vulnerable to global developments which could trigger renewed weakness on the external account, reserve pressure and BYR depreciation. Further monetary and fiscal easing (via social spending) are the main risks to economic stability in the medium term. Aggressive fiscal and monetary easing could renew pressure on BYR. Therefore, economic uncertainties are likely to continue in the foreseeable future.

Current and potential future political and economic changes in Belarus could have an adverse effect on the subsidiaries operating in this country. The economic stability of Belarus depends on the economic measures that will be taken by the government and the outcomes of the legal, administrative and political processes in the country. These processes are beyond the control of the subsidiaries established in the country.

Consequently, the subsidiaries operating within Belarus may subject to the risks, i.e. foreign currency and interest rate risks related to borrowings and the subscriber's purchasing power and liquidity and increase in corporate and personal insolvencies, that may not necessarily be observable in other markets. The accompanying consolidated financial statements contain the Group management's estimations on the economic and financial positions of its subsidiaries operating in Belarus. The future economic situation of Belarus might differ from the Group's expectations. As of

31 December 2012, the Group's management believes that their approach is appropriate in taking all the necessary measures to support the sustainability of these subsidiaries' businesses in the current circumstances.

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2. Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

Critical accounting judgments in applying the Group's accounting policies

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

Allowance for doubtful receivables

The Group maintains an allowance for doubtful receivables for estimated losses resulting from the inability of the Group's subscribers and customers to make required payments. The Group bases the allowance on the likelihood of recoverability of trade and other receivables based on the aging of the balances, historical collection trends and general economic conditions. The allowance is periodically reviewed. The allowance charged to expenses is determined in respect of receivable balances, calculated as a specified percentage of the outstanding balance in each aging group, with the percentage of the allowance increasing as the aging of the receivable becomes longer.

Useful lives of assets

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

In accordance with IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets", the residual value and the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". As part of yearly review of useful lives of assets, the Group made necessary evaluation by considering current technological and economic conditions and recent business plans. Based on the evaluation performed, changes in the useful lives caused the following impacts on depreciation and amortization charges.

	Previous accounting estimate	Current accounting estimate	Impact
Depreciation and amortization charge for the year ended 31 December 2012	771,043	788,632	17,589

Due to the impracticability, the Group has not disclosed the effect of the change for the future periods.

2. Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

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

Commission fees

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

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

Revenue recognition

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

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

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

Income taxes

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

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

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

2. Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

Impairment testing for cash-generating unit containing goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 3. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates as discussed in Notes 14 and 15.

Changes in accounting policies

Changes to the accounting policies are applied retrospectively and the prior period's financial statements are restated accordingly.

The Group has elected to early adopt the 2011 amendment for International Accounting Standard No. 19 ("IAS 19") "Employee Benefits" which basically requires all actuarial gains and losses to be recognized immediately through other comprehensive income in order to reflect any change in the liability recognized in the consolidated statement of financial position. The amendments to IAS 19 require retrospective application. In this respect, the Group management evaluated the monetary impact of this accounting policy change on the previous years consolidated financial statements for the years ended 31 December 2011 and 2010 as are $182 and $1,468 respectively and concluded that as the net after tax impact is not significant, previous year consolidated financial statements are not recast. In this context, starting from 31 December 2012, the Group recognizes actuarial gains and losses in the consolidated statement of comprehensive income which were previously presented in consolidated statement of income.

The monetary effect of this change on future consolidated financial statements could not be estimated.

Other than the early adoption of the amendments of IAS 19, the Group did not make any major changes to accounting policies during the current year.

Changes in accounting estimates

If the application of changes in the accounting estimates affects the financial results of a specific period, the changes in the accounting estimates are applied in that specific period, if they affect the financial results of current and following periods; the accounting estimate is applied prospectively in the period in which such change is made. A change in the measurement basis applied is a change in an accounting policy, and is not a change in an accounting estimate. When it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate, the change is treated as a change in an accounting estimate.

The Group did not have any major changes in the accounting estimates during the current year, except for the useful lives of property, plant and equipment and intangible assets.

Comparative information and revision of prior period financial statements

The consolidated financial statements of the Group have been prepared with the prior periods on a comparable basis in order to give consistent information about the financial position and performance. If the presentation or classification of the financial statements is changed, in order to maintain consistency, the financial statements of the prior periods are also reclassified in line with the related changes.

3. Significant accounting policies

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

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognized in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

(ii) Subsidiaries

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

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Acquisition from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are excluded from the scope of IFRS 3 "Business Combinations". In business combinations under common control, assets and liabilities subject to business combination are accounted for at their carrying value in consolidated financial statements. Statements of income are consolidated starting from the beginning of the financial year in which the business combination is realized. Financial statements of previous financial years are restated in the same manner in order to maintain consistency and comparability. Any positive or negative goodwill arising from such business combinations is not recognized in the consolidated financial statements. Residual balance calculated by netting off investment in subsidiary and the share acquired in subsidiary's equity accounted for as equity transactions (i.e. transactions with owners in their capacity as owners).

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

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

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39 "Financial Instruments: Recognition and measurement". The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

Associates and jointly controlled entities (equity accounted investees) are accounted for using the equity method and are initially recognized at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. The Group's equity accounted investees as at 31 December 2012 are Fintur Holdings BV ("Fintur") and A-Tel Pazarlama ve Servis Hizmetleri AS ("A-Tel").

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Transactions eliminated on consolidation

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

(vi) Non-controlling interests

Where a put option is granted by the Group to the non-controlling interests shareholders in existing subsidiaries that provides for settlement in cash or in another financial asset, the Group recognizes a liability for the present value of the estimated exercise price of the option. The interests of the non-controlling shareholders that hold such put options are derecognized when the financial liability is recognized. The corresponding interests attributable to the holder of the puttable non-controlling interests are presented as attributable to the equity holders of the parent and not as attributable to those non-controlling interests' shareholders. The difference between the put option liability recognized and the amount of non-controlling interests' shareholders derecognized is recorded under equity. Subsequent changes in the fair value of the put option liability are recognized in equity for the business combinations before 1 January 2009 other than unwind of discount and associated foreign exchange gains and losses. For the business combinations after 1 January 2009, subsequent changes in the fair value of the put option liability are recognized in profit or loss.

(b) Foreign currency

(i) Foreign currency transactions

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

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

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to USD from the functional currency of the foreign operation at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to USD at monthly average exchange rates excluding foreign operations in hyperinflationary economies which are translated to USD at exchange rates at the reporting date.

3. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Foreign operations (continued)

The income and expenses of foreign operations in hyperinflationary economies are translated to USD at the exchange rate at the reporting date. Prior to translating the financial statements of foreign operations in hyperinflationary economies, their financial statements for the current period are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the reporting date.

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

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

(iii) Translation from functional to presentation currency

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

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

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

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

(iv) Net investment in foreign operations

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

3. Significant accounting policies (continued)

(c) Financial instruments

(i) Non-derivative financial instruments

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

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

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

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

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

· Financial assets at fair value through profit or loss

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

· Held-to-maturity financial assets

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

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

· Available-for-sale financial assets

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

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Non-derivative financial instruments (continued)

· Available-for-sale financial assets (continued)

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

• Estimated exercise price of put options

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

As the Group has unconditional obligations to fulfill its liabilities under these agreements, IAS 32 "Financial instruments: Disclosure and Presentation", requires the value of such put option to be presented as a financial liability on the statement of financial position for the present value of the estimated option redemption amount. The Group accounts for such transactions under the anticipated acquisition method and the interests of non-controlling shareholders that hold such put option are derecognized when the financial liability is recognized. Since the current option relates to the business combinations before 1 January 2009, the Group accounts for the difference between the amounts recognized for the exercise price of the put option and the carrying amount of non-controlling interests in equity other than the unwind of discount and associated foreign exchange gains and losses.

· Other

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

(ii) Derivative financial instruments

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

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

Also the Group enters into derivative financial instruments to manage its exposure to interest rate, including interest rate collar. Further details of derivative financial instruments are disclosed in Note 25 and 30.

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Derivative financial instruments (continued)

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is immediately recognized in statement of income unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in statement of income depends on the nature of the hedge relationship.

Hedge Accounting

The Group designates certain hedging instruments which include cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in statement of income, and is included in the "finance income / costs" line item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in statement of income. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is immediately recognized in statement of income.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are initially stated at cost less accumulated depreciation (see below) and accumulated impairment losses (see note 3(h)(ii)). Property, plant and equipment related to the parent and subsidiaries operating in Turkey are adjusted for the effects of inflation during the hyperinflationary period which ended on 31 December 2005. Since the inflation accounting commenced on 1 January 2011, property, plant and equipment related to the subsidiaries operating in Belarus are adjusted for the effects of inflation.

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

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

Buildings	
Mobile network infrastructure	4 – 12 years
Fixed network infrastructure	3 – 25 years
Call center equipment	4 – 8 years
Equipment, fixtures and fittings	3 – 10 years
Motor vehicles	4 – 6 years
Central betting terminals	7 – 10 years
Leasehold improvements	3 – 45 years

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

3. Significant accounting policies (continued)

(e) Intangible assets

(i) GSM and other telecommunication operating licenses

GSM and other telecommunication operating licenses that are acquired by the Group are measured at cost adjusted for the effects of inflation during the hyperinflationary period, where applicable, less accumulated amortization (see below) and accumulated impairment losses (see note 3(h)(ii)). GSM and other telecommunication operating licenses related to the parent and subsidiaries operating in Turkey are adjusted for the effects of inflation during the hyperinflationary period which ended on 31 December 2005. Since the inflation accounting commenced on 1 January 2011, GSM and other telecommunication operating licenses related to the subsidiaries operating in Belarus are adjusted for the effects of inflation.

Amortization

Amortization is recognized in the statement of income on a straight line basis primarily by reference to the unexpired license period. The useful lives for the GSM and other telecommunication operating licenses are as follows:

GSM and other telecommunications licenses	3 – 25 years

(ii) Computer Software

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

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

Amortization

Amortization is recognized in the statement of income on a straight-line basis over the estimated useful lives from the date the software is available for use. The useful lives for computer software are as follows:

Computers oftware	3 – 8 years

(iii) Other intangible assets

Other intangible assets that are acquired by the Group which have finite useful lives are measured at cost adjusted for the effects of inflation during the hyperinflationary period, where applicable, less accumulated amortization (see below) and accumulated impairment losses (see note 3(h)(ii)). Other intangible related to the parent and subsidiaries operating in Turkey are adjusted for the effects of inflation during the hyperinflationary periods lasted by 31 December 2005. Since the inflation accounting commenced on 1 January 2011, other intangible assets related to the subsidiaries operating in Belarus are adjusted for the effects of inflation.

3. Significant accounting policies (continued)

(e) Intangible assets (continued)

(iii) Other intangible assets (continued)

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

Subsequent expenditure

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

Amortization

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

Transmission lines	5 – 10 years
Central betting system operating right	7 – 10 years
Customer base	2 – 15 years
Brand name	9 – 10 years
Customs duty and VAT exemption right	4.4 years

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

Goodwill

From 1 January 2010 the Group has applied IFRS 3 (2008) "Business Combinations" in accounting for business combinations.

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

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

3. Significant accounting policies (continued)

(e) Intangible assets (continued)

(iii) Other intangible assets (continued)

Subsequent measurement

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

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

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

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

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

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

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

(f) Leased assets

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

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

(The Group's audited consolidated financial statements prepared as at and for the year ended 31 December 2010 and 31 December 2011 were approved by the Audit Committee and the Board of Directors (Board Resolution dated 23 February 2011 and numbered 797 and dated 22 February 2012 and numbered 908, respectively). However, consolidated financial statements prepared as at and for the year ended 31 December 2010 were not approved by the General Assemblies on 21 April 2011, 11 August 2011 and 12 October 2011. The General Assembly on 29 June 2012 could not convene since the quorum required had not been reached and the consolidated financial statements prepared as at and for the year ended 31 December 2010 and 31 December 2011 could not be presented for approval.)

3. Significant accounting policies (continued)

(g) Inventories

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses. The cost of inventory is determined using the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. As at 31 December 2012 and 2011, inventories mainly consist of simcards, scratch cards, handsets and modems.

(h) Impairment

(i) Financial assets

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

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

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

All impairment losses are recognized in the statement of income. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to the statement of income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in the statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in other comprehensive income. For available-for-sale equity investments carried at cost, the reversal is not permitted.

(ii) Non-financial assets

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

(The Group's audited consolidated financial statements prepared as at and for the year ended 31 December 2010 and 31 December 2011 were approved by the Audit Committee and the Board of Directors (Board Resolution dated 23 February 2011 and numbered 797 and dated 22 February 2012 and numbered 908, respectively). However, consolidated financial statements prepared as at and for the year ended 31 December 2010 were not approved by the General Assemblies on 21 April 2011, 11 August 2011 and 12 October 2011. The General Assembly on 29 June 2012 could not convene since the quorum required had not been reached and the consolidated financial statements prepared as at and for the year ended 31 December 2010 and 31 December 2011 could not be presented for approval.)

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3. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Non-financial assets (continued)

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

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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

3. Significant accounting policies (continued)

(i) Employee benefits

(i) Retirement pay liability

In accordance with existing labor law in Turkey, the Company and its subsidiaries in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire, are called up for military service or die. Such payments are calculated on the basis of 30 days' pay maximum full TL 3,129 as at 31 December 2012 (equivalent to full $1,755 as at 31 December 2012), which is effective from 1 January 2013, per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the consolidated financial statements on a current basis. The reserve has been calculated by estimating the present value of future probable obligation of the Company and its subsidiaries in Turkey arising from the retirement of the employees.

(ii) Defined contribution plans

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

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

(j) Provisions

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

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The Group did not have any onerous contracts as at 31 December 2012 (31 December 2011: None).

Dismantling, removal and restoring sites obligation

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

3. Significant accounting policies (continued)

(j) Provisions (continued)

Bonus

Provision for bonus is provided when the bonus is a legal obligation, or past practice would make the bonus a constructive obligation and the Group makes a reliable estimate of the obligation.

(k) Revenue

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

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

The Group has also certain customer loyalty programs whereby customers are awarded credits entitling customers to the right to purchase voice or data services or other third party goods and services. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the credits and the other components of the sale in accordance with IFRIC 13 "Customer Loyalty Programs". The amount allocated to credits is deferred and revenue is recognized when the credits are redeemed and the Group has fulfilled its obligations to supply the goods or services.

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

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

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

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

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

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

3. Significant accounting policies (continued)

(k) Revenue (continued)

Commission fees mainly comprised of net takings earned to a maximum of 1.4% of gross takings, as a head agent of fixed odds betting games starting from 1 March 2009 and mobile agent revenues comprised of 4%-5% of gross takings of mobile agents as head agent starting from 23 March 2010. Commission revenues are recognized at the time all the services related with the games are fully rendered. Under the agreement signed with Spor Toto Teskilat Mudurlugu AS ("Spor Toto"), Inteltek Internet Teknoloji Yatirim ve Danismanlik AS ("Inteltek") is obliged to undertake any excess payout, which is presented on net basis with the commission fees.

AzerInteltek received authorization from Azeridmanservis Limited Liability Company set under the Ministry of Youth and Sport of the Republic of Azerbaijan to organize, operate, manage and develop the fixed odds and paramutual sports betting business. Since AzerInteltek acts as principle, total consideration received from the player less payout (distribution to players) and amounts collected from players on behalf of Ministry of Sports is recognized at the time all the services related with the games are fully rendered.

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

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

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

Volume rebates or discounts and other contractual changes in the prices of roaming and other services are anticipated, as both the payer and the recipient, if it is probable that they have been earned or will take effect. Thus, contractual rebates and discounts are anticipated, but discretionary rebates and discounts are not anticipated because the definitions of asset and liability would not be met.

(l) Lease payments

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

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

Determining whether an arrangement contains a lease

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

3. Significant accounting policies (continued)

(m) Finance income and costs

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

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

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

Borrowing Costs

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

All other borrowing costs are recognized in the statement of income in the period in which they are incurred.

(n) Transactions with related parties

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

(o) Income taxes

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

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

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

3. Significant accounting policies (continued)

(o) Income taxes (continued)

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

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

Interest and penalties assessed on income tax deficiencies are presented based on their nature.

(p) Earnings per share

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

In Turkey, companies can raise their share capital by distributing "Bonus Shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are treated as issued shares. Accordingly, the retrospective effect for such share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

(q) Operating segment

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

The Group identified Turkcell, Euroasia and Belarusian

Telecom as operating segments.

(r) Subscriber acquisition costs

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

- the capitalized costs can be measured reliably;
- there is a contract binding the customer for a specific period of time; and
- it is probable that the amount of the capitalized costs will be recovered through the revenues generated by the service contract, or, where the customer withdraws from the contract in advance, through the collection of the penalty.

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

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3. Significant accounting policies (continued)

(s) Government grants

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

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

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

(t) New standards and interpretations

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

(i) New and Revised IFRSs do not affect presentation and disclosures

None.

(ii) New and Revised IFRSs affecting the reported financial performance and / or financial position

IAS 19 (as revised in 2011), Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the “corridor approach” permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The 2011 amendment of IAS 19 is effective for annual periods beginning on or after 1 January 2013 and requires retrospective application, but early adoption is allowed. The Group has elected to early adopt the 2011 amendment of IAS 19 as discussed in Note 2.d “Change in accounting policies” in 2012.

(iii) New and Revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs have also been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

3. Significant accounting policies (continued)

t) New standards and interpretations (continued)

Amendments to IAS 12, Deferred Taxes – Recovery of Underlying Assets

The amendment is effective for annual periods beginning on or after 1 January 2012. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, "Investment Property". The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, through sale. The Group does not have investment property. The amendment did not have any effect on the consolidated financial statements.

Amendments to IFRS 7, Financial Instruments: Disclosures – Transfers of Financial Assets

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

These amendments to IFRS 7 did not have a significant effect on the Group's disclosures. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

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

3. Significant accounting policies (continued)

t) New standards and interpretations (continued)

(iv) New and Revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 7	Financial Instruments: Disclosures - Offsetting of Financial Assets and Financial Liabilities
IFRS 9	Financial Instruments
IFRS 9 and Amendments to IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guide
IFRS 13	Fair Value Measurement
Amendments to IAS 1	Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income
Amendments to IAS 1	Clarification of the Requirements for Comparative Information
IAS 27 (as revised in 2011)	Separate Financial Statement
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IAS 32	Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities
Amendments to IFRSs	Annual Improvements to IFRSs 2009/2011 Cycle except for the amendment to IAS 1

The amendments to IFRS 7 require an entity to disclose information about rights of offset and related agreements for financial instruments under an enforceable master netting agreement or similar arrangement. The new disclosures are required for annual or interim periods beginning on or after 1 January 2013.

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

3. Significant accounting policies (continued)

t) New standards and interpretations (continued)

(iv) New and Revised IFRSs in issue but not yet effective (continued)

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 was amended to defer the mandatory effective date of both the 2009 and 2010 versions of IFRS 9 to annual periods beginning on or after 1 January 2015. Prior to the amendments, application of IFRS 9 was mandatory for annual periods beginning on or after 1 January 2013. The amendments continue to permit early application. The amendments modify the existing comparative transition disclosures in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and IFRS 7 "Financial Instruments: Disclosures". Instead of requiring restatement of comparative financial statements, entities are either permitted or required to provide modified disclosures on transition from IAS 39 "Financial Instruments: Recognition and Measurement" to IFRS 9 depending on the entity's date of adoption and whether the entity chooses to restate prior periods.

The Group management anticipates that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of IFRS 9 may have impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

In June 2012, the IASB issued Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12). The transition guidance amends IFRS 10, 11 and 12 to provide additional transition relief in by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 11 and IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

3. Significant accounting policies (continued)

t) New standards and interpretations (continued)

(iv) New and Revised IFRSs in issue but not yet effective (continued)

Key requirements of these five Standards are described below.

IFRS 10 replaces the parts of IAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. SIC 12 "Consolidation – Special Purpose Entities" has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, which is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 "Interests in Joint Ventures". IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC 13, Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31 "Interests in joint ventures" there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Group management anticipates that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of IFRS 10 and IFRS 11 is expected not to have material impact on the consolidated financial statements.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 "Financial Instruments: Disclosures" will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

3. Significant accounting policies (continued)

t) New standards and interpretations (continued)

(iv) New and Revised IFRSs in issue but not yet effective (continued)

The Group management anticipates that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will result in more extensive disclosures in the consolidated financial statements.

The amendments to IAS 1 "Presentation of Items of Other Comprehensive" Income are effective for the annual periods beginning on or after 1 July 2012. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the "statement of comprehensive income" is renamed the "statement of profit or loss and other comprehensive income" and the "statement of income" is renamed the "statement of profit or loss". The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments can be applied retrospectively. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The amendments to IAS 1 as part of the Annual Improvements to IFRSs 2009/2011 Cycle are effective for the annual periods beginning on or after 1 January 2013. IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (production stripping costs). Under the Interpretation, the costs from this waste removal activity (stripping) which provide improved access to ore is recognized as a non-current asset (stripping activity asset) when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with IAS 2 “Inventories”. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

IFRIC 20 is effective for annual periods beginning on or after 1 January 2013. Specific transitional provisions are provided to entities that apply IFRIC 20 for the first time. However, IFRIC 20 must be applied to production stripping costs incurred on or after the beginning of the earliest period presented. The Group management anticipates that IFRIC 20 will have no effect to the Group’s financial statements as the Group does not engage in such activities.

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3. Significant accounting policies (continued)

t) New standards and interpretations (continued)

(iv) New and Revised IFRSs in issue but not yet effective (continued)

The amendments to IAS 32 are intended to clarify existing application issues relating to the offsetting rules and reduce the level of diversity in current practice. The amendments are effective for annual periods beginning on or after 1 January 2014.

Annual Improvements 2009/2011 Cycle

Further to the above amendments and revised standards, the IASB have issued Annual Improvements to IFRSs in May 2012 that cover 5 main standards/interpretations as follows:

IAS 16	Property, Plant and Equipment - Classification of servicing equipment
IAS 32	Financial Instruments: Presentation - Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12, Income Taxes

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The Group management does not anticipate that the amendments to IAS 16 will have a significant effect on the Group's consolidated financial statements.

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes. The Group management does not anticipate that the amendments to IAS 32 will have a significant effect on the Group's consolidated financial statements.

All amendments are effective on or after 1 January 2013. Early adoptions of these amendments are allowed.

4. Determination of fair values

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

(i) Property, plant and equipment

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

4. Determination of fair values (continued)

(ii) Intangible assets

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

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

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

The fair value of customer base acquired in business combinations are valued using the cost approach where by the subject asset is valued by using the information on a cost per subscriber basis under current market conditions and rates.

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

(iii) Investments in equity and debt securities

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

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

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

(v) Derivatives

The fair value of forward exchange contracts and option contracts are based on their listed market price, if available. If a listed market price is not available, then fair values are derived from inputs other than quoted prices that are observable for the asset or liability or are derived by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds) or option pricing models.

(vi) Non-derivative financial liabilities

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

4. Determination of fair values (continued)

(vii) Exercise price of financial liability related to non-controlling share put option

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

The Group has estimated a value based on multiple approaches in grant to share purchase agreement including income approach (discounted cash flows) and market approach (comparable market multiples). The simple average, in accordance with the agreement between parties, of the values determined as at 31 August 2013, which is the exercise date of the put option, is then discounted back to 31 December 2012.

5. Financial risk management

The Group practice is to centrally manage Group's predetermined capital / debt ratios by capital injection or using available credit facilities. Group obtains short and long-term borrowings according to Group's financial needs and market predictions. Debt instruments vary from commercial bank loans to Export Credit Agency loans and different capital market instruments are seldom used in order to maintain diversified source of financing. The Group's financial borrowing ratios are monitored for all transactions in order to prevent any negative effect on the Group's credit ratings.

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Please refer to Note 30 for additional information on the Group's exposure to risks.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Additionally the Company established a Risk Committee in accordance with the new Turkish Commercial Code effective from 1 July 2012.

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

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

5. Financial risk management (continued)

Risk management framework (continued)

As at 31 December 2011, TL depreciated against USD and EUR by 22.2% and 19.3%, respectively, BYR depreciated against USD by 178.3% and HRV depreciated against USD by 0.4% when compared to the exchange rates as at 31 December 2010. As at 31 December 2012, TL appreciated against USD and EUR by 5.6% and 3.8%, respectively, BYR depreciated against USD by 2.6% and HRV depreciated against USD by 0.04% when compared to the exchange rates as at 31 December 2011. Additional information related to Group's exposure to currency risk is disclosed in Note 30.

Credit risk

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

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

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

Investments are preferred to be in liquid securities. The counterparty limits are set depending on their ratings from the most credible rating agencies and the amount of their paid in capital and/or shareholders equity. Policies are in place to review the paid-in capital and rating of counterparties periodically to ensure credit worthiness.

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

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

The Group establishes an allowance for doubtful receivables that represents its estimate of incurred losses in respect of trade and other receivables. This allowance includes the specific loss component that relates to individual subscribers exposures, and adjusted for a general provision which is determined based on the age of the balances and historical collection trends.

The Group’s policy is to provide financial guarantees only to majority-owned subsidiaries. At 31 December 2012, $1,363,291 guarantees were outstanding (31 December 2011: $1,385,403).

5. Financial risk management (continued)

Liquidity risk

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

Market risk

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

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

Currency risk

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

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

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

Interest rate risk

The Group's exposure to interest rate risk is related to its financial assets and liabilities. The Group's financial liabilities mostly consist of floating interest rate borrowings. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's treasury and risk management strategy. The Group also closely monitored various hedging alternatives to hedge interest risk with a minimum cost. In June 2011, the Group engaged in forward start collar agreements for the half of its debt which are due in 2015 and exposed to interest rate risk. The collars hedge variable interest rate risk for the period between 2013 and 2015.

6. Operating Segments

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

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

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

Information regarding the operations of each reportable segment is included below. Adjusted EBITDA is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Adjusted EBITDA definition includes revenue, direct cost of revenues excluding depreciation and amortization, selling and marketing expenses and administrative expenses. Adjusted EBITDA is not a financial measure defined by IFRS as a measurement of financial performance and may not be comparable to other similarly-titled indicators used by other companies.

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

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6. Operating segments (continued)

	Turkcell		Euroasia		Belarusian Telecom		Other		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	
Total external revenues	4,844,867	4,805,521	402,167	364,491	62,162	47,893	556,591	391,774	5,865,787	5,6
Intersegment revenue	24,820	13,048	3,250	4,347	76	93	402,495	414,199	430,641	43
Reportable segment adjusted EBITDA	1,511,539	1,507,783	114,431	94,204	(5,392)	(12,151)	213,712	190,887	1,834,290	1,7
Finance income	369,198	283,015	2,468	690	572	15,520	57,591	58,951	429,829	35
Finance cost	(55,669)	108,861	(56,723)	(56,287)	(66,162)	(283,870)	(36,572)	(159,991)	(215,126)	(39
Monetary gain	-	-	-	-	95,322	144,813	3	-	95,325	14
Depreciation and amortization	(506,220)	(485,789)	(116,939)	(116,547)	(46,275)	(224,527)	(137,357)	(111,260)	(806,791)	(93
Share of profit of equity accounted investees	-	-	-	-	-	-	121,733	136,907	121,733	13
Capital expenditure	560,461	501,256	77,911	65,152	53,411	55,026	320,412	273,511	1,012,195	89
Other material non-cash	-	-	-	-	-	52,971	-	-	-	52

items:						
Impairment on goodwill						
Bad debt expense	55,936	28,377	191	381	1,838	1,027