

TURKCELL ILETISIM HIZMETLERI A S
Form 20-F/A
April 20, 2011
Table of Contents

As filed with the Securities and Exchange Commission on April 20, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F/A

(Amendment No.1)

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2010

OR

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

OR

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

TURKCELL ILETISIM HIZMETLERI A.S.

(Exact Name of Registrant as Specified in Its Charter)

TURKCELL

(Translation of Registrant's Name Into English)

Republic of Turkey

(Jurisdiction of Incorporation or Organization)

Turkcell Plaza

Mesrutiyet Caddesi No: 71

34430 Tepebasi

Istanbul, Turkey

(Address of Principal Executive Offices)

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Turkcell Plaza

Mesrutiyet Caddesi No: 71

34430 Tepebasi

Istanbul, Turkey

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

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

Title of each class
American Depositary Shares
Ordinary Shares, Nominal Value TRY 1.000*

Name of each exchange on which registered
New York Stock Exchange
New York Stock Exchange

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

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

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

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

Ordinary Shares, Nominal Value TRY 1.000	2,200,000,000
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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

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

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

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

Table of Contents**Table of Contents**

ITEM 1	<u>IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	3
ITEM 2	<u>OFFER STATISTICS AND EXPECTED TIMETABLE</u>	3
ITEM 3	<u>KEY INFORMATION</u>	3
	<u>3.A SELECTED FINANCIAL DATA</u>	3
	<u>3.B CAPITALIZATION AND INDEBTEDNESS</u>	8
	<u>3.C REASONS FOR THE OFFER AND USE OF PROCEEDS</u>	8
	<u>3.D RISK FACTORS</u>	9
ITEM 4	<u>INFORMATION ON THE COMPANY</u>	27
	<u>4.A HISTORY AND DEVELOPMENT OF THE COMPANY</u>	27
	<u>4.B BUSINESS OVERVIEW</u>	28
	<u>4.C ORGANIZATIONAL STRUCTURE</u>	80
	<u>4.D PROPERTY, PLANT AND EQUIPMENT</u>	80
ITEM 5	<u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	81
	<u>5.A OPERATING RESULTS</u>	84
	<u>5.B LIQUIDITY AND CAPITAL RESOURCES</u>	101
	<u>5.C RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.</u>	104
	<u>5.D TREND INFORMATION</u>	105
	<u>5.E OFF-BALANCE SHEET ARRANGEMENTS</u>	106
	<u>5.F TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS</u>	107
	<u>5.G SAFE HARBOR</u>	107
ITEM 6	<u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	107
	<u>6.A DIRECTORS AND SENIOR MANAGEMENT</u>	107
	<u>6.B COMPENSATION</u>	112
	<u>6.C BOARD PRACTICES</u>	113
	<u>6.D EMPLOYEES</u>	115
	<u>6.E SHARE OWNERSHIP</u>	117
ITEM 7	<u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	117
	<u>7.A MAJOR SHAREHOLDERS</u>	117
	<u>7.B RELATED PARTY TRANSACTIONS</u>	119
	<u>7.C INTERESTS OF EXPERTS AND COUNSEL</u>	119
ITEM 8	<u>FINANCIAL INFORMATION</u>	119
	<u>8.A CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION</u>	119
	<u>8.B SIGNIFICANT CHANGES</u>	121
ITEM 9	<u>THE OFFER AND LISTING</u>	121
	<u>9.A OFFER AND LISTING DETAILS</u>	121
	<u>9.B PLAN OF DISTRIBUTION</u>	122
	<u>9.C MARKETS</u>	122
	<u>9.D SELLING SHAREHOLDERS</u>	123
	<u>9.E DILUTION</u>	123
	<u>9.F EXPENSES OF THE ISSUE</u>	123
ITEM 10	<u>ADDITIONAL INFORMATION</u>	123
	<u>10.A SHARE CAPITAL</u>	123
	<u>10.B MEMORANDUM AND ARTICLES OF ASSOCIATION</u>	123
	<u>10.C MATERIAL CONTRACTS</u>	131
	<u>10.D EXCHANGE CONTROLS</u>	131
	<u>10.E TAXATION</u>	131
	<u>10.F DIVIDENDS AND PAYING AGENTS</u>	138
	<u>10.G STATEMENT BY EXPERTS</u>	138
	<u>10.H DOCUMENTS ON DISPLAY</u>	138
	<u>10.I SUBSIDIARY INFORMATION</u>	138

Table of Contents

ITEM 11	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	139
ITEM 12	<u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	140
ITEM 13	<u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	142
ITEM 14	<u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	142
ITEM 15	<u>CONTROLS AND PROCEDURES</u>	142
ITEM 16	<u>AUDIT COMMITTEE FINANCIAL EXPERT</u>	144
ITEM 16B.	<u>CODE OF ETHICS</u>	144
ITEM 16C.	<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	144
ITEM 16D.	<u>EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	145
ITEM 16E.	<u>PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	145
ITEM 16F.	<u>CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	145
ITEM 16G.	<u>CORPORATE GOVERNANCE</u>	145
ITEM 17	<u>FINANCIAL STATEMENTS</u>	150
ITEM 18	<u>FINANCIAL STATEMENTS</u>	150
ITEM 19	<u>EXHIBITS</u>	150

Table of Contents

Explanatory Note

This Form 20-F/A is being filed by Turkcell Iletisim Hizmetleri A.S. (the Company) as Amendment No. 1 to its Annual Report on Form 20-F for the fiscal year ended December 31, 2010, filed with the Securities and Exchange Commission (the Commission) on April 18, 2011 (the 2010 20-F). This Form 20-F/A is intended to replace in its entirety the financial statements.

Table of Contents

INTRODUCTION

This is the 2010 annual report for Turkcell Iletisim Hizmetleri A.S. (Turkcell), a joint stock company organized and existing under the laws of the Republic of Turkey. The terms we , us , our , and similar ones refer to Turkcell, its predecessors, and its consolidated subsidiaries, except as the context otherwise requires.

Our audited consolidated financial statements as of December 31, 2010 and 2009 and for each of the years in the three-year period ended December 31, 2010 included in this annual report have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The SEC has adopted rules accepting filings from foreign private issuers that include financial statements prepared in accordance with IFRS as issued by the IASB without reconciliation to accounting principles generally accepted in the United States, or U.S. GAAP, as was previously required. As we believe that we meet the relevant criteria to avail ourselves of this SEC rule, we have ceased providing such reconciliation as part of our consolidated financial statements.

Certain figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly, and figures shown as totals in certain tables may not total exactly. In this annual report, references to TL , TRY and Turkish Lira are to the Turkish Lira, previously called the New Turkish Lira from 2005 through 2008; and references to \$, U.S. Dollars , USD , U.S. \$ and cents are to U.S. Dollars and, except as otherwise noted, all interest rates are on a per annum basis. In this annual report, references to Turkey or the Republic are to the Republic of Turkey. Counters are the units we used with our subscribers until April 2010 to measure airtime. As of April 2010, we measure our airtime in TRY rather than counters.

Statements regarding our market share and total market size are based on the ICTA s announcements, and statements regarding penetration are based on the Turkish Statistical Institute s (TUIK) announcements pertaining to the Turkish population. Furthermore, statements regarding our 2G coverage are based on the Information and Communication Technologies Authority s (ICTA) specifications as well as the TUIK s announcements, and statements regarding our 3G coverage are based on the 3GPP TS 25.101 specifications for outdoor coverage.

References to the Information and Communication Technologies Authority or ICTA include its predecessor entity, the Telecommunications Authority.

FORWARD-LOOKING STATEMENTS

This annual report includes forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, Section 21E of the U.S. Securities Exchange Act of 1934, as amended, and the Safe Harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts included in this annual report, 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 may , will , expect , intend , estimate , anticipate , believe , continue , or similar statements.

Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we can give no assurance that such expectations will prove to be correct. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Important factors that could cause actual results to differ materially from our expectations are contained in cautionary statements in this annual report, including, without limitation, in conjunction with the forward-looking statements listed below, and include, among others, the following:

competition in our main market;

Table of Contents

increased competition and/or the entrance of new direct and indirect competitors in the market due to regulatory changes in Turkey with respect to certain technologies;

developments in the Turkish telecommunications market that will impact the size and usage of our future subscriber base and which are affected by factors outside of our control;

failure to successfully integrate and manage the opportunities we pursue, particularly related to our current mobile communications business and new 3G business, new business models, new technologies and international activities;

changes in current and future Turkish telecommunications laws, regulations and regulatory orders which may impact our customers usage patterns;

regulations imposed by the Information and Communication Technologies Authority (hereinafter, the ICTA), that may require us to maintain certain prices for our services, notably by placing a floor on certain of our prices and a ceiling on certain of our interconnection prices;

legal and regulatory restrictions imposed by regulatory authorities in Turkey, in particular following the enactment of the Electronic Communications Law, which broadens the power of the ICTA;

adverse effects on our competitiveness due to our designation by the ICTA as an operator holding significant market power in the mobile call termination services market and as an operator holding significant market power in access to GSM mobile networks and the call origination market ;

failure to abide by the requirements of our licenses or applicable regulations;

economic and political developments in Turkey and internationally;

exposure to certain risks through our interests in associated companies;

foreign exchange rate risks;

financial risks in the event that our majority owned subsidiaries fail to meet some of their obligations set forth in the agreements related to their financing arrangements;

our ability to deal with spectrum limitations;

zoning limitations related to our BTS;

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potential liability and possible reduced usage of mobile phones as a result of alleged health risks related to base transmitter stations (BTSs) and the use of handsets;

our dependence on certain suppliers for network equipment and the provision of data services;

our current legal action against the Turkish Capital Markets Board (CMB);

the influence of our controlling shareholders and disputes between them;

our dependence on certain systems and suppliers for IT services and our exposure to potential natural disasters, regular or severe IT failures, human error, hacking and IT migration risk;

technological changes in the telecommunications market;

our dependence on third party providers to help us navigate the regulatory, security and business risks of industries where we traditionally do not compete;

our ability to retain key personnel and distributors;

The potential issuance and cancellation halt of American Depositary Shares (ADSs) by depositories in Turkey;

legal actions and claims to which we are a party; and

effective internal control over financial reporting.

All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

Table of Contents

ITEM 1 IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

ITEM 2 OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3 KEY INFORMATION

3.A Selected Financial Data

Our audited consolidated financial statements as of December 31, 2010 and 2009 and for each of the years in the three-year period ended December 31, 2010 included in this annual report have been prepared in accordance with IFRS as issued by the IASB.

The Company has for 2010 revised the manner in which it accounts for the impact of changes in foreign exchange rates in its statement of cash flows and has revised its presentation of prior periods, resulting in a change in the allocation of the impact of foreign exchange rate changes among Operating activities , Effects of foreign exchange on statement of financial position items and Effect of foreign exchange rate changes on cash in the statement of cash flows. In this context, 2010 quarterly cash flow data will be revised accordingly in 2011. The change relates to the impact of re-translation of the underlying functional currency cash flows into the presentation currency, the U.S. Dollar. The Company believes that changes to prior periods are immaterial. The change in the statement of cash flows will not impact the Company s previously reported statement of income, statement of comprehensive income, statement of financial positions or Cash and cash equivalents at the end of any period. See Note 2 to our consolidated financial statements in this Form 20-F.

The following information should be read in conjunction with Item 5. Operating and Financial Review and Prospects, our audited consolidated financial statements as of December 31, 2010 and 2009 and for each of the years in the three-year period ended December 31, 2010, and the related notes appearing elsewhere in this annual report.

Table of Contents

The following table presents our selected consolidated statement of operations, balance sheet and cash flow data as of and for each of the years in the five-year period ended December 31, 2010, presented in accordance with IFRS as issued by the IASB which have been derived from our audited consolidated financial statements as of and for the years ended December 31, 2010, 2009, 2008, 2007 and 2006. The information appearing under the caption "Other Financial Data" is not derived from the audited financial statements.

	2010	2009	2008	2007	2006
	(Million \$, except share data and other certain data)				
Selected Financial Data Prepared in Accordance with IFRS as Issued by the IASB					
Consolidated Statement of Operations Data					
Revenues					
Communication fees	5,670.2	5,557.3	6,576.9	5,976.9	4,406.7
Commission fees on betting business	31.2	42.7	176.2	181.3	172.4
Monthly fixed fees	75.4	42.5	65.1	54.8	57.6
Simcard sales	22.9	22.9	28.2	20.8	21.0
Call center revenues	25.2	17.4	16.6	12.9	10.2
Other revenues	157.2	107.2	107.4	81.9	32.4
Total revenues	5,982.1	5,790.0	6,970.4	6,328.6	4,700.3
Direct cost of revenues(1)	(3,349.0)	(3,097.1)	(3,409.0)	(3,103.4)	(2,627.9)
Gross profit	2,633.1	2,692.9	3,561.4	3,225.2	2,072.4
Other income	14.7	0.9	14.1	7.8	8.1
Administrative expenses	(347.3)	(273.1)	(309.3)	(252.8)	(154.9)
Selling and marketing expenses	(1,085.8)	(1,085.1)	(1,351.7)	(1,138.2)	(827.5)
Other expenses	(64.2)	(111.2)	(18.0)	(22.5)	(6.5)
Results from operating activities	1,150.5	1,224.4	1,896.5	1,819.5	1,091.6
Finance income	277.1	329.6	442.1	308.4	184.0
Finance costs	(102.6)	(187.5)	(136.8)	(551.1)	(108.0)
Net finance income/(costs)	174.5	142.1	305.3	(242.7)	76.0
Share of profit of equity accounted investees(2)	122.8	78.4	103.0	64.9	78.6
Profit before income taxes	1,447.8	1,444.9	2,304.8	1,641.7	1,246.2
Income tax expense	(320.8)	(340.1)	(549.8)	(322.4)	(413.2)
Profit for the period	1,127.0	1,104.8	1,755.0	1,319.3	833.0
Attributable to:					
Equity holders of the Company	1,170.2	1,094.0	1,836.8	1,350.2	875.5
Non-controlling interest	(43.2)	10.8	(81.8)	(30.9)	(42.5)
Profit for the period	1,127.0	1,104.8	1,755.0	1,319.3	833.0
Basic and diluted earnings per share(3)	0.53	0.50	0.83	0.61	0.40
Consolidated Balance Sheet Data (at period end)					
Cash and cash equivalents	3,302.2	3,095.5	3,259.8	3,095.3	1,598.6
Total assets	9,794.6	9,320.8	8,067.9	8,469.0	6,089.7
Long-term debt(7)	1,407.3	821.2	130.0	140.4	113.5
Total debt(8)	1,837.5	1,512.0	785.9	760.0	639.6
Total liabilities	3,561.0	3,424.6	2,624.3	2,537.8	1,971.8
Share capital	1,636.2	1,636.2	1,636.2	1,636.2	1,636.2
Total equity/net assets	6,233.6	5,896.2	5,443.6	5,931.2	4,117.9
Weighted average number of shares(3)	2,200,000,000	2,200,000,000	2,200,000,000	2,200,000,000	2,200,000,000
Consolidated Cash Flow Data					
Net cash from operating activities(11)	1,262.6	1,316.6	1,746.3	1,986.9	1,850.7
Net cash used for investing activities	(704.9)	(1,485.0)	(695.2)	(440.5)	(632.5)
Net cash used for financing activities	(303.7)	(5.4)	(353.6)	(255.0)	(395.8)
Other Financial Data					
Dividends declared or proposed(4)(10)	859.4	573.5	713.3	502.3	411.9
Dividends per share (declared or proposed)(9)(10)	0.39	0.26	0.32	0.23	0.19
Gross margin(5)	44%	47%	51%	51%	44%
Adjusted EBITDA(6)	1,957.4	1,925.4	2,580.3	2,627.1	1,820.0
Capital expenditures	1,078.6	1,769.3	808.2	783.1	604.8

Table of Contents

- (1) Direct cost of revenues includes payments for our treasury share (the amount paid to the government under our license) and universal service fund, transmission fees, base station rents, billing costs, depreciation and amortization charges, technical, repair and maintenance expenses, roaming charges, interconnection fees, costs of Simcards sold, handset costs offered as part of our loyalty programs and personnel expenses related to our technicians.
 - (2) Share of profit of equity accounted investees primarily includes the income (loss) related to our stake in Fintur Holdings B.V. (Fintur) and A-Tel Pazarlama ve Servis Hizmetleri A.S. (A-Tel), which is 41.45% and 50.00%, respectively. A-Tel 's operating results have been included in our consolidated financial statements since August 2006. Fintur currently holds all of our International mobile communications investments other than those related to our operations in Northern Cyprus, Ukraine and Belarus.
 - (3) Net income per share figures and the weighted average number of shares reflected in our historical financial statements have been restated retrospectively for stock splits and stock dividends.
 - (4) Our Board of Directors has proposed a dividend for the year ended December 31, 2010 of approximately TRY 1,328.7 million (\$859.4 million computed using the Central Bank of the Republic of Turkey 's (CBRT) TRY/U.S. Dollar exchange rate on December 31, 2010), which corresponds to 75% of our distributable net income for the year. This dividend proposal will be discussed and decided upon at our Ordinary General Assembly of Shareholders that has been called for April 21, 2011.
 - (5) Gross margin is calculated as gross profit divided by total revenues.
 - (6) Adjusted EBITDA is a non-GAAP financial measure that equals profit for the period before finance income, finance costs, income tax expense, other income, other expense, share of profit of equity accounted investees and depreciation and amortization.
 - (7) Long-term debt consists of long-term loans and borrowings as well as long-term lease obligations.
 - (8) Total debt consists of long-term and short-term loans and borrowings as well as lease obligations.
 - (9) For the year ended December 31, 2006, we declared dividends of \$411.9 million when 1,854,887,341 of our shares were outstanding; however, dividends per share for 2006 were computed over 2,200,000,000 shares to reflect the effects of certain stock splits and stock dividends. Dividends per share for the years ended December 31, 2007, 2008, 2009 and 2010 were computed over 2,200,000,000 shares. For the year ended December 31, 2010, the proposed dividend per share in TRY was TRY 0.60. For the years ended December 31, 2009, 2008, 2007 and 2006, the dividend per share in TRY was TRY 0.39, TRY 0.50, TRY 0.29 and TRY 0.26, respectively.
 - (10) The U.S. Dollar equivalent of the dividend for the year ended December 31, 2010 was computed by using the CBRT 's TRY/USD exchange rate on December 31, 2010 whereas the U.S. Dollar equivalents of the dividend for the years ended December 31, 2009, 2008, 2007 and 2006 were computed by using the CBRT 's TRY/USD exchange rate on the dates that the General Assembly of Shareholders approved the dividend distribution.
 - (11) As detailed in Note 2 to the Consolidated Financial Statements, beginning from 2010, the presentation of the impact of changes in foreign exchange rates in the statement of cash flows has been revised. Previously reported net cash from operating activities for financial years 2009, 2008, 2007 and 2006 were \$1,294.9 million, \$1,674.4 million, \$2,156.2 million and \$1,854.9 million, respectively. With respect to aforementioned revision, revised net cash from operating activities for financial years 2009, 2008, 2007 and 2006 are \$1,316.6 million, \$1,746.3 million, \$1,986.9 million and \$1,850.7 million, respectively. The methodology applied for the presentation of non-cash transactions related to operating activities disclosed as Profit for the year adjustments for was changed subsequent to our press release of February 23, 2011. This presentation change does not have any effect on cash flows from operating, investing and financing activities.
- Adjusted EBITDA is a non-GAAP financial measure that equals profit for the period before finance income, finance costs, income tax expense, other income, other expense, share of profit of equity accounted investees and depreciation and amortization. Our management reviews Adjusted EBITDA as a key indicator each month to monitor our cash generation ability and liquidity position. Net income is generally considered by our management as the main indicator for our operating performance. Adjusted EBITDA is not a measurement of liquidity under IFRS as issued by the IASB and should not be construed as a substitute for profit for the period as a measure of performance or cash flow from operations as a measure of liquidity.

Table of Contents

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

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

Some of these limitations are:

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

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

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

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

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

other companies in our industry may calculate this measure differently than we do, which may limit its usefulness as a comparative measure.

We compensate for these limitations by relying primarily on our results under IFRS as issued by the IASB and using Adjusted EBITDA measures only supplementally. See Item 5 Operating and Financial Review and Prospects and the consolidated financial statements contained elsewhere in this annual report.

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

	2010	Year ended December 31,			2006
		2009	2008	2007	
		(Million \$)			
Adjusted EBITDA	1,957.4	1,925.4	2,580.3	2,627.1	1,820.0
Income tax expense	(320.8)	(340.1)	(549.8)	(322.4)	(413.2)
Other operating income/(expense)	(49.4)	(85.2)	(15.6)	(10.8)	0.3
Finance income	0.5	1.0	11.2	1.6	(46.4)
Finance costs	(100.4)	(188.3)	(80.2)	(264.4)	19.9
Net (decrease)/increase in assets and liabilities(1)	(224.7)	3.8	(199.6)	(44.2)	470.1
Net cash from operating activities	1,262.6	1,316.6	1,746.3	1,986.9	1,850.7

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- (1) As detailed in Note 2 to the Consolidated Financial Statements beginning from 2010, the presentation of the impact of changes in foreign exchange rates in the statement of cash flows has been revised. The revision on net cash from operating activities reflected in the above reconciliation results in a change in net (decrease)/increase in operational assets and liabilities.

Table of Contents

The following table presents selected operational data:

Operating Results

	Year ended December 31,		
	2010	2009	2008
Industry Data			
Population of Turkey (in millions)(1)	73.7	72.6	71.5
Turkcell Data			
Number of postpaid subscribers at end of period (in million)(2)	10.1	9.4	7.5
Number of prepaid subscribers at end of period (in millions)(2)	23.3	26.0	29.5
Total subscribers at end of period (in millions)(2)(7)	33.5	35.4	37.0
Average monthly revenue per user (in \$)(3)(7)	13.0	12.0	14.5
Postpaid	26.6	26.6	36.8
Prepaid	7.6	7.5	9.1
Average monthly minutes of use per subscriber(4)	179.1	134.3	95.9
Churn(5)	33.9%	32.6%	23.8%
Number of Turkcell employees at end of period	2,789	2,709	2,809
Number of employees of consolidated subsidiaries at end of period(6)	8,083	7,743	7,566

- (1) The population of Turkey for 2010, 2009 and 2008 is based on TUIK's announcements.
- (2) Subscriber numbers do not include subscribers in Ukraine, Belarus and Northern Cyprus or those of Fintur subsidiaries. During the third quarter of 2010, the definition of active subscriber was changed in both Ukraine and Belarus.
- (3) We calculate average revenue per user, ARPU, using the weighted average number of our subscribers during the period. ARPU does not include the results of our operations in Ukraine, Belarus and Northern Cyprus or those of Fintur subsidiaries.
- (4) Average monthly minutes of use per subscriber is calculated by dividing the total number of incoming and outgoing airtime minutes of use by the average monthly sum of postpaid and prepaid subscribers for the year divided by twelve. Our Minutes of Usage (MoU) calculation does not include our operations in Ukraine, Belarus and Northern Cyprus or those of Fintur subsidiaries.
- (5) Churn rate is the percentage calculated by dividing the total number of subscriber disconnections during a certain period by the average number of subscribers for the same period. For these purposes, we define average number of subscribers as the number of subscribers at the beginning of the period plus one half of the total number of gross subscribers acquired during the period. Churn refers to subscribers that are both voluntarily and involuntarily disconnected from our network. Our churn calculations do not include our operations in Ukraine, Belarus and Northern Cyprus or those of Fintur subsidiaries. For the ICTA's new definition concerning active and passive subscriptions, see Item 4.B. Business Overview Regulation of the Turkish Telecommunications Industry .
- (6) See Item 6.D. Employees for information concerning our consolidated subsidiaries.
- (7) See Item 4.B. Business Overview for information concerning the operational figures of Limited Liability Company Astelit (Astelit).

Exchange Rate Data

The Federal Reserve Bank of New York does not report, and historically has not reported, a noon buying rate for the Turkish Lira, which was previously called the New Turkish Lira from 2005 through 2008. For the convenience of the reader, this annual report presents translations of certain Turkish Lira amounts into U.S. Dollars at the relevant Turkish Lira exchange rate for purchases of U.S. Dollars at the TRY/\$ Exchange Rate announced by the CBRT. Prior to January 1, 2006, unless otherwise stated, any balance sheet data in U.S. Dollars derived from our consolidated financial statements were translated from Turkish Lira into

Table of Contents

U.S. Dollars at rates announced by the CBRT on the date of such balance sheet for monetary assets and liabilities and at historical rates for equity and non-monetary assets and liabilities. As of January 1, 2006, any balance sheet data (monetary or non-monetary), except for equity items in U.S. Dollars derived from our consolidated financial statements, are translated from Turkish Lira into U.S. Dollars at exchange rates at the balance sheet date. Income and expenses for each income statement (including comparatives) are translated to U.S. Dollars at monthly average exchange rates. Unless otherwise indicated, the TRY/\$ exchange rate used in this annual report is the TRY/\$ exchange rate in respect of the date of the financial information being referred to. As stated in the annual monetary and exchange rate policy announcements of the CBRT, which have been published since 2002, the foreign exchange rate is not a policy tool or target; it is determined by the supply and demand conditions in the market. Along with inflation targeting, the CBRT announced that it will continue the implementation of the floating exchange rate regime in 2011.

The following table sets forth, for the periods and the dates indicated, the CBRT's buying rates for U.S. Dollars. These rates may differ from the actual rates used in preparation of our consolidated financial statements and other information appearing herein. The TRY/\$ exchange rate on April 7, 2011 was TRY 1.516 = \$1.00.

	2011(2)(3)	2010(2)	2009(2)	2008(2)	2007(2)	2006(2)
High	1.6092	1.598	1.796	1.696	1.450	1.693
Low	1.5157	1.388	1.437	1.145	1.163	1.297
Average(1)	1.567	1.500	1.547	1.293	1.303	1.431
Period End	1.516	1.546	1.506	1.512	1.165	1.406

Source: CBRT

- (1) Calculated based on the average of the daily exchange rates of each month during the relevant period.
- (2) These columns set forth the CBRT's buying rates for U.S. Dollars expressed in Turkish Lira.
- (3) Through April 7, 2011.

	April 2011(1)	March 2011	February 2011	January 2011	December 2010	November 2010	October 2010
High	1.5363	1.6092	1.6008	1.5833	1.5567	1.4863	1.4434
Low	1.5157	1.5433	1.5670	1.5263	1.4682	1.3884	1.3921

Source: CBRT

- (1) Through April 7, 2011.

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

3.B Capitalization and Indebtedness

Not applicable.

3.C Reasons for the Offer and Use of Proceeds

Not applicable.

Table of Contents

3.D Risk Factors

The following is a discussion of those risks that we believe are the principal material risks faced by our Company and its subsidiaries. No assurance can be given that risks that we do not believe to be material today will not prove to be material in the future. Consequently, the risks described below should not be considered to be exhaustive.

Our activity is concentrated in the Turkish telecommunications market, which is highly competitive. Developments in this market are likely to affect the growth of our business and our results of operations.

The majority of our revenue comes from our operations in Turkey and, thus, the growth and development of our business is dependent, to a large extent, on the development of the Turkish mobile telecommunications market. If the competition in the Turkish mobile telecommunications market intensifies, or if the market slows or develops in unexpected ways, this could harm our business and results of operations. Furthermore, continued price driven competition has, and will continue to, put pressure on our prices and margins, as well as our liquidity.

Actions by Turkey's principal telecommunications regulator, the ICTA, have interfered, and will continue to interfere, with our ability to price our services and respond to competitive pressures. Regulatory actions such as the ICTA's regulation of our retail pricing and the ICTA's ongoing pressure on interconnection rates have also been, and will likely continue to be, a significant factor in shaping the development of the Turkish market and in our ability to respond to changes in the market.

We face intensifying competition in our main Turkish telecommunications market from other mobile providers and other telecommunications companies offering competing services, which could affect our ability to add new customers at current rates and lead to a decrease in the size of our market share. In the Turkish market, we currently face competition from two other mobile providers, Vodafone Telekomunikasyon A.S. (Vodafone) and Avea Iletisim Hizmetleri A.S. (Avea), and from Turk Telekomunikasyon A.S. (Turk Telekom), the historic fixed-line telecommunications operator in Turkey. Competition has increased in recent years due, in part, to structural changes in the competitive environment. The Vodafone Group, a large multinational mobile operator, acquired all the shares of Telsim Mobil Telekomunikasyon Hizmetleri A.S. (Telsim), one of our Turkish mobile competitors, in 2006, establishing Vodafone as the new operating company for Telsim and rebranding Telsim as Vodafone. In addition, also in 2006, Turk Telekom increased its stake in Avea from approximately 40.5% to 81%. Turk Telekom is 55% owned by Oger Telecom, a multinational mobile operator in which Saudi Telecom Company owns a 35% stake. In 2008, 15% of Turk Telekom's shares were sold to the public.

The competition has increasingly focused on the postpaid segment, which is where we derive the majority of our revenues, and also on price, leading to commoditization of the market, notably with lower prices and high incentives for subsidiaries to change operator and segmented offers along with more aggressive advertising practices. Recent regulatory interventions to decrease maximum prices and interconnection rates in the Turkish telecommunications market have increased the competition. The continuation of aggressive offers in the market has affected and is likely to continue to affect our revenues.

Our competitors, and their subsidiaries, use of new technologies such as Internet Protocol Television (IPTV) and Voice over Internet Protocol (VoIP) and fixed products as well as converged offers and those of such other providers, may provide an alternative to mobile for customers communications needs, for both voice and data transmission, and could result in a decrease in our revenues. Furthermore, any aggressive behavior from the fixed line business, which has a significant competitive power in its own market and tax advantages over the mobile business, and potential regulatory developments that may favor fixed line operators and the fixed line market, could create incremental value for fixed line businesses, to the detriment of mobile, and provide an advantage to our competitors.

Table of Contents

The intensifying competition from mobile operators, fixed line businesses and other telecommunications service providers offering integrated telecom services, may make it more difficult to attract and retain high value customers, leading to higher churn rates and more pressure on prices. This may, in particular, occur as consumers change carriers to take advantage of cheaper offers. Mobile number portability (MNP) in Turkey, introduced in 2008, has further increased pressure on mobile operators and has made it more difficult to retain customers. MNP has led, and may continue to lead, to increased churn rates, subscriber retention and acquisition costs, and may have a significant impact on both Turkcell and the market.

New licenses and authorizations have made it easier and/or more attractive for new direct and indirect competitors to enter the market. Operators that provide long distance telephony services are now authorized to cover local telephone services and have been renamed Fixed Telephony Service (FTS) operators. In addition, new Mobile Virtual Network Operator (MVNO) licenses have been, and will continue to be, granted. Furthermore, other technologies, such as wi-fi, wide band wireless access (i.e., WIMAX) and 3G are expected to increase the competition we face in the Turkish telecommunications market.

In addition to the competition in the Turkish telecommunications market, other developments in the market could harm our business and results of operations. The size and usage patterns of our future subscriber base will be affected by a number of factors outside of our control. While we cannot predict all of such factors, they include: general economic and political conditions; laws, regulations and other means of governmental intervention in the telecommunications sector that affect consumers usage behavior; development of, and changes to, the mobile market; further intense competition due to aggressive price offers; the availability, quality and cost to the subscriber of competing mobile services; and improvements in the quality and availability of fixed line telephone services in Turkey.

With regards to our terminal offers, we may increase our focus in this segment depending on market dynamics and global trends. There may be greater emphasis on terminal bundled offers and handset subsidies in the Turkish mobile market, which may influence us to increase the incentives we provide our customers. Furthermore, the competition in the terminal market may increase as more complex terminals become available at lower prices. Additionally, any regulatory developments that may impact operators offerings of contracted terminal campaigns, increases in certain taxes, supply chain difficulties faced by our vendors and delays resulting from higher demand for, and inadequate supply of, Turkcell branded devices or terminals we promote and user support allocations could adversely affect our business.

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

In addition to growing our existing business as a leading communications and technology company, our strategy for growth is to selectively seek and evaluate new investment opportunities. We are open to launching greenfield operations, as well as forming alliances, which may include management service agreements, and conducting mergers and/or acquisitions that will contribute to our economies of scale and create synergies, both inside and outside of Turkey. These opportunities may be in the area of mobile telecommunications and services, fixed line operation and services, convergence and in other areas, such as providing, as an MVNO under our Turkcell Europe brand, mobile voice and data services in Germany targeting the local Turkish population as well as other mobile users with close ties to Turkey. We may replicate this business model in other European countries with Turkish populations. In addition, we may consider new business opportunities such as the games of chance business currently operated by the National Lottery General Directorate of Turkey. In the context of our evaluation of potential investment opportunities within the regions we target for international expansion strategy, Turkcell has, from time to time, considered opportunities in countries in the Middle East and North Africa, and may consider such opportunities in the future. We may participate in additional public tenders for new licenses or the privatization of public telecom companies as well as in private sale transactions in emerging markets to pursue investment opportunities in line with our growth strategy.

Table of Contents

In pursuit of our growth strategy, our management may divert attention and/or cash resources away from other ongoing business concerns, which could harm our business and result of operations if our acquisitions are not successful or if we miss opportunities or threats in our existing businesses. Furthermore, we may miss entering new businesses by underestimating opportunities/overestimating threats, or may enter businesses that cause high value erosion in our core business by overestimating opportunities/threats.

In addition, investments may not provide expected returns or returns that are in line with those of our core business. In many of the markets and businesses in which we have invested or may invest, it may take several years and significant investments to achieve desired profitability, if at all.

The success of any new investment we make will depend upon a number of factors, including:

our ability to manage differences between the management and accounting systems and standards of the acquired business and our own (both those differences that are known and those that we may discover) and to successfully integrate these systems and standards;

our ability to manage technical differences between the network and operating systems of the acquired business and our own (both those differences that are known and those that we may discover) and to successfully integrate such systems;

our ability to manage and develop new technologies in the acquired business that are outside the scope of our traditional business;

the reaction of local subscribers and potential subscribers to our acquisition and to the new commercial strategies that we would introduce;

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

currency exchange rate fluctuations, notably between the Turkish Lira, the local currency and other relevant currencies of the acquired business;

the availability of financing for investments in the given country or business; and

the competitive and regulatory environment in the local telecommunications market, including the actions of current and future competitors, the dominant role often exercised by local governments and authorities and any actions taken by the regulators that may affect costs, pricing and competition levels.

Furthermore, for acquisitions outside of Turkey, current and future U.S. and international laws and regulations, as well as legal and regulatory actions, targeting the country and local companies and individuals may curtail our ability to do business in that country and may impede our exercise of control. Turkcell itself, as well as certain of its key employees (notably those who are U.S. citizens), could be subject to sanctions under such laws and regulations. Some of the countries and companies in which we have contemplated making investments and in which we may from time to time consider opportunities, such as Iran, Libya and Syria, and certain individuals involved in such companies, have been the specific targets of the aforementioned laws and regulations. Investors may be reticent to invest in a company doing business in such countries or other countries that may be at risk due to the political instability in the MENA region . These factors could have an adverse effect on the demand for our shares.

Table of Contents

Changes in current and future Turkish telecommunications laws, regulations and regulatory orders may have an impact on our customers usage patterns and the way we do business, and non-compliance with such laws and regulations could have a material adverse effect on our business and results of operations.

Risks arising from the Electronic Communications Law.

Electronic Communications Law No. 5809 (the Electronic Communications Law), which came into force on November 10, 2008, significantly expanded the regulatory powers, duties and authority of the Telecommunications Authority, renamed the Information and Communication Technologies Authority (the ICTA), effectively authorizing the ICTA to intervene in, and to audit, our activities more strictly, thereby limiting our ability to challenge such actions on the basis of lack of authority.

The Electronic Communications Law was published to correspond to the rapidly evolving Turkish telecommunications industry, and new regulations are in the process of being published. No assurance can be given that these new regulations will be clear and satisfactory to us. The duties of the ICTA, which may be exercised in a manner that is adverse to our operations and our financial results, include those described below. Several of these represent a codification of past practices that did not, in our view, have a clear legal basis.

Regulations affecting our prices

Actions by Turkey s principal telecommunications regulator, the ICTA, have interfered, and may continue to interfere, with our ability to price our services, adversely affecting our business. We cannot predict the magnitude or scope of any such future action, particularly given the ICTA s past actions, which have occurred with little or no prior notice.

Under Article 13 of the Electronic Communications Law, the ICTA may determine the upper and lower limits of operators tariffs if it considers such intervention necessary. The ICTA may also intervene in the prices we charge for roaming services. This raises a risk for Turkcell since Article 13 does not require the ICTA to justify how it determines such limits. The ICTA s intervention in our voice, SMS and mobile data prices, as well as in the manner in which we measure airtime, has, and will continue to, negatively affect our ability to design and launch campaigns and offers and, consequently, has had and will continue to have a negative impact on our business.

The ICTA has intervened, and is likely to continue to intervene, in our retail tariffs. This has resulted in our adjusting the on-net and off-net prices of certain tariff packages, which has had, and will continue to have, adverse effects on our pricing ability. In addition, the ICTA has, and will most likely continue to, intervene in the interconnection rates that we charge. After a 33% reduction for Turkcell in 2008, the interconnection rates issued by the ICTA on March 25, 2009 for all mobile operators in Turkey provided for a further 29% decrease, on average, among all operators. On February 10, 2010, there was an additional 52% reduction in Turkcell s interconnection rates. Further cuts will result in our having to redesign our tariffs and will impact our operational results, depending on pricing trends and marketing strategies in the Turkish mobile communications market. Following this decrease, average Mobile Termination Rates (MTRs) in the European Union (EU) are now up to 5 times above Turkcell s MTRs.

For more information on the ICTA s intervention in our prices and how they adversely impact our business, see Item 4.B. Business Overview Regulation of the Turkish Telecommunications Industry .

The Access and Interconnection Regulation

The ICTA may intervene in the prices that operators charge for reference access and interconnection services. This, along with our designation as an operator holding significant market power in certain markets, has had the effect of reducing the rates we are able to charge for interconnection services, which has had and will continue to have a material adverse effect on our revenues, business and results of operations.

Table of Contents

For more information, see Item 4.B. Business Overview Regulation of the Turkish Telecommunications Industry .

Regulation of Consumer Rights in the Electronic Communication Sector

The ICTA has the authority to regulate our activities with respect to consumer rights. Pursuant to this authority, the ICTA may regulate, for example, the maximum and minimum limits on billing, spam messaging and definition of personal data as it relates to directory services. In addition, the ICTA may restrict certain mobile internet and services that are provided by third parties. The ICTA's regulation of these activities could have an adverse effect on our mobile telecommunications business and we may be fined if we do not comply. Furthermore, our compliance with the ICTA's regulations may increase the costs of our doing business and could negatively impact our financial results. See Item 4.B. Business Overview Regulation of the Turkish Telecommunications Industry .

Regulation on Co-Location and Facility Sharing

We may be required to share some of our facilities with our competitors, which could adversely affect our ability to maintain our competitive edge with regards to population and geographical coverage. In addition, the Ministry of Transportation may require us to provide coverage to areas having a population of 1-500. This could lead to additional investment requirements for our company. See Item 4.B. Business Overview Regulation of the Turkish Telecommunications Industry .

Regulation on Authorization regarding the Electronic Communication Sector

In 2009, the ICTA published the Regulation on Authorization regarding the Electronic Communication Sector , which determines the principles and procedures for the authorization of the companies that seek to provide electronic communication services and/or to install or operate electronic communications networks or infrastructure.

Wireless Interoperability for Microwave Access (WIMAX) license

Regulatory changes in Turkey to introduce and promote WIMAX nationwide could have a material adverse effect on our business and results of operations. Specifically, they may result in increased competition and/or the entry of new direct or indirect competitors, which may have a negative impact on our ability to attract and retain customers, the competitiveness of our products and services, our distribution channels, our brand and visibility and our infrastructure investments.

Fixed line telephone services

The ICTA issued Fixed Telephony Service (FTS) licenses pursuant to the Regulation on Authorization regarding the Electronic Communication Sector, which enables existing long distance telephony services (LDTS) operators, such as our subsidiary Superonline Iletisim Hizmetleri A.S. (Superonline), to provide call origination and termination. LDTS and, consequently, FTS providers have not yet had a significant effect on our operations. In the long term they could have the effect of driving down prices and shifting traffic patterns for in-city as well as long distance calls in Turkey, potentially having an adverse effect on our mobile telecommunications business.

Data Privacy Regulations

The ICTA is preparing to abolish the Regulation on Personal Information Processing and Protection of Privacy in the Telecommunications Sector, and is preparing to publish a new Regulation on Data Privacy in the Electronic Communications Sector. As a result, ICTA requested our Company's opinions on the draft regulation. The purpose of this regulation is to define the procedures and principles that govern the operators and legal entities/individuals that provide/receive services in the electronic communication sector in an effort to process,

Table of Contents

store and protect the personal information of subscribers. In contrast to the current regulation, the draft regulation would require the consumer's approval prior to a direct marketing SMS being sent. Therefore, if this regulation is approved, our methods of contacting customers about new tariff offers and services will be impeded unless we already have the subscriber's permission. In addition, all of our subscribers' traffic data, including those related to missed calls and data processing logs, would be required to be maintained by us for one year, which would result in additional expenses for the Company.

Market Power Regulations

In the Call Originating and Mobile Access Market, Turkcell is the only operator that has been designated a Significant Market Power (SMP). As a result, Access to Mobile Networks in this market is obligatory only for Turkcell. Furthermore, the ICTA can define the pricing schemes in MVNO deals according to the originating and terminating rates. We believe that this policy hinders our ability to compete in this market, as the other operators are allowed to set their wholesale prices freely.

Any regulation that might adversely affect our operations related to MVNO, fixed and broadband markets will be closely monitored for possible risks to our operations.

Certain legal and regulatory arrangements.

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

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

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

changes in the Ministry of Finance's interpretation of the taxation codes, in particular changes regarding consumption taxes (Value Added Tax and Special Communication Tax), which may adversely affect consumer prices. In addition to the prospective financial impact of such changes, unanticipated tax liabilities and fines may also be levied against our financial results for prior years since a Turkish company's operations in the preceding five years may be subject to financial investigation;

the grant of additional mobile telephone licenses or other telephony licenses to new entrants and existing operators;

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

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

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

enforcement of competitors' requests to use our network for national roaming, which could lead to regional network problems; and

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the introduction of additional fees or charges by governmental authorities.

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

Table of Contents

Finally, in some cases, the Company could be required by the ICTA and other regulatory bodies to comply with new requirements within a short period of time and non compliance could give rise to sanctions, investigations and penalties, or require the Company to pay refunds to customers. The time period given to the Company to comply may not be adequate to evaluate the applicability of, or to implement, such requirements.

Compliance with the requirements of our and our subsidiaries licenses or applicable regulations

We could face severe penalties, including limitation or revocation of our license in extreme cases, if applicable regulatory authorities determine that we are not in compliance with the requirements of our GSM license (2G license), our 3G license or applicable regulations.

The statutes, rules and regulations applicable to our activities and our 2G and 3G licenses are generally new, subject to change, in some cases, incomplete, and have been subject to limited governmental interpretation. Precedents for and experience with business and telecommunications regulations in Turkey are generally limited. In addition, there have been several changes to the relevant legal regime in recent years. There can be no assurance that the law or legal system will not change further or be interpreted in a manner that could materially and adversely affect our operations.

Our licenses contain a number of requirements, including requirements regarding operation, quality and coverage of the network; national security issues; maintenance of confidentiality; prohibitions on anti- competitive behavior; and compliance with international and national standards. If we fail to meet any requirement in our licenses or to comply with applicable regulations, or if unauthorized actions are taken by our employees that affect our license obligations, we could be subject to investigations and eventual penalties and sanctions, including the limitation or revocation of our licenses.

Furthermore, with regards to our licenses dispute resolution clauses, as we continue to develop our 3G services and the number of customers with 3G contracts increases, an increasing portion of the services that we provide will be considered to be rendered under our 3G license and disputes related thereto, will be under the jurisdiction of the Council of State.

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

For a description of our Turkish 2G and 3G licenses and the regulatory regime under which we operate in Turkey, see Item 4.B. Business Overview Regulation of the Turkish Telecommunications Industry . In addition to the foregoing, our indirectly owned subsidiary, Limited Liability Company Astelit (Astelit), majority owned subsidiary, Belarusian Telecom, and wholly owned subsidiary, Kibris Telekom, hold GSM licenses in Ukraine, Belarus and the Turkish Republic of Northern Cyprus, respectively, and some of them have obtained or will bid for 3G licenses. If Astelit, Belarusian Telecom and Kibris Telekom fail to comply with the terms and conditions of their license agreements, they may incur significant penalties, which could have a material adverse effect on our strategy for international expansion and our business and results of operations. In addition, our subsidiaries Kule Hizmet ve Isletmecilik A.S. (Global Tower), Superonline, Inteltek Internet Teknoloji Yatirim ve Danismanlik Ticaret A.S. (Inteltek) and Azerinteltek QSC (Azerinteltek) have licenses in order to be able to perform their business. Failure to comply with the terms of such licenses may lead to significant penalties and adversely affect their, as well as our, results of operations.

Table of Contents

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

With a substantial portion of our revenues, assets and business derived from and located in Turkey, and denominated in Turkish Lira, adverse developments in the Turkish market are likely to have a material adverse effect on our business, consolidated financial condition and results of operations. Additionally, potential changes in consumer behavior due to new business models and usage trends may adversely affect bad debt.

Turkey, Ukraine and Belarus, the principal countries in which we operate, enjoyed growth and lower inflation levels in 2010. 2011 is likely, in our view, to be another year of recovery; however, it may, in our view, be marked by uneven global growth led by emerging markets with developed countries lagging. The biggest threat to the global economy, including Turkey, in 2011, in our view, is rising oil prices due to oil supply shock as the revolutionary upheavals in Libya and Syria potentially spread to other countries in the Middle East and North Africa region (MENA). The earthquake and tsunami that ravaged Japan, the third largest economy in the world, will likely have a short term effect on the global economy but will not, in our view, derail the global economic recovery. Another concern in 2011 is the sovereign debt crisis, especially in the Eurozone, and the inflation risk in emerging markets due to rising food and energy prices.

The Turkish economy continues to distinguish itself from Europe with its strong growth recovery, healthy financial sector and robust public debt dynamics. It has maintained its trend of very strong performance, as evidenced by its growth level, which was 8.9% in 2010. However, stronger-than-expected growth, together with high oil prices, will accelerate the widening of the current account deficit.

The medium-term risks for the Turkish economy, in our view, relate to the widening current account deficit and inflation. Asymmetric growth drivers (i.e., too much domestic, and very little foreign, demand) have caused a very swift widening in Turkey's external imbalance. If Turkey's strong growth is to be sustainable, long-term, high quality financing will be required. CBRT has implemented a new monetary policy framework that combines a lower policy rate while tightening liquidity via non-interest tools. The most obvious risks associated with this new framework are weakness of the Turkish Lira and potential inflationary pressures as the output gap compresses rapidly. For 2011, CBRT is expected to keep rates on hold as long as inflation remains subdued. While there may be some moderation due to corrections in food prices and favorable base effects in the short term, a rapidly closing output gap and rising global commodity prices are giving off early warning signs of inflation. The latest CBRT expectation survey indicates that consumer inflation is likely to be 6.5% at the end of 2011, higher than the CBRT's target of 5.5%.

There is a risk that the government may spend more than the budgeted appropriations in 2011 in light of the upcoming elections, thereby ending the year with a less favorable budget outcome. The government's decision to drop the fiscal rule also raises doubts about its commitment to fiscal discipline prior to the election. In the absence of fiscal rule, which are basic parameters for fiscal discipline that determine the annual budget balance and public debt to GDP targets, the focus will be on the execution of the Medium-Term Plan in 2011.

Political divisions between moderate Islamists and secularists, including in the judiciary and military, are a constant source of political tension that has frequently delayed the policy making process. Security risks from Kurdish separatist militants and anti-government organizations remain a concern in Turkey, especially in the south-eastern part of the country. The general elections in mid-2011 are likely to be the main political risk unless a majority government is maintained. Turkey's recent diplomatic foray into the Middle East, most notably in Iran, has raised concerns about Turkey's EU membership process. Turkey, however, has continued to signal its commitment to the EU membership process by moving ahead with formal accession talks.

Table of Contents

We hold interests in several companies that may expose us to various economic, political, social, financial and liquidity risks and may not provide the benefits that we expect, and our pursuit of acquisition opportunities may increase these risks.

Our investments in subsidiaries and associated companies within Turkey and internationally could expose us to economic, political, social and financial risks. The Turkcell Group has investments in Azerbaijan, Georgia, Kazakhstan, Moldova, the Turkish Republic of Northern Cyprus, Ukraine, Belarus and Germany and has operations or business activities that involve other emerging markets.

In addition to entering into new business areas in Turkey, we have also entered into and are exploring new investment opportunities, primarily in emerging markets such as the CIS region, Eastern Europe, the Middle East, the Balkans and North Africa. Along with Turkey, these countries are generally considered by international investors to be emerging markets. This includes countries in which we establish or operate mobile communications networks, as well as those through which we route cables or that we otherwise rely on for the transfer of data. Their legal systems, including telecommunications regulations, are relatively underdeveloped, their economies have only recently begun to open to market principles and their respective institutions and commercial practices are relatively weaker and less developed. Some of these countries also suffer from relatively high rates of fraud and corruption. The continuity and viability of our operations in these countries may be affected by a number of factors, including political, legal, economic, social or other actions or developments. Furthermore, some of the countries in which we have businesses or would consider investing, and the companies and individuals that we come into contact with, may be the target of U.S. and international sanctions. There can be no assurance that political, legal, economic, social or other actions or developments in these countries or involving such companies and individuals will not have an adverse impact on our investments and businesses in these countries.

Our international and Turkish subsidiaries may not benefit us in the way we expect for the reasons cited above, as well as other reasons, including general macroeconomic conditions, poor management and legal, regulatory or political obstacles. For many of these subsidiaries, we do not expect to achieve desired levels of profitability in the near or mid-term, and we may be required to record impairments.

Ukraine

We have been operating in Ukraine since the second half of 2004 through our subsidiary Astelit. Ukraine is enjoying a new period of political stability, as the conflict between the presidential administration, the government and the parliament seems to have subsided. The improving political landscape and the new \$15 billion IMF program are expected to help slow inflation. In 2010, Ukraine's GDP grew 4.2% with foreign demand, higher steel prices and accommodating fiscal and monetary policies. The banking system, meanwhile, remains in a delicate state, though foreign and state-owned banks are receiving needed support. Credit conditions and demand in the market remained tight in 2010. With regards to exchange rates, pressure on the currency has been muted by administrative controls since mid-2009. The Ukrainian currency was relatively stable against the U.S. dollar, which has made the situation in Ukraine more stable. A new parliamentary coalition and a new government were formed during 2010. However, the Hryvnia experienced some depreciation pressures in the last quarter of 2010 and ended the year with only 0.3% appreciation against the U.S. dollar. In July 2010, Standard and Poor's increased Ukraine's long-term and short-term ratings, both in local and international currencies after the IMF approved a new loan program for the country. Although there is no major short-term risk to political and economic stability, the risks are the sustainability of IMF program and longer growth outlook which depends on foreign direct investment and inflation pressure related to higher energy and domestic tariffs. The other risk for the Ukrainian economy is the widening current account deficit. Uncertain investment climate, accelerating inflation and high debt repayments could lead to negative surprises from capital flows.

The Ukrainian telecommunications market is regulated by the National Commission on Communications Regulation (NCCR), which is controlled by the President of Ukraine. NCCR's authority is not ultimately defined by Ukrainian legislation due to the ongoing reform of public authority. There is no proper mechanism to

Table of Contents

regulate inter-operator activity. In addition, the landscape in the competitive Ukrainian telecommunications market is changing as the merger between two of our competitors, Beeline and Kyivstar, has been completed. Furthermore, the granting of a 3G license to Ukrtelecom and uncertainty relating to the National Roaming law amendment in 2010 has resulted in the introduction of an additional mobile operator in the market (Utel, Ukrtelecom's subsidiary). Moreover, Ukrtelecom was sold to a private entity. Whether this entity is affiliated with any of Astelit's competitors is not known. However the acquisition of control of Ukrtelecom by another operator could give that operator a significant competitive advantage.

In 2010, the first tender for a new 3G license was announced but later closed and it is not yet known when the new tender will happen. We expect that this process will be resumed and intend to submit a bid for a new 3G license. If successful, the payment of the license fee and associated network costs could increase our Ukrainian financings needs, which could in turn require us to consider new sources of funding or the extension of existing sources. If we are not successful in the pursuit of such a license, because, for example, the cost is prohibitive and/or the number of licenses available is limited, we could find ourselves at a competitive disadvantage in this market.

We indirectly hold our majority stake in Astelit with another shareholder, System Capital Management Ltd. (SCM). Should there be a disagreement between us in the future, the ability of Astelit's management to move forward with its business plan may be affected. Furthermore, we, along with SCM, have guaranteed Astelit's financing. If Astelit defaults on its debt, or if Astelit requires additional funding to continue operations and we and/or SCM are unable or unwilling to provide it, our results of operations will be adversely affected. In view of Astelit's current projections, we believe that Astelit will require additional funding in the near term.

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

These pressures and other difficulties in the development of our Ukrainian business may adversely affect our operations and the valuation of our Ukrainian assets in our financial statements.

Belarus

In 2008, we made an investment in Belarus, acquiring an 80% stake in the Belarusian Telecommunication Network (Belarusian Telecom) for consideration of \$500 million. In 2009, Belarusian Telecom signed supply agreements with supplier firms ZTE and Huawei for products and services related to infrastructure investments in Belarus. In connection with these transactions, Turkcell gave guarantees of up to \$35 million to ZTE and \$29 million to Huawei in 2009, as well as an additional guarantee of \$17 million to ZTE in 2010. \$19 million of ZTE's \$35 million guarantee and all of ZTE's \$17 million guarantee remain to be paid. Huawei's guarantee of \$29 million expired on March 30, 2011. In addition to the aforementioned guarantees, we have also guaranteed Belarusian Telecom's financing.

Despite the government's commitment to economic reforms and the privatization of state assets, a poor business environment continues to impede the country's overall potential to attract foreign interest. With a current account deficit of 16.0% of GDP in 2010, a low level of foreign currency reserves and the Belarusian Central Bank's recent announcement about the widening currency corridor (by +/- 10% in the interbank market), the Belarusian ruble may further weaken in 2011. In the mid-term, Belarus may not be able to sustainably finance such large current account deficits, particularly if an additional IMF Stand-By Arrangement, to supplement the country's existing \$3.5 billion support facility, is not implemented. These pressures, as well as other difficulties in the development of our Belarusian business, may adversely affect our operations and the valuation of our Belarusian assets in our financial statements.

Table of Contents

Northern Cyprus

We have operated a mobile network in Northern Cyprus since July 1999. Any hostilities and/or political instability in Cyprus may have a material adverse effect on the Northern Cypriot economy as well as on the Turkish economy, the progress of Turkey's accession talks with the EU and our investments and business in Northern Cyprus. Our business in Northern Cyprus may also be affected by regulatory actions in the telecom sector. In Northern Cyprus a draft Electronic Communications Law is currently in review. There are several items in the draft law that could adversely affect our revenues and operations, as well as some of our rights stemming from the license agreement.

Kazakhstan

We were recently made aware of allegations of improper payments relating to the operations of KCell, a mobile operator in Kazakhstan. The allegations concern transactions that may involve KCell, and certain of the employees and management of KCell, Fintur Holdings B.V., TeliaSonera and certain vendors of KCell. KCell is a subsidiary of Fintur Holdings B.V. where Turkcell is the minority owner with 41.45% shares while TeliaSonera is the majority owner with 58.55% shares.

The allegations were discussed by Turkcell's Board of Directors. The Board members who represent Turkcell on Fintur Holdings B.V.'s Board of Directors have been assigned in an attempt to investigate the allegations. The assigned Turkcell representatives have requested the initiation of the necessary assessment and investigation regarding these allegations during a Board of Directors meeting of Fintur Holdings B.V.

Turkey

We own a number of subsidiaries in Turkey with operations outside of the mobile telecommunications market that are subject to certain risks that are different from those that we face in our Turkish mobile business.

Superonline

Our wholly owned indirect subsidiary, Superonline (formerly known as Tellcom Iletisim Hizmetleri A.S.) has begun investing in the creation of a fiber-optic network capable of wholesale, corporate and individual voice carrying services and data transmission.

Superonline's broadband investment is not expected to yield positive returns on its investment in the near- or mid-term, if at all, due to high investment costs since the planned infrastructure covers a wide area (in-city, intercity and local loop). To develop this activity, we invest in our network by expanding intercity and in-city fiber-optic backbone and by establishing new fiber-based access points at selected residential and industrial areas for end-users and commercial account prospects. These efforts are heavily dependent upon our ability to obtain local permits and rights-of-way on satisfactory terms and in practice this has proven to be difficult. If we are unable to obtain the approvals or rights-of-way to connect new customers and enter new geographic areas in accordance with our plans, this will have a material adverse effect on the implementation of our business plan, on our operating results and on the valuation of our assets.

The risks of this investment are multi-faceted, as even though regulatory and procedural aspects of the implementation are in place, there are some delays with regards to certain applications, such as Naked DSL, due to the dominant operator. There is also an increasingly dynamic competitive environment. Superonline's business plan is dependent upon expected new regulatory actions that are essential to the opening of fixed line and broadband services to competition.

The success of our fixed line activity in Turkey is subject to, among other things, the development of a clear and favorable regulatory environment, notably regarding fixed number portability, on a timely basis, succeeding in our competition and managing the development of our network. Although the ICTA has promulgated some regulations for fixed telephony services, this action often has not been taken in a timely manner, and no

Table of Contents

assurance can be given that remaining actions will be timely, clear or satisfactory for us. More generally, in this market we compete against a historically established network, with closer ties to governmental authorities and longer operating history, which allows it to have a competitive advantage over alternative telecom operators.

These pressures and other difficulties in the development of our Turkish fixed line business may adversely affect our operations and the valuation of our Turkish fixed line assets in our financial statements.

Inteltek

Inteltek, our 55% owned subsidiary, tendered for and signed a contract with the General Directorate of Youth and Sports in 2003 which authorized it to establish and operate a risk management center and become head agent for fixed odds betting. This activity became fully operational during 2004. Since then, the validity of this contract has been challenged by various lawsuits and by new laws reducing the commissions payable to Inteltek and requiring the fixed odds betting business to be subject to new tenders. In 2008, a tender was conducted which allowed private companies to organize fixed odds and paramutual betting in sports games. Inteltek won the tender and signed a contract to obtain the rights to run the sports betting business for ten years under a commission rate of 1.4%, applicable from March 2009. This commission rate, as it is substantially lower than the previous rate, has had, and may continue to have, a negative effect on Turkcell's profitability and financial results. Furthermore, under this contract, Inteltek guaranteed an annual turnover of TRY 1.5 million (equivalent to \$0.99 million as of April 7, 2011). If Inteltek's turnover fails to reach the guaranteed level as a result of the nature of the betting business, it may record negative revenues, adversely impacting our financial results.

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

We are exposed to foreign exchange rate risks because our income, expenses, assets and liabilities are denominated in a number of different currencies, primarily Turkish Lira, U.S. Dollars, Euros, Ukrainian Hryvnia and Belarusian Rubles. In particular, a substantial majority of our debt obligations and equipment expenses are currently, and are expected to continue to be, denominated in U.S. Dollars, while the revenues generated by our activities are denominated in other currencies, in particular the Turkish Lira, Ukrainian Hryvnia, Belarusian Ruble and Euro. Sudden increases in inflation or the devaluation of the Turkish Lira, the Ukrainian Hryvnia, the Belarusian Ruble or other currencies in which we generate revenue, have had, and may continue to have, an adverse effect on our consolidated financial condition, results of operations or liquidity. For fiscal year 2010, the TRY weakened due to the CBRT's new rate cut policy, depreciating 2.7% against the US dollar. The Belarusian Ruble also depreciated against the US dollar, by 4.8%, during 2010. The Ukrainian Hryvnia, however, ended the year with 0.3% appreciation against the US dollar.

The foreign exchange risks that our Turkish activities are exposed to as a result of purchases and borrowings in U.S. Dollars and Euros have to date been manageable, as there is a developed market enabling the hedging of such risk; however, in Ukraine and Belarus hedging is impossible due to restricted and undeveloped financial markets. In the current economic environment and considering the aforementioned political uncertainties, there is a possibility of further devaluations.

We use analytical techniques such as market valuation and sensitivity and volatility analysis to manage and monitor foreign exchange risk. We keep a portion of our financial assets in U.S. Dollars and Euros to reduce our foreign currency exposure. Fluctuations between Turkish Lira, Ukrainian Hryvnia and Belarusian Rubles, on the one hand, and U.S. Dollars and Euros, on the other, may have an unfavorable impact on us.

In order to manage market volatility in the foreign exchange markets, we may enter into derivative transactions in line with our treasury policies. However, these derivative transactions have a cost and do not fully cover all of our risks, and any derivative transactions exercised that are either above or below market levels might result in unfavorable results to us.

Table of Contents

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

Borrowing by Turkcell group companies exposes us to interest rate risk and possibly increased interest expense, obligates us to meet certain covenants and exposes us to financial risks if covenants are not satisfied or if additional financing is required, each of which could have a material adverse effect on our consolidated financial condition and results of operations. Continuing difficult market conditions and increased capital needs to finance our technological and geographic expansion have reduced our liquidity and may continue to do so, which may lead to an increase in our borrowing requirements.

We continue to experience difficult conditions in our markets and we are facing and may continue to face increased capital needs to finance our technological and geographic expansion. These pressures have reduced, and may continue to reduce, our liquidity. Reduced liquidity may lead to an increase in our borrowing requirements, which will increase our financing costs and will increase our exposure to the risks associated with borrowing. Furthermore, no assurance can be given that we will continue have access to financing on terms that are satisfactory to us.

As of December 31, 2010, our consolidated debt was \$1,837.5 million.

\$621.9 million of our debt portfolio consisted of financing obligations paying interest at fixed rates. The remainder of our debt portfolio pays interest at floating rates, which has been favorable in the current interest rate environment, but would expose us to increased costs if rates increase.

In 2010, we increased the weight of the fixed rate financing in our portfolio through long term financing and rescheduled our debt portfolio repayment schedules through a maturity extension. In 2011, we intend to continue to use fixed rate loans. Additionally, we closely monitor various hedging alternatives to hedge our interest rate risk. However, we are not presently party to any such arrangements due to their cost and the general market view of forward interest rates. Consequently, an increase in the Libor rates would cause an increase in the amount of our interest payments and could have a material adverse effect on our results of operations.

As the debt related to Astelit and Belarusian Telecom s operations is denominated in U.S. Dollars, we are exposed to exchange rate risks to the extent that Astelit and Belarusian Telecom s revenues are, respectively, in Ukrainian Hryvnia and Belarusian Rubles. Moreover, we are also exposed to exchange rate risks since the debt of the group companies operating in Turkey are in U.S. Dollars and their revenues are in Turkish Lira.

Some of the borrowing agreements entered into or guaranteed by Turkcell have financial covenants that the borrower is required to observe. Although we are not presently concerned with Turkcell s ability to observe its own financial covenants, no assurance can be given that the covenants in borrowings entered into or guaranteed by Turkcell will at all times be respected. In particular, Astelit has not been able to respect the financial covenants in its borrowings and has had to seek and obtain waivers from its creditors, and may be required to do so again in the near future. Furthermore, our borrowing agreements contain cross-default clauses that effectively link Turkcell s borrowings to those of its subsidiaries. Under these clauses, a default by a subsidiary could constitute an event of default under certain of our borrowings.

Limitations on spectrum as a scarce resource in mobile telecommunication systems, alleged health risks with BTSs and dependence on suppliers for network equipments may adversely affect our ability to maintain operational excellence.

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

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

Table of Contents

infrastructure. The spectrum is a continuous range of frequencies within which the waves have certain specific characteristics. We now have 2x11 MHz of FDD spectrum in the 900 MHz band. As our subscriber base grows and we offer a greater number of services, we will require additional capacity for mobile voice and data; however, the currently available spectrum may be limited and we may face a bottleneck, especially in metropolitan areas.

In 2008, the ICTA initiated a tender for the reorganization of the existing GSM 900 frequency band (890 /960 MHz) and we added five frequency bands to our prior stock of 50. The related payment was made in February 2009. The ICTA also held a tender for the issuance of four separate 3G licenses to provide IMT 2000/UMTS services and infrastructure. Turkcell was granted an A Type license providing the widest frequency band (2x20 MHz; 20 MHz on uplink; 1920 – 1940 MHz and 20 MHz on downlink; 2110 – 2130 MHz, in total 40 MHz). There is no guarantee, however, that such additional capacity for mobile voice and data will relieve our current constraints and that our ability to provide services to our subscribers will not be adversely affected.

In January 2011, the ICTA requested our feedback regarding the use of UMTS services in 900 MHz, including the investment and operating costs related to offering UMTS services in 900 MHz rather than 2100 MHz. While we continue to evaluate this issue, the ICTA's decision could adversely affect our ability to compete in the 3G market. Furthermore, the ICTA may decide to redistribute the frequencies, in order to balance the competitive strengths of operators operating at the GSM 900 MHz and 1800 MHz frequency bands, which may negatively impact our market share and ability to compete in this area.

Consistent with the nature of terminal technology development, traffic on the 2G network is expected to shift to the 3G network. However, 3G terminal penetration is the key factor in providing the expected shift in traffic from 2G to 3G. Penetration may stay low or our subscribers may choose to stay on the 2G network for reasons such as the 2G network's lower battery power consumption. In addition, 3G coverage depends on the deployment of the 3G network, which will certainly take time to achieve, compared to the coverage level of the 2G network. As a result, Turkcell may not provide the MoU capacity needed for the 2G network in some regions for a limited period of time. Additionally, the data traffic on the 3G network increases. If we fail to offer appropriate campaigns and tariff schemes at the right pricing level, we may face overcapacity problems, which may in turn lead to a deterioration in our network's quality and negatively impact our operational results.

There are alleged health risks associated with our Base Transceiver Stations (BTS), as well as zoning limitations, which make it difficult to build BTS.

We are aware of allegations that there may be health risks associated with the effects of electromagnetic signals from BTS and from mobile telephone handsets. While there is currently no substantiated link between exposure to electromagnetic signals at the level transmitted by our BTS and mobile telephone handsets and long- term damage to health, the actual or perceived health risks of mobile communications devices could adversely affect us through a reduction in subscribers, reduced usage per subscriber, increased difficulty in obtaining sites for base stations and exposure to potential liability. Furthermore, we may not be able to obtain insurance with respect to such liability on commercially reasonable terms. In recent years, legal proceedings have been brought against mobile operators seeking the removal of base station sites for health reasons. Such legal proceedings may make it more difficult for us to establish and maintain such sites. Furthermore, there are hundreds of conflicting and confusing reports in the media about the health effects of BTS. These reports have even caused local residents in certain regions to form large protests in strong objection to the BTS sites. Attempts made by the local authorities and, in particular, the municipality to intervene often worsen the situation. Such obstacles have made it increasingly more difficult to build new BTS sites and maintain our existing sites.

With regards to the health risks of BTS, local courts presented with the question decided that a base station had no negative effect on human health. However, the Turkish supreme court overruled the decisions of some local courts and decided that the base station in question could have negative effects on human health in the long term. If the number of those cases increases or if new regulations were to result, these could have a material adverse effect on our operations and financial results.

Table of Contents

Furthermore, there are zoning limitations related to our BTS that require operators to obtain construction permits and certificates which may have an adverse effect on our operating results. As supplemental Article 35 of Law No. 406, which exempts BTS from holding construction permits and certificates of occupancy in accordance with Zoning Law No. 3194, was cancelled by the Turkish constitutional court, the Company may need to obtain the aforementioned permits and certifications for its BTS. Moreover, following the State Council's decision to annul a regulation entitled "Safety Certification Regulation", it has become impossible for us to build new base stations or modify existing ones. ICTA is currently working to prepare a new regulation to replace the old one. Any difficulty in building BTS due to health concerns, inability to obtain the required permission and certificates, and/or delay in the issuance of a new "Safety Certification Regulation" may negatively impact the quality of our network, including our ability to expand and upgrade it, and our operational performance.

We are dependent on certain suppliers for network equipment and for the provision of data and services and the failure of any of our suppliers to supply equipment to us, and at the level of quality we require, could have a material adverse effect on our business, operations, and consolidated financial results and liquidity.

Like all operators, we purchase our mobile communications network equipment, including our switching system, base station controllers (BSCs), BTS, transmission equipment and the software required to operate such equipment from a limited number of major suppliers. Although we are not bound to purchase our equipment solely from any given supplier and we have already begun using two different vendors' products on GSM BSS (Base Station Subsystem) and 3G UTRAN (UMTS Radio Access Network), there can be no assurance that we will be able to obtain equipment from one or more alternative suppliers on a timely basis in the event that any current supplier for any reason, including that the technological requirements for our increasingly advanced infrastructure are too complex, is unable or unwilling to satisfy our demands. This could occur if, for example, the growth in demand for more advanced network equipment exceeds the ability of suppliers of such equipment as a whole to meet such demands. This could also effect our competitive position, if our supplier stays behind technological development compared to the suppliers of our competitors.

The difficult economic environment has adversely affected our domestic and international suppliers, leading to a contraction in their business, which in turn may lead to a decrease in the quality of the services that they render to us and adversely affect timely delivery of such services, negatively impacting our business and operations. In recent years, adverse economic conditions have affected our suppliers' revenues, which may lead to mergers in their industry. A potential merger between our vendors, and/or their acquisition by our competitors, could change the competitive landscape, which could have a material adverse effect on our business and expenditures.

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

According to our 3G license agreement, we must purchase at least 40% of our network equipment from suppliers that have R&D centers established in Turkey and these companies must fulfill certain requirements relating to the number of engineers working in their R&D or Technical Support Centers. If our suppliers fail to meet these requirements, we may end up violating the terms of our 3G license agreement and our business could be adversely affected.

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

Alexey Khudyakov was appointed to the audit committee on July 21, 2006. Alexey Khudyakov's status on the audit committee is as an observer member because under the U.S. Sarbanes-Oxley Act of 2002 he is not considered an independent audit committee member due to his position with one of our affiliated shareholders.

Table of Contents

On January 26, 2007, the Turkish CMB informed Turkcell that Alexey Khudyakov's status as an observer member on the audit committee does not satisfy the requirements of Article 25 of the CMB's Rules pertaining to Audit Committees. The CMB has stated that steps must be taken so that our Company can comply with Article 25. We believe that Mr. Khudyakov does fully meet the requirements of Article 25 as he is a non-executive board member. We have initiated a lawsuit before an administrative court seeking to suspend the execution and to annul the decision of the CMB with respect to Mr. Khudyakov. The administrative court ultimately dismissed our lawsuit in January 2008. In March 2008, we appealed before the Council of State and on April 9, 2008, the Council of State rejected our request to suspend the decision. The Council of State also rejected the appeal. The Company applied for a correction of the decision. This process is still pending.

Pursuant to the CMB's decision, the CMB imposed an administrative penalty of TRY 11,836 (equivalent to \$7,809 as of April 7, 2011) on Turkcell for not complying with its decision regarding Mr. Khudyakov's status as an observer member on the audit committee. The CMB also required Turkcell to inform its shareholders of the penalty at the following general assembly (held in January 2009). In November 2008, we commenced a lawsuit before the court seeking to suspend the execution of the administrative fine and to annul the CMB's decision related thereto. The Court rejected the Company's suspension request and our objection to this decision was rejected. This lawsuit is still pending.

If our position in this matter does not ultimately prevail over that of the CMB, we may have to change the composition of our audit committee and/or our compliance with the listing requirements of the New York Stock Exchange (NYSE) and the continued listing of our ADRs on the NYSE could be jeopardized. Under the rules of the NYSE, we are exempted from compliance with certain NYSE corporate governance rules that are applicable to domestic issuers, but only to the extent that we comply with our home country corporate governance rules. If we do not prevail over the CMB and/or do not change the composition of our audit committee and are thus deemed not to be in compliance with our home country rules, we may lose the benefit of this exemption and the NYSE may require us to comply with domestic issuer rules. If we were not able or willing to take remedial action to comply with our home country rules, or if we were not able or willing to comply with the applicable NYSE rules, our ADRs could be delisted from the NYSE, in which case they would no longer be traded on the NYSE.

Turkcell's complex ownership structure and Board composition could adversely impact our shareholders' ability to achieve the consensus necessary to approve important matters relating to our business and operations, and ongoing legal disputes involving our shareholders may affect the ownership and control of our shares and our ability to manage our business.

We understand that Alfa Group, Cukorova and TeliaSonera together indirectly own in the aggregate approximately 65% of our shares. Additionally, according to public filings (a Schedule 13D filed in November 2009), Alfa Telecom and TeliaSonera are discussing a possible consolidation of their holdings in Turkcell in a new company.

We cannot predict whether this consolidation will go forward as planned or the form that it will take, and whether their actions will have an effect on our company or the market for our shares. Furthermore, in the case of a potential consolidation, no assurance can be given that their interests will be aligned with those of our other shareholders. Additionally, a potential consolidation of their shareholding could have the effect of preventing a change in control of Turkcell, may discourage bids for our ordinary shares or ADSs and may adversely affect the market price of our ordinary shares or ADSs.

Disputes have from time to time arisen, and may arise in the future, between our shareholders. Such disputes could have an adverse effect on the ability of our management to execute business decisions and other actions, to the extent that such decisions or actions require board or shareholder approval. Recently, one of our shareholders, TeliaSonera, publicly announced its intention to take legal action against the Chairman of our Board of Directors, who is also an independent member, alleging that he has not acted in an independent manner. Our Chairman has responded by saying that he has always fulfilled his duties as an independent board member and has reserved the right to initiate legal action.

Table of Contents

Our articles of incorporation contain a 51% quorum requirement for shareholder meetings. To the extent that the quorum requirement is not met when a general assembly is convened, the meeting shall be adjourned and should be reconvened at a later date. In addition, to amend our articles of incorporation, there is a 2/3 quorum requirement for the related shareholder meeting. Accordingly, until the relevant required quorum can be obtained, certain corporate actions, amendments to our articles of association and prior Board decisions that require shareholder approval will effectively be blocked.

There have been times when the Turkcell General Assembly meeting could not convene for reasons beyond our control, and this may occur in the future. Furthermore, if the AGM is convened, there may not be a resolution of the agenda items or a quorum during the meeting may not be attained.

Our complex shareholder structure and the related complexity in the composition of our Board of Directors could complicate our corporate decision making process and situations may arise where the interests of our majority shareholders are not aligned with those of our public shareholders. These factors could adversely affect our operations and financial results and the market for our shares.

We face risks related to the products and services we provide due to our dependence on certain systems and third party suppliers as well as our exposure to technological changes in the communications market, including in industries where we traditionally do not compete.

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

We are heavily dependent on IT systems, suppliers for IT services and our IT employees for the continuity of our business and we are continually upgrading and converting our IT systems. Although we devote significant resources to the development and improvement of IT and of security, back up and continuity systems, we could still experience IT failures and outages due to system deficiencies, human error, deliberate actions such as unauthorized data transfers, fraud, code breaking or hacking, natural disasters such as earthquakes and floods, unsuccessful migration to alternative or improved IT systems, or other factors. If we are not able to maintain adequate IT systems, or fully recover our IT systems in the event of an outage or disruption, the continuity of our operations could be affected, which could have a material adverse effect on our business, consolidated financial position and results of operations.

3G networks are migrating towards IP technology to transport information. These networks open up the possibility for IP-based services; however, once these services are introduced into the IP-domain, the 3G network may be harmed by potential attacks. The threats on the mobile network can originate from external sources, such as public internet, or internal sources, such as terminals connected to our 3G network. Despite our efforts in taking security issues very seriously, we could encounter attacks on our infrastructure, which could have an effect on our operations.

We may be unable to adapt to technological changes in the communications market, which could result in higher capital expenditures and a greater possibility of commercial failure .

The telecommunications industry is characterized by rapidly changing technology with related changes in customer demands for new products and services at competitive prices. Technological developments are also shortening product life cycles and facilitating convergence of various segments in the telecommunications industry, including in our core mobile communications business and the 3G business. Our future success will largely depend on our ability to anticipate, invest in and implement new convergent technologies with the levels of service and prices that customers demand. Technological advances may also affect our level of earnings and financial condition by shortening the useful life of some of our assets, requiring us to record asset impairments.

Table of Contents

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

The effects of technological changes on our business cannot be predicted. In addition, it is impossible to predict with any certainty whether the technology selected by us will be the most economical, efficient or capable of attracting customer usage. Even though there can be no assurance that we will be able to develop new products and services that will enable us to compete efficiently, we are following general technological trends in communications and technology in order to control our investment risks by using different vendors' products, and competing in adjacent communication business areas.

We have become active in providing products and services for industries other than telecommunications, many of which are developed and/or maintained by third party providers. Our dependence on these third party providers to help us navigate the regulatory, security and business risks of industries where we traditionally do not compete adversely affects our business .

The operation of our business depends, in part, upon the successful deployment of continually evolving products and services, including for applications in industries other than telecommunications, such as Mobile Financial Services, Mobile Health and Mobile Education solutions, authentication solutions and Entertainment and Community services. We are reliant upon third party providers to help us navigate risks relating to security, regulations and business in the industries where we do not traditionally compete. Changes in such industries may impair our partners' business and/or negatively impact the content we are developing, such as for entertainment, which, in turn, could have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity.

Additionally, since our customers rely on our technological capabilities and high quality service levels, in cases where an IT failure, fraud, human error or hacking occurs, our revenues and reputation may be adversely affected and we may also be subject to regulatory penalties.

Our business, consolidated financial results and/or operational performance could be materially and adversely affected unless we retain our key personnel, our partners and their employees.

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

Uncertainties regarding the application of the Turkish capital gains tax and the withholding related thereto may lead to a suspension of the cancellation of our ADSs and any increases in such taxes may adversely affect the liquidity and trading of our ADSs.

Uncertainties surrounding the application of the Turkish capital gains tax and the withholding related thereto, which is required upon the cancellation of ADSs, led our ADR depository, JPMorgan Chase Bank, N.A., consistent with the practice of all depository banks for Turkish issuers, to halt the issuance and cancellation of ADRs. Although our ADR depository has since reopened our ADS issuance books and, on a limited basis, our ADS cancellation books, cancellations are currently limited only to non-resident beneficiaries (i.e. beneficiaries not resident or incorporated in the Republic of Turkey) who have purchased ADSs on or after January 1, 2006.

Table of Contents

The closure of our ADR depository's issuance and cancellation books did not impact trading of our ADSs on the New York Stock Exchange. Given the halt of the cancellation of our ADSs, any sudden or significant increase in persons wishing to sell our ADSs, may adversely affect the liquidity of our ADSs and disrupt their trading.

Pursuant to a Turkish Constitutional Court decision, which annulled the income tax provision regulating the 0% withholding application on capital gains for non-resident individuals and corporations, the withholding tax regime has once again become subject to regulation pursuant to a law numbered 6009, which came into force on August 1, 2010. Pursuant to this new regulation, a 10% withholding on capital gains is applied to individual investors and a 0% withholding is applied to corporate investors, irrespective of their residency status. Non-resident corporate deposit receipt holders (depositories of our ADR facility) are included within the scope of corporate investors. Non-resident investors of Turkcell ADRs will be subject to 0% withholding provided that the depository of our ADR facility is a corporate body. The Turkish Council of Ministers has the authority to raise the aforementioned withholding rates by 5 percentage points.

We are involved in various claims and legal actions arising in the ordinary course of our business, which could have material effect on our financial results.

We are currently involved in various claims and legal actions with governmental authorities in Turkey, including the Competition Board, the ICTA, tax authorities and certain other parties. We have set aside provisions for ongoing disputes based on applicable accounting standards. However, no assurance can be given that the provisions we set aside will be sufficient to cover our actual losses under these matters, and that new disputes will not arise under which we would face additional liabilities. For a more detailed discussion of all of our significant disputes, see Item 8.A. Financial Information and Note 32 to our audited consolidated financial statements included in Item 18. Financial Statements of this annual report on Form 20-F.

We maintain and regularly review our internal controls over financial reporting, but these controls cannot eliminate the risk of errors or omission in such reporting.

We maintain and regularly review internal controls over our financial reporting. However, internal control over financial reporting has inherent limitations. It is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. In addition, it can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements will not be prevented or detected on a timely basis by internal controls over financial reporting. It is possible to design safeguards to reduce, though not eliminate, this risk. Our latest review has revealed certain deficiencies in our controls, although none that we believe constitute material weaknesses. However, our controls have in the past suffered from these and lesser deficiencies in the past and no assurance can be given that others will not emerge in the future. A failure to detect or correct deficiencies and weaknesses in a timely manner could have an adverse effect on the accuracy of financial reporting. Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could also adversely impact investor confidence and the market price of our common shares or ADSs.

ITEM 4 INFORMATION ON THE COMPANY

4.A History and Development of the Company

Turkcell Iletisim Hizmetleri A.S. (Turkcell), a joint stock company organized and existing under the laws of the Republic of Turkey, was formed in 1993 and commenced operations in 1994. Our principal shareholders are Sonera Holding and Turkcell Holding, which hold 13.07% and 51.00%, respectively, of Turkcell's shares. Turkcell Holding is 52.91% owned by Cukurova Telecom Holdings Limited and 47.09% by Sonera Holding B.V. Cukurova Telecom Holdings Limited is 51% owned by Cukurova Finance International Limited and 49% by Alfa Telecom Turkey Limited. The address of our principal office is Turkcell Iletisim Hizmetleri A.S., Turkcell Plaza, Mesrutiyet Caddesi, No. 71, 34430 Tepebasi, Istanbul, Turkey. Our telephone number is +90 (212) 313 10 00. Our website address is www.turkcell.com.tr.

Table of Contents

We operate under a 25-year GSM license, which we were granted in April 1998 upon payment of an upfront license fee of \$500 million. Under our license, we pay the Undersecretariat of Treasury (the Turkish Treasury) a monthly treasury share equal to 15% of our gross revenue. Of such fee, 10% is paid to the Ministry of Transportation and Communications of Turkey (Turkish Ministry) as the universal services fund. We also operate under interconnection agreements with other operators that allow us to connect our networks with those operators to enable the transmission of calls to and from our GSM system. For example, we have an interconnection agreement with Turk Telekom that provides for the interconnection of our network with Turk Telekom's fixed-line network.

In July 2000, we completed our initial public offering with the listing of our ordinary shares on the Istanbul Stock Exchange and our ADSs on NYSE.

In early 2009, we were granted the 20-year type A 3G license, which provides the widest frequency band, for a consideration of EUR 358 million (excluding VAT), and we signed the related 3G license agreement on April 30, 2009. The 3G license agreement has similar provisions as the aforementioned 2G license agreement.

Our subscriber base has grown substantially since we began operations in 1994. At year-end 1994, we had 63,500 subscribers. By year-end 2010, that number had grown to \$33.5 million.

In 2010, we had total revenues of \$5,982.1 million, our adjusted EBITDA totaled \$1,957.4 million and we reported net income attributable to the owners of Turkcell amounting to \$1,170.2 million.

For the year ended December 31, 2010, we spent approximately \$1,078.6 million on capital expenditures, compared to \$1,769.3 million and \$808.2 million in 2009 and 2008, respectively.

In addition to our operations in Turkey, we have various international operations. For more information, see Item 4.B. Business Overview International Operations .

4.B Business Overview

Based on the ICTA's announcements, we are the leading provider of mobile services in Turkey in terms of the number of subscribers, with 54% of the Turkish subscriber market as of December 31, 2010. We provide high-quality mobile voice, Internet & services over our mobile communications network and have developed the premier mobile brand in Turkey by differentiating ourselves from our competitors with our value offers, which include: superior technologies, more advantages, outstanding service quality throughout our extensive network, and being a leader in social responsibility. We maintain our strong position in the market due to our customer oriented approach and our ability to provide quick solutions to meet customers' needs. We are in compliance with all of our license requirements in all material respects.

Through our state-of-the-art mobile communications network, we provide comprehensive coverage of an area that, as of December 31, 2010, included 100% of the population living in cities of 1,000 or more people and the majority of Turkey's tourist areas and principal inter-city highways. As of December 31, 2010, we provided roaming service to our subscribers in 208 countries through commercial roaming agreements with 662 operators.

In 2010, we launched 3G Roaming services in many different locations in the world. As of December 31, 2010, our subscribers enjoyed high speed mobile internet connections with 205 operators in 109 destinations.

As of December 31, 2010, we covered 82% of the population with 3G technology.

Industry

Overview

GSM, one of the digital standards for mobile communications, was developed in 1987 to facilitate unification and integration of mobile communications worldwide.

Table of Contents

As a digital standard, GSM offers a wide range of services that include voice, circuit switched data, packet data and fax, in addition to standard service offerings such as call barring, call forwarding, call waiting and roaming into areas serviced by other GSM carriers. A key component of the GSM network is the Simcard, which enables the user of a mobile phone to be identified. Simcards, also known as smart cards, are placed inside each handset and function as its digital brain. Simcards' digital memory allows for the storage of the subscribers' personal information, such as the rate plan, phone number and service features. Both postpaid and prepaid subscribers are required to purchase a Simcard in order to use the telecommunications service offered by Turkcell.

GSM networks have traditionally been used exclusively as personal voice communications networks. The mobile telecommunications industry has increasingly provided mobile data services, and GSM, as a technology platform, is suitable for data transmission. Currently, many advanced technology platforms are being developed to enable the provision of more sophisticated data services.

Today, most GSM operators offer the standard data service of 9.6 kilobits per second and High Speed Circuit Switched Data (HSCSD) and General Packet Radio Service (GPRS), which provide network speeds of up to 57.6 kbps and 160 kbps, respectively, depending on radio network and mobile phone conditions. Enhanced Data rates for GSM Evolution (EDGE) and UMTS provide the means for making networks suitable for high-speed wireless data services. EDGE and UMTS platforms allow network speeds of up to 240 Kbps and 384 Kbps, respectively. By using new radio access technology, High Speed Downlink Packet Access (HSDPA) in UMTS networks, operators gain increased capacity and improved downlink speeds up to 14.4 Mbps. High Speed Packet Access Evolution (HSPA+) further enhances the mobile broadband experience and increases the voice and data capacity of HSPA. HSPA+ enhances mobile broadband with peak rates of 42 Mbps and more.

The Turkish Mobile Market

According to a TUIK announcement, the Turkish population is young, with an estimated median age of 29, which is lower than elsewhere in Western Europe, and the majority of the population lives in urban areas. In addition, there were 73.7 million people living in Turkey as of December 31, 2010.

The declining trend in multiple simcard use resulted in an 85% penetration level in 2010 (based on the ICTA's announcements), which is lower than the level in 2009. There is good potential for growth opportunities in the Turkish mobile communications market in the areas of broadband and 3G services, as well as from Turkey's youth segment due to the aforementioned demographics. According to the ICTA's announcements, there are currently three mobile communications operators in Turkey: Turkcell, Vodafone and Avea, with a total of 61.8 million GSM lines as of December 31, 2010. Vodafone entered the Turkish GSM market by acquiring Telsim on May 24, 2006. Telsim, which had received a 25-year license at the same time as us and on what we believe to be identical terms, including the \$500 million upfront license fee, had been put up for sale by the Savings Deposit Insurance Fund (SDIF) in August 2005. The auction for Telsim was held on December 13, 2005, with Vodafone submitting the winning bid of \$4.55 billion. With regards to Avea, it is an operator owned 81% by Turk Telekom. Turk Telekom's ownership interest in Avea was increased to its current stake following its purchase of Telecom Italia SpA's 40.6% interest in Avea in September 2006 for \$500 million. Turk Telekom is 55% owned by Oger Telecom, a multinational GSM operator owned 35% by Saudi Telecom Company, the Arab world's largest telephone company.

Strategy

Our vision is to ease and enrich the lives of our customers with leading communication and technology solutions. We strive to build value for our customers, stakeholders, and employees.

We operate in nine different countries, reaching 60 million subscribers. Our operating environment continues to be challenging. In addition to the lingering effects of the global financial crisis, the regulatory and competitive pressures we face are mounting. Customer demand for converged and differentiated services as well as devices is growing. Furthermore, expansion into international markets and adjacent businesses continues to be important for sustainable growth. In order to sustain our operating margins, it has been crucial that we become more efficient in our delivery of services, so that we may continue to lead the market in this environment.

Table of Contents

As a leading communications and technology company, our strategy for growth is to continue our organic growth and to selectively seek and evaluate new investment opportunities. Building on our strength in brand, people, infrastructure and scale, we have identified six strategic priorities in which we intend to pursue opportunities for business growth:

To grow in our core mobile communication business through increased use of voice and data. Turkcell has a strong market position in Turkey, and we will continue to strengthen our well developed brand through the highest quality infrastructure, the best offers for customers and the best partnership structures.

To grow in the area of mobility, internet and convergence through new business opportunities. We will focus on creating value for our customers and will continue to drive mobility and enhance internet services with a customer-centric approach. Convergence has become crucial for businesses. We have already introduced total telecom business solutions to provide full support to our corporate clients so that they may compete better in their own markets.

To develop new mobile service platforms that will enrich our relationship with our customers. We believe that there is significant demand for such services in the Turkish market and Turkcell is the innovative forerunner in creating such technology platforms with the local talent pool.

To grow in the fixed broadband business by creating synergy among Turkcell Group companies with our fiber optic infrastructure. Investment in fiber optic infrastructure will also enable us to sustain our competitive advantage in our core mobile business.

To grow our existing international subsidiaries with a strong focus on profitability. In order to diversify revenue and cash flow risks, we intend to grow the contributions made to Turkcell Group from subsidiaries. We endlessly explore operational efficiencies, cost and product synergies with Turkcell Turkey.

To grow in domestic and international markets through opportunities in telecommunications, technology and new business areas. We are open to forming potential alliances and conducting mergers and/or acquisitions that will contribute to our economies of scale and create synergies. In our strategic screening process for international expansion activities, we consider both the business opportunity and the attractiveness of the market to determine feasible investment opportunities. We may also evaluate new business opportunities outside of the telecommunications industry, such as the National Lottery, if we see strong potential and believe that we can add value.

Services

We currently provide high-quality mobile voice, Internet and services to subscribers throughout Turkey. Subscribers can choose between our postpaid and prepaid services. Currently, postpaid subscribers sign a subscription contract and receive monthly bills for services. Prepaid subscribers must purchase a starter pack which consists of a Simcard. Prior to April 2010, the Simcard included airtime ranging from 20 to 100 counters and scratch cards could be purchased in increments of 25 to 1,000 counters. Pursuant to the ICTA's decision regarding the counter to TRY transition, as of April 2010, starter packs include a Simcard with airtime of 5 TRY or 20 TRY, while the scratch cards can be purchased in the following amounts: 5 TRY, 10 TRY, 15 TRY, 20 TRY, 30 TRY, 50 TRY, 95 TRY and 180 TRY.

As of December 31, 2010, we had approximately 23.3 million prepaid subscribers and 10.1 million postpaid subscribers, compared to approximately 26.0 million prepaid subscribers and 9.4 million postpaid subscribers as of December 31, 2009.

Voice Services

Voice services are the main services we provide to our customers. Voice services consist of high quality wireless telephone services on a prepaid and postpaid basis.

Table of Contents

Product & Services Management

Product & Services Management (PSM) is focused on developing and managing products and services to address the diverse needs of both consumers and corporate customers, thereby enriching their lives. We provide an integrated service approach with a common vision to offer tailored solutions based on the specific needs and preferences of our targeted market segments. One of our principal goals is to increase revenues from our existing customers and to foster the acquisition of new customers by offering proprietary products and services.

We closely follow and analyze global trends and develop services to fit local market needs. Turkcell seeks to differentiate itself by providing innovative and pioneering solutions in collaboration with its strong solution providers and various partnerships.

Having a rich portfolio of various services helps us maintain our competitiveness. We believe that increasing customer satisfaction and ensuring customer loyalty through our provision of a unique user experience will also play an important role in our future retention efforts.

Mobile Internet & 3G

We commercially launched 3G simultaneously in 81 province centers and major cities in Turkey at the end of July 2009 and had reached 82% population coverage by December 31, 2010.

In addition, we have launched several innovative services like Videocall, Mobile TV, Video Surveillance, Video Chat and Video Messaging. We offer rich terminal campaigns (handset, smartphone, modem and netbook) to encourage 3G device penetration. There are approximately 6 million 3G enabled handsets in our network.

In 2010, the number of registered 3G subscribers reached 11.8 million people. A variety of data plans are available as part of our voice and terminal bundled offers.

After the launch of 3G, VINN 3G modem, netbook and notebook contracts were offered to customers to enhance mobile internet experience.

Throughout 2010, we sustained our position as leader of handset offerings through our domination of the iPhone and Blackberry business and we delivered attractive campaigns with top of the class models of brands in high demand such as Nokia, Samsung and HTC.

Turkcell has launched its first Turkcell branded handset, T10, the affordable Android Smartphone, to enhance the possibility of broader use of mobile internet. Records show that the mobile internet consumption of T10 users is 10 times above the previous levels.

In addition to constant communication emphasizing 3G's coverage, penetration and speed, the turkcell-im content portal was restructured, redesigned and repositioned in 2009 as the gateway to mobile internet. Featuring partnerships with both global (i.e., Google, Facebook), and successful local brands (i.e., NTV, Yonja, Kariyer.net), turkcell-im now provides links to the most popular mobile sites in Turkey as well as serving as a one stop shop for mobile content. Turkcell subscribers can also use the turkcell-im internet content adaptation function which adapts standard web pages to the user's handset, therefore providing a better and less expensive mobile internet experience.

Consumer Services

Turkcell focuses on the needs of consumers to enhance their daily experiences. By providing a wide range of services, Turkcell enables users to remain connected wherever they are, via their mobile devices. From basic telecommunications services to social community services, Turkcell responds to the diverse needs of consumers to help them connect to life. Turkcell also offers a multiscreen experience, allowing customers to enjoy the content of various products and services across multiple devices and multiple screens.

Table of Contents

Telco Services

Tikla Konus (Click-to-call) enables subscribers to initiate calls without displaying a phone number. Users click on a click-to-call button on partnering web sites, and a call is initiated between two parties without a need to dial a number.

Kim Aramis is a caller notification service that enables customers to identify any missed calls while their handset is either in off mode or otherwise disconnected from the network. Kim Aramis service sends an SMS containing the call time and phone number to the user once his or her handset is reconnected to the network. There is also a common address book feature that further enriches the service by matching the phone number to the address book name of the caller, if available.

TV & Video Services

By streaming technology at 3G speed, the Turkcell MobilTV service enables Turkcell subscribers to watch television channels and on-demand video content live on their mobile phones. Separately, the iPhone Turkcell MobilTV application enables Turkcell iPhone users to watch 19 national channels, and other premium TV channels, live, combining the experience of watching television on their cell phone with the iPhone experience.

Turkcell also provides on-demand video services on the turkcell-im wap page.

Music Services

GncPlay is a music platform designed by Turkcell. Enabling both web and mobile access, we envision GncPlay as being the go-to place for unlimited online music streaming. Although the platform can be used by everyone, the user interface is particularly designed for the youth segment. Users can create their own play lists. In 2010, Gncplay also enabled users to download mp3 files of selected music onto their phones and computers.

Infotainment Services

Turkcell provides a variety of sports services focusing on football, given the size of the fan base and popularity of the sport in Turkey. Partnering with a major national TV provider, Turkcell provides a social football platform, **Footbo.com**, in Turkish to consumers to create fan pages, forums and discussions. Also, Turkcell launched an online social game Footbocity in 2010, widely appreciated by football fans, which enable users to play interactive games and build their own virtual cities. Turkcell has cooperated with the Istanbul Metropolitan Municipality to provide a mobile solution for traffic, a major problem in Istanbul. Subscribers can save time by accessing the İBB Cep Trafik (**Traffic Density Map**) and traffic camera images to check road conditions and select the best possible route. We also provide an iPhone traffic application, which we launched in 2009. Our mobile traffic service was downloaded more than one million times since its launch.

Turkcell Pusula enables users to locate point of interests (POIs) in a given area. Pusula uses location technology to provide to users the nearest POIs including police stations, gas stations, pharmacies and partnering merchant offers.

Turkcell Seyahat is a travel companion service, enabling users to buy tickets or make reservations with major airline companies and view live flight information as well as weather conditions at their destinations.

Social Community and Other Services

Gezenzi is a social microblogging service where users can share their status, reviews and photos. Users can also explore reviews about POIs, messages and photos around them.

Okul is an online educational platform for teachers, parents and students enabling them to exchange information and further enhance communication by providing social features as well as enriched educational content. Moreover, Okul aims to become a continuous learning platform for adults.

Table of Contents

Mobile Financial Services

Turkcell has been investing in mobile financial services for consumers since 2008 in order to make financial services easily accessible while enriching the on-the-go shopping experience.

Turkcell's mobile payment service launched in August 2008, MobilÖdeme, allows Turkcell subscribers to make purchases of up to 35 Turkish Lira via their Turkcell invoice or prepaid TRY account. This service can be used for payments in many areas, such as subscription fees for online communities, e-commerce, parking tickets and online gaming, fast food and vending machine purchases. The service can be used at more than 470 merchants. In 2010, 1.8 million people used the Turkcell Mobile Payment platform.

Turkcell, Visa Europe and Yapi Kredi launched Europe's first mobile contactless payment solution for Turkcell customers on the iPhone. Using the iCarte payment accessory, Yapi Kredi customers equipped with a Turkcell mobile plan will be the first to make contactless payments directly from their iPhones in Turkey.

Turkcell Enablers and Platforms

Turkcell enablers are the key technical infrastructure behind our proprietary products & services. For example Turkcell ID enabler is an authentication infrastructure that lets users login to systems with one common, secure and simple username and password for hassle free access to systems. Seven new enablers, including Turkcell ID, Recommendation Engine, Social Media Platform were launched in 2010. Recommendation Engine enhances the customer's experience on Turkcell portals by providing customer-focused recommended features and offers. 3.2 million people were touched by our Recommendation Engine enabler. The Social Media Platform lets users to reuse their social graph on Turkcell products and services.

Turkcell invests in platforms that enhance the user experience and the discoverability of services. Turkcell App Store is a one stop localized application shop for users to download both free and paid mobile applications to their supported handsets with more than 3,000 applications and 1000+ supported devices.

CORPORATE (B2B) SERVICES

Another goal for PSM is to provide corporate customers with a competitive advantage by providing non-core industrial solutions, thereby delivering a new category of revenue sets for customers. Spanning from frozen-food chains to farming, many types of solutions are available to streamline customer processes and provide operational efficiency, new revenue streaming channels and better consumer reach and experience.

Corporate Telco Services

In July 2009, Turkcell launched new value added services on our new video IVR platform with introduction of 3G services. Our B2B clients can make use of Video IVR to establish face to face communication at their call centers while consumers are on the go.

Wireless PBX was launched in January 2010 and enables Turkcell corporate customers to have a call center service without any investment in hardware. Customers can activate the call center setting and manage calls easily via a web page. This service is especially beneficial to companies that have mobile employees that use GSM and the SMEs that do not have the resources to invest in a call center.

Authentication Services

Mobile Signature enables customers to sign electronic documents and transactions with a legally-accepted digital signature using GSM SIM cards. Mobile signature subscribers can easily verify their personal identity in a digital environment and complete transactions remotely, without the need for their physical presence. Mobile Signature was launched in February 2007. There are currently 50 application providers in the market, representing industries as diverse as banking, e-government, insurance, healthcare and e-commerce. The Banking Regulation and Supervision Agency (BRSA) enacted a decree in January 2010, which requires two-level authentication usage for online banking transactions and positively affected the number of Mobile Signature users.

Table of Contents

One Time Password is widely used by corporate customers for two-level authentication controls on transactions. The platform lets corporate customers send a password valid for one time only via SMS to consumers when providing authentication on transactions.

Location Based Services

Corporate customers can monitor and manage their sales force and fleets with Ekip Mobil. Ekip mobil provides a management console that allows customers to view their field teams/vehicles on a map, define alarms for specific regions and create direct communication channels to the field. Ekip mobil can be used on any mobile device. For companies, the investment costs are minimal.

Location Based Survey is the first SMS-based survey service with location features. Survey conductors can keep track of and analyze where votes are coming from on city based maps and lists allowing them to add a new dimension to their decision making process. Voters can also express themselves easily without needing to provide extra information and are able to express their thoughts at a micro local community level.

The Location Based Classified Ads (LBCA) system offers a new alternative and a better experience to users with features that do not exist in conventional methods. LBCA allows the user to diffuse his/her own personal ads via Web, WAP, SMS or MMS specifying the location of his/her service or product (or any message).

Mobile Marketing

Our Mobile Marketing team is a leader in the way it defines new media. 1,600 mobile marketing projects were completed with 353 different companies participating in 50 different industries.

Turkcell utilizes mobile marketing and advertising channels to create additional value for its customers. Currently, Turkcell has one of the largest customer permission databases in Europe geared towards mobile marketing and advertising activities. Through this permission database, advertisers can segment their potential focus groups, concentrate on their target market and send specific advertisements to end users.

In 2010, Turkcell was highly active in mobile advertising, as it launched several products, including Targeted IVR (Interactive Voice Response), Mobile Ticketing, Sponsored Info Packages and other location based applications. The Company also introduced Tone and Win, which was selected as the Best Mobile Advertising Service at the GSMA, Visiongain and Meffy Awards in 2009.

Mobile Billboard: Through this service brands can reach their targeted customers from permission databases via SMS, MMS and wap push when customers are instantaneously in the location selected by the brands. This is the perfect way for corporate customers to advertise their products at the right place where they can reach their targeted customers and combine the mobile world with concrete sales.

Machine-to-Machine (M2M) Communications

Since 2009, Turkcell has been focused on its M2M business, whose principal markets in Turkey are car telematics, team tracking, fleet management, POS terminals, security alarms, Smart metering and Sales Force automation s applications.

MobilPOS enables corporate customers to make payment transactions where there is limited fixed line access for POS terminals. MobilPOS is a SIM card integrated POS device working on the GSM network enhancing usage territory for POS terminals. Customers benefit from the advantage of completing their transactions location free as well as from a more enriched customer experience.

Table of Contents

Turkcell also offers telemetry solutions for corporate customers. In partnership with specialized third parties, Turkcell telemetry solutions let customer to remotely access gauge and collect metering data without utilizing a field force. Some of examples of where telemetry services may be used are alarm systems, gauge metering, reactive energy, transformer station, pipeline metering controls, meteorology station etc.

Turkcell Partner Services

Since 2002, Turkcell has been developing new products and services with its partners. Since 2004, these partnerships have been executed through the Turkcell Partner Program. There were more than 2,500 partner applications on Turkcell App Store in 2010. Turkcell has enriched its customers' lives through various partner mobile data and services. The Turkcell partner ecosystem has more than 3,000 employees, and the scope of their business covers not only Turkey but also many countries around the world, such as Ukraine, the United Kingdom, Dubai and countries in the Far East. The Partnership Development Department has leveraged various internal and external platforms in order to reach an innovative and rich service portfolio. Being aware of the importance of open innovation platforms, the Turkcell Partner Program runs a product and service idea evaluation platform via Partner Portal to solicit ideas from external bodies such as university students, individual developers, partners and customers. Turkcell launched an additional main open innovation platform called Turkcell LAB to attract students and developers and build a community around our product and services, as well as our technical capabilities. Turkcell LAB is one of the main components of our Partner Portal to help site visitors become familiar with our technical assets and create and test basic telecom services like location based services.

We are in contact with many different players ranging from companies to individuals with specific expertise or capabilities in order to identify new business opportunities and improve our current business. Under Turkcell's Partner Program, we run different subprograms to provide various benefits to different types of entities such as the Gold & Silver program for companies, Univercell for universities and university students and the Incubation program for early stage and emerging companies.

Other Services

International Roaming

Our coverage extends to many countries in Europe, Asia, Africa and North and South America. As of December 31, 2010, we had further enhanced our position as the leading mobile operator of international roaming services by expanding our partnership in 208 destinations throughout the world, pursuant to commercial roaming agreements with 662 operators.

Since July 2002, we have provided roaming services for prepaid subscribers of foreign mobile operators visiting Turkey. We were the first operator to provide such a service in Turkey. This service, called Passive Customized Applications for Mobile Network Enhanced Logic (passive CAMEL), can only be enabled if both operators have installed the CAMEL system on their networks. As of December 31, 2010, we offered prepaid roaming to the prepaid subscribers of 246 operators in 118 destinations.

Since October 2004, we have offered roaming services for Turkcell prepaid subscribers traveling abroad. This service, called Active Customized Applications for Mobile Network Enhanced Logic (active CAMEL), can only be enabled if both operators have installed the CAMEL system on their networks. As of December 31, 2010, we offered prepaid roaming to Turkcell prepaid subscribers through 296 operators in 138 destinations.

Since October 2002, we have offered GPRS roaming. As of December 31, 2010, we allowed our subscribers to access the internet and reach their email accounts while traveling, through 466 GPRS roaming partners across 165 destinations.

In order to balance international SMS traffic, we began signing international SMS Interworking Agreements with other mobile operators in April 2002 and as of December 31, 2010, we had signed 148 International SMS Interworking Agreements. As of December 31, 2010, our subscribers can send SMS to more than 608 mobile operators located in 202 destinations, including North America and China.

Table of Contents

Since December 2005, our subscribers have been able to send and receive MMS to and from subscribers of foreign operators. As of December 31, 2010, our subscribers were able to send MMS to 137 mobile operators in 76 destinations.

On July 30, 2009, we became the first operator to launch 3G Roaming services in many different locations of the world. As of December 31, 2010, our subscribers enjoyed high speed mobile internet connections with 205 operators in 109 destinations.

We have entered into direct international roaming agreements with GSM operators around the world, including in Cuba, Iran, Sudan, Libya and Syria. These arrangements have been entered into in the ordinary course of business and on arms length terms that we believe to be in line with industry standards. Under the roaming arrangements in the listed countries, our net revenues for roaming on our Turkish network totaled less than \$5.3 million and our net expense for our subscribers roaming on the Networks of operators on the listed countries was less than \$4.4 million. In financial terms, we do not believe that our roaming arrangements with operators in Cuba, Iran, Sudan, Libya and Syria are material.

Tariffs

Our charges for voice, messaging and data consist of monthly fees, usage prices, bundles and volume discount schemes and options under various tariff schemes. Our license agreement regulates our tariffs for GSM services. The license agreement provides that, after consultation with us and consideration of tariffs applied abroad for similar services, the ICTA sets the initial maximum tariffs in Turkish Lira and U.S. Dollars. Thereafter, our license provides that the maximum tariffs shall be adjusted at least every six months. The license agreement provides a formula for adjusting the existing maximum tariffs. For the maximum tariffs established in Turkish Lira, the formula is: the Turkish Consumer Price Index announced by the Ministry of Industry and Trade for Turkey minus 3% of the Turkish Consumer Price Index announced by the Ministry of Industry and Trade. For the maximum tariffs established in US Dollars, the same method is applied to the USA Consumer Price All Item Index Numbers.

Although the Concession Agreement includes a provision regarding the increase of the maximum tariffs, the ICTA has decreased the maximum tariff since 2007, which has negatively affected our tariff structure (the last decision being on September 1, 2010). The Company initiated lawsuits for the annulment of such decisions. The lawsuits are pending.

For more information on how our maximum and minimum price levels are established, see also Item 4.B. Business Overview Regulation of the Turkish Telecommunications Industry .

Each customer subscribes to a voice tariff. There are various voice tariffs based on the subscriber segment (postpaid or prepaid, corporate or individual).

Main Tariffs

We have segmented tariffs plans that target specific subscriber groups. In the postpaid segment, pay as you go tariffs offer on-net (Turkcell subscriber to Turkcell subscriber) usage advantages. The packages include minutes for on-net and fixed line calls, intra-company calls or all national directions. Packages are widely preferred by our customers. In the prepaid segment, the main tariffs offering advantageous prices that are based on a refill amount are Super Tariff and Youth Tariff . In addition, we provide fee-based optional minute packages/TRY cards for calls to OMO, PSTN and for calls within a specific time period, such as weekends and nights.

Table of Contents

The main tariffs listed below for postpaid and prepaid subscribers are as of April 13, 2011. Prices are given in TRY and include both 18% VAT and the 25% Special Communication Tax.

Consumer Tariffs and Loyalty Programs

	Postpaid (TRY)					
	Bizbize	Tarife Saniye	BizBize Hepimiz	Kamu	Haydi Gel	Gold
Monthly Fee	9.9	3.9	29-69	40	19-49	95-199
Calls Out (per minute):						
Turkcell to Turkcell	0.500 per 10 minutes	0.4	180-500 free minutes included. Exceeding minutes charged at 0.400 per minute	600 free minutes included. Exceeding minutes charged at 0.240 per minute	150-900 free minutes included. Exceeding minutes charged at 0.300 per minute	6500-7500 free minutes included. Exceeding minutes charged at 0.400 per minute
Turkcell to PSTN(1)	0.4	0.4				
Turkcell to OMO(2)	0.4	0.4				1500-2500 free minutes included. Exceeding minutes charged at 0.400 per minute
SMS			0-500 free SMS included			0-2500 free SMS/MMS included.
Internet			0-500MB free internet included			0-4GB free internet included.
Other Benefits			Turkcell to Turkcell unlimited from 6 am to 6 pm free minutes & free 2 days a week included.		Turkcell to Turkcell unlimited from 6 am to 6 pm free minutes & free 2 days a week included.	
SMS Per Message	0.4	0.4	0.4	0.4	0.4	0.4

(1) PSTN: Public Switched Telephone Network (landline).

(2) OMO: Other Mobile Operators.

Prices are given in Turkish Lira and include both 18% VAT and the 25% Special Communication Tax.

Refill Amount**	Süper Tarif		Prepaid TRY*			Bizbize Tarif Turkcell to Turkcell/ Turkcell to PSTN/ Turkcell to OMO
	Turkcell to Turkcell	Turkcell to PSTN/ Turkcell to OMO	Turkcell to Turkcell	Turkcell to PSTN	Turkcell to OMO	
50	0.50 per 10 min		0.50 per 15 min	0.40 per min	0.40 per min	0.40 per min
30	0.50 per 5 min	0.40 per min				
20		0.40 per min				
Less than 20***		0.40 per min				
SMS (Per message)		0.415		0.415		0.415

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- * Prices are given in Turkish Lira and include both 18% VAT and the 25% Special Communication Tax.
- ** Prices vary depending on the refill amount and apply for 30 days following the first day of refill, except for Genç Tariff. Genç Tariff prices apply 31, 12 and 7 days if refill 20 TL and above, 12 TL and 7 TL, respectively.
- *** The charged for a less-than 20 TL refill or no-refill except for Genç Tariff. Genç Tariff prices for less than 5 TL refill is 0.40 per min

Table of Contents

We have an all inclusive package (Gold+), which provides higher comfort and satisfaction specifically for high payers. We offer yearly-discounted and fixed-priced versions of our postpaid premium price plans to retain our current premium customer base and to induce mass customers to pay more for increased benefits.

In addition, we also have loyalty subscriber programs.

Through our new consumer approach, we group our customers by segments after taking into consideration their occupation and, with regards to the youth segment, their age.

Youth segment management, including the loyalty program called gnctrkcll, ensures customer retention by presenting campaigns and advantages that fit youngsters' trends of life. Gnctrkcll aims to reinforce Turkcell brand recognition as a young, dynamic, popular, intimate brand.

In addition to the youth segment, we focus on new segments (such as farmers and housewives) with differentiated GSM and non-GSM offers, as well as campaigns and co-branded activities with selected companies from other sectors to create added values to targeted segments. All loyalty schemes are designed in line with the targeted segments' lifestyles, needs, priorities, and expectations since new segments aim to increase to loyalty of current Turkcell customers as well as attract new customers.

Turkcell Platinum, a premium loyalty & customer experience management program which offers special GSM, and non-GSM/3rd party advantages to individual customers in order to ensure behavioral and emotional brand loyalty, via a seamless series of positive brand experience in all customer touch points

For our postpaid business, we have periodical free minute programs (campaigns) with which the customers gain different amounts of free usage based on their Turkcell tenure.

For our prepaid business, we offer prepaid customers monthly fee based packages that includes SMS and voice advantages. We promote such packages to increase retention of the prepaid subscribers and the revenue generated from them.

Data and Terminal offers

We have offers in which minutes and data services are bundled with handsets, which could lead to the use of 3G services and mobile internet. We also have many mobile internet offers based on different customer needs, such as:

Terminal bundled offers: Different terminal models including data packages which customers prefer. All of our blackberry offers include data packages.

Short term contracted VINN offers: 3 month VINN campaign for subscribers who are not looking for a long term contract (3 months for 39TL with a 4GB data package).

Tax campaign: 19 TL for a campaign of 6 months for which we paid the taxes owed.

Segmented offers: KamuVINN, including 4GB for 29 TL with a 12 months contract. The VINN Modem is given for free (including tax).

Single VINN campaign: without a contract, including 4GB data for 39 TL, plus a 79 TL down payment. (including tax).

Internet from mobile offers: A monthly Facebook pack for 3 TL (including tax), a monthly 100 MB pack for 10 TL (with the first 3 months for 5 TL).

Table of Contents*Corporate Tariffs and Loyalty Programs*

	IsteTarife	Postpaid Şirketiçi	Paketcell
Monthly Fee	4.75 TL	14-19 TL	14-119 TL
Calls Out (per minute):			
MVPN (Company Network)		6000 free minutes	500-5000 free minutes
Turkcell to Turkcell	0.40 TL	0.30 TL	500-5000 free mins included. Exceeding minutes charged at 0.300 per minute
Turkcell to PSTN ¹	0.40 TL	0.40 TL	300-3000 free mins included. Exceeding minutes charged at 0.300 per minute
Turkcell to OMO ²	0.40 TL	0.40 TL	300-3000 free mins included. Exceeding minutes charged at 0.300 per minute
SMS Per Message	0.35 TL	0.35 TL	0.35 TL

(1) PSTN: Public Switched Telephone Network (landline).

(2) OMO: Other Mobile Operators.

Prices are given in Turkish Lira and include both 18% VAT and 25% Special Communication Tax.

IsteTarife is a standard Turkcell tariff. Şirketiçi and Paketcell include special packages at discounted prices.

We launched our B2B loyalty program-IsteKazan- in March 2010 for Turkcell corporate customers IsTcell customers. IsteKazan is the first loyalty program focused on the B2B segment where we are working with approximately 20 different brands country-wide.

The main focus of IsteKazan is to offer advantages to our corporate customers and provide them with cost advantages on their non-GSM costs. Depending on the customer preferences and requirements, the most appropriate solution package is modulated like discount bundles, cost level alternatives, etc. With this program, IsTcell customers get discounts in several areas such as market, gas, cargo, technology, car rentals, finance, etc.

In addition to the continuous basic loyalty programs, we have periodic volume-based campaigns that are designed for a specific time period for prepaid and postpaid subscribers. We offer tailored advantages and privileges to our premium customers to ensure their satisfaction and loyalty. We also have campaigns in which minutes and data services are bundled with handsets such as Blackberry, iPhone, HTC.

Roaming Tariffs

Turkcell intends to provide advantageous price schemes to its customers when they are abroad. With a customer oriented point of view, Turkcell offers a flat fee for roaming usage, dividing the world into zones, known as the Turkcell World Tariff . Whenever our subscribers go abroad, regardless of their domestic tariff, they are subject to the Turkcell World Tariff for their roaming usage. Additionally, Turkcell enables its customers to connect to loved ones with advantageous voice packages and campaigns.

Based on Turkcell s roaming agreements, Turkcell hosts the subscribers of foreign operators on its network. When a subscriber of a foreign operator makes a call using within the Turkcell s Network, that subscriber s operator pays us our inter-operator tariff (IOT) for the specific call type. IOT is a wholesale tariff applied between mobile operators having roaming agreements.

Table of Contents

Churn

Churn rate is the percentage calculated by dividing the total number of subscriber disconnections during a period by the average number of subscribers for the same period. For these purposes, we define average number of subscribers as the number of subscribers at the beginning of the period plus one half of the total number of gross subscribers acquired during the period. Churn refers to subscribers that are both voluntarily and involuntarily disconnected from our network. Under our disconnection process, postpaid subscribers who do not pay their bills are disconnected and included in churn upon the commencement of a legal process to disconnect them, which commences approximately 180 days from the due date of the unpaid bill. Pending disconnection, non-paying subscribers are suspended from service (but are still considered subscribers) and receive a suspension warning, which in some cases results in payment and reinstatement of service. Prepaid subscribers who do not reload TRY for a period of 270 days are disconnected and cannot reuse their numbers (this was changed in 2010 from 210 days). Occasionally, we may offer campaigns and tariff schemes that may not comply with the churn policy.

The ICTA has announced that when prepaid subscribers load or receive TRY 10, the subscription should be renewed at least 6 months prior to the end of the contract. The board resolution has been in effect since October 1, 2010. As a result of this decision, the life cycle of prepaid customers has been lengthened; however, our churn rate was not impacted in 2010. We will observe a onetime impact as a decrease in involuntary prepaid churn in 2011. For more information, see Item 4.B. Business Overview Regulation of the Turkish Telecommunications Industry.

For the year ended December 31, 2010, our annual churn rate was 33.9%. We have what we believe to be an adequate allowance for doubtful receivables in our consolidated financial statements for non-payments and disconnections amounting to \$376.8 million and \$268.2 million as of December 31, 2010 and 2009, respectively. Due to our large subscriber base and intensified competition in the Turkish market throughout the year due to MNP, our churn rate increased 1.3 percentage points in line with our expectations.

Seasonality

The Turkish mobile communications market is affected by seasonal peaks and troughs. Historically, the effects of seasonality on mobile communications usage has positively influenced our results in the second and third quarters of the fiscal year and negatively influenced our results in the first and fourth quarters of the fiscal year. Recently, however, due to changing market dynamics, such as the ICTA's intervention in our tariffs and increasing competition in the Turkish telecommunications market, the effects of seasonality from our prepaid customers' mobile communications usage has decreased. Local and religious holidays in Turkey have also generally affected our operational results.

Network

Coverage

Statements regarding our market share and total market size are based on the ICTA's announcements, and statements regarding penetration are based on TUIK's announcements regarding the population. Furthermore, statements regarding our 2G coverage are based on the ICTA's specifications as well as TUIK's announcements regarding the population, and statements regarding our 3G coverage are based on the 3GPP TS 25.101 specifications for outdoor coverage.

Our mobile communications network is designed to provide high-quality coverage to the majority of the population of Turkey throughout the areas in which they live, work and travel. As of December 31, 2010, Turkcell covered 86.97% of all of Turkey and 99.07% of Turkey's population, including 100% of cities with a population of 1,000 or more. Coverage also includes a substantial part of the Mediterranean and Aegean coastline and during 2010 we enhanced coverage in low populated areas (populations of less than 1,000 people) as well. We have significantly exceeded the minimum coverage requirements of our license.

Table of Contents

We have also expanded our mobile communications network to add capacity to existing service areas and to offer service to new areas, including the improvement of existing urban, suburban and intercity road coverage. During 2011, we plan to further expand our coverage in settlements with a population of 500 or more, intercity roads and railways, in addition to further enhancing coverage and capacity in populated areas.

We commercially launched 3G simultaneously in 81 province centers and major cities in Turkey in July 2009. As of December 31, 2010, we had reached 82% population coverage (based on 3GPP TS 25.101 specifications for outdoor coverage). We believe we will continue to have the best coverage and the highest quality network in Turkey.

Network Infrastructure

We have primarily employed experienced internal personnel for network engineering and other design activities while employing suppliers for our network infrastructure and as our partners in product/service development. Our suppliers install the base station cell site equipment and switches on a turn-key basis, while subcontractors employed by our suppliers perform the actual site preparation.

Our network consists of standalone Home Location Registers (HLR), combined Number Portability Switch Relay Function (SRF) and Number Portability Database and Signal Transfer Point (STP), Base Station Controllers (BSC), Radio Network Controllers (RNC), Core Network common for 2G and 3G radio network and carries voice over IP, combined Mobile Switch Centers/Visitor Location Registers (MSC/VLR), Service Control Points (SCP), BTS and Node-Bs. BTSs are the fixed transmitter and receiver equipment in each cell, or coverage area of a single antenna, of a mobile communications network that communicates by radio signal with mobile telephones in the cell. Each BTS is connected to a BSC via leased lines and/or radio relay links called minilinks . The BSC monitor and control the BTS. It is possible to cascade the BTSs to each other, thereby realizing considerable cost savings in transmission. In the same manner, Node-Bs are radio signal transmitter and receiver equipment in each 3G cell, connected to and controlled by RNC in order to realize 3G and HSPA+ coverage for 3G /HSPA equipped mobile phones. Our core packet switching network consists of SGSNs (Serving GPRS Support Node) and GGSNs (Gateway GPRS Support Node), providing GPRS/EDGE, and HSPA/HSPA+ (High Speed Packet Access) capability for mobile packet traffic.

Capacity

In 2010, we continued to develop and improve the quality and capacity of our network. In urban areas, we increased coverage and capacity by placing network infrastructure in commercial sites such as shopping malls, business complexes and entertainment centers. We achieved the highest coverage density in major urban areas, especially in Istanbul, Ankara and Izmir.

We believe that we have sufficient bandwidth to serve our current and projected short-term subscriber base and that we currently meet the capacity requirements of both our 2G and 3G licenses. Starting from 2009, we have created 3G/HSPA+ coverage to support 3G multimedia services and fast throughput for mobile data traffic, while achieving greater network capacity through improved spectral efficiency. To enhance our 2G network capacity where congestion is a possibility, we intend to construct additional network sub-infrastructure, or implement technological advances that will permit bandwidths to be used more efficiently. In 2010, the effective carrying capacity of the core network nodes was further enhanced by new nodes supporting new layered NGN (Next Generation Network) structure. The whole network is currently composed of new layered structure NGN nodes which (i) provides increased network functionality, (ii) enables further increases in our subscriber base and the accompanying call handling and traffic capacity demands, and (iii) supports 3G radio network connectivity. The entire NGN network also provides us with all of the IP network infrastructure, which optimizes transmission operational expenditures and improves network efficiency in order to better serve our customers.

Table of Contents

With the advantage of higher quality communication provided by the widest spectrum in 3G, Turkcell will continue to offer seamless communications services to its customers with by far the most extensive coverage amongst its peers.

We have also implemented EDGE technology in our entire network, as EDGE is a complementary technology to UMTS. EDGE is an evolution of the GSM technology which allows consumers to use cellular handsets, PC cards and other wireless devices at faster data rates up to 300 kbps, three times the data capacity of GSM/GPRS. We have also successfully tested EDGE Evolution technology in our network, consisting of downlink dual carrier feature, where the data rates reaches up to 600 kbps. Actual data rates vary depending on the access network load at the connection time and the terminal device features used by the customer. Today, all of our Base Stations are supporting EDGE technology.

Network Maintenance

We have entered into several system service agreements. Under these agreements, our mobile communications network, including hardware repair and replacement, software and system support services, consultation services and emergency services are serviced by local providers. Our subcontractors perform corrective and preventative maintenance on our radio network in the field, although providers repair all the network equipment.

We have regional operation units with qualified Turkcell staff that operate and maintain our network in sixteen main regions. In addition, the Turkcell Network Control Center located in Istanbul monitors our entire network 24 hours a day, 365 days a year, and ensures that necessary maintenance is performed in response to any problems.

Transport Network

Radio Access Network (RAN) transmission is provided with leased lines and microwave transmission. As of December 31, 2010, approximately 98% of our BTS transmission was provided with microwave radio-leased line combinations and 2% with the leased lines.

In order to expand network coverage, microwave transmission is preferred since they are owned and operated by Turkcell itself. When there is no line of sight, copper lines/fiber from transmission service providers are used. Inter-city connections are only carried through transmission service providers due to regulatory restrictions.

All of our switching equipment that forms part of our core network, including MGWs, MSCs, Gateway MSCs, Tandem switches and HLRs, are located within our own buildings. Transmission between these sites (backbone) is always achieved through Synchronous Digital Hierarchy (SDH) leased lines and Ethernet over Dense Wavelength Division Multiplexing (DWDM). Interconnections with other Public Land Mobile Network (PLMN), Public Switched Telephone Network (PSTN), Long Distance Telephony Services (LDTS) and small operator companies are realized with leased lines. We lease all transmission lines from Turk Telekom and Superonline. We use two different infrastructure companies to provide more capacity and increase the availability and reliability of the lines. Furthermore, competition between providers decreases operational expenditures.

Turkcell has implemented an IP based 3G network and has established an IP/MPLS (Internet Protocol/MultiProtocol Label Switching) network in UTRAN (UMTS Terrestrial Radio Access Network) for aggregating 3G traffic and increasing the efficiency of leased line utilization. Turkcell has decreased transmission costs of 2G traffic by using Abis optimization, Abis over IP and converging 2G and 3G traffic transmission infrastructure.

Table of Contents

Site Leasing

Once a new coverage area has been identified, our technical staff determines the optimal base station location and the required coverage characteristics. The area is then surveyed to identify BTS sites. In urban areas, typical sites are building faces and rooftops. In rural areas, masts and towers are usually constructed. Our technical staff also identifies the best means of connecting the base station to the network. Once a preferred site has been identified and the exact equipment configuration for that site determined, we begin the process of site leasing and obtaining necessary regulatory permits. Construction of the masts or towers that we require in rural areas is performed by Global Tower, a company 100% indirectly owned by us. We lease antenna space and provide maintenance and management services from Global Tower at such towers.

Dropped Calls

Dropped calls are calls that are terminated involuntarily and are measured by using the ratio of total dropped calls during the most congested hour of network traffic during the relevant time period to the traffic intensity in that congested hour. Using such industry standard for dropped calls, our dropped call rate for our 2G network has further decreased to far below 1%.

Turkcell also provides high quality services through its 3G network. In a short time, we have succeeded in reducing the 3G dropped call rate to the same level as the 2G network. The rate of service quality is being enhanced all the time due to investments to our 2G and 3G network to improve the quality and capacity of the network.

Services and Platforms

We have an intelligent network and other service platforms enabling our services and we also provide secure and controlled access to the network for the content and service providers to give messaging and data services. This infrastructure is being improved to open up more capabilities of the network towards the application and content providers. New infrastructure also contains a portal where subscribers buy services, receive promotions and enroll for campaigns easily.

Business Continuity Management (BCM)

In 2000, Turkcell launched its Business Continuity Plan (BCP) that encompassed Technical Operations and made Ankara Plaza as the Business Recovery Center. In 2004, the BCP was widened to cover all of Turkcell s business functions and renamed BCM. Its implementation was completed in 2005 and BCM was adopted as a full-time function.

In 2008, the BCM plan was tested with 17 different scenarios, including mission critical processes and building evacuations.

In 2009, the BCM plan was tested with 18 different scenarios, including mission critical processes, service continuity and building evacuations.

In 2010, the BCM plan was tested with 30 different scenarios, including mission critical processes, service continuity and building evacuations.

Evaluating scenarios that may affect Turkcell s operations, the purpose of BCM is to prevent or overcome these situations; to develop recovery and crisis scenarios; to make sure Business Continuity planning continues and all key function staff are trained; and to raise awareness and understanding of Business Continuity.

To this end, we established a Crisis Management Team, a Business Recovery Team and several Emergency Response Teams. The Crisis Management Team is comprised of senior management who are responsible for managing all facets of the potential crisis. The Business Recovery Team and Emergency Response Teams are

Table of Contents

located at the Business Recovery Centers in Ankara and Istanbul as well as in several other locations throughout Turkey, including Izmir and Adana. If needed, these sites are ready to aid and assist various teams at 15 other sites. In the event that Turkcell's operations are interrupted, in accordance with the area in which the crisis occurs, a chain alert call convenes the teams.

We believe that the BCM will be able to cover the majority of Turkcell's operations through potential environmental events and natural disasters.

Sales and Marketing

We design our sales and marketing strategy around subscriber needs and expectations. We try to ensure the loyalty of our subscribers by providing offers, campaigns and our advanced Service Delivery Platforms.

Our nationwide distribution channels are an important asset that help us differentiate ourselves from our competitors and achieve our sales targets. Our strong and extensive distribution network consists of distributors, Turkcell Distribution Centers (TDC), Corporate Solution Centers, non-exclusive dealers, Turkcell Communication Centers (TIMs), Turkcell Stores and Consumer Electronic Chains as well as points of sale for prepaid airtime, including ATMs, POS, web, call centers, supermarkets and kiosks.

In Turkey, independent handset dealers serve as the primary point of mobile service sales. Subscribers generally must purchase a mobile phone from a dealer to activate services. We sell Simcards and starter packs to distributors, which are delivered to dealers and sales points. In addition, distributors purchase handsets directly from mobile phone importers and distribute them to dealers. Airtime scratch cards for Hazir Kart are sold through our exclusive and non-exclusive dealer networks, supermarket chains, gas stations, digital channels and other distribution points. Muhabbet Kart's Chat Card branded scratch cards are sold through newspaper kiosks and dealers located throughout Turkey. Muhabbet Kart is only sold by A-Tel, a 50-50 joint venture between SDIF and Turkcell.

Prior to April 2010, 16K, 32K, 64K and 128K (128K cards were only used for spare Simcards) Simcards were in circulation in the market; 64K and 128K Simcard starter packs were sold with inclusive 20 and 100 counters. As of April 2010, starter packs include a simcard with airtime of 5 TRY or 20 TRY.

Turkcell Sales Efforts

We sell postpaid and prepaid services to subscribers through our distribution network, which is composed of distributors, TIMs, TDCs, Turkcell Stores, Consumer Electronic Chains, Corporate Solution Centers and exclusive and non-exclusive dealers. The number of exclusive and non-exclusive dealers totaled approximately 17,000 sales points as of December 31, 2010. We also sell scratch cards and digital prepaid airtime through consumer electronic chains, newspaper kiosks, supermarkets, gas stations, digital channels and ATMs.

Our Exclusive Retail Network consists of powerful retail dealers with good locations, modern designs and superior after-sales service. TIMs lead the market with user friendly atmosphere, new products and services and dedicated employees. In 2009, TIMs were relaunched with the motto "We aim to ease your life with technology" in order to enhance our customer service oriented image under TIM brand. In addition, the three flagship Turkcell Stores fully operated by Turkcell continue to enhance Turkcell's brand image in the retail world by providing the best customer experience and introducing top of the line new products and services to our customers.

Our Non-Exclusive dealer network provides us with a high penetration of Turkcell products and services in Turkey. TDCs are aimed at enhancing our distribution effectiveness in the nonexclusive channel and ensure the timely and efficient distribution of Turkcell products and merchandising materials. They also facilitate the Turkcell brand and offer awareness in this competitive channel.

Table of Contents

In total, we have more than 94,000 sales points for prepaid airtime including digital channels, ATMs, POSs, kiosks, Call Centers, Internet, WAP, retail chains, SMS, Digital TV and USSD. Since 2008, we have also offered digital counter sales capabilities over POS machines in the traditional sales channel.

All dealers are paid compensation based on the number of new subscribers they sign up and the level of such subscribers usage, as well as additional incentives based on their performance.

Sales Management develops strong relationships with and promotes brand loyalty among dealers through a variety of support and incentive programs. Training programs aim to educate dealers personnel on the technical aspects of our products and services, as well as sales techniques to increase sales and enhance customer relations. The technological development projects commenced in 2007, and coupled with merchandising services, POP materials and channel specific campaigns, help to support the sales efforts in all of our sales channels.

We address strategic and large enterprises through account managers and small and medium businesses (SMBs) with indirect sales channels through corporate focused dealer organizations and through Telesales operations serving small SMBs. In 2010, with the objective of working closely with more customers and improving effectiveness and efficiency, we restructured our corporate segmentation and expanded the numbers of corporate customers handled by account managers. The main focus of this activity is to provide large and medium enterprises and SMBs with mobile services to meet their communication requirements and support these solutions with retention and acquisition programs and tariffs. We work closely with solution partners and application providers to integrate mobility into companies operations through tailor-made total solutions packages.

Advertising

We have worked continuously to bring the innovations in the mobile communications world to Turkey. Since our inception, we have helped the lives of our subscribers with time saving solutions and by providing products and services that ease and enrich their lives.

We are currently undergoing a comprehensive transformation that has been brought about by our new customer approach. Our goal is to become the strongest brand in Turkey. As Turkey s leading mobile operator, we help our customers make the most of their lives. In 2010, we tailored our communications strategy to the concept of Get more out of life with Turkcell . The Get more out of life with Turkcell concept is reinforced by our value offers: more superior technologies, more advantages, outstanding and extensive service quality, and being a leader in social responsibility. With our renewed vision, we lend our power to our customers by enabling them to be more connected to life with simple communications solutions ready at their fingertips.

In 2011, we will evaluate our current brand architecture, naming strategy and brand expression in order to create a more powerful Turkcell brand. All sub-brands will be renewed to support one Turkcell brand. Our aim is to increase the brand equity of all of our products. Turkcell group companies branding principles will also be reviewed in order to a build clearer link with Turkcell and to create more powerful, unified Turkcell brand.

Turkcell brand communications will be coordinated in a more harmonic and synergetic way to strengthen our power in communications and to deliver more consistent messages through all media. In order to ensure that each of our messages effectively reach its targeted customer segment, we advertise extensively through traditional and alternative media such as television, outdoor events, cinema, radio, digital and social media and print. We aim to communicate 360° with our customers. In 2011, our goal is to have the highest level of brand awareness among our competitors, as we did in 2010.

Table of Contents

Customer Services

The key part of our strategy is to provide basic and premium services by thinking and acting in a customer-focused manner. Our goal is to sustain a continuous relationship with the customer through customer satisfaction. We aim to achieve operational excellence throughout all customer touchpoints by continuously improving and correcting processes. We design our processes and service structure based on customer experiences.

We mainly work with two companies, Global Bilgi Pazarlama Danisma ve Cagri Servisi Hizmetleri A.S. (Global Bilgi) and Hobim Bilgi Islem Hizmetleri A.S (Hobim). Global Bilgi offers 24 hours-a-day, 7 days-a-week contact center services at several sites. Turkcell s customer service strategies for contact centers are implemented by Global Bilgi and we make sure that customer services and customer satisfaction programs, which are also provided by Global Bilgi, are executed in line with Turkcell s strategies. Hobim handles the printing of invoices and archives subscription documents for us.

In order to provide segmented customer service, we design and make improvements for all of the customer processes throughout all channels for different customer segments as well as monitor the quality of service provided.

In addition to the operational targets, we aim to achieve excellent customer satisfaction. We evaluate the performance of our service providers with the help of mystery shoppers and satisfaction surveys and make our service providers aware of any deficiencies and offer suggestions as to how to improve their service to our customers.

International Operations

A component of our strategy has been to grow or improve our business in international markets. International expansion and, in particular, continued strong operations in the countries in which we are currently present is important for us. We believe these operations will provide additional value to us in the future and will continue to serve an important role in our goal to be a leader in communications and technology.

While continued improvement of our current operations is a key priority, we may further expand and increase our presence in key emerging markets in the region, such as the C.I.S. region, Eastern Europe, the Middle East, Africa and the Balkans. Accordingly, we made investments in Ukraine in 2004 and in Belarus in 2008. We intend not only to transfer our technological know-how and marketing expertise, but also to maximize economies of scale and group synergy. As global competition increases in the telecommunications industry, companies need to evaluate opportunities for intelligent expansion within their geographic region to ensure development of new business lines and create synergies with existing ones.

In line with our business strategy, we have signed a five-year wholesale traffic purchase agreement to provide voice and data services in Germany targeting the local Turkish population and other mobile users with close ties to Turkey. The wholesale traffic purchased from a 2G/3G network was implemented in Germany, through an MVNO business model with Turkcell quality and know-how, in March 2011 under the Turkcell Europe brand.

Our international endeavors will continue in 2011. We will continue to work on building a fundamentally sound business in Ukraine and Belarus, and we will also continue to selectively seek and evaluate new international investment opportunities. These investment opportunities could include the purchase of licenses and/or acquisitions in markets outside Turkey where we currently do not operate, both in our main and adjacent communication and technology business areas.

Table of Contents

Ukraine Life:)

We acquired our interest in our subsidiary Astelit on April 2, 2004 by purchasing the entire share capital of Astelit's parent, CJSC Digital Cellular Communications (DCC), from its shareholders. Astelit, 99% owned by DCC, held a nationwide GSM1800 license. On April 4, 2006, Astelit announced a merger of DCC and Astelit, which was completed on August 1, 2006. Our interest in Astelit is held through our wholly-owned subsidiary, Turkcell Uluslararası Yatırım Holding A.S. (Turkcell Uluslararası), which holds 55.0% of Euroasia Telecommunications Holdings B.V. (Euroasia), which is the 100% owner of Astelit.

Astelit began its operations in the Ukrainian market in February 2005 with its new brand life:). As of December 31, 2010, Astelit had 9.1 million subscribers, a 25.4% annual decrease from 12.2 million subscribers as of December 31, 2009. The majority of subscribers are prepaid subscribers as of December 31, 2010. During the third quarter of 2010, the definition of active subscriber was modified to churn out any subscriber whose only activity was the receipt of bulk SMSs or call forwarding.

The life:) brand has become one of the best in the country and reached 99% recognition in the market due to its strong differentiation from existing mobile brands and focus on innovation, transparency and youthful spirit. The company has been known in the market as one of the most dynamic and innovative ever since life:) as the first to introduce a number of new technologies and products that had previously been unavailable to Ukrainian subscribers. Among them are RBT, EDGE and Mobile internet. The company is highly targeted to keep its innovation leadership in marketing and sales. As a result, Astelit expands and improves its sales network to bring its products and services to the most remote parts of the country. By the end of 2010, Astelit had 26,949 non-exclusive sales points throughout Ukraine, 269 life:) exclusive sales points and customer service centers operating in 185 cities in the country. As of December 2010, Astelit provided roaming opportunities in 172 countries via 468 roaming partners.

As of December 31, 2010, Astelit operated in 100% of the cities of Ukraine with a population of more than 10,000 inhabitants and more than 29,165 settlements, and all principal inter-city highways and roads, which corresponds to coverage of approximately 96.6% of the whole population of Ukraine or 88.9% geographical coverage with more than 8,975 base stations. Cumulative capital expenditure for the development of Astelit's coverage amounted to \$1,291.8 million as of December 31, 2010. In 2011, Astelit will continue investing to increase capacity of its network.

Astelit is strongly dedicated to further developing innovations in the market and to apply for a 3G license when one becomes available (no timetable has been announced). Currently, there is only one 3G license that has been granted in Ukraine. This license has been granted, without tender, to the state owned company, Ukrtelecom.

On December 30, 2005, Astelit signed a 6-year, \$390 million long-term senior syndicated facility. Of the total facility, \$270 million was guaranteed by Export Credit Agency (ECA) and \$120 million was not guaranteed. Based on Astelit's financial statements for the periods ended March 2006, June 2006, September 2006, December 2006 and March 2007, Astelit was in breach of certain financial covenants. Astelit received the necessary waivers from the senior lenders related to the covenant breaches in part due to additional shareholder contributions to Astelit required by the lenders. On April 19, 2007, Astelit sent a letter accompanied by a term sheet to ING Bank, the Facility Agent.

With this term sheet Astelit proposed the restructuring of the senior syndicated facility and provided notice that if some or all of the finance parties did not consent to the proposed amendments, Turkcell would purchase the loans and commitments held by such non-consenting finance parties. As the majority of the financing parties did not consent or respond to the amendments proposed in the new facility agreement, Turkcell's management decided to take over the entire loan amount. Turkcell and Astelit restructured the syndicated facility through Financell B.V. (Financell), a financing company which is 100% subsidiary of Turkcell) and finalized the amended loan agreement in the second quarter 2007. On June 25, 2007, Astelit together with Financell and Turkcell finalized the restructuring of \$390 million syndicated long term financing.

Table of Contents

In connection with this restructuring, we guaranteed the principal amount, any accrued and unpaid interest on the principal amount of the loan and interest, payment of costs, expenses and any other sums payable in connection with the loan lent by Financell to Astelit. In addition to the senior syndicated facility, a long-term junior facility agreement up to \$150 million (including interest accruals amounting to \$24 million) was also finalized with Turkiye Garanti Bankasi AS Luxembourg Branch and Akbank TAS Malta Branch in December 2005. According to the conditions of the facility agreement, interest costs will be added to the principal amount until total the principal amount reaches \$150 million. This facility was fully utilized as of December 31, 2010. This junior facility is fully guaranteed by Turkcell.

In March 2007, Turkcell, through its subsidiary Turktell Uluslararası, and SCM decided to contribute on a prorata basis an additional aggregate amount of \$200 million to the capital stock of Euroasia in four equal installments of \$50 million during 2007. The four installments were paid in March 2007, May 2007, July 2007 and September 2007. This contribution brought our effective interest in Euroasia to 55.04%.

In 2008, Turkcell through its subsidiary Turktell Uluslararası, and SCM contributed to the share capital of Euroasia an aggregate amount of \$200 million in three tranches, with two tranches each of \$50 million, in January and March 2008, and one tranche of \$100 million in May 2008 in exchange for shares in the capital of Euroasia. Turktell Uluslararası and SCM made the contributions proportionate to their shareholding in Astelit at the time of each capital contribution.

In June and October 2009, Turkcell through its subsidiary Turktell Uluslararası, and SCM contributed to the share capital of Euroasia an aggregate amount of \$121 million in two tranches: \$37 million in June and \$84 million in October 2009 in exchange for shares in the capital of Euroasia. Turktell Uluslararası and SCM made the contributions in proportion to their shareholding in Astelit at the time of each capital contribution.

On July 16, 2009, a new facility agreement with Financell was signed. The purpose of this agreement is the application of all of borrowed amounts for payments of goods and services delivered/rendered by Ericsson AB Sweden and its Ukrainian subsidiary.

As of December 31, 2010, Astelit's loan principal was \$56.6 million.

Astelit's debts are denominated in foreign currencies which expose Astelit to foreign exchange and convertibility risks.

Since the acquisition of Astelit in the second quarter of 2004, the results of our operations in Ukraine have been consolidated in our consolidated financial statements.

Belarusian Telecom

On July 29, 2008, Beltel Telekomunikasyon Hizmetleri AS (Beltel) signed a share purchase agreement to acquire an 80% stake in Belarusian Telecom, which is specialized in providing services using GSM and UMTS technologies, for consideration of \$500 million. On August 26, 2008, control of Belarusian Telecom was acquired from Belarus' State Committee on Property and \$300 million of the total consideration was paid. An additional \$100 million was paid in December 2009 and another \$100 million was paid in December 2010. An additional payment of \$100 million will be made to the seller when Belarusian Telecom records full-year positive net income for the first time.

In 2009, Belarusian Telecom signed supply agreements with supplier firms ZTE and Huawei for products and services related to infrastructure investments in Belarus. In connection with these transactions, Turkcell gave guarantees of up to \$35 million to ZTE and \$29 million to Huawei in 2009. The \$29 million guarantee given to Huawei expired in March 2011. As a result of an agreed early payment to ZTE in 2010, \$19.1 million of the \$35 million guarantee remains to be paid. In 2010, Turkcell gave an additional guarantee of \$17 million to ZTE.

Table of Contents

At December 31, 2010, Belarusian Telecom had 1.5 million subscribers, the majority of whom were prepaid, and operated through 99 exclusive and 2,227 non-exclusive sales points. During the third quarter of 2010, the definition of active subscriber was modified to churn out those who had not refilled their account in more than six months.

At December 31, 2010, Belarusian Telecom operated 2G services in all, and 3G services in 68%, of the cities with a population of more than 10,000 and with more than 12,650 settlements, and 2G-services provided in 91.7% of all principal inter-city highways and roads of Republic of Belarus (total length of all Belarus highways and roads is 15,086 km), which corresponds to coverage of approximately 96.3% of the entire population of Belarus, or 76.2% of the geographical coverage.

Kibris Telekom

Kibris Mobile Telekomunikasyon Limited Sirketi, or Kuzey Kibris Turkcell (Kibris Telekom), a 100% owned subsidiary of Turkcell, was established in 1999. As of December 31, 2010, Kibris Telekom had 0.4 million subscribers.

On April 27, 2007, Kibris Telekom signed a license agreement for installation and operation of a digital, cellular and mobile telecommunication system with the Ministry of Communications and Works of the Turkish Republic of Northern Cyprus. The license agreement became effective on August 1, 2007 and replaced the previous GSM-Mobile Telephony System Agreement dated March 25, 1999, which was based on revenue-sharing terms. The new license agreement granted a GSM 900, GSM 1800 and IMT 2000/UMTS license, for GSM 900 and GSM 1800 frequencies, while the usage of IMT 2000/UMTS frequency bands is subject to the fulfillment of certain conditions. The license agreement is valid for 18 years from the date of signing.

The license fee was set at \$30 million including VAT and Kibris Telekom paid \$15 million upon the signing of the license agreement and the remainder was paid in 5 equal monthly installments starting from August 2007 until January 2008. The license fee was financed by Kibris Telekom through internal and external funds.

On March 14, 2008, Kibris Telekom was awarded a 3G infrastructure license at a cost of \$10 million including VAT, which was paid at the end of March 2008.

In the third quarter of 2010, Kibris Telekom completed and began operating the radio transmission (airlink) project providing direct international voice and data connection to the mainland. The project is the only direct connection in the Turkish Republic of Northern Cyprus, aside from the Telecommunication Authority.

Financell

Financell is incorporated under the laws of the Netherlands and has its registered address in the Netherlands. It is established as an intermediate financing company that is wholly owned by Turkcell. Financell will borrow funds from third party lenders with or without a Turkcell guarantee to fund other Turkcell s subsidiaries.

Other Domestic Operations

We continuously monitor new business opportunities which we believe have positive return potential and/or are critical for sustaining our competitive advantage in our core business.

Global Bilgi

On October 1, 1999, we established Global Bilgi in order to provide telemarketing, telesales, directory assistance and call center services, particularly for us. In 2005, Global Bilgi completed its transition from call center to contact center as Global Bilgi started to manage customer contacts at every channel except face-to-face interaction. In November 2006, the face-to-face interaction channel was also transferred to Global Bilgi. As of December 31, 2010, Global Bilgi employed 4,565 employees, of which approximately 70% provide us with customer care and retention services, around 21% serve customers of other clients while the remainder work as administrative personnel. We own 100% of Global Bilgi.

Table of Contents

Inteltek

Inteltek was established on April 6, 2001 to explore business opportunities in the gaming industry.

Currently, Turkcell holds 55% of Inteltek through its wholly owned subsidiary Turkcell Bilisim Servisleri A.S. (Turkcell), while Intralot, a Greek gaming company, holds 20% and Intralot Iberia Holding, a Spanish company, holds 25%.

Following a successful tender, Inteltek signed a contract on July 30, 2002 which provides for the installation, support and operation of an on-line central betting system as well as maintenance and support for the provision of football betting games with a commission rate of 4.3%. The Central Betting System Contract was scheduled to expire on March 30, 2008. Following an additional successful tender, Inteltek signed a contract with the General Directorate of Youth and Sports on October 2, 2003, which authorized Inteltek to establish and operate a risk management center and become head agent for fixed odds betting with a commission rate of 12%. The company became fully operational during 2004. The Fixed Odds Betting contract was scheduled to expire in October 2011. Subsequently, there were three lawsuits filed, two of which requested the annulment of the Fixed Odds Betting tender and the other requested an annulment of the Fixed Odds Betting Tender contract. In January 2007, the Danistay, the highest administrative court, decided for a preliminary injunction of the tender and the tender transaction. As a result in March 2007, the General Directorate of Youth and Sports ceased the implementation of Fixed Odds Betting and terminated the Fixed Odds Betting contract dated October 2, 2003. Immediately after this occurred, a lawsuit was initiated by Inteltek against the said transaction. On February 28, 2007, the Turkish parliament passed a law (No. 5583) that allowed Spor Toto Teskilati A.S. (Spor Toto) to hold a new tender and sign a new contract that would be valid until March 1, 2008. Under the new conditions, the commission rate of Inteltek decreased from 12% to 7% while the commission rate for central betting system was maintained.

On February 27, 2008, the Turkish parliament passed a new law (No. 5738) that allowed Spor Toto to sign a new Fixed Odds Betting contract with Inteltek, having the same terms and conditions with the latest contracts signed with Spor Toto (contract signed as per Provisional Article 1 of Law 5583) and to be valid for up to one year, until operations start under the new tender which Spor Toto is allowed to hold in accordance with the same law. As per Provisional Article 1 of law No. 5738, Inteltek signed a new Fixed Odds Betting contract with Spor Toto, which took effect on March 1, 2008. A lawsuit was filed requesting suspension of the execution and cancellation of the contract. At the same time, Inteltek signed a new Central Betting System contract with Spor Toto, which took effect on March 31, 2008. Spor Toto conducted the new tender on August 12, 2008, which Inteltek won with an offer of 1.4% on August 28, 2008. On August 29, 2008, Inteltek signed a new contract with Spor Toto to run the sport betting business, iddaa, for the next 10 years, which became effective as of March 1, 2009 and thereby terminated the Fixed Odds Betting and Central Betting Systems contracts that had been effective in March 2008. Other than the change in commission rate and the right to offer bets on other sports, there is no significant change in terms of Inteltek's roles and responsibilities under the new agreement.

This new contract gives Inteltek rights to operate fixed odds betting and pool games on sports games, in accordance with conditions stated in the agreement. Under this contract, Inteltek guaranteed TRY 1,500 million (equivalent to \$990 million as of April 7, 2011) turnover for the first year of the contract and has given similar guarantees for future years. The guaranteed turnover for the following years will be computed using producer price indices. Inteltek shall pay the guaranteed turnover difference (after deducting commission income) to Spor Toto if actual turnover is below guaranteed turnover. In 2009 and 2010, actual turnover of the contract had exceeded that amount. Moreover, Inteltek as the contractor, has to purchase 6,000 terminals and 1,000 mobile terminals within 6 months of the commencement of operations under new contract and is responsible for the installation of the terminals upon Spor Toto's demand. The contractual obligations regarding the purchase of terminals and mobile terminals have been fulfilled by Inteltek. Inteltek signed mobile betting dealer agreement with Spor Toto on January 12, 2010 which gives the Company the right to operate 1,000 mobile terminals. Reconciliation with Spor Toto for the payout will be realized at the end of the contract.

Table of Contents

In the context of evaluating investment opportunities in neighboring countries, 55% owned subsidiary, Inteltek received authorization from Azerbaijan Azeridmanservis Limited Company to organize, operate, manage, and develop the fixed and paramutual sports betting business in Azerbaijan. In this context, Azerinteltek was incorporated on January 19, 2010 in Azerbaijan with 51% stake of Inteltek. Azerinteltek signed license agreement for the authorization of organization and operation of betting games in September 2010. Under the license agreement, Azerinteltek will operate on an exclusive basis for a period of 10 years.

On December 29, 2010, Azerbaijan's Ministry of Justice published Decree No.55 to regulate taxes to be levied from betting games. Following this development, AzerInteltek began officially conducting sports betting games on January 18, 2011.

Superonline

On May 21, 2008, Turkcell, our 100% owned subsidiary, signed an agreement with Cukurova Group to acquire a 100% stake in Superonline, which provides internet and telecommunications services, in exchange for our 55% share in Bilyoner Interaktif Hizmetler AS (Bilyoner). Consequently, our subsidiary Tellcom, which was established in 2004 to provide non GSM telecommunications services, and Superonline merged on May 1, 2009. We own 100% of this company, which is called Superonline.

Superonline has a Long Distance Telephony Services (LDTS) right, which allows the company to provide long distance call origination and termination for consumers and corporations, as well as wholesale voice carrying services. It also has authorization to provide satellite communication services, infrastructure operating services, internet services and wired broadcasting services. Currently, the company carries some of Turkcell's international traffic, previously carried by Turk Telekom.

Established as an alternate telecom service operator, Superonline offers its international and national clients wholesale voice carrying, international lease data lines (for corporate clients) and Internet access service with international connectivity. It is one of the main long distance service providers among alternative operators. Furthermore, Superonline is in the retail broadband market as it brings fiber optics to the homes of residential campuses and resells Turk Telekom's ADSL services.

Superonline is an innovative telecommunications operator providing fast communication technology with its fiber optic infrastructure in Turkey as well as telecommunication solutions to individuals and corporations in the areas of voice, data and videos (triple play) and continues to invest quickly in its fiber optic infrastructure with a view to forming its dedicated IP backbone.

Superonline's most distinctive feature, is its extensive product portfolio, from broadband connection to VoIP services to multimedia services, which allows it to reach a wider audience with different products. Among these are one-stop business solutions, such as IP telephony, hosted PBX, long distance telephony, corporate voice community, internet transport, hosting and co-location, security, net-sourcing areas on Wired & Wireless IP and TDM platforms. Additionally, Video-On-Demand, Remote Surveillance, Virtual Phone Number Allocation, Free-Phone Communities and Mobile VoIP access are among the value-added Broad-Band VoIP services provided by Superonline to the consumer market.

Superonline also provides corporate data solutions on its MPLS enabled network, including internet access services, point-to-point services based on MetroEthernet, Fiber and xDSL access technology. In addition to off-the-shelf products, tailor-made communication solutions for large corporations set Superonline apart from its competitors. Operating its own Next Generation Network, Superonline seamlessly combines technology, capacity and quality while offering premium services to its clients.

Another differentiating factor is Superonline's steadfast commitment towards the quality of after-sale services utilized through a call center and an on-site support team. Superonline supplies corporations with industry-leading service level agreements utilizing its professional technical support personnel and highly qualified team of consultants.

Table of Contents

Superonline has been awarded the ISO 9001:2000 Quality Management System Certificate. Superonline aims to become one of the leading innovative TELECommunications Operators in Turkey and it will continue to seize opportunities in the internet and telecommunications markets.

In 2010, Superonline continued to invest in its transmission network by expanding the intercity and in-city fiber-optic backbone along with establishing new fiber-based access points at selected residential and industrial areas for end users and commercial account holders. As of December 31, 2010, Superonline's installed backbone was approximately 22,400 km and its services reached 73 cities in Turkey.

Furthermore, in December 2009, Superonline won a tender worth EUR 20.9 million to lease the fiber optic infrastructure network of BOTAS, Turkey's State-owned pipeline company, for 15 years. According to this new contract, Superonline holds the right of way for a total of 11,280 kilometers from BOTAS, half of which has a pre-installed fiber readily available as well as the rights to invest in and renovate the remainder. Through this contract, it is expected that Superonline's network quality and speed will improve while the size of its network will increase 2.5 times to 24,000 kilometers. Additionally, by integrating the BOTAS infrastructure network into its current network, it is expected that Superonline will establish alternative paths for its network and will be able to provide faster and higher quality service. Furthermore, it is expected that Superonline will expand to certain cities in the northern and eastern regions Turkey for the first time by providing fiber optic infrastructure in 38 new cities and will reach out to 74 cities in total, which adds up to 90% of the Turkish territory, while expanding its current international exit points by entering new markets in addition to Bulgaria and Greece.

In 2010, Superonline, together with Etisalat (UAE), Mobily (Saudi Arabia), Jordan Telecom, Mada-Zain Consortium (Jordan), and Syria Telecommunications Establishment (Syria) signed an agreement that will initiate the Regional Cable Network (RCN) Project. Starting from Fujairah (United Arab Emirates) and passing through Riyadh (Saudi Arabia), Amman (Jordan), Tartous (Syria) and reaching Istanbul (Turkey), the RCN Project's fiber optic cable line is expected to cover the entire Gulf region in the Middle East for the first time and be operating as of the second half of 2011. Totalling 7,750 km with its round trip routes, the RCN Project is expected to become the region's longest terrestrial fiber infrastructure between Fujairah, one of the busiest nodes for submarine fiber cables, and the West. The RCN project offers the region an alternative internet infrastructure with a high-capacity and far more economical structure (compared to the submarine systems), which is diversified into two separate routes. This infrastructure, which will cross five countries and intersect in five cities has the ability to provide capacity of 12.8 Terabits per second. The RCN project is designed to reach Europe through more than 15 access points readily available on the Bulgarian border and to initially activate 2.4 Terabit per second capacity along the two different routes which the fiber optic cables will follow.

In addition, Superonline founded, with six other leading service providers, the Turkish Network Alliance Platform (TNAP) to improve the quality and reduce the access time by carrying Internet traffic of Internet service providers through a fiber backbone that is a safe and back-up route of access established by the service providers. TNAP is expected to increase the speed, safety and quality of Internet traffic and improve the load of domestic Internet traffic in addition to supporting a better infrastructure for Internet service providers.

Superonline aims to expand its own network and further utilize the group synergy created with Turkcell. The Company will continue to take advantage of business opportunities within the broadband industry in 2011.

Global Tower

Global Tower is a wholly owned subsidiary founded in 2006. Global Tower's core business is to supply installation, leasing and maintenance services of tower, rooftop and indoor infrastructures for mobile operators, TV & radio broadcasters and operators of civilian/military wireless communication/monitoring systems. Global Tower's site sharing business model eliminates the initial investment cost for its customers and also contributes to the reduction of adverse environmental impacts and the efficient use of resources in the countries in which it operates.

Table of Contents

Having begun operations in 2007, Global Tower serves its customers with a portfolio of more than 5,000 existing tower sites. Global Tower, Turkey's first and only tower infrastructure service provider company, began operations in Ukraine in 2009 under the name LLC UkrTower (UkrTower).

Turkcell Teknoloji

Turkcell Teknoloji commenced operations in the TUBITAK Marmara Research Center Technological Free Zone in Gebze in 2007. Turkcell Teknoloji offers a wide variety of products and services within the categories of network platform, service platform, SIM and terminal solutions, as well as next generation technologies (mobile internet, mobile marketing, multimedia applications, business intelligence solutions and business support systems). Turkcell Teknoloji focuses on changing, transforming and facilitating human life with customer-oriented and innovative solutions in numerous fields. Many products that make a difference are developed in the company, where employees' creative ideas are gathered.

Turkcell Teknoloji cooperates with business partners covering a network of national and international R&D companies, universities and research centers. New ideas are mutually nurtured and transformed into assets. Turkcell Teknoloji plays an active role in international R&D programs and works with the world's leading R&D technology companies and universities.

Equity Accounted Investments

Fintur

We hold a 41.45% stake in Fintur, which holds interests in international mobile communications operations. Below is a description of the businesses currently held by Fintur.

Azercell

Fintur indirectly owns 51.3% of Azercell Telekom B.M. (Azercell), which offers GSM services on both a prepaid and a postpaid basis in Azerbaijan. As of December 31, 2010, Azercell had approximately 4.0 million subscribers, of which approximately 169,000 were postpaid and approximately 3.8 million were prepaid.

The agreement for the privatization of the Republic of Azerbaijan's 35.7% ownership in Azercell was signed in February 2008 and Azertel A.S., the parent company of Azercell, acquired the Republic of Azerbaijan's entire stake. Azertel's ownership in Azercell increased to 100%; however, Fintur's effective ownership in Azercell remains at 51.3%.

Geocell

At December 31, 2010, Fintur indirectly owned 100% of Geocell Ltd., (Geocell), which operates a GSM network and offers mobile telephony services in Georgia. As of December 31, 2010, Geocell had approximately 2.0 million subscribers, of which approximately 30,000 were postpaid, approximately 0.3 million were paid-in-advance subscribers that had postpaid services but paid in advance and approximately 1.7 million were prepaid.

Kcell

Fintur owns 51% of GSM Kazakhstan, (Kcell), along with Kazakhtelekom, the Kazakhstan monopoly fixed-line operator, which owns 49%. Kcell offers mobile telephony services in Kazakhstan and had approximately 8.9 million subscribers as of December 31, 2010, of which approximately 74,000 were postpaid, approximately 1.3 million were paid-in-advance subscribers and approximately 7.6 million were prepaid.

Table of Contents

Moldcell

At December 31, 2010, Fintur directly and indirectly owned 100% of Moldcell S.A., (Moldcell), which offers GSM services in Moldova. As of December 31, 2010, Moldcell had 0.9 million subscribers, of which approximately 76,000 were postpaid, approximately 0.3 million were paid-in-advance subscribers and approximately 0.6 million were prepaid.

Equity Accounted Joint Venture

A-Tel

On August 9, 2006, Turkcell acquired 50% of A-Tel's shares. A-Tel is a joint venture and its remaining 50% shares are held by SDIF. A-Tel is involved in marketing, selling and distributing our prepaid systems. It acts as our only dealer for Muhabbet Kart (a prepaid card), and receives dealer activation fees and Simcard subsidies for the sale of Muhabbet Kart. In addition to the sales of Simcards and scratch cards through an extensive network of newspaper kiosks located throughout Turkey, we have entered into several agreements with A-Tel for the sale of campaigns and for subscriber activations. Since 1999, the business cooperation between us and A-Tel has provided important support to our sales and marketing activities. With the brand name Muhabbet Kart, A-Tel's success in such a competitive environment is partly due to its having well structured campaigns.

Potential Investments

Our efforts to selectively seek and evaluate new investment opportunities continue. These opportunities may include the purchase of licenses and acquisitions of interests in other operators in markets outside Turkey in which we currently do not operate, focusing on communications, technology and adjacent and new business opportunities. Our international expansion strategy focuses on key emerging markets, mainly in Eastern Europe, the Middle East, Africa and the Balkans.

In line with our international expansion strategy, we submitted, via one of our wholly owned subsidiaries, a bid for the Fixed and Mobile Convergent License Tender held by the Libyan General Telecommunications Authority on July 15, 2009. The license was not awarded to any of the bidding companies, as none of the proposals was deemed satisfactory by the Libyan General Telecommunications Authority. Nevertheless, Libya remains one of the countries that we continuously monitor for opportunities.

We submitted a bid on April 15, 2009 for the first tender of the games of chance business, which was cancelled on May 7, 2009 due to the bidders not raising the bids for the amount set by the Privatization Administration Tender Commission. If the Turkish National Lottery General holds a tender for the privatization of the games of chance business in 2011, which presents an attractive opportunity for us and our subsidiaries, we will pursue it.

Our international endeavors will continue in 2011. We will continue to selectively seek and evaluate new international investment opportunities. In the context of our evaluation of potential investment opportunities within the regions we target for international expansion strategy, Turkcell has, from time to time, considered opportunities in countries in the Middle East and North Africa, and may consider such opportunities in the future. We may participate in additional public tenders for new licenses or the privatization of public telecom companies as well as in private sale transactions in emerging markets to pursue investment opportunities in line with our growth strategy.

Furthermore, following the launch of Turkcell Europe in Germany, we will evaluate expanding into other Western European countries where there is a sizeable Turkish community by becoming a wholesale partner with one of the existing mobile network operators.

Table of Contents

Regulation of the Turkish Telecommunications Industry

Overview

All telecommunications activity in Turkey is regulated by the ICTA. Electronic Communications Law no. 5809 (the Electronic Communications Law), which came into force on November 10, 2008 and replaced Law no. 406 and 2813, is the principal law governing telecommunications activity in Turkey. The Electronic Communications Law was published to correspond to the rapidly evolving Turkish telecommunications industry, and new regulations are in the process of being published. No assurance can be given that these new regulations will be clear and satisfactory to us. The duties of the ICTA, which may be exercised in a manner that is adverse to our operations and our financial results, include those described below.

ICTA

The ICTA has the authority to grant licenses and set fees in the electronic telecommunications industry. The duties of the ICTA are specified in Article 6 of the Electronic Communications Law. The duties and authorizations of the ICTA include, among others:

analyze the electronic telecommunications industry, determining the relevant markets as well as the operator(s) who have significant market power;

make necessary arrangements and perform audits relating to electronic communications as well as to the rights of the subscribers, users, consumers and end-users, in addition to processing personal information and protecting confidentiality;

maintain transparency in the board decision process related to the operators and consumers, including explanation of the legal reasoning used;

process the reconciliation procedure between the operators and, unless otherwise agreed by the parties, take necessary measures in the event of a failure of the parties to reach an agreement;

allocate frequency and satellite position, as well as plan numbering and its allocation;

determine operators' trade secrets and the scope of the information to be explained to the public, while also securing such trade secrets, in addition to confidential investment information and working plans, to protect operators, per the request of judicial authorities;

determine the principles and procedures of access, including interconnection and national roaming;

determine the terms and conditions of the authorization to provide communications services, network and/or its infrastructure; audit its implementation and compatibility to the authorization;

audit (or be audited on) the legality of the companies that have operations in the electronic communications sector, in addition to determining the principles and procedures related thereto and applying sanctions where there is a contradiction; and

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impose an administrative fine on operators of a maximum of 3% of the previous calendar year's net sales in the event of infringement of the Electronic Communications Law.

According to Article 8 of the Electronic Communications Law, electronic communications services is rendered and/or established (as in the case of an electronic communications network or infrastructure) and operated following the authorization made by the ICTA. Authorization is granted either through notification made in accordance with the principles and procedures determined by the ICTA, in cases where scarce resource allocation is not necessary, or given of usage right, in cases where resource scarce allocation is necessary (allocation of frequency, satellite position, etc.). Under the Electronic Communications Law, usage rights may be granted for up to 25 years; however, there is no clause relating to the term of notification. According to the Electronic Communications Law, principles and procedures relating to the notification and granting of usage rights shall be determined by the regulation issued by the ICTA.

Table of Contents

On the other hand, in cases where the quantity of rights of use is limited, Section 9-6(a) of the Electronic Communication Law allows the Ministry of Transportation and Communication to determine the criteria, such as (i) the authorization policy regarding electronic communications services which cover the assignment of satellite position and frequency band on a national scale and which need be operated by a limited number of operators, (ii) the starting date of the service, (iii) the duration of the authorization and the number of operators to serve. While the criteria are determined by the Ministry of Transportation and Communication, the authorization is still granted by the Authority.

Under the Electronic Communications Law, the ICTA is authorized to determine the principles and procedures related to the process of personal information and protection of confidentiality.

The Electronic Communications Law establishes legal principles and broad policy lines that the ICTA must follow. They include:

Creation and protection of a free and efficient competitive environment.

Protection of consumer rights and interests.

Protection of the objectives of development plans and Government programs as well as the strategies and policies set by the Ministry.

Promotion of implementations that ensure that everyone can benefit from electronic communications networks and services in return for a reasonable charge.

Ensuring non-discrimination among subscribers, users and operators under fair conditions and ensuring that services are accessed by users of similar status under fair conditions, unless based on objective grounds or for the aim of facilitating the access of services with definite cover and certain limits specific for dependents.

Unless to the contrary as specified by this Law or based on objective grounds, promotion of qualitative and quantitative sustainability, regularity, reliability, efficiency, clarity, transparency and the efficient use of resources.

Ensuring the conformity of electronic communications systems to international norms.

Promotion of research and development activities and investments by introducing technological improvements.

Promotion of improved service quality.

Giving priority to the requirements of national security, public order and emergency situations.

Except as clearly established in this Law, in relevant legislation and the authorizations, allowing operators to freely determine tariffs in return for providing electronic communications services access charges including interconnection line and circuit rental fees including interconnections.

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Taking into consideration the international norms, with a view of at least protecting human health, life and property, environment and the consumer while constructing, using and operating electronic communications equipment and systems.

Ensuring impartiality in the provision of electronic communications services and arrangements thereof.

Taking into consideration the specific needs, including the use of technological developments of disabled, elderly and those who are in need of social protection.

Protection of information safety and communication confidentiality.

The Electronic Communications Law also specifies general rules and principles relating to interconnection between operators. According to the law, for those who are subject to the obligation to provide access, such obligation shall be determined by the ICTA. When an operator does not allow other operators to have access within the provisions of the law or it sets forth unreasonable stipulations and periods for access in a manner that

Table of Contents

results in not allowing access, and, as a result, the ICTA decides that such behavior will prevent the formation of a competitive environment and the resulting situation will be against the interests of end users, the ICTA will be entitled to impose obligations on such operator to accept the access requests of other operators. Interconnection, including the tariffs for interconnection, is required to be provided on an equal, transparent and non-discriminatory basis with conditions agreed upon between the parties and on the basis of cost and reasonable profit. Agreements for interconnection are publicly available, but precautions are taken by the ICTA to protect commercial secrets of the parties.

Universal Services and Amending Some Laws, Law No. 5369, determines the procedures and principles governing the provision and execution of universal service and to determine procedures and the rules relating to fulfillment of universal services in the electronic communication sector, a universal public service that is financially difficult for operators to provide (and performance of universal service obligation in electronic communication sector). As per the provision of Law No. 5369, the scope of universal services is determined periodically by the Council of Ministers, which will not exceed three years.

The legislation designates the following as Universal Services:

fixed-line telephony services;

public pay telephones;

telephone directory services to be provided in printed or electronic environments;

emergency calls services;

Internet services;

Passenger services to residential areas where access is provided by sea; and

Sea communication and sailing safety communication services.

This law mandates that all authorized operators must provide Universal Services and the General Directorate of Communication can demand that operators provide Universal Services on a national and/or geographical area basis.

The legislation does not impose any new financial obligations for GSM operators. Turkcell may be designated as an operator obliged to provide Universal Services and therefore Turkcell may benefit from the fund.

The Electronic Communications Law also specifies general rules and principles relating to tariffs. Pursuant to the Electronic Communications Law, operators may freely determine the tariffs they apply in compliance with the relevant legislation and the ICTA arrangements. In the event of determination of the significant market power of the operator, the ICTA may determine the method of the approval, tracking and auditing of the tariffs. They may also determine the lower and upper limit of the tariffs and principles and procedures of the application of the same.

The Electronic Communications Law provides basic guidelines for price and thus leaves the detailed rules and enforcement to the ICTA. According to the law:

(1) the Tariff may be determined as one or more of subscription fee, fixed fee, call charge, line rental, and similar fee items.

(2) Tariffs to be imposed in return for providing any kind of electronic communications services shall be subject to the following provisions:

a) Operators shall freely determine the tariffs under their possession, provided that they comply with the regulations of the ICTA and the relevant legislation.

Table of Contents

b) If an operator is designated as having significant market power in the relevant market, the ICTA shall be entitled to determine the procedures regarding the approval, monitoring and supervision of tariffs as well as the highest and lowest limits of the tariffs and the procedures and principles for the implementation thereof.

c) If an operator is designated as having significant market power in the relevant market, the ICTA shall be entitled to make the necessary arrangements to prevent anti-competitive tariffs such as price squeezing and predatory pricing and to supervise the implementation thereof.

(3) Procedures and principles pertaining to the implementation of this article, submission of tariffs to the ICTA and publishing and announcing them to the public shall be determined by the ICTA.

The ICTA abolished The Regulation On Quality of Service (issued in 2005), and published a new Regulation On Quality of Service in the Electronic Communication Sector on September 12, 2010, to be effective as of December 31, 2011 which sets out the procedures and principles to control the conformity of the services of operators. According to the regulation, new and important obligations with respect to call centers will be applicable to all operators that provide service to end users. Furthermore, mobile telephone operators are required to meet new service quality requirements and submit a report based on these requirements every three months to the ICTA.

According to this regulation, the ICTA may intervene in the structure of our tariffs or may impose certain criteria relating to the revision of our tariffs. If it is determined that an operator has significant market power in the related market, the ICTA requires the operator to comply with its tariff regulations and may regulate the tariffs of the operator concerned by requiring that such tariffs be approved in advance or by applying lower and upper limits. Pursuant to its decision dated December 8, 2009, the ICTA determined Turkcell, individually, to be an operator holding a significant market power in the Access to Mobile Networks and Call Originating Markets and, together with Avea and Vodafone, to be an operator holding significant market power in the Mobile Call Termination Market. As a result of the significant market power designation in the Access to GSM Mobile Networks and Call Originating Markets, our company may be required to provide access and call origination services to other operators such as MVNOs and Directory Services Operators on a cost-based basis, while operators not designated as operators holding significant market power can set their prices more freely. For example, due to our status as an operator holding significant market power, we are required to provide access and call origination services to a certain MVNO operator. Being designated as an operator holding significant market power in the Access to GSM Mobile Networks and Call Originating Markets is likely to have the effect of reducing the rates we can charge other operators, such as MVNOs, which would have a material adverse effect on our business and results of operations. Furthermore, in addition to the negative pricing conditions, the uncertainty concerning the MVNO market has, and may in the future, negatively impact our business.

The ICTA published the Regulation on Processing Personal Information and Protecting Confidentiality in the Telecommunications Industry on February 6, 2004. This Regulation establishes general principles to secure personal information and protect confidentiality. The Regulation established the following principles: an operator's technical or administrative precautions to secure its services and its network must be approved by the ICTA; operators must warn their consumers about risks and give them information to prevent such risks; except pursuant to a legal obligation or court decision, an operator may not listen to, observe, record, preserve or disconnect voice telecommunications without the permission of those communicating; and operators may not observe, record or preserve data traffic concerning telecommunications except for their services. The ICTA is preparing to abolish the Regulation on Personal Information Processing and Protection of Privacy in the Telecommunications Sector, and preparing to publish a new Regulation on Data Privacy in Electronic Communications Sector. As a result, the ICTA requested our Company's opinions on the draft regulation. The purpose of this regulation is to define the procedures and principles that govern the operators and legal entities/individuals which provide/receive services in the electronic communication sector in an effort to process, store and protect the personal information of subscribers. In contrast to the current regulation, the draft regulation would require the consumer's approval prior to a direct marketing SMS being sent. Therefore, if this regulation is

Table of Contents

approved, our methods of contacting customers about new tariff offers and services will be impeded unless we already have the subscriber's permission. In addition, all of our subscribers' traffic data, including those related to missed calls and data processing logs, would be required to be maintained by us for one year, which would result in additional expenses for the Company.

On September 5, 2004, the ICTA abolished the Regulation on Administrative Fines to be imposed on the Operators (published on August 1, 2002) and published the Regulation on Administrative Fines, Sanctions and Precautions to be imposed on the Operators. According to the amended Regulation the ICTA retains the right to impose fines in the event an operator: submits incorrect or misleading documents or fails to submit documents as requested by the ICTA; does not timely submit such documents; does not permit inspection or audits to be made by the ICTA; uses unpermitted equipment or equipment not complying with standards alters technical features of equipment; or, does not pay fees arising from its use of license and frequencies or does not comply with the provisions of license agreements, telecommunications licenses and general authorizations or the legislation. In addition, the amended Regulation authorizes the ICTA to impose sanctions and precautions as well as administrative fines.

Regulation on Authorization regarding the Electronic Communication Sector

In 2009, the ICTA published the Regulation on Authorization regarding the Electronic Communication Sector, which determines the principles and procedures for the authorization of the companies that seek to provide electronic communication services and/or to install or operate electronic communications networks or infrastructure.

Wireless Interoperability for Microwave Access (WIMAX) license

Regulatory changes in Turkey to introduce and promote WIMAX nationwide could have a material adverse effect on our business and results of operations. Specifically, they may result in increased competition and/or the entry of new direct or indirect competitors, which may have a negative impact on our ability to attract and retain customers, the competitiveness of our products and services, our distribution channels, our brand and visibility and our infrastructure investments.

Fixed line telephone services

The ICTA issued Fixed Telephony Service (FTS) licenses pursuant to the Regulation on Authorization regarding the Electronic Communication Sector, which enables existing long distance telephony services (LDTS) operators, such as our subsidiary Superonline Iletisim Hizmetleri A.S. (Superonline), to provide call origination and termination. LDTS and, consequently, FTS providers have not yet had a significant effect on our operations. In the long term they could have the effect of driving down prices and shifting traffic patterns for in-city as well as long distance calls in Turkey, potentially having an adverse effect on our mobile telecommunications business.

As of March 11, 2011, there were 122 operators with authorization for Fixed Telecommunication Services: 70 for Infrastructure Operating Services; 121 for Internet Service Provision Authorization; 29 for Mobile Virtual Network Services Operators and 9 for Directory Service Operators.

On February 3, 2010, the ICTA published a new Regulation entitled The Right of Way in Execution of the Electronic Communications Services and abolished the Regulation entitled The Right of Way in Execution of the Telecommunication Services. This Regulation aims to determine the principles and procedures for the right of way for the establishment and usage of all kinds of electronic communications networks and/or infrastructure facilities; which is required for the execution of electronic communications services.

Table of Contents

Regulation on Mobile Number Portability (MNP)

Pursuant to Article 32 of the Electronic Communications Law, operators are required to supply operator number portability.

MNP allows subscribers to keep their existing telephone number when changing their telephone operator, their physical location or current service plan. These regulations, published in 2007, became operational in the fourth quarter of 2008. Since we believe the MNP regulations conflict with our rights under our license agreement, without due compensation, we initiated a lawsuit in 2007 for the annulment of the MNP regulations. While we do not object to the substance of mobile number portability, we do, however, believe that our rights under our license agreement should remain protected or, if they are violated, we should be justly compensated. The Court rejected the case and we appealed the decision. The appeal process is still pending. See Item 8.A Consolidated Statements and Other Financial Information Legal Proceedings . In 2009, the ICTA issued a new regulation on MNP, abolishing the 2007 regulation. For new subscriptions, subscribers cannot port out to another operator in the first three months.

Turkish Competition Law and the Competition Authority

In 1997, the Competition Law (No. 4054) established a Competition Board. The Competition Board consists of 7 members who are appointed for a term of six years. It is an autonomous authority with administrative and financial independence established to ensure effective competition in markets for goods and services.

Powers and Functions of the Competition Board

The Competition Board can carry out investigations, evaluate requests for exemptions, monitor the market, assess mergers and acquisitions, submit views to the Ministry of Industry and Trade and perform other tasks stipulated by the Competition Law. The ICTA can apply to the Competition Board if it determines that agreements regarding access, network interconnection and roaming violate the Competition Law.

Furthermore, any real or legal entity may file a complaint with the Competition Board. Upon determination of any violation, the Competition Board can take necessary measures to prevent the violation and may impose fines on those who are liable for such prohibited practices. According to Competition Law, the Competition Board may impose fines up to 10% of the annual gross income of the operators, which is constituted by the end of the previous financial year and determined by the Competition Board. In September 2002, the ICTA and the Competition Board entered into a Protocol on Cooperation. The Protocol establishes a framework whereby the ICTA and the Competition Board can cooperate on legal actions and attitudes regarding measures, detections, regulations and inspections that affect competition conditions and the extension of competition in the telecommunications sector. The Protocol on Cooperation allows issues to be resolved more effectively and maintains a free and sound competition environment in the telecommunications sector. Furthermore, it prevents controversial and/or misleading statements by handling the complaints of the operators, and it harmonizes the interpretation of related legislation thus enabling mutual cooperation and information transfer.

GSM Licensing in Turkey

A GSM license is subject to the ICTA's right to suspend or terminate operations of the license on the grounds of security, public benefit, national defense or to comply with the law. However, suspension or takeover of facilities under these circumstances is subject to the payment of compensation to the operator. The ICTA can also inspect such licensee and nullify its license if the licensee has materially failed to comply with the terms of its license. The ICTA may also terminate licenses in cases of gross negligence or non-payment of the authorization fee.

The terms of license agreements are governed by the Authorization Regulation, and it provides that the ICTA approve the transfer of licenses to third parties, ensure continuation of services in the event of cancellation of a license and approve the investment plans submitted by licensees.

Table of Contents

The licensee is responsible for installing telecommunications equipment in conformance with international signalization systems and numbering plans. Furthermore, the licensee is obligated to make those investments which are necessary to offer the licensed service. These obligations include the design of the service, the making of financial investments and the installation and operation of the facility required for the service. Licensees are allowed to determine the prices for services, subject to the regulations of the ICTA. Upon the expiry of a license, including termination, the facilities and immovables of the licensee, in operating condition, will be transferred by the licensee in accordance with the license agreement.

Our License Agreement

General

Since April 1998, we have operated under a 25-year GSM license for which we paid an upfront license fee of \$500 million. In 2002, we signed a renewed license agreement for our GSM license which provides that a monthly payment of 15% over our gross revenue paid to the Turkish Treasury shall be subject to the legal interest rate. If such payments are not duly paid twice in any given year, a penalty in an amount equal to triple the last monthly payment shall be payable to the Turkish Treasury. In addition, we must pay annual contributions in an amount equal to 0.35% of our gross revenue to ICTA's expenses. Finally, an article concerning the protection of users (subscribers) rights and an article concerning arbitration for the settlement of disputes are included in the renewed license agreement. After the tender relating to the allocation of additional GSM 900 frequency bands, made by the ICTA on in June 2008, the license agreement was amended to include the additional frequency band and was signed by Turkcell and the ICTA in February 2009, which made small additional changes in the articles of the license agreement entitled performance bond and allocated frequency bands.

Terms

Under the license agreement, we hold a licensed concession to provide telecommunications services in accordance with GSM-PAN European Mobile Telephone System standards in the 900 MHz frequency band. Our license covers 55 channels and allocates telephone numbers between the 530 and 539 area codes in the national numbering plan. Our license also permits us to establish customer service centers, sign contracts with subscribers and market our services to subscribers. Our license was issued with an effective date of April 27, 1998, for an initial term of 25 years. At the end of the initial term, we can renew our license, subject to the approval of ICTA, provided that we apply between 24 months and 6 months before the end of our license. Our license is not exclusive and is not transferable without the approval of the ICTA.

We paid a license fee of \$500 million to the Turkish Treasury upon effectiveness of our license. As security for the performance of our obligations, we were required to deliver cash or a bank guarantee equal to 1% of our license fee as a performance bond. In addition to this performance bond, upon the execution of the license agreement dated February 25, 2009, we were also required to deliver cash or a bank guarantee in the amount of TRY 1,264,500 (approximately \$ 834,268 as of April 7, 2011) which corresponds to 6% of the tender (relating to the allocation of GSM 900 additional frequency band) price, as a performance bond. On an ongoing basis, we must pay 15% of our gross revenue, defined as of March 2006 to exclude interest charges for late collections from subscribers and indirect taxes such as 18% VAT as well as other expenses and the accrued amounts that are recorded for reporting purposes to the Turkish Treasury.

On June 25, 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 June 30, 2005, we pay 90% of the treasury share to the Turkish Treasury and 10% to the Turkish Ministry as universal service fund.

Furthermore, under the Regulation on Authorization regarding the Electronic Communication Sector, all kinds of share transfers, acquisitions and actions of the operators which are authorized by a Concession Agreement must be communicated to the ICTA, and share transfer, acquisition and actions shall be made with

Table of Contents

the written approval of the ICTA if they result in a change of control component of such operators. The control component is defined as the rights that allow for applying a decisive effect on an enterprise, either separately or jointly, de facto or legally .

License Conditions

Our license subjects us to a number of conditions. While the license agreement provides that our license may be revoked in the event that we fail to meet any of these conditions, we believe that we are currently in compliance with all license conditions.

Coverage

Our license requires that we meet coverage and technical criteria. We must attain geographical coverage of 50% of the population of Turkey (living in cities or towns of 10,000 or more inhabitants) within three years of our license's effective date and at least 90% of the population of Turkey (living in cities or towns of 10,000 or more inhabitants) within five years of the effective date of our license. This coverage requirement excludes coverage met through national roaming and installation sharing arrangements with other GSM systems and operators. Upon the request of ICTA, we may also be required, throughout the term of our license, to cover at most two additional areas each year. Except in the event of force majeure, we must pay a late performance penalty of 0.2% of the investment in the related coverage area per day for any delay of more than six months in fulfilling a coverage area obligation. As of today, we have met and surpassed all coverage obligations.

Service Offerings

Our license requires that we provide services that, in addition to general GSM phone services, include free emergency calls and technical assistance for customers, free call forwarding to police and other public emergency services, receiver optional short messages, video text access, fax capability, calling and connected number identification and restrictions, call forwarding, call waiting, call hold, multi-party and three-party conference calls, billing information, and the barring of a range of outgoing and incoming calls.

Service Quality

Generally, we must meet all the technical standards of the GSM Association as determined and updated by the European Telecommunications Standards Institute and Secretariat of the GSM Association. Service quality requirements require that call blockage not exceed 5% and call drops not exceed 2% of the total calls. The ICTA has the right to monitor our service standards, compile information, and take action to guarantee customer rights. Additionally, as a guarantee of our service and coverage commitments, we must obtain all-risk insurance coverage at an adequate amount to provide for uninterrupted operation.

Tariffs

The license agreement regulates our ability to determine our tariff for GSM services. The license agreement provides that, after consultation with us and consideration of tariffs applied abroad for similar services, the ICTA sets the initial maximum tariffs in Turkish Lira and U.S. Dollars. Thereafter, our license provides that the maximum tariffs shall be adjusted at least every six months. The license agreement provides a formula for adjusting the existing maximum tariffs. For the adjustment of the maximum tariffs established in Turkish Lira, the formula is: the Turkish Consumer Price Index announced by the Ministry of Industry and Trade for Turkey minus 3% of the Turkish Consumer Price Index announced by the Ministry of Industry and Trade. For the maximum tariffs established in US Dollars, the same method is applied to the USA Consumer Price All Item Index Numbers.

Although the Concession Agreement includes a provision regarding only the increase of the maximum tariffs, the ICTA has decreased the maximum tariff since 2007, which has negatively affected our tariff structure (the last decision being on September 1, 2010). The Company initiated lawsuits for the annulment of such decisions. The lawsuits are pending.

Table of Contents

Pursuant to a board resolution dated September 22, 2010, the ICTA decided that Turkcell had to reimburse its subscribers in regards to a change in one of its tariff options (namely, BizBize Her Yöne Kamu 1500) and fined Turkcell an amount equal to 0.33% of Turkcell's 2009 net sales. We initiated a lawsuit to suspend the execution of the decision, which the Regional Ankara Administrative Court did. We also requested the annulment of the ICTA's decision. This process is still pending.

The maximum tariffs set by the ICTA constitute the highest rates we may charge for the services included in these customized service packages. Generally, the maximum tariffs set by the ICTA for particular services are set higher than the standard tariffs determined by the ICTA for those services. Therefore, in customizing our service packages to meet the needs of different customer segments, we may combine higher activation or monthly charges (or both) with lower airtime rates.

The standard tariffs and the maximum tariffs set by the ICTA have been established in Turkish Lira and ICTA's schedule of standard tariffs and maximum rates are premised on the TRY/\$ Exchange Rate in effect on the date they were approved by ICTA. Although we believe the tariff structure in our license will, in most instances, permit adjustments designed to offset devaluations of the Turkish Lira against the U.S. Dollar, any such devaluation that we are unable to offset will require us to use a larger portion of our revenue to service our non-Turkish Lira foreign currency obligations. Additionally, in the event that the ICTA were to establish maximum tariffs at levels below those that would enable us to adjust our rates to offset devaluations, this could have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity.

As a result of certain applications made to it, on September 25, 2007 the ICTA decided to implement a new requirement that our on-net tariffs be no less than the lowest interconnection rate applicable to other GSM operators. However, in the relevant legislation, which was applicable at that time, no authority was given to the ICTA to set minimum barriers for the tariffs granted. For this reason, we believed that such intervention was contrary to the applicable legislation. The ICTA also decided to set a maximum price of TRY 0.66 (including VAT) (equivalent to \$0.44 as of April 7, 2011) for GSM to GSM calls under general subscription packages. However, we believed that this intervention by the ICTA, which decreased the previous maximum tariffs, conflicted with the relevant provisions of the license agreement. The ICTA was empowered only to apply the formula set forth in the license agreement, as explained above. By setting minimum tariffs for our Company only, we believed that the Authority created unfair competition and violated provisions of the Law, which stipulated that prices for telecommunications services be cost-based. On the grounds explained above, we filed a lawsuit before the 13th Chamber of Counsel of State in relation to the annulment and suspension of the execution of the aforementioned decision. On May 26, 2008, the 13th Chamber of Counsel of State suspended the ICTA's decision regarding the interconnection rate applicable for setting our minimum on-net tariffs. The ICTA objected to the decision but, the request was rejected. The ICTA requested the cancellation of the aforementioned suspension decision (with its petition submitted to the file); however, its request was rejected. On April 13, 2010, the 13th Chamber of the Counsel of State cancelled the ICTA's decision regarding the interconnection rate applicable for setting our minimum on-net tariffs. The ICTA appealed the decision. The appeal process is still pending.

The ICTA, with its board resolution dated September 25, 2008, set the maximum price of TRY 0.66 (including VAT and SCT) (equivalent to \$0.44 as of April 7, 2011) for off-net calls under general subscription packages. Thereafter, with the ICTA board resolution dated March 25, 2009, ICTA has set a lower limit to on-net retail tariffs of Turkcell only, for the term of June 2009 – December 2010, and decreases the level of price cap for all GSM operators.

The lower limit applies to each retail tariff package of Turkcell by mandating the weighted average on-net price of each and every subscription tariff package shall not be less than Turkcell's weighted average call termination rate. This resolution has required Turkcell to report weighted average on-net price of each and every subscription package in three month periods. To comply with the board resolution, Turkcell has adjusted the on-net prices of various tariff packages as necessary.

Table of Contents

Subsequently, ICTA, with its decision dated December 21 2010, decided that this Resolution should be applied permanently, and the reporting should be monthly instead of quarterly.

The board resolution also reduces the current price cap from 0.80 TRY/min (equivalent to \$0.53 as of April 7, 2011) (including VAT and SCT), which pertains to general subscription packages (GSM-GSM), to 0.64 TRY/min (equivalent to \$0.42 as of April 7, 2011). The Resolution has also set such price as an upper limit for special subscription packages. To comply with the board resolution, Turkcell adjusted on-net and off-net prices of some tariff packages.

Our Company filed a lawsuit before the Council of State in relation to the annulment and suspension of the execution of this decision of ICTA. The Council of State rejected our request of suspension of execution and our Company objected to this decision of the Council of State.

The ICTA, with its board resolution dated September 16, 2009, set the maximum price of TRY 0.65 (equivalent to \$0.43 as of April 7, 2011) (including VAT and SCT) for GSM to GSM calls under general subscription packages.

The ICTA with its board resolution dated February 10, 2010 further reduced down the current price cap to TRY 0.40 (equivalent to \$0.26 as of April 7, 2011) (including VAT, SCT) for GSM to PSTN as well as GSM to GSM. The same resolution has set the current price cap of Turk Telekom to TRY 0.37 (equivalent to \$0.24 as of April 7, 2011) (including VAT, SCT) for PSTN to GSM.

However, as per Article 13 of the Electronic Communications Law, in the event of determination of the significant market power of the operator, the ICTA may determine the lower and upper limit of the tariffs and principles and procedures of the application of the same. Based on such Article, the ICTA may take a similar decision which will have an effect on our future tariffs.

We believe that, pursuant to our license agreement, we can determine our tariffs freely, provided that they remain within the framework of the applicable maximum price limit. However, ICTA may intervene with our retail tariffs. With respect to our retail tariffs, in the fourth quarter of 2007, the ICTA intervened in the fixing of our retail prices. Although we challenged that action on the basis that it exceeded the ICTA's authority under then-applicable law, such action nonetheless had an adverse effect on our operational flexibility and our results of operations. With the ICTA board resolution dated March 25, 2009, ICTA set a lower limit for solely Turkcell's on-net retail tariffs, and decreased the price cap level for all mobile operators. The lower limit applies to each of Turkcell's retail tariff packages by mandating that the weighted average of the on-net price of a tariff package not be less than Turkcell's weighted average call termination rate. The board resolution also reduced the current price cap from 0.80 TRY/min (equivalent to \$0.53 as of April 7, 2011) (including VAT and SCT), pertaining to general subscription packages, to 0.64 TRY/min (equivalent to \$0.42 as of April 7, 2011). The resolution also set such price as an upper limit for special subscription packages. The ICTA, with its board resolution dated September 16, 2009, set the maximum price of TRY 0.65 (equivalent to \$0.43 as of April 7, 2011) (including VAT and SCT) for GSM to GSM calls under general subscription packages. The ICTA, with its board resolution dated February 10, 2010, further reduced the current price cap to TRY 0.40 (equivalent to \$0.26 as of April 7, 2011) (including VAT and SCT) for GSM to PSTN as well as GSM to GSM. The same resolution set the current price cap of Turk Telekom to TRY 0.37 (equivalent to \$0.24 as of April 7, 2011) (including VAT and SCT) for PSTN to GSM. Finally, with its board resolution dated March 24, 2011, the ICTA set the current price cap as TRY 0.415 (including VAT and SCT) for GSM to PSTN and GSM to GSM (equivalent to \$0.27 as of April 7, 2011). With the same board resolution, the ICTA made a distinction between national and international SMS rates. The National SMS rate was set as TRY 0.415 (equivalent to \$0.27 as of April 7, 2011), and the international SMS rate was set as TRY 0.830 (equivalent to \$0.55 as of April 7, 2011).

The ICTA has also had and may intervene with the charging period, impacting the prices we charge for our tariffs. For example, effective September 1, 2010, the ICTA requires all operators to apply a maximum price cap of 0.40 TRY during the first minute of all calls. The usage behaviour and our financial results will be adversely affected if the ICTA intervenes on charging periods.

Table of Contents

In addition, the ICTA may determine the standard periods for subscriber life-cycles and request changes how we maintain the outstanding balances. Currently, if prepaid subscribers load at least 10 TRY, we must keep them in an active state (i.e., having a balance in the account and the ability to send and receive calls/SMS) for at least six months from the loading period. Furthermore, the subscription period for subscribers in a passive state (i.e., having no balance in the account and with the ability to receive calls/SMS) cannot be less than three months before the termination of the contract. The ICTA has decided that, in the case of annulment of a prepaid subscriber's account, any remaining balance should be reimbursed to the subscriber within 15 days of his/her request, which must be made within three months of the annulment. Any remaining balance must be kept by the operator for a period of 1 year, with the condition that, should the former subscriber so choose, he be allowed to reactivate his account. Furthermore, the ICTA decided that as of April 1, 2010 the unit based tariff system should be turned into TRY based tariff system for pre-paid subscriptions.

The ICTA, with its board resolution dated July 25, 2009, set an upper limit of 20 seconds to the charging periods for tariffs that are submitted/to be submitted by operators and Turk Telekom. While this decision, as of June 2010, was postponed, our financial results will be adversely affected if the ICTA decides to lift the suspension.

Moreover, the ICTA intervened to create a standard definition of active and passive subscription periods used by operators and announced a new definition of active subscription with a board resolution dated January 27, 2010. According to this resolution, if prepaid subscribers load or are transferred 20 units/TRY 5, the subscription should be renewed at least 3 months prior to the end of the contract. If they load 40 units/TRY 10, the active subscription period, which enables subscribers to send and receive calls/SMS etc, should be renewed at least 3 months prior to the end of the contract; and if they load or are transferred 40 units/TRY 10, the subscription should be renewed at least 6 months beforehand. In addition, the ICTA, in the aforementioned resolution, decided that the passive subscription period, in which it is only possible to send SMS and receive calls, should be determined, at least 3 months prior to the end of the contract. The effective date of this resolution has been postponed to October 1, 2010 from April 1, 2010 to avoid confusion with the conversion from unit based tariff system to TRY based tariff system and to prevent the potential dissatisfaction of consumers. Afterwards, the ICTA with its Board Resolution dated September 29, 2010 revised and changed its previous Resolution. According to the new Resolution if prepaid subscribers load or are transferred TRY 10, the active subscription period, in which to make and receive calls, send and receive SMS is possible, should be restarted at least 6 months beginning from the loading or transfer date and the passive subscription period, in which it is only possible to receive calls and SMSs, should be determined at least 3 months prior to the end of the contract. The ICTA with this Resolution decided that, in case of annulment of the remaining balance units should be reimbursed to the subscriber within 15 days upon his request within 3 months after the annulment. Moreover, in case the subscriber contract is annulled without request of a payment of the remaining balance, the operator should preserve the remaining balance units for 1 year with the condition that the annulled subscriber becomes a subscriber again.

The ICTA Board issued a decision on June 30, 2009, revised on August 20, 2009, to implement new rules on melody & games services. With this new ruling subscribers shall clearly be informed on the conditions and charges of particular services via a free SMS before actual use occurs. Subscribers shall acquire these services or subscribe by sending an SMS to a number defined only by the network operator. After the service is used, information on charges due or debited units shall also be sent to the subscriber by SMS. Pre-paid subscribers shall be informed by SMS whether they have sufficient units in their accounts before they use the particular service and, upon the approval of the subscriber, before the units can be used. The same ruling will also apply if a particular service is to be acquired via WAP or WEB facilities, with minor exceptions.

The ICTA Board issued a decision on November 24, 2009 concerning Value Added Services with Live Chat content. With this decision, these services will no longer be given over the numbers assigned from our allocated numbers by the Concession Agreement but from a new area code of 900. The new number group will be in the following format: 900 2XX XXXX. These numbers are to be applied by the operator and allocated by

Table of Contents

the ICTA. The ICTA will reserve 10,000 for each operator upon application. Current services have to switch to these numbers within two months. By default, all subscribers will be barred from using this service unless they have provided written consent.

Relationship with ICTA

The license agreement creates a mechanism for an ongoing relationship between us and ICTA. The ICTA and Turkcell coordinate their activities through a License Coordination Committee (the Committee). The Committee is comprised of five members, two appointed by ICTA, two by us and one by agreement of the ICTA and our members, or, if no agreement is reached, by the Chairman of the Information and Communication Technologies Board. The Committee is charged with the task of ensuring the proper and coordinated operation of the GSM network, assisting in the resolution of disputes under the license agreement and facilitating the exchange of information between the parties.

The Committee meets at least quarterly and establishes its own operating principles and procedures unless an extraordinary meeting is called by any party with a 7-day advance notice. Matters in dispute are expected to be submitted to the Committee for resolution. While not binding, the Committee may render consultative decisions. Either the ICTA or we may convene a special meeting to consider issues that arise under the license agreement.

License Suspension and Termination

The ICTA may suspend our operations for a limited or an unlimited period if necessary for the purpose of public security or national defense, including war and general mobilization. During suspension, the ICTA may operate our business, but we are entitled to any revenues collected during such suspension, and our license term will be extended by the period of any suspension.

Our license may be terminated under our license agreement:

upon a bankruptcy ruling against us by a competent court or a bankruptcy compromise decision, which is an agreement between creditors and a debtor to reschedule the debt of the debtor, if such ruling or compromise is not reversed or dismissed within 90 days after notice;

upon our failure to perform our obligations under the license agreement if such failure is not cured within 90 days after notice;

if we operate outside the allocated frequency ranges and fail to terminate such operations within 90 days after notice; or

if we fail to pay our treasury fee.

In the event of termination, we must deliver the entire GSM system to ICTA.

If our license is terminated for our failure to perform our obligations under our license, the performance guarantee given by us in an amount equal to 1% of the license fee may be called. The license agreement makes no provision for the payment of consideration to us for delivery of the system on such termination.

In the event of a termination of our license, our right to use allocated frequencies and to operate the GSM system ceases. Upon the expiration of the license agreement, initially scheduled to occur in 2023, without renewal, we must transfer to ICTA, or an institution designated by ICTA, without consideration, the network management center, the gateway exchanges, and the central subscription system, which are the central management units of the GSM network. These units include related technical equipment, immovables, and all other installations and assets used in the operation of the system. We may apply to the ICTA between 24 and 6 months before the end of the 25-year license term for the renewal of the license. The ICTA may renew the license, taking into account the legislation then currently in effect.

Table of Contents

Applicable Law and Dispute Resolution

Under our license agreement, any dispute arising from or under our license shall be brought before the License Coordination Committee. If the dispute is not settled within 30 days before the License Coordination Committee, it shall be referred to the parties. If the dispute is not resolved by the parties within 15 days, then it shall be settled by an arbitral tribunal in accordance with ICC Rules. The governing law of any arbitration is Turkish law and any such arbitration shall be conducted in English. Disputes relating to national security or public policy shall not be subject to arbitration proceedings.

Authorization of 3G Licenses

In 2008, the ICTA conducted a tender process to grant four separate licenses to provide IMT 2000/UMTS services and infrastructure. We were granted the A type license, which provides the widest frequency band, at a consideration of EUR 358 million (excluding VAT). We signed the license agreement relating to 3G authorization on April 30, 2009. The license agreement has a term of 20 years.

The 3G license agreement has provisions that are generally similar to those contained in our license agreement relating to 2G. However, with respect to dispute resolution, while our 2G license provides for arbitration for the settlement of disputes, under the 3G license agreement, disputes arising between the parties shall ultimately be settled by the Council of State of the Republic of Turkey.

With the 3G License Agreement, as opposed to the 2G License Agreement, the Company assumed an obligation related to its electronic communications network investments, such as the obligation to provide at least 40% of its electronic communications investments from suppliers that have a Research and Development Center in Turkey and the obligation to provide at least 10% of its electronic communications investments from suppliers that are Small and Medium Size Enterprises (SME) established in Turkey.

According to the Authorization Regulation, breaches by operators resulting in the termination of the GSM concession agreement for any reason shall also result in the termination of the operator's concession agreement signed for IMT-2000/UMTS service. Also, if the GSM concession agreement is not renewed at the end of its natural expiration, the ICTA may continue to allow the utilization of the needed infrastructure by IMT-2000/UMTS services on terms and conditions to be set by the ICTA itself.

Access and Interconnection Regulation

The Access and Interconnection Regulation (the Regulation) became effective when it was issued by the ICTA on September 8, 2009 and abolished the Access and Interconnection Regulation which was published on May 23, 2003. The Regulation sets forth the rights and obligations of the operators relating to access and interconnection and establishes rules and procedures pertaining to their performance of such obligations. The Regulation primarily sets forth applicable principles, details of access and interconnection obligations, financial provisions, and policies and procedures regarding negotiations and contracts for access and interconnection.

The Regulation is driven largely by a goal to improve the competitive environment and ensure that users benefit from electronic communications services and infrastructure at a reasonable cost. Under the Electronic Communications Law, the ICTA may compel a telecommunications operator to accept another operator's request for access to and use of its network. All telecommunications operators in Turkey may be required to provide access to other operators. The operators who are compelled to provide access to other operators may be obliged to provide service and information on the same terms and qualifications provided to their shareholders, subsidiaries, and affiliates by ICTA.

According to the Electronic Communications Law, access agreements and interconnection agreements can be executed with the mutual understanding of the parties. If the parties do not execute the access agreements within two months of the access request or the existence of any disagreement in the access contract, the Authority may intervene in the negotiations of the access contract, upon request of one of the parties.

Table of Contents

In accordance with Article 7 of the aforementioned Electronic Communications Law, the ICTA may determine the operators that have significant market powers in the relevant market as a result of market analyses. After determination of the operators who have significant market power, the ICTA may impose additional liabilities for such operators in order to protect the competitive environment. On December 15, 2005, the ICTA designated Turkcell, Vodafone, and Avea as operators holding significant market power in the GSM Mobile Call Termination Services Market and designated Turkcell individually as an operator holding significant market power in the Access to GSM Mobile Networks and Call Originating Markets . According to the new regulation published in the Official Gazette dated September 1, 2009 and numbered 27336, unless otherwise agreed, any decision taken by the ICTA in the years 2005 and 2006 relating to market analysis were valid and effective until the end of calendar year 2009. Pursuant to its decision dated December 8, 2009, the ICTA determined Turkcell individually as an operator holding a significant market power in the Access to Mobile Networks and Call Originating Markets . Finally, on December 8, 2009, the ICTA designated Turkcell, Vodafone and Avea as operators holding significant market power in the Mobile Call Termination Market .

On December 15, 2005, the ICTA designated Turkcell, Vodafone, and Avea as operators holding significant market power in the GSM Mobile Call Termination Services Market and designated Turkcell, individually, as an operator holding significant market power in the Access to GSM Mobile Networks and Call Originating Markets .

The Access and Interconnection Regulation (the Regulation) became effective when it was issued by the ICTA on September 8, 2009. It abolished the Access and Interconnection Regulation published on May 23, 2003. The Regulation sets forth the rights and obligations of operators relating to access and interconnection and establishes the rules and procedures pertaining to the performance of such obligations. The Regulation primarily sets forth the applicable principles, details of access and interconnection obligations, financial provisions, and policies and procedures regarding negotiations and contracts for access and interconnection.

Pursuant to its decision dated December 8, 2009, the ICTA designated Turkcell individually as an operator holding a significant market power in the Access to Mobile Networks and Call Originating Markets and as operator holding significant market power in the Mobile Call Termination Market , along with Avea and Vodafone. As a result of the significant market power designation in the GSM Mobile Call Termination Services Market , our company, as well as Avea and Vodafone, is required to provide interconnection services on a cost-based basis. Consequently, according to the Electronic Telecommunications Law, the ICTA may oblige such operators to provide access and to submit their reference offers for access and interconnection to the ICTA for prior review, and may require amendments to the operators' reference access and interconnection offers. Operators are obliged to make the amendments requested by the ICTA in a prescribed manner and period. In addition, the operators shall be obliged to publish their reference offers for access and interconnection, which have been approved by the ICTA, and to provide access under conditions specified in their reference offers and interconnection, which have been approved by the ICTA. On February 10, 2010 the ICTA published Interconnection Tariffs for Turk Telekom and GSM operators, which became effective on April 1, 2010. The Interconnection Tariffs have been approved as the tariffs to be determined in the reference access offers. According to the Interconnection Tariffs, the revised rate for Turkcell is 0.0313 (equivalent to \$0.0207 as of April 7, 2011).

Regulation on Co-Location and Facility Sharing.

In addition, the ICTA has required operators to share certain facilities with other operators under certain conditions specified in the Electronic Communications Law and to provide co-location on their premises for the equipment of other operators at a reasonable price. As mentioned in such Law, procedure and principle relating to the co-location and facility sharing shall be determined by ICTA.

Under the Regulation, operators holding significant market power are required to provide access and services to all operators on equal terms. Operators with significant market power are also required to perform

Table of Contents

unbundling of their services, which means that they have to provide separate service of and access to transmission, switching, and operation interfaces. Furthermore, the ICTA may establish rules applicable to the division of the costs of facilities among parties.

The ICTA published a Communiqué concerning Co-Location and Facility Sharing on December 2, 2010 (which abolished the regulation published on December 31, 2003). According to the new Communiqué, if an operator i) does not provide co-location or asks unreasonable demands for co-location, and ii) if the ICTA decides that situation is inhibiting the competition or if this situation is against the end-users, then the ICTA should determine such operator as co-location incumbent. According the Communiqué, the tariffs for Co-Layout will be determined on a cost basis. If the ICTA ascertains that the tariffs for Co-Location are not determined on a cost-basis, the ICTA could set the tariffs.

Furthermore, pursuant to the new Communiqué all the operators i) who locate their facilities over or under a land which belongs to the public or a third party, or ii) who could use such lands or iii) who could derive benefit from the process of expropriation, are incumbents for facility sharing. The Communiqué also states the items which must be considered for determining the Facility Sharing prices.

Subsequently, the provisions that regulate ICTA approval of the examination fee determined by the Co-Location and Facility Sharing incumbent has been removed, enabling the Co-Location and Facility Sharing process for negotiation. In addition, the Facility Sharing incumbent's right to allocate a facility for its own network and investment plans has been reduced to 25% of the facility.

All access and interconnection contracts must be submitted to the ICTA within fifteen days of execution. The ICTA may request modifications to the contracts should they contain any provisions contrary to the legislation. The access and interconnection contracts will be publicly available, excluding trade secrets. All operators holding significant market power will also be required to prepare reference interconnection proposals and submit them to ICTA. Except where otherwise specified by ICTA, reference interconnection proposals will be renewed every year. The Company submitted its final reference access proposal regarding 2011 to the ICTA in the first quarter of 2011.

If two operators are unable to reach an interconnection agreement within two months of the date of the initial access request, either party may refer the dispute to the ICTA for resolution. After this request, the ICTA initiates a settlement procedure and establishes terms, conditions, and fees applicable to the agreement and binding on both parties.

Should a telecommunications operator violate any provisions of the Regulation, the ICTA may impose an administrative fine of a maximum of 3% of the operator's turnover for the preceding calendar year.

As a result of the significant market power designation in the GSM Mobile Call Termination Services Market, our company, as well as Avea and Vodafone, is required to provide interconnection services on a cost-based basis.

According to the provision of the Electronic Telecommunications Law, the ICTA may impose obligation on operators, who are obliged by the ICTA to provide access, to submit their reference offers for access, and may request to make necessary amendments in their reference access offers. Operators shall be obliged to make the amendments requested by the ICTA in prescribed manner and period. On the other hand, the operators shall be obliged to publish their reference offers for access, which have been approved by the ICTA, and to provide access under conditions specified in their reference offers, which have been approved by the ICTA. On February 10, 2010 the ICTA published

Interconnection Tariffs for Turk Telekom and GSM operators, which became effective on April 1, 2010. The Interconnection Tariffs have been approved as the tariffs to be determined in the reference access offers. According to the Interconnection Tariffs the revised rate for Turkcell will be TRY 0.0313 (approximately \$0.0207 as of April 7, 2011).

Table of Contents

Regulation on Consumer Rights in the Electronic Communication Sector

The ICTA published a Regulation on Consumer Rights in the Electronic Communication Sector on July 28, 2010 (which abolished the regulation published on December 22, 2004). This Regulation introduces some radical changes to the electronic communication sector. With this Regulation, the ICTA determined new procedures/changes regarding:

the process and timing of churn steps;

the obligation of the operators to keep subscribers informed of services, including, but not limited to:

services with special contents;

informing customers about amendments of the campaigns and tariffs;

consumer complaints solution mechanism;

billing processes;

the right to determine upper invoice limits;

Internet security;

conditions we set for customers to suspend or limit services;

visually-impaired subscribers;

the definition of personal data; and

spam messages and emails.

Pursuant to this authority, the ICTA may regulate, for example, the maximum and minimum limits on billing, spam messaging and definition of personal data as it relates to directory services. In addition, the ICTA may restrict certain mobile internet and services that are provided by third parties. The ICTA's regulation of these activities could have an adverse effect on our mobile telecommunications business and we may be fined if we do not comply. Furthermore, our compliance with the ICTA's regulations may increase the costs of our doing business and could negatively impact our financial results.

Ukraine License Agreement

Astelit owns two GSM activity licenses, one for GSM 900 and one for DCS 1800. As at December 31, 2010, Astelit owned 24 GSM 900, DCS 1800, D-AMPS and microwave Radiorelay frequency licenses, which are regional and national. In addition to the GSM licenses, Astelit

owns licenses for fixed local phone connections and wireless access using the D-AMPS standard. According to the licenses, Astelit should adhere to state sanitary regulations to ensure that the equipment used is not hazardous to the population and does not emit harmful electro-magnetic emissions. Licenses require Astelit to inform authorities of the start/end of operations within three months and changes in the incorporation address within 30 days. Also, Astelit must present all the required documents for inspection by the Ukrainian Telecommunications Authority at their request. The Ukrainian Telecommunications Authority may suspend the operations of Astelit for a limited or an unlimited period if necessary due to the expiration of the licenses, upon mutual consent, or in the case of a violation of the terms regarding the use of radio frequencies. If such a violation is determined, the Ukrainian Telecommunications Authority will notify Astelit of the violations and will set the deadline for recovery. If the deadline is not met, the licenses may be terminated.

Belarus License Agreement

Belarusian Telecom owns a license, issued on August 28, 2008, that is valid for 10 years. In addition, the license shall be extended for an additional ten years. State Property Committee of the Republic of Belarus, as the

Table of Contents

Seller, has fulfilled its obligations stated in Sale and Purchase Agreement and submitted the related official documents on December 18, 2009. According to the current legislation of the Republic of Belarus, license extension is made upon the expiration of its validity period. Consequently, Belarusian Telecom shall apply for such extension to the Ministry of Communications and Informatization in August 2018. Under the terms of its license, Belarusian Telecom is required to gradually increase its geographical coverage through 2018. However, Belarusian Telecom's period of execution with regards to coverage requirements has been extended for three years starting from the acquisition date.

Turk Telekom, Vodafone and Avea Interconnection Agreements

General

We have interconnection agreements with Turk Telekom, Vodafone and Avea whereby they allow us to connect our networks with theirs to enable the transmission of calls to and from our mobile communications system through existing digital fixed telephone switches.

The interconnection agreements also establish understandings between the parties relating to various key operational areas, including call traffic management, and the agreements contemplate that we and the other parties will agree to the contents of various manuals that will set forth in detail additional specifications concerning matters which are not specifically covered in the interconnection agreement. These matters include quality and performance standards, interconnection interfaces and other technical, operational and procedural aspects of interconnection.

The interconnection agreements specify that the parties shall comply with relevant international standards, including standards adopted by the GSM Memorandum of Understanding, the Telecommunications Standards Bureau of the International Telecommunications Union, and the European Telecommunications Standards Institute. In the absence of applicable international standards, the interconnection agreements provide that the parties will establish written standards to govern between them.

The interconnection agreements outline the applicable interconnection principles and provide the technical basis and rationale for technical specifications and manuals to be agreed to by the parties. The interconnection agreements:

set forth agreements between the parties relating to the location of exchanges;

create obligations regarding network alterations;

establish routing principles to govern how call traffic will be routed within a network and between the networks of the parties, including interconnection routing rules;

provide for arrangements concerning capacity and expansion of capacity through new points of interconnection;

mandate arrangements concerning the use of numbering to transmit calls in accordance with national and international practices;

provide for periodic technical review meetings between the parties;

permit each party to engage in testing of interconnection exchanges;

address the consequences of transmission failures;

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create an obligation to cooperate in order to maximize overall quality of transmission of calls in accordance with international standards;

deal with emergency calls, calling line identification and malicious call identification;

assure the ability of a party to have access to the other party's premises where relevant equipment may be located (subject to appropriate protections);

Table of Contents

establish procedures to deal with network faults; and

address issues relating to the construction and installation of antennas, towers, and other elements of system infrastructure.

In addition, the parties agree to provide to the other party information which is necessary to enable performance of their interconnection obligations, the provision of services, or utilization of equipment and/or buildings as contemplated in the interconnection agreement.

Negotiations were held with Vodafone and Avea to provide electronic communication services within the scope of the IMT-2000/UMTS authorization; however, parties could not agree on the terms. The ICTA decision n°371 dated July 15, 2009 determined the fees to be applied for voice (as TRY 0.0655 (equivalent to \$0.0432 as of April 7, 2011)) and video call (as TRY 0.0775 (equivalent to \$0.0511 as of April 7, 2011)) termination within the scope of IMT-2000/UMTS services. Our company initiated a lawsuit before the Council of State to annul and suspend the entry into force of the said decision of ICTA. The Court overruled the suspension of execution request and the Company objected to this decision, but our objection was rejected. The lawsuit is still pending.

Turk Telekom

Pursuant to the interconnection agreement, Turk Telekom agrees to permit us to use its buildings, premises, and other infrastructure and to lease the means of communications transmission between our GSM exchanges, base stations, and base station control stations. We retain the right, however, to establish our own transmission network at our own expense in the event that such transmission network is not made available to us by Turk Telekom, subject to the consent of ICTA.

If Turk Telekom enters into interconnection agreements with other operators of mobile or similar telecommunications services, the conditions of such agreements must be the same as those in their interconnection agreement with us. If any such agreement does contain differing terms, we have the right to demand identical terms. If we desire to use the facilities and such use would impair the use of such facilities by others, our request will be given priority over potential users of the facilities that have not entered into license agreements with ICTA. Priority among operators which have entered into such license agreements will be given to the application that was first received by Turk Telekom.

The Turk Telekom interconnection agreement specifies that ownership of the GSM equipment and other materials, including those in existence on the date of the Turk Telekom interconnection agreement and those subsequently installed, belong to us. The agreement also provides that intellectual property rights will belong to the developer or owner.

Payments

The Turk Telekom interconnection agreement provides for the payment by us to Turk Telekom of fees for the interconnection services provided by Turk Telekom and for the lease of transmitting facilities linking base stations, mobile telephone exchanges and base station control stations. Turk Telekom is not entitled to any payment in respect of our use of our own transmission system. Turk Telekom also agrees to pay us for calls transmitted over our network.

The Turk Telekom interconnection agreement provides that Turk Telekom will pay the 1% Turkish communications tax, which is payable on the basis of communications fees collected by Turk Telekom from customers in connection with telephone, facsimile, telex and data excluding subscription fees. Turk Telekom is required to pay this tax to the relevant municipality pursuant to the Municipality Revenues Act. We would be liable in respect of any increase in the applicable rate of the communication tax. If a party fails to make payment when due, it shall pay default interest, to be calculated based on the commercial advance interest rate of the CBRT for the period between when the payment is due and when the payment shall be made, and it shall also pay a penalty for such delay at a rate of 10%.

Table of Contents

A number of the provisions of the Turk Telekom interconnection agreement address matters concerning billing and payment of bills for services rendered under the Turk Telekom interconnection agreement. Each party is required to record call information and to provide that information to the other party. Each party is responsible for invoicing the other party on a monthly basis.

Call Tariffs

In accordance with the September 26, 2008 decision of the ICTA, effective from April 1, 2008, Turk Telekom paid Turkcell TRY 0.091 (approximately \$0.060 as of April 7, 2011) per minute and Turkcell paid to Turk Telekom a net amount of TRY 0.0171 (approximately equivalent to \$0.0113 as of April 7, 2011) per minute for local traffic and a net amount of TRY 0.027 (approximately equivalent to \$0.018 as of April 7, 2011) per minute for metropolitan and long-distance traffic routed from Turkcell to Turk Telekom, retroactively.

In 2009, the ICTA issued revised Interconnection Tariffs, after which Turk Telekom paid Turkcell TRY 0.0655 (approximately \$0.0432 as of April 7, 2011) per minute and Turkcell paid Turk Telekom a net amount of TRY 0.0171 (approximately \$0.0113 as of April 7, 2011) per minute for local traffic and a net amount of TRY 0.027 (approximately \$0.018 as of April 7, 2011) per minute for metropolitan and long-distance traffic routed from Turkcell to Turk Telekom. Pursuant to this decision, the ICTA announced local interconnection rates for Turk Telekom for the first time. Accordingly, Turkcell paid Turk Telekom TRY 0.0139 (approximately \$0.0092 as of April 7, 2011) for local interconnection per minute.

On February 10, 2010, the ICTA issued new Interconnection Tariffs. According to this decision, as of April 1, 2010, Turk Telekom pays Turkcell TRY 0.0313 (approximately \$0.0207 as of April 7, 2011) per minute and Turkcell pays Turk Telekom a net amount of TRY 0.0139 (approximately \$0.0092 as of April 7, 2011) per minute for local traffic and a net amount of TRY 0.0171 (approximately \$0.0113 as of April 7, 2011) per minute for metropolitan and a net amount of TRY 0.0224 (approximately \$0.0148 as of April 7, 2011) for long-distance traffic routed from Turkcell to Turk Telekom.

On April 10, 2009, Turk Telekom consulted the ICTA in determining the SMS termination fee and the ICTA with its decision dated September 9, 2009 set the SMS termination fee at TRY 0.017 (approximately \$0.011 as of April 7, 2011) for SMS Services from Turk Telekom's network per SMS, and TRY 0.017 (approximately \$0.011 as of April 7, 2011) for SMS services from our net network to Turk Telekom's network. Currently, for the SMS Services between Turk Telekom and Turkcell, the SMS termination fees that are set by the ICTA with its decision dated September 9, 2009 are being applied.

In accordance with the interconnection agreement between Turkcell and Turk Telekom, for international calls originating from Turkcell network and carried by Turk Telekom, Turkcell pays Turk Telekom 70% of the net amount of Turk Telekom's retail international call charges. Pursuant to this agreement, Turk Telekom was obliged to pay us 45% of the international settlement charge (terminal rate) that is transferred by the international carrier operator to Turk Telekom for incoming international calls that are terminated on our network. For the termination service price of calls from international destinations to Turkcell network carried by Turk Telekom, Turkcell applied to the ICTA for reconciliation. As a result of that process, the ICTA decided Turk Telekom to pay Turkcell TRY 0.136 (approximately equivalent to \$0.090 as of April 7, 2011) for termination of international calls. This call termination rate for international calls has been reduced in subsequent years by the ICTA in parallel with the reduction of national call termination rates. As of April 1 2010, Turk Telekom pays Turkcell TRY 0.0313 (approximately \$0.0207 as of April 7, 2011) per minute. We and Turk Telekom have an ongoing dispute over this agreement. See Item 8.A. Consolidated Statements and Other Financial Information Legal Proceedings .

We do not pay any charges to Turk Telekom for calls to special service numbers which are called free of charge according to Turk Telekom tariffs. For calls to special service numbers that are not free of charge, one party pays the other 72% of the other's retail charge for that service, excluding VAT and SCT.

Table of Contents

Rental Rates

According to the Interconnection Agreement with Turk Telekom, the rental rates for Turk Telekom's real estate, leased by us and located in residential areas, should be established according to an expert's report prepared by the local real estate experts of Turkish Emlak Bank. If there is no Turkish Emlak Bank unit in the area, or if the Turkish Emlak Bank cannot prepare an expertise report, then the rental rate is based on the average rental prices determined by the relevant units of the Chamber of Commerce and Industry or, in cases where the above two units are not available, according to a report prepared by a valuation committee that will be established by the participation of three Turk Telekom personnel and one of our personnel.

Upon the expiry of a one-year rental period, rental price increases will be made according to rates issued in the annual state tenders report prepared by the Ministry of Finance, and 45% of the rental fee will be added for expenses, including personnel, lighting and water, among others, starting from the beginning of the lease period.

Charges for Energy at Switching Centers

We can subscribe to Turkish Electricity Distribution Co. (TEDAS) or another relevant electricity distribution company as a standalone customer and pay its energy usage charges. In such case, we will not pay any charges to Turk Telekom. We may also source energy by connecting a three phase electricity measuring gauge to Turk Telekom's energy distribution panel. The expenses related to the connection of the measuring gauge will be borne by us. In addition, we may source energy by connecting an electricity measuring gauge to Turk Telekom's generator, provided that all expenses related to the connection will be borne by us. The energy usage fee shall be calculated in accordance with a formula set forth in the Turk Telekom interconnection agreement. Under the Revenue Sharing Agreement, we were not required to pay Turk Telekom for these services.

Miscellaneous

A party may seek to modify the Turk Telekom interconnection agreement by serving the other party with a notice of request to review such agreement if:

our license is materially changed (whether by amendment or replacement);

a material change occurs in the laws or regulations governing telecommunications in Turkey;

the Turk Telekom interconnection agreement expressly provides for a review or makes express provision for a review or the parties agree in writing that there should be such a review;

a material change occurs which affects or could affect the commercial or technical basis of the Turk Telekom interconnection agreement; or

there is a general review pursuant to the Turk Telekom interconnection agreement.

Upon service of a review notice, the parties must negotiate in good faith toward a resolution of the subject matter of the review. If the parties fail to reach agreement within three months from the date of service of the review notice, either party may request that the ICTA determine the manner, if any, in which the Turk Telekom interconnection agreement should be modified. The Turk Telekom interconnection agreement will be modified in accordance with that determination, unless the determination is subject to a legal challenge. The Turk Telekom interconnection agreement can be assigned in accordance with our license agreement. The Turk Telekom interconnection agreement will terminate automatically upon the expiry of our license period or on termination of our license agreement by ICTA. Neither party may assign the businesses which are the subject matter of the interconnection agreement to any third party unless such assignment is required under the provisions of the Regulation and the License Agreement or the other party's prior consent is obtained.

Table of Contents

Vodafone Interconnection Agreement

As a result of the acquisition of Telsim by Vodafone, all the liabilities of Telsim arising from the Interconnection Agreement signed with us were transferred to Vodafone as of May 24, 2006. In line with this, Turkcell and Vodafone signed an agreement in July 2006 to amend the present interconnection agreement through agreeing general principles of our collaboration as a result of the transfer.

In light of this transaction, the following discussion will only refer to Vodafone. It should be noted however, that agreements entered into before May 24, 2006 were entered into by Telsim, the acquired company.

The Vodafone interconnection agreement provides for the payment of fees by us to Vodafone for the interconnection services provided by Vodafone. A number of the provisions of the Vodafone interconnection agreement address matters concerning billing and payment of bills for services rendered under the Vodafone interconnection agreement. Each party is required to record certain call information and to provide that information to the other party. Each party is responsible for invoicing the other party on a monthly basis.

Call Tariffs

With respect to call tariffs in 2008, the parties applied to ICTA. On August 26, 2008, the ICTA concluded the reconciliation process and determined that the termination rates between Turkcell and Vodafone were valid and binding as from April 1, 2008, by applying its provisional termination tariffs. In accordance with this decision, Turkcell paid Vodafone TRY 0.095 per minute (approximately \$0.063 as of April 7, 2011) and Vodafone paid Turkcell TRY 0.091 per minute (approximately \$0.060 as of April 7, 2011) for call traffic.

On March 25, 2009, the ICTA issued Interconnection Tariffs for Turk Telekom and GSM operators. From May 1, 2009 through April 1, 2010, Turkcell paid Vodafone 0.0675 TRY per minute (approximately \$0.0445 as of April 7, 2011) and Vodafone paid Turkcell 0.0655 TRY per minute (approximately \$0.0432 as of April 7, 2011) for call traffic.

On February 10, 2010, the ICTA issued Interconnection Tariffs for Turk Telekom and GSM operators. Beginning April 1, 2010, Turkcell pays Vodafone TRY 0.0323 per minute (approximately \$0.0213 as of April 7, 2011) and Vodafone pays Turkcell TRY 0.0313 per minute (approximately \$0.0207 as of April 7, 2011) for call traffic. Turkcell shall pay Vodafone TRY 0.0775 (approximately \$0.0511 as of April 7, 2011) per minute for video calls and vice versa. The fees for SMS services were determined by the ICTA on October 27, 2009, upon Vodafone's request. For the SMS services the ICTA determined that as of July 1, 2009, Vodafone is to pay Turkcell TRY 0.017 (approximately \$0.011 as of April 7, 2011) per SMS and Turkcell pays Vodafone the same amount per SMS.

Moreover, with respect to MMS Services, until November 1, 2010, Vodafone and Turkcell paid the other a net amount of TRY 0.094 (approximately \$0.062 as of April 7, 2011) per MMS, in accordance with the MMS Termination Protocol signed by both parties in 2008. Due to the amendment of the MMS Termination Protocol, beginning from November 1 2010, Vodafone and Turkcell each pay the other a net amount of TRY 0.055 per MMS.

Both parties charge each other 10% higher priced than effective call termination tariffs per minute for accessing the other's directory inquiry services.

A party may seek to modify the Vodafone interconnection agreement by serving the other party with a notice of request to review such agreement if:

its license is materially changed (whether by amendment or replacement);

a material change occurs in the law or regulations governing telecommunications in Turkey;

Table of Contents

the interconnection agreement expressly provides for a review or makes express provision for a review or the parties agree in writing that there should be such a review;

a material change occurs that affects or could affect the commercial or technical basis of the interconnection agreement; or

there is a general review pursuant to the interconnection agreement.

Upon service of a review notice, the parties must negotiate in good faith toward a resolution of the subject matter of the review. If the parties fail to reach agreement within three months from the date of service of the review notice, either party may request that the ICTA determine the manner, if any, in which the Vodafone interconnection agreement should be modified. The Vodafone interconnection agreement will be modified in accordance with that determination, unless the determination is subject to a legal challenge. The Vodafone interconnection agreement cannot be assigned or transferred by the parties without the other party's prior written consent.

The Vodafone interconnection agreement will remain in force for the duration of the license period unless one of the parties serves a three month termination notice to the other party.

The Vodafone interconnection agreement will terminate:

automatically upon expiry of the parties' respective license periods or on termination of the respective license agreements by the Turkish Ministry; or

save for events of force majeure, upon one month's termination notice by the parties, due to failure to fulfill the obligations in the interconnection agreement for a period in excess of three months.

Even in the event of termination of the interconnection agreement, all services provided and the obligations of the parties during the term of this agreement will remain effective for a period of six months until interconnection can be established with Turk Telekom or another alternative network operator.

Any disputes between the parties shall first be subject to friendly settlement efforts. In the event that the parties fail to reach an amicable settlement, they then shall refer the matter to the ICTA for its recommended solution to the dispute in question. If the proposed solution recommended by the ICTA is not accepted by the parties, the parties are free to refer the matter to arbitration in accordance with the provisions of the Turkish Civil Procedural Law.

Avea Iletisim Hizmetleri A.S. Interconnection Agreement

We and Avea, the entity incorporated as a result of the merger of Is-TIM and Aycell, signed a protocol canceling the interconnection agreement between Turkcell and Aycell and the parties agreed that the Is-Tim interconnection agreement will be applicable between the parties. References to the Avea Interconnection Agreement refer to the original Is-TIM interconnection agreement that now governs our interconnection relationship with Avea.

Payments

The Avea Interconnection Agreement provides for the payment of fees by us to Avea for the interconnection services provided by Avea. A number of the provisions of the interconnection agreement address matters concerning billing and payment of bills for services rendered under the interconnection agreement. Each party is required to record certain call information and to provide that information to the other party. Each party is responsible for invoicing the other party on a monthly basis.

Table of Contents

Call Tariffs

On August 26, 2008, the ICTA concluded the reconciliation process to be applied between Turkcell and Avea to be valid and binding as from April 1, 2008, by applying its provisional termination tariffs. In accordance with this decision, Turkcell pays Avea TRY 0.112 per minute (approximately \$0.074 as of April 7, 2011) and Avea pays Turkcell TRY 0.091 per minute (approximately \$0.060 as of April 7, 2011). On March 25, 2009, the ICTA issued Interconnection Tariffs for Turk Telekom and GSM operators. As of May 1, 2009, Turkcell pays Avea 0.0775 TRY per minute (approximately \$0.0511 as of April 7, 2011) and Avea pays Turkcell 0.0655 TRY per minute (approximately \$0.0432 as of April 7, 2011) for call traffic.

On February 10, 2010, the ICTA issued Interconnection Tariffs for Turk Telekom and GSM Operators. As of April 1, 2010, Turkcell pays Avea TRY 0.0370 per minute (approximately \$0.0244 as of April 7, 2011) and Avea pays Turkcell TRY 0.0313 per minute (approximately \$0.0207 as of April 7, 2011) for call traffic. In addition, Turkcell and Avea each pay the other TRY 0.0775 (\$0.0511 as of April 7, 2011) per minute for video calls.

On January 16, 2009, the ICTA concluded the reconciliation process to be applied between Turkcell and Avea with regards to SMS termination fees. In accordance with this decision, Turkcell pays Avea TRY 0.0187 per SMS (approximately \$0.0123 as of April 7, 2011) and Avea pays Turkcell TRY 0.0170 per SMS (approximately \$0.0112 as of April 7, 2011).

Avea applied to the ICTA for MMS Services and the ICTA decided to enter into a MMS Termination Protocol that was signed with Avea on June 22, 2009. ICTA also determined the fees for MMS Services. Pursuant to the ICTA's decision, Avea currently pays TRY 0.0340 (approximately \$0.0224 as of April 7, 2011) to Turkcell and Turkcell pays TRY 0.0374 (approximately \$0.0247 as of April 7, 2011) per MMS.

A party may seek to modify the interconnection agreement by serving the other party with a notice of request to review the agreement if:

its license is materially changed (whether by amendment or replacement);

a material change occurs in the law or regulations governing telecommunications in Turkey;

the interconnection agreement expressly provides for a review or makes express provision for a review or the parties agree in writing that there should be such a review;

a material change occurs which affects or could affect the commercial or technical basis of the interconnection agreement; or

there is a general review pursuant to the interconnection agreement.

Upon service of a review notice, the parties must negotiate in good faith toward a resolution of the subject matter of the review. If the parties fail to reach agreement within three months from the date of service of the review notice, either party may request that the ICTA determine the manner, if any, in which the interconnection agreement should be modified. The interconnection agreement will be modified in accordance with that determination, unless the determination is subject to a legal challenge. The interconnection agreement cannot be assigned or transferred by the parties without the other party's prior written consent.

We and Avea have an on-going dispute over SMS termination fees. The relevant court accepted the request of Avea and we have appealed the decision. This lawsuit is still pending. See Item 8A. Consolidated Statements and Other Financial Information - Legal Proceedings of this annual report on Form 20-F.

The Avea interconnection agreement will remain in force for the duration of the license period unless one of the parties serves a three-month termination notice to the other party.

Table of Contents

The Avea interconnection agreement will terminate:

automatically upon expiry of the parties' respective license periods or on termination of the respective license agreements by the Turkish Ministry; or

save for events of force majeure, upon one month's termination notice by the parties, due to failure to fulfill the obligations in the interconnection agreement for a period in excess of three months.

Even in the event of termination of the interconnection agreement, all services provided and the obligations of the parties during the term of this agreement will continue to become effective for a period of six months until interconnection can be realized with Turk Telekom or another alternative network operator.

Any disputes between the parties shall first be subject to friendly settlement by the efforts of the parties. In the event that parties fail to reach an amicable settlement, then they shall refer the matter to the ICTA for its recommended solution to the dispute in question. If the proposed solution recommended by the ICTA is not accepted by the parties, the parties are free to refer the matter to arbitration in accordance with the provisions of the Turkish Civil Procedural Law.

Agreements Concluded with Operators Licensed to Provide Satellite Services

We have executed agreements with Globalstar Avrasya Uydu Ses ve Data Iletisim A.S. and Teknomobil Uydu Haberlesme A.S., operators licensed to provide satellite services. The scope of such agreements is the interconnection between the networks of the parties and the determination of the principal and procedures of the methods of network operating and clearance.

Agreements Concluded with the Operators (formerly) authorized as Fixed Telecommunication Services Operator

Call Termination Agreements

Turkcell, as an operator holding significant market power, entered into Call Termination Agreements with all operators licensed to provide Long-Distance Call Services. Under the Call Termination Agreements, Turkcell agreed, among other things, to terminate voice calls carried by the operators and rising from a national fixed telecommunication's network and/or any international telecommunication's network in accordance with technical specifications set out in the agreement.

These agreements are currently in effect, but as stated above with respect to the execution of the aforementioned regulation, operators having a license for Long Distance Telephony Service shall be counted as authorized by notification and, if necessary, by granting right of use of numbers from the Authority for Fixed Telephony Service.

International Transit Traffic Services Agreements

Turkcell entered into International Traffic Carrying Services Agreements with nine operators. Under these Agreements, we may carry calls to these operators' switches for onward transmission to their destinations and these operators should provide the termination of these calls on the relevant network. These operators charge us at various prices identified within the scope of the agreement for the calls directed to numerous networks around the globe. The operators may modify their rates upon fifteen days advanced written notice and such rates will become applicable upon our approval.

Interconnection Agreements

Turkcell entered into interconnection agreements with two fixed telecommunication service operators (Superonline and Netgsm Iletisim ve Bilgi Teknolojileri A.S.) The interconnection agreement signed with

Table of Contents

Superonline on May 31, 2010 relates to the commercial decisions and choices of Turkcell. The interconnection agreement signed with Netgsm Iletisim ve Bilgi Teknolojileri A.S. on January 6, 2011 relates to the decisions of the ICTA.

MVNO Services

Negotiations to enter into agreements with MVNOs are pending. However, it should be noted that the ICTA with its decision, which was taken upon application of one MVNO, decided that Turkcell has to send a draft MVNO agreement to the MVNO which applied to ICTA. Furthermore, the ICTA with the same decision determined the call origination and termination fees for voice as TRY 0.0313 per minute (approximately \$0.0207 as of April 7, 2011), for video call as TRY 0.0775 per minute (approximately \$0.0511 as of April 7, 2011) and for SMS as TRY 0.0170 per SMS) to be applied to the MVNO which submitted an application to the ICTA.

Directory Services

Turkcell entered into agreements relating to the provision of directory services with Seven Directory Service Providers, which are licensed to provide directory services by the ICTA. The aforementioned agreements determine the principles and procedures related to the access of the companies to Turkcell data base, the provision of guidance services to the subscribers and clearing procedure of the parties. Such agreements are valid and binding for a term of one year. However, if neither party notifies the other party one month before the expiration of the agreement of its request to terminate, the agreement will automatically be renewed for another one year term.

Prospective Legislation and Regulations

Within the scope of the provisions of the Electronic Communications Law, current telecommunications legislation shall be revised and amended. The revision and amending processes are still ongoing. However, during this period, all regulations and communiqués that were effective prior to the publication of the Electronic Communications Law will still be valid and binding with the condition not being contrary to the provisions of the Electronic Communications Law. Therefore, subjects, which are explained below, have not yet been regulated by the ICTA.

Regulations

The ICTA is preparing to abolish Regulation on Personal Information Processing and preparing to publish a new Regulation on Data Secrecy in Electronic Communications Sector thus requested our Company's opinions on the draft Regulation. The purpose of this regulation is to define the procedures and principles that the operators and legal entities/ individuals which provide/receive services in the electronic communication sector in an effort to process, store and protect personal information in the electronic communications sector. In contrast to the current regulation, the draft regulation would require the consumer's approval prior to a direct marketing SMS being sent.

Table of Contents

4.C Organizational Structure

The following chart lists each of our key subsidiaries (including our ownership interest in Fintur) and our proportionate direct and indirect ownership interest as of April 7, 2011:

Notes:

- (1) KCell is 51% owned by Fintur and the remaining 49% is owned by Kazakhtelecom JSC, the Kazakh incumbent fixed-line telecom provider.
 - (2) Azertel is 51.3% owned by Fintur and the remaining 48.7% of the shares are owned by Cenay Group, a privately held Turkish group of companies. Azercell is 100% owned by Azertel. Fintur's effective ownership in Azercell is 51.3%.
 - (3) Gurtel is 99.99% owned by Fintur and Geocell is 100% owned by Gurtel.
 - (4) Moldcell is 99% owned by Fintur and 1% owned by Molfintur SRL, a wholly-owned subsidiary of Fintur.
 - (5) Merger of Telcom and Superonline was completed on May 1, 2009. This company is now called Superonline .
 - (6) Turkcell Europe started its operations in March 2011 as an MVNO by providing mobile voice and data services in Germany.
- For information on the country of incorporation of our key subsidiaries, see Item 4.B. Business Overview .

4.D Property, Plant and Equipment

Our principal property, plant and equipment consists of management offices, switching sites, network infrastructure sites, and network and office equipment.

The Group owns buildings in Istanbul Beyoglu (headquarters), Istanbul Maltepe, Istanbul Kartal, Istanbul Davutpasa, Ankara-Cinnah, Ankara-Sogutozu, Adana, Diyarbakir, Samsun, Izmir, Antalya, Trabzon and Bursa. In addition, we rented the following buildings in 2010: Academy, Sisli, Turkcell Head Quarters Plus (TMO+), Van, Kayseri and Maltepe Plus.

Table of Contents

In addition to the foregoing properties, we maintain two rented warehouses in Istanbul (Tuzla Omsan and Trio).

Switches

We have switches in Istanbul, Ankara, Izmir, Corlu (Tekirdag), Bursa, Kocaeli, Mugla, Bodrum, Balikesir, Denizli, Aydin, Konya, Sakarya, Kayseri, Eskisehir, Samsun, Trabzon, Erzurum, Van, Diyarbakir, Adana, Antalya, Mersin, Manisa, Corum, Tokat, Hatay and Gaziantep. Additionally, we have Remote BSC (RBSC) locations at Artvin, Alanya, Malatya, Elazig, Sanliurfa, Sirnak, Ordu, Rize, Agri, Kutahya, Afyon, Kars and Adiyaman.

In addition, we own switch buildings in different cities of Turkey, such as Mahmutbey (Istanbul), Aydin, Balikesir, Denizli, Mugla, Bodrum, Izmit, Konya, Erzurum. Switch buildings are where the network switching equipment (such as Mobile Switching Center-servers (MSC-s), Media Gateways (MGW), BSCs and Radio Network Controllers (RNC) is located.

Base stations

At the end of December 2010, we owned over 24,000 base stations and leased the land underlying such base stations.

In 2009, the ICTA resolved that operators may transfer the right of use of their towers to third parties. In accordance with this resolution, we transferred the right of use of 2,914 towers to Global Tower, including the towers that are determined as suitable for right of use transfer, to be used by Global Tower for the provision of its services to the wireless broadcast and communications industry in Turkey, 30 of which were removed from the network in 2010. As of December 31, 2010, Global Tower provided services to the industry with 2,694 masts and towers built by Global Tower and 2,884 towers transferred from Turkcell that are located throughout Turkey.

ITEM 4.A UNRESOLVED STAFF COMMENTS

None.

ITEM 5 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis by our management of the financial condition and the results of our operations should be read together with the consolidated financial statements included in this annual report. In addition to historical information, the following discussion contains forward-looking statements based on current expectations that involve risks and uncertainties. Actual results and the timing of certain events may differ significantly from those projected in such forward-looking statements due to a number of factors, including those set forth in Risk factors and elsewhere in this annual report.

Overview of the Turkish Economy

The global economy is in recovery mode. Growth has reverted to pre-crisis levels in nearly all major economies and regions. Emerging markets continue to be the key driving force for global economic growth. In 2010, Turkey exited the recession with relatively strong rate of growth driven by domestic demand due to the low interest rate environment. In 2010, GDP growth was 8.9%, which was the highest level of growth since the 9.4% seen in 2004. However, in 2010 our revenues remained almost flat, improving slightly from TRY 8,936.4 million in 2009 to TRY 9,003.6 million, mainly due to 26.4% growth in Turkcell Turkey's mobile internet and services revenues and a higher contribution from subsidiaries, despite the adverse effects of regulatory decisions.

Table of Contents

2011 is expected to be another year of recovery; however, marked by uneven global growth led by emerging markets with developed countries lagging. Global imbalances may remain high. The current monetary and fiscal responsibilities of the global economies may further hinder the path of recovery. Growth optimism for 2011, driven by emerging markets, may be adversely affected by the possibility of negative economic shocks from Europe, the United States and Japan, rising inflation in Emerging Markets due to rising food and energy prices and tension in the Middle East and Africa regions. The biggest threat to the global economy is rising oil prices due to oil supply shock if the revolutionary upheaval in the MENA (Middle East and North Africa) region spreads. On the other hand, the earthquake and tsunami that ravaged Japan, the third largest economy in the world, will likely have a short term effect on the global economy and it will not derail the global economic recovery.

Since Turkey is an oil importer country, high oil prices might have a widening effect on current account deficit and put pressure on inflation in the medium term. And also the non-energy ties with MENA region can have an adverse effect on growth prospects in Turkey.

The medium-term risks for the Turkish economy relate to the widening current account deficit and inflation. Asymmetric growth drivers (i.e., too much domestic, and very little foreign, demand) have caused a very swift widening in Turkey's external imbalance. Currently, the bulk of the current account deficit is financed by short-term portfolio inflows. However, if Turkey's strong growth is to be sustainable over the long term, high quality financing will be required. Turkey's current account deficit totaled \$48.6 billion in 2010 compared to \$14.0 billion in 2009. This deficit amounted to 6.5% and 2.3% of Gross Domestic Product (GDP) in 2010 and 2009, respectively. In 2010, net foreign direct investment amounted to \$7.1 billion, an increase of 3.9% compared to 2009. Net foreign direct investment inflows represented an amount equal to 15% of the current account deficit, compared to approximately 49% in 2009.

CBRT has implemented a new monetary policy framework that combines a lower policy rate with tightening liquidity via non-interest tools. CBRT also believes that the rapid widening of the current account deficit and the fact that it is financed by short-term capital inflows present risks to future financial stability. The most obvious risks associated with this new framework are weakness of the Turkish Lira and potential inflationary pressures as the output gap compresses rapidly.

After much volatility, annual inflation was 6.40% at the end of 2010, below the CBRT's target level of 6.50%. Attaining the 2010 inflation target is clearly an achievement and improves the CBRT's track record for inflation targeting. CBRT is expected to keep rates on hold as long as it can in 2011 while inflation remains subdued. Inflationary pressures, however, are brewing. While there may be some moderation due to corrections in food prices and favorable base effects in the short term, a rapidly closing output gap and rising global commodity prices are providing early warning signs. The possibility of pre-election spending is also an important risk clouding the 2011 inflation outlook. The latest CBRT expectation survey indicates that consumer inflation is expected to be 6.5% at the end of 2011, above the CBRT target of 5.5% for 2011.

Turkish politics do not pose a severe risk since Turkey has had a strong single party government for over a decade. However, political divisions between moderate Islamists and secularists, including in the judiciary and military, are a constant source of political tension that has frequently delayed the policy making process. Security risks from Kurdish separatist militants and anti-government organizations remain a concern in Turkey, especially in the south-eastern part of the country. The general elections in mid-2011 are likely to be the main political risk unless a majority government is maintained. Turkey's recent diplomatic foray into the Middle East, most notably in Iran, has raised concerns about Turkey's EU membership process. There have been questions as to whether Turkey is moving away from its EU accession goals. Turkey, however, has continued to demonstrate its commitment to the EU membership process by moving ahead with formal accession talks.

It is likely that Turkey's rating will be raised to investment grade by at least one of the rating agencies in the future due to its low level of indebtedness and favorable growth dynamics, which further improve its debt ratios.

Table of Contents

The agencies, however, may prefer to wait until after the June 2011 elections to make their decision regarding Turkey's rating upgrades.

The TRY's performance during the first 11 months of 2010 was parallel to other Emerging Market currencies. After the CBRT signaled a rate cut in early December, the TRY weakened and ended the year 2.7% depreciated against the U.S. dollar. In 2011, Emerging Market currencies may experience appreciation pressures compared to the G3 currencies following loose monetary policies in developed countries and stronger macroeconomic data in Emerging Markets. However, the large external financing needs and the CBRT's risky strategy continue to keep TRY from appreciating.

Taxation Issues in Telecommunications Sector

Under current Turkish tax laws, there are several taxes imposed on the services provided by telecommunications operators in Turkey. These taxes are charged to subscribers by GSM operators and remitted to the relevant tax authorities. They may be charged upon subscription, on an annual basis or on an *ad valorem* basis on the service fees charged to subscribers.

The following are the most significant taxes imposed on our telecommunications services:

Special Communications Tax

The Turkish government imposed a special 25% communications tax on mobile telephone services as part of a series of new taxes levied to finance public works required to respond to the earthquakes that struck Turkey's Marmara region in 1999. This tax is paid by mobile users and collected by GSM operators. The special communications tax on new subscriptions was TRY 31.78 (equivalent to \$20.97 as of April 7, 2011) and TRY 31.10 (equivalent to \$20.52 as of April 7, 2011) in 2010 and 2009, respectively. As of January 1, 2011, the special communications tax on new subscriptions levied is TRY 34.0 (equivalent to \$22.4 as of April 7, 2011). The tax has had a correlative negative impact on mobile usage.

Under Law No. 5838, which became effective on March 1, 2009, wired, wireless and mobile internet service providers are subject to a special 5% communications tax (previously such tax was 25%). Other than mobile internet services, all mobile telecommunication services remain subject to a special 25% communications tax. The tax collected from subscribers in one calendar month is remitted to the tax authorities within the first 15 days of the following month.

Value Added Tax (VAT)

Like all services in Turkey, services provided by GSM operators are subject to VAT, which is 18% of the service fees charged to subscribers. We declare VAT to the Ministry of Finance within 24 days and remit VAT paid by our subscribers within the first 26 days of the month following when the tax was incurred, after the offset of input VAT incurred by us.

VAT for roaming services was, until November 3, 2009, calculated solely on the mark-up amount on subscribers' invoices for roaming services. Following the Ministry of Finance's declaration of a change in its position regarding roaming charges, we began imposing VAT and the special communications tax on the entire amount of roaming charges starting from November 3, 2009 to comply with this change in position.

Reverse charge VAT is calculated on the invoices issued by foreign GSM operators.

License and Annual Utilization Fees

According to Article number 46 of the Electronic Communications Law, subscribers registered in the system are subject to both license and annual utilization fees.

Table of Contents

The license fee is paid once on the subscription for wireless equipment. As of January 1, 2010, the license fee is TRY 12.26 (equivalent to \$8.09 as of April 7, 2011). For postpaid subscribers, the license fee is divided into the number of months remaining in the year in which it is payable and charged to the subscriber in equal installments. As of January 1, 2011, the license fee is TRY 13.20 (equivalent to \$8.71 as of April 7, 2011).

The amount of the annual utilization fee depends on whether a subscriber is postpaid or prepaid. For postpaid subscribers, the annual utilization fee is the same amount as the license fee, TRY 12.26 (equivalent to \$8.09 as of April 7, 2011), and is charged to subscribers in 12 equal monthly installments. As of January 1, 2011, the annual utilization fee is TRY 13.20 (equivalent to \$8.71 as of April 7, 2011). In addition, GSM operators pay monthly charges to the government. For prepaid subscribers, the annual utilization fee is calculated by multiplying the number of registered prepaid subscribers by the annual utilization fee. The calculated bulk annual utilization fee is paid by the GSM operators the following year on the last business day in February.

Special Consumption Tax

The special consumption tax is a tax on prescribed goods, which includes mobile phones. The special consumption tax is charged on mobile phones either when they are imported or when they are sold by Turkish manufacturers. The special consumption tax rate on mobile phones (mobile phones are legally defined as transmitter/receiver cellular phones) is currently 20%. Until December 31, 2013, the special consumption tax calculated in accordance with 20% rate shall not fall below TRY 40.00 (equivalent to \$26.39 as of April 7, 2011) per cellular phone device (Temporary Article 6 of Special Consumption Tax Code).

For a description of various tax related disputes to which we are party, see Item 8.A. Consolidated Statements and Other Financial Information Legal Proceedings .

Critical Accounting Policies

See Note 3 (Significant Accounting Policies) to our consolidated financial statements in this Form 20-F.

5.A Operating Results

Our audited consolidated financial statements as of December 31, 2010 and December 31, 2009 and for each of the years in the three-year period ended December 31, 2010 included in this annual report have been prepared in accordance with IFRS as issued by the IASB.

Overview of Business

Turkcell, a joint stock company organized and existing under the laws of the Republic of Turkey, was formed in 1993 and commenced operations in 1994. We operate under a 25-year GSM license (the 2G License) and a 20-year GSM license (the 3G License). We were granted the 2G License in April 1998 upon payment of an upfront license fee of \$500 million. On April 30, 2009, we signed a license agreement with ICTA which provides authorization for providing IMT 2000/UMTS services and infrastructure. We have acquired the A type license providing the widest frequency band for a consideration of EUR 358 million (excluding VAT). The 3G License is effective for 20 years starting from April 30, 2009. Pursuant to the agreement, we have provided IMT 2000/UMTS services as of July 30, 2009.

Under our 2G License, we pay the Undersecretariat of Treasury (the Turkish Treasury) a monthly treasury share equal to 15% of our gross revenue. Of such fee, 10% is paid to the Ministry of Transportation and Communications of Turkey (Turkish Ministry) as the universal services fund. Based on a law enacted on July 3, 2005 concerning the regulation of privatization, the gross revenue description used for the calculation of the treasury share and universal service fund was changed. According to such regulation, accrued interest charged for late collections, indirect taxes, such as VAT, and other expenses are excluded from the description of

Table of Contents

gross revenue. In light of such changes, we applied to the ICTA to revise the related articles of the amended agreement and completed certain necessary procedures. Danistay, the highest administrative court, approved the agreement on March 10, 2006. The resulting definition of gross revenue for the treasury share has been effective since March 10, 2006.

We believe that the buildout of our network in Turkey is substantially completed. As of December 31, 2010, our network covered 100% of Turkish cities with a population of 1,000 or more and the majority of Turkey's tourist areas and principal intercity highways. We currently meet the coverage requirements of our 2G license in all material respects.

In accordance with our 3G license agreement, we are required to cover 100% of the population within the borders of all metropolitan municipalities and borders of all cities and municipalities in three and six years, respectively. Moreover, we are required to cover 100% of the population in all settlement areas with a population higher than 5,000 and 1,000 in eight and ten years, respectively following the date of the agreement. As of December 31, 2010, we had reached a 82% population coverage (based on 3GPP TS 25.101 specifications for outdoor coverage).

Other than our 2G and 3G licenses, we also operate under interconnection agreements with other operators that allow us to connect our networks with those operators to enable the transmission of calls to and from our mobile communications system through existing digital fixed telephone switches. For example, we have an interconnection agreement with Turk Telekom that provides for the interconnection of our network with Turk Telekom's fixed-line network. Under our agreement with Turk Telekom, as amended, we pay Turk Telekom an interconnection fee per call based on the type and length of the call for calls originating on our network and terminating on Turk Telekom's fixed-line network, as well as fees for other services. We also collect an interconnection fee from Turk Telekom for calls originating on their fixed-line network and terminating on ours. We also have interconnection agreements with Vodafone and Avea pursuant to which we have agreed, among other things, to pay interconnection fees to them for calls originating on our network and terminating on theirs, and they have agreed to pay interconnection fees for calls originating on their networks and terminating on our networks.

Our subscriber base has grown substantially since we began operations in 1994. At year-end 1994, we had 63,500 subscribers. By year-end 2010, that number had grown to 33.5 million.

According to the ICTA's announcements, there were 61.8 million GSM lines in the Turkish GSM market as of December 31, 2010. In addition, the penetration rate in such market was 85% as of December 31, 2010. Despite the increasingly competitive environment, we sustained our leading market position with a market share of 54% for the year ended December 31, 2010, according to the ICTA's announcements. We increased our postpaid subscriber base from 27% in 2009 to 30% in 2010 due to our focus on value. On the channel front, we made revisions to our existing subdealer network and the commission structure to increase the availability of the Turkcell brand. As of December 31, 2010, we had 23.3 million prepaid and 10.1 million postpaid subscribers in our Turkish GSM network. Despite the negative macroeconomic indicators in Turkey, we recorded the highest usage levels since 2001. Our average MoU in Turkey increased by 33% to 179.1 minutes in 2010 from 134.3 minutes in 2009, as a result of our successful campaigns and attractive tariffs. Our average revenue per user in Turkey increased to \$13.0 in 2010 from \$12.0 in 2009. In TRY terms, ARPU increased to TRY 19.5 in 2010 compared to TRY 18.5 in 2009. Despite the intensifying challenges in the macroeconomic, competitive and regulatory environment, we have increased our average revenue per user metric in Turkey mainly due to rising mobile internet revenues and postpaid subscriber base.

Our revenues are generated in large part from interconnection fees and retail tariffs. Regulatory decisions have had and may continue to have the effect of decreasing interconnection rates and imposing price caps on our retail tariffs. For a more detailed discussion of these factors, please see Item 4.B. Business Overview Regulation of the Turkish Telecommunications Industry and Item 5.D. Trend Information .

Table of Contents

Churn rate is the percentage calculated by dividing the total number of subscriber disconnections during a period by the average number of subscribers for the same period. For these purposes, we define average number of subscribers as the number of subscribers at the beginning of the period plus one half of the total number of gross subscribers acquired during the period. Churn refers to subscribers that are both voluntarily and involuntarily disconnected from our network. Our churn rate for operations in Turkey was 33.9% for the year ended December 31, 2010 compared to 32.6% for the year ended December 31, 2009. Our churn rate increased 1.3 percentage points mainly due to declining multiple SIM card usage.

We have an allowance for doubtful receivable in our consolidated financial statements for non-payments and disconnections that amounted to \$376.8 million and \$268.2 million as of December 31, 2010 and December 31, 2009 respectively, which we believe is adequate. The main reason for the increase in allowance for doubtful receivable is the increase in the number of postpaid subscribers.

International and Other Domestic Operations

In addition to our businesses in Turkey, we have telecommunications operations in Ukraine, the Turkish Republic of Northern Cyprus and Belarus. We also operate in other countries through our associate, Fintur. For a description of, and additional information regarding, our international and other domestic operations, see Item 4.B. Business Overview .

Revenues

In Turkey, we and other mobile communications operators have entered into interconnection agreements which set out the terms and conditions regarding the pricing terms as well as the periodical revision of such terms. See Item 4.B. Business Overview Regulation of the Turkish Telecommunications Industry .

In previous periods, disagreements existed between us and the other mobile communications operators regarding the revision of pricing terms of the interconnection agreements. In addition, there is a disagreement with Turk Telekom about international calls. See Item 8.A. Consolidated Statements and Other Financial Information Legal Proceedings and Note 32 to our consolidated financial statements in this Form 20-F.

Operating Costs

Direct Cost of Revenues

Direct cost of revenues includes treasury shares, transmission fees, base station rents, billing costs, cost of simcards sold, depreciation and amortization charges, repair and maintenance expenses directly related to services rendered, roaming charges paid to foreign mobile communications operators for calls made by our subscribers while outside Turkey, interconnection fees mainly paid to Turk Telekom, Vodafone and Avea, handset costs offered as part of our loyalty programs and wages, salaries, and personnel expenses for technical personnel.

Administrative Expenses

Administrative expenses consist of fixed costs, including company cars, office rent, office maintenance, travel, insurance, consulting, collection charges, wages, salaries, and personnel expenses for non-technical, non-marketing, and non-sales employees and other overhead charges. Our administrative expenses also include bad debt expenses of our postpaid subscribers.

Table of Contents***Selling and Marketing***

Selling and marketing expenses consist of customer relations, sales promotions, dealer activation fees, advertising, prepaid frequency usage fees, wages, salaries, and personnel expenses of sales and marketing related employees and other expenses, including travel expenses, office expenses, insurance, company car expenses, and training and communication expenses.

Results of Operations

The following table shows information concerning our consolidated statements of operations for the years indicated:

(in \$ millions)	For the years ended December 31,		
	2010	2009	2008
Revenues	5,982.1	5,790.0	6,970.4
Direct Cost of Revenues	(3,349.0)	(3,097.1)	(3,409.0)
Gross Profit	2,633.1	2,692.9	3,561.4
Administrative expenses	(347.3)	(273.1)	(309.3)
Selling and Marketing expenses	(1,085.8)	(1,085.1)	(1,351.7)
Other income / (expense)	(49.5)	(110.3)	(3.9)
Results from operating activities	1,150.5	1,224.4	1,896.5
Finance costs	(102.6)	(187.5)	(136.8)
Finance income	277.1	329.6	442.1
Net finance income / (costs)	174.5	142.1	305.3
Share of profit of equity accounted investees	122.8	78.4	103.0
Profit before income taxes	1,447.8	1,444.9	2,304.8
Income tax expense	(320.8)	(340.1)	(549.8)
Profit for the year	1,127.0	1,104.8	1,755.0
Attributable to:			
Equity holders of the Company	1,170.2	1,094.0	1,836.8
Non-controlling interest	(43.2)	10.8	(81.8)
Profit for the year	1,127.0	1,104.8	1,755.0

The following table shows certain items in our consolidated statement of operations as a percentage of revenue:

(in \$ millions)	For the years ended December 31,		
	2010	2009	2008
Statement of Operations Data (% of revenue)			
Revenues			
Communication fees	94.8	96.0	94.4
Commission fees on betting business	0.5	0.7	2.5
Other revenue	4.7	3.3	3.1
Total revenue	100.0	100.0	100.0
Direct cost of revenues	(56.0)	(53.5)	(48.9)
Gross margin	44.0	46.5	51.1
Administrative expense	(5.8)	(4.7)	(4.4)
Selling and marketing expenses	(18.2)	(18.7)	(19.4)
Other operating income/(expense)	(0.8)	(1.9)	(0.1)
Results from operating activities	19.2	21.1	27.2

Table of Contents**Segment Overview**

Segment information is presented in respect of our geographical segments. We have three reportable segments, as described below, which are based on the dominant source and nature of our risk and returns as well as our internal reporting structure. These strategic segments offer the same types of services, but they are managed separately because they operate in different geographical locations and are affected by different economic conditions.

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

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

	Turkcell 2010	Euroasia 2010	Belarusian Telecom 2010	Other 2010	Total 2010
(in \$ million)					
Total external revenues	5,294.1	334.0	48.9	305.1	5,982.1
Intersegment revenue	14.7	5.3	0.1	386.3	406.4
Reportable segment adjusted EBITDA	1,751.1	64.5	(32.6)	213.6	1,996.6
Finance income	255.4	0.8	0.8	60.1	317.1
Finance cost	(34.6)	(44.0)	(28.5)	(66.1)	(173.2)
Depreciation and amortization	(474.7)	(120.4)	(80.8)	(92.1)	(768.0)
Share of profit of equity accounted investees				122.8	122.8
Other material non-cash items:					
Impairment on goodwill			23.5		23.5

	Turkcell 2009	Euroasia 2009	Belarusian Telecom 2009	Other 2009	Total 2009
(in \$ million)					
Total external revenues	5,176.1	350.1	17.4	246.4	5,790.0
Intersegment revenue	22.8	1.0	0.1	304.1	328.0
Reportable segment adjusted EBITDA	1,819.3	20.2	(38.3)	144.9	1,946.1
Finance income	304.3	2.1	1.4	75.8	383.6
Finance cost	(162.9)	(54.9)	(12.5)	(33.0)	(263.3)
Depreciation and amortization	(396.3)	(79.9)	(52.7)	(67.9)	(596.8)
Share of profit of equity accounted investees				78.4	78.4
Other material non-cash items:					
Impairment on goodwill			61.8		61.8

	Turkcell 2008	Euroasia 2008	Belarusian Telecom 2008	Other 2008	Total 2008
(in \$ million)					
Total external revenues	6,170.4	436.7	0.4	362.9	6,970.4
Intersegment revenue	41.9	2.0		292.3	336.2
Reportable segment adjusted EBITDA	2,383.9	32.3	(5.8)	181.7	2,592.1
Finance income	667.3	6.3	0.1	81.5	755.2
Finance cost	(100.7)	(262.9)	(1.3)	(76.0)	(440.9)
Depreciation and amortization	(528.5)	(101.0)	(8.9)	(42.9)	(681.3)
Share of profit of equity accounted investees				103.0	103.0
Other material non-cash items:					

Impairment on goodwill

Table of Contents**Turkcell*****2010 compared to 2009***

Total revenues generated by Turkcell increased 2.1%, to \$5,308.8 million in 2010 from \$5,198.9 million in 2009, mainly due to the 2.9% appreciation, on average, of the TRY against the USD. However, on a constant dollar basis, which is a non-GAAP measure computed based on the assumption that the TRY/USD exchange rate remained constant for the years ended December 31, 2010 and 2009, total revenues decreased 0.4%. We believe that this decrease was mainly a result of regulatory decisions that had the effect of decreasing interconnection rates and imposing price caps on our retail tariffs, which were partially offset by the growth in mobile internet and service revenues as well as the increasing postpaid subscriber base. Due to such regulatory decisions, we have redesigned our tariffs and offers and revenue per minute has declined to TRY 0.11 in 2010 from TRY 0.14 in 2009. For a more detailed discussion of these factors, please See Item 4.B. Business Overview Regulation of the Turkish Telecommunications Industry and Item 5.D. Trend Information .

Turkcell s EBITDA deteriorated 3.7%, to \$1,751.1 million in 2010 from \$1,819.3 million in 2009. On a constant dollar basis, EBITDA deteriorated 4.8%, primarily due to an increase in administrative expenses. Our increase in administrative expenses mainly resulted from an increase in bad debt expenses as a result of an increase in the postpaid subscriber base, together with higher wages and salaries. The increase in the direct cost of revenues had an impact on the deterioration of EBITDA, primarily resulting from an increase in fixed network costs and wages and salaries expenses and partially netted off by a decrease in interconnect costs due to a lowering of interconnect rates, despite the increase in off-net traffic.

Net finance income increased 56.2%, from \$141.4 million in 2009 to \$220.8 million in 2010. On a constant dollar basis, net finance income also increased 49.8% mainly due to a decrease in interest expense resulting from the absence of provisions related to litigation late payment interest expenses in 2010, partially offset with an increase in loan interest expense due to an increase in outstanding debt balance and a decrease in interest income arising from lower interest rates. Change in translation gain/(loss) due to the 2.7% depreciation of the TRY against the USD in 2010, as opposed to the 0.4% appreciation of the TRY against the USD in 2009, also has a positive impact on improvement of net finance income since Turkcell has a long position.

Depreciation expense increased 19.8% from \$396.3 million in 2009 to \$474.7 million in 2010. On a constant dollar basis, depreciation expense also increased by 17.2%.

2009 compared to 2008

Total revenues generated in Turkcell decreased 16.3% to \$5,198.9 million in 2009, from \$6,212.3 million in 2008, mainly due to the 21.4% depreciation, on average, of the TRY against the USD; however, on a constant dollar basis, which is computed based on the assumption that the TRY/USD exchange rate remained constant for the years ended December 31, 2009 and 2008, total revenues increased 1.9%, mainly as a result of our growth in the Turkish mobile business, reflected by a strong increase in usage, higher mobile internet and services (an increasing contribution from mobile internet and services revenue driven by 3G implementation) and higher interconnect revenues.

Turkcell s EBITDA deteriorated 23.7%, to \$1,819.3 million in 2009 from \$2,383.9 million in 2008. On a constant dollar basis, EBITDA deteriorated 6.2% mainly as a result of the increase in the direct cost of revenues, which primarily resulted from higher interconnect costs due to the increase in off-net traffic partially netted off by the decrease in interconnection tariffs and a provision recorded due to Turkcell s ongoing dispute regarding international voice traffic, and network related expenses.

Net finance income deteriorated 75.0%, to \$141.4 million in 2009 from \$566.6 million in 2008. On a constant dollar basis, net finance income also deteriorated 69.0% as a result of the negative impact of the change in translation gain/(loss) due to the 0.4% appreciation of the TRY against the USD in 2009, as opposed to the

Table of Contents

30% depreciation of the TRY against the USD in 2008, lower interest income due to the decrease in interest rates and provisions related to litigation late payment interest expenses in 2009.

Depreciation expense decreased 25.0% to \$396.3 million in 2009 from \$528.5 million in 2008. On a constant dollar basis, depreciation expense decreased 8.8% due to fully depreciated fixed assets.

Euroasia

2010 compared to 2009

Astelit, in which we hold a 55.0% stake through Euroasia, has operated in Ukraine since February 2005 under the brand life:). Since its inception in February 2005, Astelit has worked on establishing network coverage to provide high quality services in Ukraine. As of December 31, 2010, Astelit had established 8,975 base stations to ensure a rapid roll-out of its infrastructure, which currently covers approximately 96.6% of the Ukrainian s population. life:) was the first in the market to introduce EDGE and GPRS services, which provide the highest data transfer speed available in the GSM network. Astelit has also focused on establishing brand awareness and values as well as growing its subscriber base. Through its distribution channel of approximately 26,949 non-exclusive sales points throughout Ukraine, 269 life:) exclusive sales points and high brand recognition in the Ukrainian market, Astelit s subscriber base decreased 25.4% from 12.2 million at the end of December 31, 2009 to 9.1 million at the end of December 31, 2010, mainly due to the change in subscriber definition and churn in 2010, which was designed to monitor value adding subscribers and their behavior more closely. In 2010, Euroasia s segment revenue decreased 3.4%, from \$351.1 million in 2009 to \$339.3 million in 2010, while revenue decreased 1.8% on a constant dollar basis, mainly due to closing of our unprofitable carrier business line and reductions in interconnect rates during the year.

Euroasia s EBITDA increased 219.3% to reach \$64.5 million in 2010 from \$20.2 million in 2009. As a percentage of revenues, EBITDA increased 13.3 percentage points to 19.0% in 2010 from 5.8% in 2009, within the context of the turnaround strategy and effective cost control initiatives. The main drivers of the increase in EBITDA were tariff redesigns, resulting in a decrease in interconnection cost, and cost cutting measures, which resulted in lower direct cost of revenues and administrative expenses as a percentage of revenues.

Net finance cost decreased 18.2%, from a \$52.8 million loss in 2009 to a \$43.2 million loss in 2010, thanks to the absence of the foreign exchange losses incurred in 2009 as a result of the 3.7% depreciation of the Ukrainian Hryvnia against the U.S. dollar in 2009, as opposed to 0.3% appreciation of the local currency against US dollar in 2010, since Eurasia has short position partially offset with the increase in interest expense.

2009 compared to 2008

Astelit s subscriber base grew 8.9% to 12.2 million at the end of December 31, 2009 from 11.2 million at the end of December 31, 2008. In 2009, Euroasia s segment revenue decreased 20.0% to \$351.1 million from \$438.7 million in 2008 mainly due to the 47.7% depreciation, on average, of the local currency against the US dollar. However, Euroasia increased its revenue 19.5% compared to 2008 on a constant dollar basis, mainly due to the increase in its customer base and higher usage.

Euroasia s EBITDA deteriorated 37.5% to reach \$20.2 million in 2009 from \$32.3 million in 2008. As a percentage of revenues, EBITDA decreased 1.7 percentage points to 5.7% in 2009 from 7.4% in 2008 due to an increasing share of interconnection costs resulting from an increase in calls to other operators and in radio costs as a result of the increase in base stations as a percentage of revenue, partially offset with the decrease in selling and marketing expenses as a percentage of revenues.

Net finance cost decreased 79.4% to a \$52.8 million loss in 2009 from a \$256.6 million loss in 2008 due to the absence of the large foreign exchange losses incurred in 2008 stemming from the 52% depreciation of the Ukrainian Hryvnia against the USD in 2008.

Table of Contents

Belarusian Telecom

2010 compared to 2009

In 2010, Belarusian Telecom's subscriber base grew 25.0%, reaching 1.5 million people, compared to 1.2 million in 2009. As a result, Belarusian Telecom's segment revenue increased 180.0% in 2010, reaching \$49.0 million, from \$17.5 million in 2009.

Belarusian Telecom's EBITDA improved 14.9% from a \$38.3 million loss in 2009 to a \$32.6 million loss in 2010. The improvement in EBITDA resulted from the higher amount of revenue when compared to the increase in the direct cost of revenues, selling and marketing and general administrative expenses. The increase in direct cost of revenues mainly resulted from the increase in interconnection costs, handset costs given as part of loyalty campaigns and fixed network expenses, on a constant dollar basis.

Net finance cost increased 149.5% to \$27.7 million loss in 2010 from \$11.1 million loss in 2009 mainly as a result of higher interest expenses due to a larger amount of loans and borrowings.

As at December 31, 2010 and 2009, we had impaired goodwill of \$23.5 million and \$61.8 million, respectively, resulting from the acquisition of Belarusian Telecom and following adverse movements in the discount and growth rates, as well as an adverse performance against previous plans. We fully allocate the impairment loss to goodwill and include it in other expenses.

2009 compared to 2008

The results of Belarusian Telecom's operations have been included in our consolidated financial statements since August 28, 2008, thus, its 2008 figures consist of its results of operations after that time. In 2009, Belarusian Telecom's subscriber base grew 500%, reaching 1.2 million people, compared to 0.2 million in 2008. As a result, Belarusian Telecom's segment revenue increased 4,250% in 2009, reaching \$17.4 million, from \$0.4 million in 2008.

Belarusian Telecom's EBITDA decreased to a \$38.3 million loss in 2009 from a \$5.8 million loss in 2008. The deterioration in EBITDA also resulted from the worsening economic and political macro-environment, an increase in radio costs as a result of the increase in base station numbers and an increase in selling and marketing activities.

Net finance income/(cost) decreased to a \$11.1 million loss in 2009 compared to a \$1.2 million loss in 2008 as a result of higher interest expenses due to a larger amount of loans and borrowings and higher foreign exchange losses due to the short position of balance sheet.

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

We had 33.5 million GSM subscribers in Turkey, including 23.3 million prepaid subscribers, as of December 31, 2010, compared to 35.4 million GSM subscribers in Turkey, with 26.0 million prepaid subscribers, as of December 31, 2009. During 2010, we lost approximately 1.9 million Turkish GSM subscribers.

In Ukraine, we had 9.1 million and 12.2 million subscribers as of December 31, 2010 and 2009, respectively. During 2010, we lost approximately 3.1 million new Ukrainian GSM subscribers. This was primarily due to the change in subscriber definition and churn in 2010, which was designed to monitor value adding subscribers and their behavior more closely.

Revenues

Total revenues for the year ended December 31, 2010 increased 3.3% to reach \$5,982.1 million, from \$5,790.0 million in 2009, mainly due to the 2.9% appreciation, on average, of the TRY against the USD. On a

Table of Contents

constant dollar basis, our revenues increased 0.8% compared to 2009, mainly due to an increase in Turkcell's mobile internet and services revenues, as well as a higher contribution from our subsidiaries, particularly through Superonline, despite regulatory decisions relating to the decrease in interconnection rates and a price cap. In 2010, our interconnect revenues decreased significantly, mainly due to cuts in interconnect rates, which led to a decline in the percentage of interconnection revenues in our revenues.

Revenues from communication fees for the year ended December 31, 2010 increased 2% to \$5,670.2 million, from \$5,557.3 million in 2009, mainly due to the 2.9% appreciation, on average, of the TRY against the USD. However, our revenues from communication fees decreased 0.5% on a constant dollar basis due to regulatory decisions leading to lower interconnect tariffs and price cap which were partially offset by the growth in mobile internet and service revenues together with the increasing postpaid subscriber base. Communication fees consist of revenues from postpaid and prepaid subscribers, interconnect revenues and roaming revenues. Although the total number of postpaid subscribers is significantly lower than the total number of prepaid subscribers, the contribution, in absolute terms, of postpaid revenues to total revenue growth is higher than the growth in prepaid revenues in Turkey. This is mainly due to higher average revenue per postpaid subscriber. Postpaid subscribers' usage is generally higher than prepaid subscribers'. In Turkey, during 2010, we maintained our focus on the postpaid segment, with newly launched campaigns and offers, increased data lines and promotions to switch customers from the prepaid to postpaid segment. We focus on postpaid subscribers because there is, in general, a higher average revenue per postpaid subscriber. In 2010, postpaid average revenue per user was \$26.6 whereas prepaid average revenue per user was \$7.6. These figures indicate that postpaid average revenue per user is approximately 3.5 times the prepaid average revenue per user. Therefore, the increase in the number of postpaid subscribers has a positive effect on blended average revenue per user.

Commission revenues from our betting business decreased to \$31.2 million for the year ended December 31, 2010, from \$42.7 million for the year ended December 31, 2009. On a constant dollar basis, commission revenues decreased 29.3%. This decrease was primarily due to the lower commission rate we received as the head agent of the fixed odds betting games through 2010 (1.4% of gross takings compared to our previous arrangement, which ended in March 2009, of 7% of gross takings and a 4.3% commission).

Monthly fixed fees revenue increased 77.4% to reach \$75.4 million for the year ended December 31, 2010, compared to \$42.5 million for the year ended December 31, 2009, mainly due to an increase in our postpaid subscriber base and an increase in our monthly fixed fee per subscriber. On a constant dollar basis, monthly fixed fees revenue increased 72.0%.

Direct cost of revenues

Direct cost of revenues, including depreciation and amortization, increased 8.1% to \$3,349.0 million in 2010 from \$3,097.1 million for the year ended December 31, 2009. On a constant dollar basis, direct cost of revenues increased 5.7% compared to 2009, mainly due to an increase in depreciation and amortization expenses arising from certain fixed asset write-offs, the depreciation impact on asset retirement obligation and an increase in network related expenses, which were partially offset by lower interconnect costs as a result of the significant decrease in interconnect rates, despite the increase in off-net airtime.

Treasury shares and universal funds paid to the Turkish Treasury and Turkish Ministry increased 2.1%, from \$809.8 million for the year ended December 31, 2009 to \$826.7 million in 2010, primarily due to the 2.9% appreciation, on average, of the TRY against the USD; however they decreased 0.5% on a constant dollar basis and remained almost the same as a percentage of revenues.

Depreciation and amortization charges increased 28.2%, from \$590.7 million for the year ended December 31, 2009 to \$757.4 million in 2010, while on a constant dollar basis depreciation and amortization charges increased 25.4%, mainly due to fixed asset write-offs related to our obsolete equipment owned by Turkcell and other group companies and the depreciation impact on asset retirement obligation. The amortization

Table of Contents

expense for our GSM license and other telecommunication operating licenses was \$70.8 million and \$50.4 million for the years ended December 31, 2010 and 2009, respectively.

Interconnection and termination costs decreased 6.4% to \$575.2 million in 2010 from \$614.7 million for the year ended December 31, 2009. In addition, they decreased 8.0% on a constant dollar basis due to significant decreases in interconnection rates, despite the increase in off-net traffic.

Transmission costs, site costs and maintenance costs decreased approximately 7.3%, from \$195.6 million for the year ended December 31, 2009 to \$181.4 million in 2010. On a constant dollar basis, these costs decreased 9.5%, resulting from the significant decrease in the average unit rent of leased lines. Furthermore, uncapitalizable radio costs and expenses increased 18.1%, from \$279.2 million for the year ended December 31, 2009 to \$329.6 million in 2010. In addition, radio costs increased 15.2% on a constant dollar basis due to higher electricity prices and the increase in the number of radio base stations.

Wages, salaries and personnel expenses for technical personnel increased 15.7% to \$264.7 million in 2010 from \$228.7 million for the year ended December 31, 2009. They increased 12.9% on a constant dollar basis due to the increase in the number of employees and a periodic increase in wages and salaries.

Roaming expenses decreased 16.8% to \$60.5 million in 2010, from \$72.7 million for the year ended December 31, 2009. On a constant dollar basis they decreased 18.7% due to a decrease in tariffs between international operators and Turkcell, partially netted off by an increase in roaming durations.

Billing costs increased 18.2% to \$53.3 million in 2010 from \$45.1 million for the year ended December 31, 2009. On a constant dollar basis they increased 15.4%, primarily due to an increase in the number of postpaid subscribers and higher postage fees.

As a percentage of revenues, direct cost of revenues increased 2.5 percentage points to 56% in 2010, from 53.5% in 2009, mainly due to increases in network related expenses (0.4 pp), depreciation and amortization expenses (2.5 pp) and other items (0.6 pp) as a percentage of revenues, partially netted off by a decrease in interconnect costs (1.0 pp).

Gross profit margin decreased 2.5 percentage points to 44.0% in 2010 from 46.5% in 2009.

Administrative expenses

General and administrative expenses increased 27.2%, to \$347.3 million in 2010 from \$273.1 million in 2009. On a constant dollar basis, these expenses increased 23.9%, mainly due to a higher amount of bad debt expenses arising from the increase in our postpaid subscriber base and higher wages and salaries resulting from periodic increases in such figures and a higher number of personnel. As a percentage of revenues, general and administrative expenses increased to 5.8% for the year ended December 31, 2010, from 4.7% in 2009.

Wages, salaries and personnel expenses for non-technical and non-marketing employees increased 22.0%, to \$100.8 million in 2010 from \$82.6 million for the year ended December 31, 2009. On a constant dollar basis, they increased 18.6%, primarily due to periodic increase in wages and salaries and an increase in the number of personnel.

Bad debt expenses increased 67.5% to \$126.3 million in 2010 from \$75.4 million for the year ended December 31, 2009. On a constant dollar basis, they increased 63.4% mainly due to an increase in the postpaid subscriber base. We provided an allowance of \$376.8 million and \$268.2 million for doubtful receivables for the years ended December 31, 2010 and 2009, respectively, depending on the likelihood of recoverability of trade and other receivables based on the aging of the balances, historical collection trends and general economic conditions.

Table of Contents

Other expenses, including collection and consulting expenses, increased 4.4% to \$120.2 million in 2010 from \$115.1 million for the year ended December 31, 2009. On a constant dollar basis, they increased 2.0% due to the increase in consultancy expenses.

Selling and marketing expenses

Selling and marketing expenses increased 0.1% to \$1,085.8 million in 2010 from \$1,085.1 million for the year ended December 31, 2009. However, on a constant dollar basis, they decreased 2.5% primarily due to lower selling expenses and frequency usage fees paid for prepaid subscribers, which were partially offset by higher wages and salaries. As a percentage of revenues, selling and marketing expenses decreased from 18.7% for the year ended December 31, 2009 to 18.2% for the year ended December 31, 2010.

Selling expenses, which consist of distributor support, dealer support, and other selling expenses, decreased 7.0%, to \$420.3 million for 2010 from \$451.7 million for 2009. On a constant dollar basis, selling expenses decreased 9.3%, mainly due to lower distributor and dealer support expenses in 2010 resulting from fewer subscriber acquisitions.

Total marketing expenses, which consist of advertising, market research, sponsorships expenses and customer relations expenses increased 3.5%, to \$264.6 million in 2010 from \$255.6 million for the year ended December 31, 2009. On a constant dollar basis, they increased 0.8% mainly due to an increase in the volume of advertisements in 2010 compared to 2009, partially netted off by a decrease in sponsorship expenses.

Prepaid subscribers frequency usage fee expenses decreased 7.9%, to \$221.1 million in 2010 from \$240.1 million for the year ended December 31, 2009. On a constant dollar basis, these expenses decreased 10.3% as a result of the decline in the prepaid subscriber base, which was partially netted off by an increase in the frequency usage fee per subscriber.

Wages, salaries and personnel expenses for selling and marketing employees increased 34.3%, to \$135.8 million in 2010 from \$101.1 million for the year ended December 31, 2009. On a constant dollar basis, these expenses increased 31.0% due to an increase in the number of employees and a periodic increase in wages and salaries.

Other operating income/(expense)

Other operating expense decreased to \$49.5 million in 2010 from \$110.3 million in 2009, mainly due to a decrease of \$38.3 million in impairment recognized on goodwill arising from the acquisition of Belarusian Telecom (2010: \$23.5 million, 2009: \$61.8 million).

Other operating expenses in 2010 were comprised of: a \$23.5 million impairment change recognized on goodwill which arose from the acquisition of Belarusian Telecom; a penalty imposed as a result of an ICTA investigation relating to tariff plans, VAS service subscriptions and charging applications of the Company, which amounted to \$14.0 million, \$5.0 million and \$2.1 million, respectively; a Special Communication Tax (SCT) and VAT calculated on roaming services that had to be collected from subscribers as a result of a \$12.9 million tax settlement; and a \$5.8 million provision established for SCT on the discounts applied to distributors for prepaid scratch card sales between January 2005 and January 2007, which was based on the previous settlement gains. As of December 31, 2009, the provision set for SCT on the discounts applied to distributors for prepaid scratch card sales in 2003 and 2004 was \$14.5 million. This matter, however, was settled at \$2.8 million and the difference was reflected as income in other operating expense .

Table of Contents**Results from operating activities**

Results from operating activities decreased to \$1,150.5 million in 2010 from \$1,224.4 million for the year ended December 31, 2009. As a percentage of revenues, results from operating activities decreased from 21.1% in 2009 to 19.2% in 2010 mainly due to an increase in the direct cost of revenues and administrative expenses as a percentage of revenues.

Net financial income/(costs)

Net financial income increased 22.8% in 2010, to \$174.5 million from \$142.1 million in 2009, due to a decrease in financial expenses from \$187.5 million in 2009 to \$102.6 million in 2010 arising from lower litigation late payment interest expenses, which were partially netted off by a decrease in finance income from \$329.6 million in 2009 to \$277.1 million in 2010. The latter was due to a decrease in interest income resulting from lower interest rates. On a constant dollar basis, net financial income increased 18.0%.

Finance income decreased 15.9%, to \$277.1 million in 2010 from \$329.6 million for the year ended December 31, 2009. On a constant dollar basis, it decreased 18.3% due to lower interest rates.

Finance cost decreased 45.3%, to \$102.6 million in 2010 from \$187.5 million for the year ended December 31, 2009. On a constant dollar basis, it decreased 46.6% mainly due to lower litigation late payment interest expenses arising from legal disputes, which were partially netted off by an increase in interest expenses on loans as a result of higher outstanding loan balances as well as higher translation losses, which increased from a \$0.6 million loss in 2009 to a \$13.8 million loss in 2010. Foreign exchange losses in 2010 and 2009 are mainly attributable to our net foreign exchange position.

Share of profit of equity accounted investees

Our share of profit of equity accounted investees increased 56.6% in 2010, to \$122.8 million from \$78.4 million for 2009. On a constant dollar basis, net profit of equity accounted investees also increased, by 55.5%, mainly due to a higher net income contribution from Fintur, particularly from its operations in Kazakhstan.

We have eliminated A-Tel's revenue that is generated from services rendered to us to the extent of our share in A-Tel, with corresponding elimination from selling and marketing expenses in our consolidated financial statements. This consolidation elimination had a negative impact on the share of profit of equity accounted investees line.

Income tax expense

Income tax expense for the year ended December 31, 2010 was \$320.8 million compared to \$340.1 million in 2009. On a constant dollar basis, income tax expense decreased by 8.6% due to lower profit before tax.

The effective tax rate was 22.2% and 23.5% for the years ended December 31, 2010 and 2009, respectively.

Our domestic tax rate is 20%. Differences between the effective tax rate and our domestic tax rate include, but are not limited to, the effect of allowance for deferred tax assets, tax rates in foreign jurisdictions, tax exempt income and non-deductible expenses.

Non-controlling interests

Non-controlling interests in the net profit of our consolidated subsidiaries is classified separately in the consolidated financial statements of operations under non-controlling interests. Non-controlling interests increased to a \$43.2 million gain for the year ended December 31, 2010 compared to a \$10.8 million loss for 2009.

Table of Contents

For the year ended December 31, 2009 Euroasia generated a net loss of \$111.8 million and had negative equity. Therefore, non-controlling interest loss was not allocated from Euroasia's net loss in 2009. Non-controlling interest gain allocated from Eurasia's net loss amounting to \$101.0 million in 2010 is \$45.4 million. In addition, non-controlling interest gain recognized from our investment in Azerinteltek amounted to \$2.7 million. However, net profit generated by Inteltek for the years ended December 31, 2010 and 2009 resulted in a loss from non-controlling interests of approximately \$4.9 million and \$10.8 million, respectively.

The application of IAS 27 (2008) has resulted in changes in our accounting policies for changes in ownership interests in subsidiaries. Specifically, the revised standard has brought clarity to our accounting policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control. Under IAS 27 (2008), all such increases or decreases are allocated in equity, with no impact on goodwill or profit or loss. When control of a subsidiary is lost as a result of a transaction, event or other circumstances, the revised standard requires us to derecognize all assets, liabilities and non-controlling interests at their carrying amount and to recognize the fair value of the consideration received. Any retained interest in the former subsidiary is recognized at its fair value at the date control is lost. The resulting difference is recognized as a gain or loss in profit or loss. These changes in accounting policies have been applied prospectively from January 1, 2010 in accordance with the relevant transitional provisions.

Profit for the year attributable to equity holders of the Company

Profit for the year attributable to equity holders of the Company increased from \$1,094.0 million in 2009 to \$1,170.2 million in 2010. Profit for the period attributable to equity holders of the Company also increased on a constant dollar basis by 3.7%. This was mainly due to an increase in net finance income, share of profit of equity accounted investees and non-controlling interests partially netted off by a decrease in the results of our operating activities.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

We had 35.4 million GSM subscribers in Turkey, with 26.0 million prepaid subscribers as of December 31, 2009, compared to 37.0 million GSM subscribers in Turkey, with 29.5 million prepaid subscribers, as of December 31, 2008. During 2009, we lost approximately 1.6 million Turkish GSM subscribers.

In Ukraine, we had 12.2 million and 11.2 million subscribers as of December 31, 2009 and 2008, respectively. During 2009, we added approximately 1 million new Ukrainian GSM subscribers.

Revenues

Total revenues for the year ended December 31, 2009 decreased 16.9% to \$5,790.0 million from \$6,970.4 million in 2008 mainly due to the 21.4% depreciation, on average, of TRY against USD. However, our revenues increased 1.0% compared to 2008 on a constant dollar basis mainly with the growth in our Turkish mobile business which is reflected by a strong increase in usage, higher mobile internet and service revenue (an increasing contribution from mobile internet and services revenue driven by 3G implementation) and higher interconnect revenues due to the increase in traffic despite the decrease in interconnect rates partially offset by the decrease in the contribution of our consolidated group subsidiaries, Euroasia in Ukraine and Inteltek in Turkey.

Revenues from communication fees for the year ended December 31, 2009 decreased 15.5% to \$5,557.3 million from \$6,576.9 million in 2008 mainly due to the 21.4% depreciation, on average, of the TRY against the USD. However, our revenues from communication fees increased 2.9% on a constant dollar basis which resulted from improved usage, higher mobile internet and services revenue and higher interconnect revenues. Communication fees consist of revenues from postpaid and prepaid subscribers, interconnect revenues

Table of Contents

and roaming revenues. Although the total number of postpaid subscribers is significantly lower than the total number of prepaid subscribers, the contribution of postpaid revenues to total revenue growth in absolute terms is higher than the growth in prepaid revenues in Turkey. This is mainly due to higher average revenue per postpaid subscriber. Usage by postpaid subscribers is generally higher than that of prepaid subscribers. In Turkey, during 2009, we focused on postpaid subscribers through acquisition and retention campaigns and promoted switches from prepaid to postpaid subscriptions. The reason for focusing on postpaid subscribers is the generally higher average revenue per postpaid subscriber. In 2009, postpaid average revenue per user was \$26.6 whereas prepaid average revenue per user was \$7.5. These figures indicate that postpaid average revenue per user is approximately four times the prepaid average revenue per user. Therefore, the decrease in the number of prepaid subscribers has a positive effect on the blended average revenue per user and the increase in the number of postpaid subscribers has a positive effect on blended average revenue per user.

Commission revenues from our betting business decreased to \$42.7 million for the year ended December 31, 2009 compared to \$176.2 million for the year ended December 31, 2008. On a constant dollar basis, it decreased 70.6%. This decrease was primarily the result of the lower commission rate we received as the head agent of the fixed odds betting games, 1.4% of gross takings from March 1, 2009 as opposed to 7% of gross takings and 4.3% commission from March 15, 2007 through March 1, 2009.

Direct cost of revenues

Direct cost of revenues including depreciation and amortization decreased 9.1% to \$3,097.1 million for the year ended December 31, 2009 from \$3,409.0 million in 2008, primarily due to the 21.4% depreciation, on average, of the TRY against the USD. However direct cost of revenues increased 10.1% compared to 2008 on a constant dollar basis mainly due to the increase in interconnect costs as a result of increasing off-net traffic partially offset with the decrease in interconnect rates, an increase in radio costs mainly arising from an increase in the number of radio base stations and an increase in depreciation and amortization expenses due to fixed asset write-offs related to our operations in Belarus.

Treasury shares and universal funds paid to the Turkish Treasury and Turkish Ministry decreased 17.0% to \$809.8 million for the year ended December 31, 2009, from \$975.7 million in 2008, primarily due to the 21.4% depreciation, on average, of the TRY against the USD; however they increased 1.1% on a constant dollar basis with the increase in gross revenues and remained almost the same as a percentage of revenues.

Depreciation and amortization charges decreased 13.1% to \$590.7 million for the year ended December 31, 2009 from \$679.9 million in 2008, primarily due to the 21.4% depreciation, on average, of the TRY against the USD. However on a constant dollar basis depreciation and amortization charges increased 5.6% mainly due to fixed asset write-offs related to operations in Belarus. The amortization expense for our GSM license and other telecommunication operating licenses was \$50.4 million and \$57.0 million for the years ended December 31, 2009 and 2008, respectively.

Interconnection and termination costs increased 23.9% to \$614.7 million for the year ended December 31, 2009 from \$496.1 million in 2008. It also increased 50.1% on a constant dollar basis due to an increase in calls terminated in other operators' networks despite decreases in interconnection tariffs.

Transmission costs, site costs and maintenance costs decreased approximately 14.3% to \$195.6 million for the year ended December 31, 2009 from \$228.2 million in 2008, primarily due to the 21.4% depreciation, on average, of the TRY against the USD; however they increased on a constant dollar basis 3.5% mainly as a result of the increase in the number of leased transmission lines in 2009 compared to 2008. In addition, uncapitalizable radio costs and expenses decreased 1.5% to \$279.2 million for the year ended December 31, 2009 from \$283.4 million in 2008; however, they increased on a constant dollar basis 18.9% due to the increase in the number of radio base stations, in addition to an increase in electricity prices and maintenance and rent expenses of radio base stations.

Table of Contents

Wages, salaries and personnel expenses for technical personnel decreased 15.5% to \$228.7 million for the year ended December 31, 2009 from \$270.6 million in 2008, primarily due to the 21.4% depreciation, on average, of the TRY against the USD. They increased 2.9% on a constant dollar basis due to the increase in the number of employees and a periodic increase in salaries.

Roaming expenses decreased 30.6% to \$72.7 million for the year ended December 31, 2009 from \$104.8 million in 2008, primarily due to the 21.4% depreciation, on average, of the TRY against the USD. They decreased 16.2% on a constant dollar basis due to the decreased duration in more expensive zones in 2009.

Billing costs decreased 1.9% to \$45.1 million for the year ended December 31, 2009 from \$46.0 million in 2008. They increased 19.0% on a constant dollar basis primarily due to the increase in the number of postpaid subscribers and the increase in postage fees.

As a percentage of revenues, the direct cost of revenue increased 4.6 percentage points to 53.5% in 2009 from 48.9% in 2008 mainly due to higher interconnect costs (3.4 pp) and increases in network related expenses (0.8 pp) and depreciation and amortization expenses (0.4 pp) as a percentage of revenues.

Gross profit margin decreased 4.5 percentage points to 46.5% for the year ended December 31, 2009 from 51.1% for the year ended December 31, 2008.

Administrative expenses

General and administrative expenses decreased 11.7% to \$273.1 million for the year ended December 31, 2009 from \$309.3 million in 2008 primarily due to the 21.4% depreciation, on average, of the TRY against the USD, however they increased 7.0% on a constant dollar basis due to an increase in bad debt expenses as a result of an increase in the postpaid subscriber base partially netted off by decrease in wages and salaries as a result of the decrease in the number of personnel. As a percentage of revenues, general and administrative expenses increased to 4.7% for the year ended December 31, 2009, from 4.4% in 2008, mainly as a result of the increase in bad debt expenses.

Wages, salaries and personnel expenses for non-technical and non-marketing employees decreased 26.1% to \$82.6 million for the year ended December 31, 2009 from \$111.7 million in 2008. It decreased 9.6% on a constant dollar basis primarily due to the decrease in the number of employees partially netted off by a periodic increase in salaries.

Bad debt expenses increased 14.8% to \$75.4 million for the year ended December 31, 2009 from \$65.7 million in 2008. On a constant dollar basis, it increased 38.0% primarily due to an increase in the postpaid subscriber base, contracted terminal sales and port out figures. We provided an allowance of \$268.2 million and \$196.6 million for doubtful receivables for the years ended December 31, 2009 and 2008, respectively, based upon our past experience and estimates.

Other expenses, including collection and consulting expenses, decreased 12.7% to \$115.1 million for the year ended December 31, 2009 from \$131.9 million in 2008. On a constant dollar basis, it increased 5.4% due to the increase in legal expenses as a result of an increase in the number of cases initiated for doubtful receivables from subscribers.

Selling and marketing expenses

Selling and marketing expenses decreased 19.7% to \$1,085.1 million for the year ended December 31, 2009 from \$1,351.7 million in 2008. On a constant dollar basis, it decreased 2.7% primarily due to lower advertising and selling expenses that were partially offset by the higher frequency usage fee paid for prepaid subscribers. As a percentage of revenues, selling and marketing expenses decreased from 19.4% in 2008 to 18.7% for the year ended December 31, 2009.

Table of Contents

Selling expenses, which consist of distributor support, dealer support, and other selling expenses, decreased 24.5% to \$451.7 million for the year ended December 31, 2009 from \$598.4 million in 2008. On a constant dollar basis, it decreased 8.4% mainly due to the decrease in distributor support expenses resulting from decrease in subscriber acquisitions.

Total marketing expenses which consist of advertising, market research, sponsorships expenses and customer relations expenses decreased 21.4% to \$255.6 million for the year ended December 31, 2009 from \$325.4 million in 2008. On a constant dollar basis, it decreased 5.6% mainly due to a decrease in volume of advertisements in 2009 compared to 2008.

Prepaid subscribers frequency usage fee expenses decreased 3.8% to \$240.1 million for the year ended December 31, 2009 from \$249.5 million in 2008. On a constant dollar basis it increased 17.3% due to the increase in the frequency usage fee per subscriber.

Wages, salaries and personnel expenses for selling and marketing employees decreased 22.9% to \$101.1 million for the year ended December 31, 2009 from \$131.2 million in 2008. It decreased 5.6% on a constant dollar basis mainly because of the payment of an indemnity provision to employees whose employment had been terminated in 2008.

Other operating income/(expense)

Other operating expense decreased to \$110.3 million, from \$3.9 million, mainly due to an impairment on goodwill arising from the acquisition of Belarusian Telecom, the Competition Authority's penalty on mobile marketing activities and a penalty on the special communication tax, which amounted to \$61.8 million, \$18.1 million and \$14.6 million, respectively, in 2009.

Results from operating activities

Results from operating activities decreased to \$1,224.4 million for the year ended December 31, 2009, from \$1,896.5 million in 2008. As a percentage of revenues, results from operating activities decreased to 21.1% in 2009 from 27.2% in 2008 mainly due to an increase in the direct cost of revenues as a percentage of revenues as well as an increase in other expenses as a percentage of revenues.

Net financial income /(costs)

In 2009, we recorded net financial income of \$142.1 million compared to net financial income of \$305.3 million in 2008, due to a significant decrease in finance income from \$442.1 million in 2008 to \$329.6 million in 2009 resulting from the 21.4% depreciation, on average, of the TRY against the USD and the decrease in interest rates and the significant increase in finance expenses from \$136.8 million in 2008 to \$187.5 million in 2009, despite the depreciation of the TRY against the USD arising from higher interest expenses on borrowings and litigation late payment interest expenses partially netted off by the decrease in translation losses.

Finance income decreased 25.4% to \$329.6 million for the year ended December 31, 2009 from \$442.1 million in 2008. On a constant dollar basis, it decreased 10.1% due to the decrease in interest rates.

Finance cost increased 37.1% to \$187.5 million for the year ended December 31, 2009 from \$136.8 million in 2008. On a constant dollar basis, it increased 30.8% mainly due to the increase in the discount interest expense related to the deferred payment and put option of Belarusian Telecom and the increase in litigation late payment interest expenses partially netted off by the decrease in translation losses compared to \$44.5 million in 2008 to \$0.6 million in 2009. Foreign exchange losses in 2009 and 2008 are mainly attributable to the net foreign exchange position.

Table of Contents

Share of profit of equity accounted investees

Our share of the profit of equity accounted investees was \$78.4 million for the year ended December 31, 2009 compared to \$103.0 million in 2008. The decrease in the net profit of equity accounted investees was primarily due to the 21.4% depreciation, on average, of the TRY against the USD and the deterioration in the performance of our unconsolidated investee Fintur.

We have eliminated A-Tel's revenue that is generated from services rendered to us to the extent of our share in A-Tel, with corresponding elimination from the selling and marketing expenses in our consolidated financial statements. This consolidation elimination had a negative impact on the share of profit of equity accounted investees line.

Income tax expense

Income tax expense for the year ended December 31, 2009 was \$340.1 million compared to \$549.8 million in 2008. This decrease was mainly due to a decrease in profit before tax.

The effective tax rate was 23.5% and 23.9% for the years ended December 31, 2009 and 2008, respectively.

Our domestic tax rate is 20%. Differences between the effective tax rate and our domestic tax rate include, but are not limited to, the effect of tax rates in foreign jurisdictions, tax exempt income and non-deductible expenses.

Non-controlling interests

Non-controlling interests in the net profit of our consolidated subsidiaries is classified separately in the consolidated statements of operations under non-controlling interests. Non-controlling interests decreased to a \$10.8 million loss for the year ended December 31, 2009 compared to a \$81.8 million gain in 2008.

For the year ended December 31, 2009, Euroasia generated a net loss of \$111.8 million and had negative equity, therefore non-controlling interest income is not recognized from Euroasia's net loss. In 2008, the net loss of Euroasia amounted to \$326.5 million and resulted in income from non-controlling interests of approximately \$130.3 million. Euroasia generated lower losses for the year ended December 31, 2009 compared to 2008 primarily due to the decrease in foreign exchange losses as a result of the 3.8% depreciation of the Ukrainian Hryvnia against the USD in 2009 compared to the 52% depreciation of the Ukrainian Hryvnia against the USD in 2008.

In addition, net profit generated by Inteltek for the years ended December 31, 2009 and 2008 resulted in expenses from non-controlling interests of approximately \$10.8 million and \$39.2 million, respectively.

Profit for the period attributable to equity holders of the Company

Profit for the period attributable to equity holders of the Company decreased to \$1,094.0 million for the year ended December 31, 2009 compared to \$1,836.8 million for the year ended December 31, 2008. Profit for the period attributable to equity holders of the Company also decreased on a constant dollar basis. This was mainly due to the negative impact of the increase in direct cost of revenues 10.1%, the negative effect of the increase in the general and administrative expenses 7.0%, the negative impact of decrease in net finance income/(cost) to 35.8%, which was partially netted off by the increase in revenues 1.0%. In addition, the negative impacts of one-off items such as legal provisions, the Belarus operation's goodwill impairment and fixed asset write-offs should be considered.

Table of Contents**Effects of Inflation**

The annual inflation rates in Turkey were 6.4%, 6.5% and 10.1% for the years ended December 31, 2010, 2009 and 2008, respectively, based on the Turkish consumer price index. The global deflation process and strongly negative output gap were the primary contributors that allowed CBRT to achieve its inflation target of 6.5% for 2010. Inflation is expected to remain low in the near term. The favorable base effect created in the first quarter of 2010 is expected to lead some improvements in annual inflation rates for the first quarter of 2011. However, risks are increasing due to the rise in commodity prices, domestic/external demand conditions and an unfavorable base effect. The current inflation target set by the Central Bank is 5.5% with a confidence interval of between 3.5% and 7.5% for 2011. The most recent CBRT's expectations survey indicates that consumer inflation will rise to around 6.5% by the end of 2011. For additional information, see Item 3.A. Selected Financial Data-Exchange Rate Data and Item 3.D. Risk Factors .

Foreign Currency Fluctuations

We conduct our business in several currencies other than functional currencies of each of our locations. As a result of our exposure to foreign currency, exchange rate fluctuations have a significant impact, in the form of both translation and transaction risks, on our consolidated financial statements.

Exchange rate movements impact our assets and liabilities denominated in currencies other than TRY, Ukrainian Hryvnia and Belarusian Rubles for our operations in Turkey, Ukraine and Belarus, respectively. We use forward exchange contracts and options to hedge our non-TRY denominated liabilities.

Our foreign currency risk management policy is focused on hedging foreign currency exposure arising from non-TRY denominated liabilities and purchase commitments. See Item 11. Quantitative and Qualitative Disclosures about Market Risk-Exchange Rates and Foreign Currency Exposure . We hedge our currency risks with forward exchange contracts and options.

New Accounting Standards Issued

See Note 3 of our Consolidated Financial Statements.

5.B Liquidity and Capital Resources***Liquidity***

We require significant liquidity to finance capital expenditures for the expansion and improvement of our mobile communications network, for operational capital expenditures, for working capital, and to service our debt obligations. A summary of our consolidated cash flows for the years ended December 31, 2010, 2009 and 2008 is as follows:

U.S.\$ million	2010	2009	2008
Net cash provided by operating activities	1,262.6	1,316.6	1,746.3
Net cash used for investing activities	(704.9)	(1,485.0)	(695.2)
Net cash used for financing activities	(303.7)	(5.4)	(353.6)
Net cash increase/(decrease) in cash and cash equivalents	254.0	(173.9)	697.5
Effects of foreign exchange rate fluctuations on cash and cash equivalents	(48.0)	8.7	(535.3)

Table of Contents

Net cash provided by our operating activities for the years ended December 31, 2010 and 2009 amounted to \$1,262.6 million and \$1,316.6 million, respectively.

Net cash from operating activities decreased in 2010, despite a \$22.2 million increase in profit from operational activities compared to 2009. We consider the subtotal after the adjustments for profit for the period in order to analyze the increase in cash from operating activities. Since these line items are adjusted in nature, they are to be excluded from net cash from operating activities, as they either do not have any effect on net cash from operating activities or they have an offsetting effect on the changes in working capital. As a result, the trend in cash from operating activities should be correlated with the trend in results from operating activities and income tax expense. The corresponding subtotal, after adjustments, decreased from \$1,913.7 million in 2009 to \$1,879.2 million in 2010. The negative impact of the decrease in operational revenues, together with the increase in interest paid, was partially netted off with the decrease in income taxes paid (\$322.8 million in 2010 from \$395.0 million in 2009) and the increase in dividends received (\$99.8 million in 2010 from \$83.5 million in 2009) and resulted in a 4.1% decrease in net cash provided by our operating activities.

Net cash used for investing activities for the years ended December 31, 2010 and 2009 amounted to \$704.9 million and \$1,485.0 million, respectively. The decrease in net cash used for investing activities is mainly due to a decrease in capital expenditures, an increase in net cash contribution from transactions involving available for sale securities, partially offset by the decrease in interest received due to a decrease in interest rates. For the year ended December 31, 2010, we spent approximately \$1,078.6 million on capital expenditures compared to \$1,769.3 million in 2009. For the \$1,078.6 million in capital expenditures, approximately \$506.1 million was related to capital expenditures made by Turkcell, mainly for our mobile communications network in Turkey whereas such amount was \$1,210.8 million in 2009 and included our 3G license acquired in April 2009. The decrease in capital expenditures primarily arose from the absence of a 3G license acquisition. Total capital expenditures of Euroasia was \$66.5 million for the year ended December 31, 2010, compared to \$216.0 million for the year ended December 31, 2009.

Net cash used for financing activities for the years ended December 31, 2010 and 2009 amounted to \$303.7 million and \$5.4 million, respectively. The decrease is mainly attributable to lower proceeds from the issuance of loans and borrowings, partially netted off by the decrease in dividends paid. In 2010, proceeds from the issuance of loans and borrowings was \$1,071.8 million, compared to \$1,692.9 million in 2009. We repaid \$772.9 million of our loans and borrowings in 2010, compared to \$944.1 million in 2009, and we made a dividend payment totaling \$590.5 million in 2010 compared to \$744.4 million in 2009.

Source of liquidity

Our loans from financial institutions consist of local and international bank borrowings with either fixed or variable interest rates. A significant portion of our bank borrowings is utilized to finance our consolidated subsidiaries' financing needs. All of our loans are denominated in U.S. Dollar, Belarusian Ruble (BYR), EUR or Azerbaijan Manat (AZN) denominated. The variable interest rates vary from Libor + 1.35% to Libor + 3.75% for the loans denominated in U.S. Dollars, refinancing rate of the National Bank of Belarus+2 for the loans denominated in BYR, variable Euro rate is Libor + 3.465%. The fixed interest rates vary from 2.24% to 5.00% for the loans denominated in U.S. dollars and 18% for the loans denominated in AZN. The loans are payable over the period 2011 to 2024.

The ratio of our loans and borrowings to equity was 29% as of December 31, 2010 compared to 26% as of December 31, 2009. We have been able to maintain our leverage at a satisfactory level and well in line with our targets. For more information, see Note 24 to our Consolidated Financial Statements.

We are continuing our efforts to selectively seek out and evaluate new international investment opportunities. These opportunities could include the purchase of licenses and acquisitions in markets outside of Turkey in which we do not currently operate. In the future, we may reinstate, as necessary, our efforts to create a financing arrangement, such as a term loan facility.

Table of Contents

On December 30, 2005, Euroasia, together with ING Bank N.V. (ING Bank) and Standard Bank London Ltd. (Standard Bank), finalized a long-term syndicated financing project of \$390.0 million, of which \$368.7 million had been used.

By the end of 2006, we decided to take over all or a portion of the rights and obligations of Euroasia's senior creditors, who may decline to participate in the facilities following restructuring. On April 19, 2007, Euroasia sent a letter, accompanied by a term sheet, to ING Bank, the Facility Agent. With this term sheet, Euroasia proposed a restructuring of the senior syndicated facility and provided that in the event that some or all of the creditors did not consent to the proposed amendments, Turkcell would purchase the loans and commitments held by such non-consenting creditors. Since the creditors did not consent to the proposed amendments, Euroasia repaid the lenders under the long-term syndicated financing project on June 27, 2007, through borrowings from Financell, a wholly-owned subsidiary. As of December 31, 2010, the outstanding balance was \$263.3 million.

In addition, as part of the project financing package, a long term junior facility of up to \$150.0 million (including interest amounting to \$24.0 million) was also finalized with Turkiye Garanti Bankasi AS Luxemburg Branch and Akbank T.A.S. Malta Branch. The junior facility is fully guaranteed by Turkcell. This facility was fully utilized as at December 31, 2010.

Under the current assumptions and circumstances, we expect to generate adequate levels of cash to maintain a positive cash position in the future and to have positive cash flow related to our communications and technology activities in Turkey. According to our current business plan for the operations in Turkey, we believe that we will be able to finance our current operations, capital expenditures, and financing costs and maintain and enhance our network through our operating cash flow and our strong cash balance as of December 31, 2010. However, we continue to experience difficult pricing and competitive conditions in our markets, which have caused a decrease in our Net cash provided by operating activities, which we expect will continue. We are also facing increased capital needs to finance our technological and geographic expansion, which may increase our Net cash used for investing activities. These pressures have reduced, and may continue to reduce, our liquidity and may lead to an increase in borrowing needs and Net cash used by financing activities.

Our commitments through 2011 include dividend payments, quarterly corporate tax payment, and capital expenditures. In 2011, we expect our revenues to grow which will mainly be driven by increasing mobile internet revenues, as well as growing contributions from our subsidiaries.

We expect that our total capital expenditures in 2011 will be in line with 2010, reflecting in part continued outlays for 3G and new technology expenses. This is based on our current projects and activities, and does not include any new projects.

The forward-looking statements made here regarding our liquidity and any other financial results are not a guarantee of performance. They are subject to risks and uncertainties that could cause future activities and results of operations to be different from those set forth in this Annual Report.

Important factors that may adversely affect our projections include general economic conditions, change in the competitive environment, developments in the domestic and international capital markets, increased investments, changes in telecommunication regulations and mismatches between the currencies in which we generate revenue and hold liquid assets and the currencies in which we incur liquid obligations and debt. See Item 3.D. Risk Factors for a discussion of these and other factors that may affect our projections.

Capital Transactions

All share amounts and per share figures reflected in our historical financial statements have been restated retrospectively for the aforementioned stock splits.

Table of Contents

Capital Transactions in Euroasia

In December 2007, we and SCM decided to contribute to the share capital of Euroasia in an aggregate amount of \$200 million in three tranches, first two tranches of each \$50 million to be paid on January 31, 2008 and March 31, 2008, and one tranche of \$100 million to be paid on May 30, 2008 in exchange for shares in the capital of Euroasia, whereby we and SCM shall make such contribution proportionate to our shareholding in Euroasia at the time of each capital contribution. We paid our contribution portion as of December 31, 2008.

In February 2009, April 2009 and September 2009, we and SCM decided to contribute to the share capital of Euroasia in an aggregate amount of \$20 million, \$37 million and \$150 million, respectively, in exchange for shares in the capital of Euroasia, whereby we and SCM shall make such contribution proportionate to our shareholding in Euroasia at the time of each capital contribution. We paid our contribution portion of amounting \$11.0 million, \$20.3 million and \$46.2 million as of April 23, July 1 and October 9, 2009 respectively for the above stated capital contribution decisions.

In 2010 there were no capital transactions in Eurasia. For a description of and additional information regarding our funding and commitments in relation to Euroasia, see [Liquidity and Capital resources](#) [Liquidity](#) [Sources of Liquidity](#) .

General Economic Conditions

In 2010, Turkey differentiated itself by turning the prolonged global crisis into an opportunity with its strong fundamentals. In 2010, Turkey registered GDP growth of 8.9% and real economic growth for 2011 is expected to be around 5.0% mainly due to strong domestic demand. However, Turkey's external borrowing needs and current account deficit result in concerns about its economic outlook.

Dividend Payments

For additional details regarding our dividend policy, see [Item 8.A. Consolidated Statements and Other Financial Information](#) [Dividend Policy](#) .

5.C Research and Development, Patents and Licenses, etc.

As of December 31, 2010, we had applied for the registration of 85 patents and 27 international patent applications. We owned 1 utility model under the applicable Turkish patent legislation. In addition, we had registered 457 trademarks and 136 trademark applications under the applicable Turkish trademark legislation. We had 31 international trademarks and 203 international trade mark applications. Furthermore, we had registered 13 industrial designs under the applicable Turkish legislation on the protection of industrial designs and we had 1 international industrial design application.

The activities of our technology center, which houses all of our R&D operations in a single location, include the following:

Partnership software development, customization and/or integration of software products of suppliers through the service and product development processes;

Developing network infrastructure strategies in a fast evolving information-communication technologies world; and

Designing short and long term technology road maps for our operations.

At February 28, 2011, our R&D Center had a staff of approximately 385 qualified people.

Internally developed software arising from our R&D partnership amounted to approximately \$29.1 million, \$25.6 million and \$13.9 million in 2010, 2009 and 2008, respectively. Internally developed software does not include any costs relating to the research phase.

Table of Contents

5.D Trend Information

Changing Subscriber Base

The proportion of postpaid subscribers in our subscriber base was 30%, 27% and 20% in 2010, 2009 and 2008, respectively, due to our value focus.

The majority of our subscriber base, however, consists of prepaid subscribers. Trends indicate that prepaid subscribers have more control over their usage patterns. As of April 1, 2010, the unit based tariff system changed into TRY based tariff system with ICTA's decision, which may have an impact on our subscribers' usage behavior.

Regulations affecting our prices

The ICTA has on several occasions intervened to place caps on the tariffs that we charge in the Turkish market. The ICTA's intervention in our retail voice, SMS and mobile data prices, has, and will continue to, negatively affect our ability to design and launch campaigns and offers and, consequently, has had and will continue to have a negative impact on our business. The ICTA has also intervened to place caps on our interconnection rates.

In the fourth quarter of 2007, the ICTA intervened in the fixing of our retail prices. With the ICTA board resolution dated March 25, 2009, ICTA set a lower limit for solely Turkcell's on-net retail tariffs, and decreased the price cap level for all mobile operators. The lower limit applies to each of Turkcell's retail tariff packages by mandating that the weighted average of the on-net price of a tariff package not be less than Turkcell's weighted average call termination rate. The board resolution also reduced the current price cap from 0.80 TRY/min (equivalent to \$0.53 as of April 7, 2011) (including VAT and SCT), pertaining to general subscription packages, to 0.64 TRY/min (equivalent to \$0.42 as of April 7, 2011). The resolution also set such price as an upper limit for special subscription packages.

The ICTA, with its board resolution dated September 16, 2009, set a maximum price of TRY 0.65 (equivalent to \$0.43 as of April 7, 2011) (including VAT and SCT) for GSM to GSM calls under general subscription packages. Finally the ICTA, with its board resolution dated February 10, 2010, further reduced the current price cap to TRY 0.40 (equivalent to \$0.26 as of April 7, 2011) (including VAT and SCT) for GSM to PSTN as well as GSM to GSM. The same resolution set the current price cap of Turk Telekom to TRY 0.37 (equivalent to \$0.24 as of April 7, 2011) (including VAT and SCT) for PSTN to GSM. As a result, we have adjusted the on-net and off-net prices of certain tariff packages, which has had, and will continue to have, adverse effects on our pricing ability.

The ICTA may take additional action with respect to our tariff prices. We cannot predict the magnitude or scope of any such future action, particularly given the ICTA's past actions that have imposed pricing limitations on the Turkish market with little or no prior notice. Any such actions may have a material adverse effect on our competitive position, our pricing and our results of operations.

With respect to the interconnection rates that we charge, after a 33% reduction for Turkcell in 2008, the interconnection rates issued by the ICTA on March 25, 2009 for all mobile operators in Turkey provided for a further 29% decrease, on average, among all operators. On February 10, 2010, there was an additional 52% reduction in Turkcell's interconnection rates. Further cuts will result in our having to redesign our tariffs and will impact our operational results, depending on pricing trends and marketing strategies in the Turkish mobile communications market. Following this decrease, average Mobile Termination Rates (MTRs) in the European Union are now up to 5 times above Turkcell's MTRs.

Given these factors, it is difficult to predict with any degree of certainty the growth and usage patterns of our subscribers and our ability to maintain or increase revenues or profitability. General economic conditions,

Table of Contents

competitive pressures and the trend in our retail and interconnection pricing have exerted and will continue to exert pressure on the level of our financial results.

Liquidity

Our activities have traditionally generated strong positive cash flow. According to our current business plan for the operations in Turkey, we believe that we will be able to finance our current operations, capital expenditures, and financing costs and maintain and enhance our network through our operating cash flow and our strong cash balance as of December 31, 2010. However, we continue to experience difficult pricing and competitive conditions in our markets, which have caused a decrease in our Net cash provided by operating activities, which we expect will continue. We are also facing increased capital needs to finance our technological and geographic expansion, which may increase our Net cash used for investing activities. These pressures have reduced, and may continue to reduce, our liquidity and may lead to an increase in borrowing needs and Net cash used by financing activities.

We expect that our total capital expenditures in 2011 will be in line with 2010, reflecting in part continued outlays for 3G and new technology expenses. This is based on our current projects and activities, and does not include any new projects.

5.E Off-Balance Sheet Arrangements

Off-balance sheet arrangements refer to any transaction, agreement, or other contractual arrangement involving an unconsolidated entity (other than contingent liabilities arising from litigation, arbitration or regulatory actions) under which a company has:

provided guarantee contracts;

retained or contingent interests in transferred assets;

any obligation under derivative instruments classified as equity; or

any obligation arising out of material variable interests in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the company, or that engages in leasing, hedging, or research and development arrangements with the company.

We routinely enter into operating leases for property in the normal course of business. The future minimum operating lease payments under non-cancellable leases amount to \$41.4 million and \$ 33.4 million as of December 31, 2010 and 2009, respectively.

Contingent Liabilities

The following table illustrates our major contingent liabilities as of December 31, 2010.

U.S.\$ Million	Total amount committed	Amount of contingent liability expiration per period Remaining				
		At December 31, 2010	Indefinite*	Less than one year	1-3 years	3-5 years
Bank Letters of Guarantee	234.9	234.9	63.6	19.1	5.6	146.6

* Bank letters of guarantee are not given for a specific period. Most of the guarantees will remain as long as the business relationship with the counterparty continues.

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As of December 31, 2010, we are contingently liable in respect of bank letters of guarantee obtained from banks and given to custom authorities, private companies and other public organizations amounting to \$234.9 million.

See Item 5.B. Liquidity and Capital Resources Sources of Liquidity .

Table of Contents**5.F Tabular Disclosure of Contractual Obligations**

The following tables illustrate our major contractual and commercial obligations and commitments as of December 31, 2010.

Contractual Obligations (U.S.\$ Million)	Total	Payments due by period			
		Less than 1 year	1-3 years	3-5 years	After 5 years
Loans and borrowings(*)	1,968.5	437.8	1,171.0	331.7	28.0
Finance Lease Obligations	29.3	5.2	3.8	3.7	16.6
Payable in relation to the acquisition of Belarusian Telecom	100.0				100.0
Financial liability in relation to put option	58.5		58.5		
Total Contractual Cash Obligations	2,156.3	443.0	1,233.3	335.4	144.6

* includes undiscounted interest

Other Commercial Commitments (U.S.\$ Million)	Total	Amount of Commitment			
		Less than 1 year	1-3 years	3-5 years	After 5 years
Purchase Obligations	594.9	304.6	274.8	15.5	0.0

As at December 31, 2010, outstanding purchase commitments with respect to the acquisition of property, plant and equipment, inventory and purchase of sponsorship and advertisement services amount to \$594.9 million. Out of total purchase commitments, \$135.2 million represents commitments with respect to property, plant and equipment and intangible assets.

5.G Safe Harbor

Not applicable.

ITEM 6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**6.A Directors and Senior Management****Board Members**

Under the Turkish Commercial Code and our Articles of Association, the Board of Directors is responsible for our management. Our Articles of Association mandates a Board of Directors containing seven members.

Each member of our Board of Directors is appointed for a term of three years. Our Articles of Association provide for a staggered Board of Directors. At our Annual General Assembly dated April 29, 2010, we removed our prior Board of Directors and appointed the following individuals as members: Colin J. Williams; Karin Eliasson; Mehmet Bulent Ergin; Tero Erkki Kivisaari; Alexey Khudyakov; Oleg Malis; and Gulsun Nazli Karamehmet Williams.

Table of Contents

In 2010, our Board of Directors had the following members:

Name	Date appointed to the Board of Directors
Colin J. Williams (Chairman)*	April 29, 2010
Karin Eliasson	April 29, 2010
Mehmet Bulent Ergin	April 29, 2010
Aimo Eloholma**	May 8, 2009
Mehmet Emin Karamehmet**	May 8, 2009
Tero Erkki Kivisaari	April 29, 2010
Alexey Khudyakov	April 29, 2010
Oleg Malis	April 29, 2010
Gulsun Nazli Karamehmet Williams	April 29, 2010

* Following our April 29, 2010 General Assembly Meeting, the members of our Board of Directors elected Mr. Colin J. Williams as Chairman.

** Served on our Board of Directors until our Annual General Assembly held on April 29, 2010.

Executive Officers

We are managed on a day-to-day basis by the Corporate Executive Team with the guidance of the Board of Directors. Officers do not have fixed terms of office. The following table sets forth the name and office of each member of our Corporate Executive Team during fiscal year 2010.

Name	Office
Sureyya Ciliv	Chief Executive Officer
Hulusi Acar	Chief Consumer Sales Officer
Umit Akin ¹	Chief Legal Affairs Officer
Cenk Bayrakdar	Chief Product and Services Management Officer
Tayfun Cataltepe	Chief Corporate Strategy and Regulations Officer
Meltem Kalender Ozturk ²	Chief Human Resources Officer
Ilker Kuruoz	Chief Information and Communication Technologies Officer
Serkan Okandan	Chief Financial Officer
Koray Ozturkler	Chief Corporate Affairs Officer
Lale Saral Develioglu ³	Chief Turkcell Group Marketing Services Officer
Selen Kocabas ⁴	Chief Corporate Business Officer
Burak Sevilengul ⁵	Chief Consumer Business Officer
Ilter Terzioglu	Chief Network Operations Officer
Ekrem Yener	Chief International Expansion Officer
Emre Sayin	Chief Consumer Strategic Projects

1 Mr. Akin was appointed Chief Legal Affairs Officer in February 2010.

2 Ms. Öztürk has been appointed Chief Human Resources Officer in March 2011.

3 Prior to being appointed Chief Turkcell Group Marketing Services Officer in August 2010, Ms. Develioglu was Chief Marketing Officer.

4 Prior to being appointed Chief Corporate Business Officer in March 2011, Ms. Kocabas was Chief Business Support Officer.

5 Mr. Sevilengul was appointed Chief Consumer Business Officer in August 2010.

Table of Contents**Biographies*****Board Members***

Colin J. Williams, age 69, was appointed as the Chairman of the Board of Directors on February 25, 2010 and re-appointed on April 29, 2010. He also serves as a Voting Member and Chairman of the Audit Committee of Turkcell's Board of Directors. He is Chairman of Clondalkin and Chair of the Audit and Remuneration Committees of Clondalkin, a consumer and industrial packaging company. From January 2001 to December 2004, Mr. Williams served as President of SCA, North America, which is active in the packaging sector, personal care and paper tissue products. He was a long-term board member and Vice Chairman of ICCA, the International Corrugated Packaging Institution, the European Federation of Packaging and the Federation of Paper Producers (CEPI). Mr. Williams is the founding President of Propak Europe and was a board member of the Greater Philadelphia Chamber of Commerce between 2002 and 2004. From 1988 to 2001, Mr. Williams was the President of SCA Packaging, prior to which he served as the Managing Director of Bowater, a corrugated packaging company, for four years. From 1978 to 1984, he was first the Sales Director and then the General Manager of Chicopee in the Netherlands, a non-woven fabrics company of Johnson & Johnson. Mr. Williams holds an MBA degree in finance from New York University, an M.Sc. degree in physical chemistry and an honorary doctorate from Lund University in Sweden.

Karin Eliasson, age 49, was appointed as a member of the Board of Directors on April 29, 2010. Ms. Eliasson has been Senior Vice President and Head of Group Human Resources at TeliaSonera since 2008. Prior to joining TeliaSonera, Ms. Eliasson was Senior Vice President of Human Resources at Svenska Cellulosa Aktiebolaget, SCA. From 2000 until 2003 she served as the CEO of Novare Human Capital AB. Ms. Eliasson is a member of the Board of Directors of Proffice AB and Insurance company PRI Pensionsgaranti mutual. She holds a Bachelor of Science in Human Resources from Mid Sween University.

Mehmet Bulent Ergin, age 63, was first appointed as a member of the Turkcell Board of Directors on April 29, 2005 and was re-appointed on April 29, 2010. After taking responsibility in Hochtief AG's First Bosphorus project and Tekfen A.S.'s Iraq-Turkey pipeline project, Mr. Ergin worked in various positions at Cukurova Group companies. He held a managerial position at Cukurova Ithalat ve Ihracat T.A.S. and was a managing director at Maysan A.S. and Baytur Trading S.A. Currently, Mr. Ergin is the Chairman of the Board of Directors of Genel Denizcilik Nakliyatı A.S., Show TV, Aksam Gazetesi and Genel Enerji A.S., and he also holds the position of Board membership in Cukurova Holding. Mr. Ergin majored in Civil Engineering at Robert College, Turkey.

Tero Erkki Kivisaari, age 39, was appointed to the Board of Directors on May 14, 2007 and was re-appointed on April 29, 2010. Mr. Kivisaari has been the President of TeliaSonera in Eurasia since May 1, 2007 and the Chairman of the Board of Directors of Fintur Holdings B.V. Previously, Mr. Kivisaari has served as the chief financial officer and vice president of TeliaSonera in Eurasia. Mr. Kivisaari is a member of the Board of Directors of Azercell, Moldcell, A.S OJSC Megafon and Nurminen Logistics Plc; and the Chairman of Fintur Holdings BV board. He served as CFO of Fintur Holding B.V from 2003. Mr. Kivisaari has been the CFO of SmartTrust AB, a mobile software company owned by Carlyle Group, GE Capital, Eqvitec and Sonera Group. Prior to that, Mr. Kivisaari held the position of Vice President of Sonera Group's International Operations. Mr. Kivisaari served as an associate professor of finance at the Helsinki School of Economics and holds an MBA in finance.

Alexey Khudyakov, age 40, was appointed to the Board of Directors on May 22, 2006 and re-appointed on April 29, 2010. He is Vice President of Altimo, a leading investor in telecoms, and also serves as non-executive Chairman and Chair of the Audit Committees of High River Gold Mines, a gold mining company. Prior to his appointment to Altimo, Mr. Khudyakov held a Vice President position with Alfa Bank, managing the bank's direct investments in the telecom sector. Before that, he was a management consultant with McKinsey & Co. Mr. Khudyakov holds a Master of Business Administration degree from INSEAD and a Master's degree in Applied Mathematics and Physics from the Moscow Institute of Physics and Technology. He is a non-executive

Table of Contents

board member of Turkcell. He is also an Observer Member of the Audit Committee of Turkcell's Board of Directors. Mr. Khudyakov was named to the Audit Committee in reliance on Rule 10A-3(b)(1)(iv)(D) under the Securities Exchange Act of 1934.

Oleg Malis, age 37, was appointed to the Board of Directors on May 22, 2006 and re-appointed on April 29, 2010. He is also Senior Vice President of Altimo. Mr. Malis began working for Altimo as Chief of the Current Project Management Unit in 2005. Between 2003 and 2005 Mr. Malis was Senior Vice President and M&A Director at Golden Telecom. Before joining Golden Telecom, Mr. Malis founded Investelectrosvyaz and Corbina Telecom. Mr. Malis holds a degree in Systems Engineering from Moscow State Aviation Technological University.

Gulsun Nazli Karamehmet Williams, age 33, was appointed to our Board of Directors on April 29, 2010. Since 2004, she has worked in different positions at Digiturk (Digital Platform Iletisim Hizmetleri A.S), where she currently holds the position of Chief Content Officer and Executive Member of the Board. Prior to Digiturk, she worked at BSKYB UK. She studied at Sarah Lawrence College (USA) and Richmond University (UK) and has a B.A. in Communications.

Executive Officers

Sureyya Ciliv, age 53, was appointed the Chief Executive Officer of Turkcell on January 9, 2007. Having previously worked as Microsoft Turkey country manager between 1997-2000, he served in various management positions in Microsoft Global Sales, Marketing and Service Group in the USA between 2000 and 2007. Prior to 1997, Mr. Ciliv was the General Manager and Chairman of Novasoft Systems Inc., a company he established in Boston, USA. Sureyya Ciliv received his MBA degree from Harvard University in 1983 after successfully graduating with honors in Industry & Operations Engineering and Computer Engineering from the University of Michigan in 1981.

Hulusi Acar, age 40, joined Turkcell in 2000 and was appointed Chief Consumer Sales Officer on December 10, 2009. He graduated from Istanbul University's Business Administration department in 1995. Mr. Acar worked in sales positions in THY and Koctas A.S. At Turkcell he worked as Area Sales Manager, Marmara Region Coordinator and Turkey Sales Manager between 2000-2004. Between March 2004 and November 2006 he was Sales and Customer Relationship Chief Executive Officer of Astelit. Prior to his current position as Chief Consumer Sales Officer, he worked as the Sales Management and Wholesale and Distribution Management Division Head.

Umit Akin, age 41, joined Turkcell in 2002 and was appointed Chief Legal Affairs Officer on February 1, 2010. Prior to his current position, he was the Division Head of Turkcell's Regulatory Legal Affairs department. Mr. Akin began his professional life in 1996 at Ankara University's Faculty of Law as a Research Assistant. He then worked as a Lawyer at Ericsson. Umit Akin graduated from Ankara University, Faculty of Law in 1995 and holds a master's degree in Public Law.

Cenk Bayrakdar, age 43, joined Turkcell in 2000 and was appointed Chief Product and Services Management Officer on September 1, 2009. Having started his professional career at Arcelik, he held several managerial positions on the IT and Production Teams. He then worked at Corbuss as the Business Development Coordinator between 2001-2002 and served as the Partnership Development Division Head of Turkcell between 2002 and 2004. Prior to his current position at Turkcell as the Chief Product and Services Management Officer, Mr. Bayrakdar acted as the Chief Information and Communication Technologies Officer.

Tayfun Cataltepe, age 50, is the Chief Corporate Strategy & Regulations Officer. After graduating from the Electronic Engineering Department of Bosphorus University, Cataltepe received his MSc degree from Michigan Technology University and doctorate degree from the University of California, Los Angeles. From 1990 to 1998, he worked as a Research and Development Engineer in the Bell Laboratories. In 1998 he moved on to AT&T as

Table of Contents

the IP Network and Service Planning projects manager, where he worked until 2003. Following AT&T, he started to work at Aycell as the Deputy General Manager in charge of Technical Operations. He was then Deputy General Manager in charge of Network Operations at AVEA from 2004 to 2006. In 2007, Mr. Cataltepe served as the Europe Telecom Sector Expert in the Transaction Integration Services Department of Ernst & Young. Since 2007, he has been working at Turkcell as a Chief Officer.

Selen Kocabas, age 43, joined Turkcell in 2003 and she is the Chief Corporate Business Officer. Prior to this appointment, she was the Chief Business Support Officer in charge of human resources, corporate information systems, procurement and contract management, and administrative issues. Mrs. Kocabas started her professional career as a Management Trainee at Koc Holding, Mrs. Kocabas later worked as Human Resources Expert at Arcelik, then as a Human Resources Coordinator at Marshall, followed by Groupe Danone SA where she worked as Human Resources Director. Selen Kocabas is a graduate of Economics from Istanbul University. She also obtained a master's degree in Human Resources Management from Marmara University.

Ilker Kuruoz, age 42, is Turkcell's Chief Information and Communication Technologies Officer as of September 2009. He joined Turkcell in 2006. Kuruoz has started his professional career in 1994 in ABT. He then worked in NCR as a System Consultant, in Garanti Teknoloji as a Business Unit Manager and in Accenture as a Senior Manager. Prior to his current position at Turkcell, he was the Capability Management Division Head of Turkcell. Ilker Kuruoz graduated from Bilkent University Computer Engineering in 1992 and holds a Master's degree from the same department.

Serkan Okandan, age 41, joined Turkcell in 2000. Since January 1, 2006, he has been the Chief Financial Officer of Turkcell. Prior to this appointment, he was the Financial Control and Reporting Division Head of Turkcell. Mr. Okandan started his professional career at PricewaterhouseCoopers in 1992. He then worked for DHL and Frito Lay as a Financial Controller. Serkan Okandan is a graduate in Economics from Bosphorus University.

Koray Ozturkler, age 48, joined Turkcell in 1998 and since April 9, 2008 he has been the Chief Corporate Affairs Officer in charge of corporate communications, investor relations and Corporate Citizenship. Prior to this appointment he had been the Investor Relations division head at Turkcell since 2002 and before that he was the division head of International Business Development. Mr. Ozturkler started his career in the USA at Accenture Consulting. He continued his career at Yapi Kredi Bank. Mr. Ozturkler is a graduate of Johnson C. Smith University Marketing Division and he received his MBA majoring in MIS from Mercer University.

Lale Saral Develioglu, age 43, joined Turkcell in 2003 and since August 2010 has been Chief Turkcell Group Marketing Services Officer. Prior to this position, she was the Chief Marketing Officer from 2006 to 2010 and the Individual Marketing Division Head of Turkcell between December 2003 and June 2006. Starting her career at Unilever, Lale Saral Develioglu served as Brand Manager for 5 years and Marketing Manager for 7 years in various product categories and markets between 1992 and 2003. She is a graduate from the department of Industrial Engineering of Bogazici University. She also holds a master's degree in Management Engineering from Rensselaer Polytechnic Institute, New York.

Emre Sayin, age 44, is the Chief Consumer Strategic Projects Officer of Turkcell. Prior to his current position, he was performing as the Chief Corporate Business Officer and Chief Consumer Sales Officer of Turkcell. Sayin worked for Evyap Pazarlama ve Tic. A.S. as the Deputy General Manager in charge of Marketing in 2005-2006 and for Kodak A.S. as the General Manager in 2002-2005. Prior to that Emre Sayin was the Chief Marketing Officer for Microsoft Turkey between 1999-2002. Sayin worked as the Marketing and Category Manager of Unilever Turkey between 1992-1999. Emre Sayin is a graduate of Bosphorus University's Department of Industrial Engineering and holds a Master's degree in Systems and Industrial Engineering from Rutgers University.

Burak Sevilengul, age 38, joined Turkcell in 2001 and has been Chief Consumer Business Officer since August 2010. Prior to this appointment, he was the Division Head for the Consumer Business group and had

Table of Contents

various other managerial responsibilities within the Marketing Department. Burak Sevilengül is a graduate of Middle East Technical University's Department of Business Administration and holds an MBA degree University Of Georgia, Terry College of Business.

Ilter Terzioglu, age 45, joined Turkcell in 2003 and since April 1, 2006 he has been the Chief Network Operations Officer. Mr. Terzioglu has worked in the communications sector since 1993 and served as Assistant General Manager at Ericsson, Superonline and Show TV. Mr. Terzioglu is a graduate of the Department of Econometrics at Istanbul University. Prior to his current position as Chief Network Operations Officer, he was Turkcell's Head of Business Strategies, Regulation and Risk Consolidation.

Ekrem Yener, age 50, joined Turkcell in 2007, and has held positions as Chief Corporate Business Officer and Chief Special Projects Officer. Currently, he is acting as Turkcell's Chief International Expansion Officer. He worked for Aysu Dis Tic. A.S. and Digital Equipment A.S. as a Sales Manager from 1991-1998. Yener worked as the Ankara Regional Manager of Microsoft Turkey in 1998. He was appointed Microsoft's Deputy General Manager in Charge of Marketing in 2002 and was the Deputy General Manager in charge of Business and Strategy Development between 2004-2007. He graduated from the Istanbul Technical University's Department of Metallurgical Engineering in 1982 and received a Master's Degree in Material Sciences from the University of California at Berkeley in 1986 and in High Level Marketing Management from Kellogg University.

Meltem Kalender Öztürk, age 37, joined Turkcell in 1998 and is our Chief Human Resources Officer. Between 2001 and 2011, she was the Division Head of Employee Relations Management in charge of training, performance and talent management, remuneration, employee relations, organizational development and quality management. Mrs. Öztürk also worked in various human resources functions at Logo Business Solutions and İşiklar Holding. Meltem Kalender Öztürk is a graduate of Business Administration from Marmara University.

6.B Compensation

The compensation of the Board of Directors is resolved by the shareholders at general assemblies. The Board, upon the recommendation of the Corporate Governance Committee, together with its own determinations, should decide on a proposal to the General Assembly whether board members will be remunerated and if such is the case, the form and amount of compensation to be paid to the board members. At our Annual General Assembly held on April 29, 2010, it was decided that our Chairman would receive a net sum of 250,000 per year and each Board member would receive a net sum of 100,000 per year for the period of their service, effective from February 25, 2010.

For the year ended December 31, 2010, we paid an aggregate of approximately \$11.4 million to our executive officers including: indemnities, salaries, bonuses and other benefits. There was no deferred or contingent compensation accrued for the year payable to executive officers other than those already included in \$11.4 million. In 2009, we paid an aggregate of approximately \$8.0 million to our executive officers including: indemnities, salaries, bonuses and other benefits. Furthermore, we do not maintain any profit sharing, pension or similar plans. We have Directors and Officers Liability Insurance that covers our directors and officers from liabilities that arise in connection with performing their duties and our liabilities in connection with our directors' and officers' performance of their duties. The coverage amount is \$80 million, and there are a number of insurers, each covering a different layer of the policy. The Directors and Officers Liability insurance is London based, but it is provided through Genel Sigorta A.S., an insurance company in Turkey. In 2010, we paid a premium amounting to approximately \$384,128, and in 2009, we paid a premium of approximately \$350,000. The policy will expire on September 1, 2011, and we will consider its renewal based on the terms and conditions offered.

Table of Contents

6.C Board Practices

Under the Turkish Commercial Code and our Articles of Association, our Board of Directors is responsible for our management. The Articles of Association provide for a Board of Directors consisting of seven members. The members each serve for a term of three years. None of the members of the Board of Directors has entered into a service agreement with us.

For more information on our directors and the period during which each director has served on the board, see Item 6.A. Directors and Senior Management .

Our Board of Directors has adopted the Turkcell Corporate Governance Guidelines, the Audit Committee Charter, the Corporate Governance Charter and the Corporate Governance Secretariat Terms of Reference. The principal provisions of the guidelines are available on our website, www.turkcell.com.tr.

Committees of the Board of Directors

The Audit Committee

We are required under Turkish laws and regulations, U.S. securities laws and regulations and the rules of the New York Stock Exchange (NYSE) to have an audit committee of the Board of Directors appointed from among the members of the Board of Directors. Our audit committee has two members: Mr. Colin J. Williams and Mr. Alexey Khudyakov (non-voting observer member). As required by the CMB Communiqué Serial:X No: 22 which is binding upon public companies in Turkey, Mr. Williams and Mr. Khudyakov are non-executive members of our Board of Directors. Mr. Williams chairs the audit committee and is considered independent under the U.S. Sarbanes-Oxley Act of 2002, the rules promulgated thereunder by the U.S. Securities and Exchange Commission, the applicable rules of the NYSE and the CMB Corporate Governance Principles. Mr. Khudyakov is an observer member on the audit committee and is not considered independent under the U.S. Sarbanes-Oxley Act of 2002 and rules promulgated thereunder. On January 26, 2007, the CMB informed Turkcell that Alexey Khudyakov s current status, as an observer member on the audit committee does not satisfy the requirements under Article 25, Committees Responsible for Auditing of the CMB. The CMB has stated that steps must be taken urgently so that our Company can comply with Article 25. We believe that Mr. Khudyakov does fully meet the requirements of Article 25 as he is a non-executive Board member and have initiated a lawsuit before an administrative court seeking to suspend the execution and to annul the decision of the CMB with respect to Mr. Khudyakov. The administrative court ultimately dismissed our lawsuit in January 2008. In March 2008, we appealed before the Council of State. However, on April 9, 2008, the Council of State rejected our request to suspend the decision. The Council of State also rejected the appeal. The Company applied for a correction of the decision. This process is still pending.

Pursuant to the decision we were notified of on October 23, 2008, the CMB gave Turkcell an administrative penalty amounting to TRY 11,836 (equivalent to USD 7,809 as of April 7, 2011) for not complying with its decision stating that Mr. Khudyakov s current status, as an observer member on the audit committee, does not satisfy the requirements under Article 25, Committees Responsible for Auditing of the CMB and required that Turkcell inform its shareholders of such penalty at the next General Assembly (which was held on January 30, 2009). In November 2008, we commenced a lawsuit before the court. The Court rejected the Company s suspension request and we objected to this decision, but our objection was rejected. The lawsuit is still pending.

If our position in this matter does not ultimately prevail over that of the CMB, our compliance with the listing requirements of the New York Stock Exchange (NYSE) and the continued listing of our ADRS on the NYSE could be jeopardized. Under the rules of the NYSE, we are exempted from compliance with certain NYSE corporate governance rules that are applicable to domestic issuers, but only to the extent that we comply with our home country corporate governance rules. If we do not prevail over the CMB and are thus deemed not to be in compliance with our home country rules, we may thus lose the benefit of this exemption and the NYSE may require us to comply with domestic issuer rules. If we were not able or willing to take remedial action to comply with our home country rules, or if we were not able or willing to comply with the applicable NYSE rules, our ADRs could be delisted from the NYSE, in which case they would no longer be traded on the NYSE.

Table of Contents

Under the provisions of the Turkish Commercial Code, the Board of Directors must be responsible, as a whole, for all decisions and cannot delegate responsibility to committees of the board. As a consequence, parallel to the Swiss Code, committees in Turkish law merely have a decision-shaping, rather than decision-taking role. Additionally, as per a decision of the Board of Directors, the responsibility of the audit committee members is also considered as a joint responsibility of all Board members.

The principal duties of the Audit Committee include the following:

assisting the board's oversight of the quality and integrity of our financial statements and related disclosure;

overseeing the implementation and efficiency of our accounting system;

pre-approving the appointment of and services to be provided by our independent auditors;

preparing and monitoring the agreement between us and the independent auditor and overseeing the performance and efficiency of our independent audit system and internal audit mechanisms; and

establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting control systems or auditing matters and establishing procedures for the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters.

The Corporate Governance Committee

The Corporate Governance Committee mainly assists the Board of Directors with the development and implementation of our corporate governance principles and presents to the Board of Directors remedial proposals to that end. It establishes a transparent system for the determination, evaluation and training of Board member candidates. The Committee makes recommendations to the Board of Directors, where appropriate, regarding our compensation strategy both for the Board members and the Chief Executive Officer and Chief Financial Officer and the Chief Executive Officer and Chief Financial Officer succession plan. In the relations between the Company and our shareholders, the Committee assists the board. To that end, it oversees the investor relations activities.

The Chairman of our Corporate Governance Committee is Mr. Colin J. Williams and the members are Ms. Karin B. Eliasson, Mr. Mehmet Bulent Ergin and Mr. Oleg Malis. The Board of Directors does not have a remuneration committee; however, the Corporate Governance committee may give recommendations on remuneration, including the remuneration of our Chief Executive Officer. In accordance with Turkish law, the committee does not have the power to set remuneration independent of the Board of Directors.

Table of Contents**6.D Employees**

From our formation in 1993, we have grown from approximately 90 employees to 10,872 employees as at December 31, 2010. Due to our customer growth and the increasing need for competent employees, we focus on the quality of our recruitment. The following table sets forth the number of employees by activity employed by us at December 31, 2010, 2009 and 2008.

	2010	2009	2008
Turkcell			
Marketing ¹		189	179
Consumer Business	102		
Group Marketing Services	91		
Sales ²		523	520
Consumer Sales	243		
Corporate Business	279		
Finance	211	220	225
Service & Product Development ³			532
Information & Communication Technologies	590	545	
Network Operations	780	776	821
Business Support	232	211	298
VAS Management ⁴			96
Product & Services Management	111	100	
CEO Office ⁵	3	3	138
Corporate Affairs	31	29	
Corporate Risk Management	16	15	
Corporate Strategy & Regulations ⁶	35	37	
Legal Counseling	58	59	
Special Projects ⁷		2	
International Expansion	7		
International Investment Coordination ⁸	30	24	15
Subtotal	2,789	2,709	2,809
Subsidiaries			
Global Bilgi	4,565	4,863	4,635
Limited Liability Company Astelit	1,065	1,132	1,284
Belarusian Telecom	406	445	434
Global Bilgi LLC	394	352	327
Superonline.	412	318	289
Turkcell Teknoloji Arastirma ve Gelistirme A.S	362	315	269
Kibris Telekom	172	171	174
Kurumsal A.S.	407		
Others ⁹	300	147	154
Subtotal	8,083	7,743	7,566
Total	10,872	10,452	10,375

- (1) As of August 2010, the Marketing organization has been restructured. As a part of this restructuring, two functional groups have been named Group Marketing Services and Consumer Business .
- (2) As of May 2010, the Sales organization has been restructured. As a part of this restructuring, two Functional Groups have been named Consumer Sales and Corporate Business .
- (3) As of September 2009, the Service & Product Development activity has been restructured and renamed Information & Communication Technologies.
- (4) As of September 2008, the VAS Management function has been restructured to form Product and Services Management in order to focus on products and services.

Table of Contents

- (5) As of 2009, the following groups are no longer reported as part of the CEO Office and are presented separately: Corporate Affairs, Corporate Risk Management, Corporate Strategy & Regulations, Legal Counseling and Special Projects
- (6) To increase our business effectiveness and our adaptation to change and by taking regulation excellence principles into consideration, Regulations has been moved to Corporate Strategy as of July 1, 2008 in order to increase our business effectiveness and ability to respond more efficiently to changes as well as by taking into consideration regulation excellence principles.
- (7) The Special projects role has been cancelled.
- (8) International Investment Coordination includes experts and is not included in the subtotal.
- (9) Others include the following subsidiaries: Inteltek Internet Teknoloji Yatirim ve Danismanlik Ticaret A.S., Global Tower, Global Bilgi FLLC, Uktower, Azerinteltek and Rehberlik A.S.

High levels of subscriber satisfaction can only be achieved if our employees are capable and competent professionals dedicated to subscriber service.

We are able to recruit highly qualified employees due to our position of leadership in the Turkish telecommunications market and our strong corporate identity. Stringent hiring and training standards have resulted in a professional organization with high-caliber employees within a challenging workplace.

With regard to employee compensation and benefits, the major principles of our policy are to preserve internal equity and external competitiveness and reflect individual performance in compensation packages.

Significant factors involved in the process of determining compensation and benefits for our employees are our grading structure (based on the Mercer IPE system), market movement data and individual performance. We make salary adjustments once yearly. Principal factors in salary adjustments are market movements and economic indicators (e.g. the rate of inflation). We pay performance bonuses annually to all our employees in accordance with individual and company performance results. Our performance evaluation system evaluates the whole year performance of our employees through two primary activities: target setting and 360-degree evaluation. Benefits packages are designed in line with the local market practice and linked to grade bands/levels where the benefits package improves as the grade band/level increases. We run a flexible benefits plan that allows our employees to select from a pool of choices that suit them such as several shopping & travel vouchers, allowance for children and payment to the Defined Contribution Plan (the DCP). The DCP is a voluntary pension system in which we and the employee make equal contributions. After a vesting period of three years, the employee gets ownership of the contribution we made. The DCP covers all employees who have been working with us for a minimum of six months.

Each of our employees undergoes an orientation program incorporating classroom training and e-learning training. The training provides employees with information concerning corporate culture and ethics, an introduction to our services, basic mobile communications knowledge and functions of departments. Each employee has the opportunity to participate in the individual, organizational, functional and managerial development programs after regular training needs analysis. In addition, each employee receives specific training for his or her particular job.

To further develop our employees we have created the Turkcell Academy. The Turkcell Academy is structured as a center of development for Turkcell Group employees. The Turkcell Academy was created as part of Turkcell's philosophy of investing in people and is one of our proactive development solutions supporting group strategies and helping to improve Turkcell's performance. With the Turkcell Academy's branded long-term development programs, technical and non-technical courses, web-based training systems, e-learning and language teaching, Turkcell Group has become an environment in which employees get together to receive a broad variety of educational content and to share information.

The Turkcell Academy is also intended to improve the future society of Turkey and to reach out to young people through social responsibility projects. Together with strategic partnerships with universities and training

Table of Contents

consultancies and with Academy trainers' experience and knowledge, the Turkcell Academy has become a valuable and important part of our company.

Our employees are not members of any union, and there is no collective bargaining agreement with our employees. We have not experienced any work stoppages.

6.E Share Ownership

Based on reporting made to us in February and March, 2011, we believe that the aggregate amount of shares owned by our Board members and senior officers at such time was approximately 1.431%. No individual Board member or senior officer owned 1% or more of our outstanding shares.

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

The following table sets forth our major shareholders' ordinary share ownership representing approximately 65.31% of our company's capital. This information is current as of January 31, 2011 based on the Company's official share book. Our shareholders do not have different voting rights.

Name and Address of Owner	Nominal TRY Value of Shares Owned(1)	Percent of Class
Sonera Holding B.V.(2) P.O. Box 8675 NL 3009 AR Rotterdam The Netherlands	287,632,179.557	13.07%
Cukurova Holding A.S. Buyukdere Cad. Yapi Kredi Plaza A Blok Kat: 15, 34330, Levent, Istanbul, Turkey	995,509.429	0.05%
Turkcell Holding A.S.(3) Buyukdere Cad. Yapi Kredi Plaza A Blok Kat: 15 34330, Levent, Istanbul, Turkey	1,122,000,000.238	51.00%
Mufliis Bilka Kaynak ve Iletisim San. ve Tic. A.S. Cumhuriyet Cad. No: 16 Kat: 2 Oda:2 Sisli, Istanbul, Turkey	137,199.575	0.01%
M.V. Holding A.S.(4) K.V.K. Plaza Bayar Cad., Gulbahar Sok. No: 14 34742 Kozyatagi, Istanbul, Turkey	26,021,712.590	1.18%
Shares Publicly Held		
(including the major shareholders listed below)	763,213,398.611	34.69%(7)
Capital Research Global Investors(5) 333 South Hope Street Los Angeles, CA 90071, United States	141,852,314.00	6.4%
Lazard Asset Management LLC(6)	111,353,863	5.06%

30 Rockefeller Plaza

New York, NY 10112, United States

Total	100.00%
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Table of Contents

- (1) On April 29, 2005, the General Assembly approved a revaluation of our ordinary shares from TL 1,000 to TRY 1. The revaluation resulted in the formation of fractional shares, which have not yet been merged into whole ordinary shares. Therefore, we give the nominal value of the ordinary shares owned rather than the units or fractional units thereof.
- (2) Controlled by TeliaSonera. On September 11, 2009, Sonera Holding entered into a derivative transaction with Citibank, N.A. that was settled on October 30, 2009, resulting in Sonera Holding's acquisition of 6,418,710 of Turkcell's ADS (representing 16,046,775 Shares) at a price of \$17.30 per ADS.
- (3) Controlled indirectly by Cukurova Telecom Holdings and Alfa Telecom (through its Altimo subsidiary). As of the date of this annual report on Form 20-F, we understand that, TeliaSonera, Cukurova Holding, and Alfa Group currently own, directly or indirectly, of approximately 37.1%, 13.8%, and 13.2% respectively, of our share capital, the majority of which is held through Turkcell Holding A.S. TeliaSonera's 37.1% does not include additional shares totalling approximately 0.94% that TeliaSonera have informed us that they own. For more information, see footnote 6 below and Item 3 Risk Factors Turkcell's complex ownership structure and Board composition could adversely impact our shareholders' ability to achieve the consensus necessary to approve important matters relating to our business and operations, and ongoing legal disputes involving our shareholders may affect the ownership and control of our shares and our ability to manage our business.
- (4) Controlled by Murat Vargi.
- (5) On the basis of publicly available information (Form 13G filings), Capital Research Global Investors (CRMC) is deemed to be the beneficial owner of 141,852,314 of our shares as a result of CRMC acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940.
- (6) We calculate shares publicly held by deducting from total shares outstanding those shareholders named above. However, a different level of shares publicly held is arrived at when calculating according to Turkish regulations, see Free Float Definition Rules in Item 10B Memorandum and Articles of Association-Capital Structure-Free Float Definition Rules. Based on information received from TeliaSonera, we understand that approximately 0.94% of the shares they own in our Company is a part of float.

As of April 7, 2011, Turkcell had 80,652,345 ADRs outstanding held by 52 registered ADR holders. To the best of our knowledge, as of December 31, 2010, in accordance with the loan agreements signed between our shareholders and various banks, 0.01% of shares having a nominal value of TRY 137,199.575 have been pledged by our shareholders as security in favor of such banks.

As per a public announcement sent to the Istanbul Stock Exchange on April 28, 2008, and a letter sent to us by Cukurova, we understand that Cukurova has sold 90,200,000 shares to J.P. Morgan Securities Ltd. for sale to foreign investors. Accordingly, along with the circulation of such shares with a nominal value of TRY 90,200,000, our free float has increased from 29.38% to 33.48%.

On the basis of publicly available information (Form 13D filings), Alfa Group, which previously held, indirectly, 13.2% of our shares, reduced its stake to below 5% in 2008 as a result of litigation with Telenor Group. Alfa Group's holdings in Turkcell were sold to Nadash and HSL.

On August 11, 2009, our Board of Directors approved a resolution for the blank endorsement of 16,800 shares, each having a nominal value of TRY 1, and held by Bilka Bilgi Kaynak ve Iletisim San. Ve Tic. A.S. for their transfer and assignment pursuant to paragraph m of Article 9 of the Istanbul Stock Exchange Quotation Regulation.

We understand that on September 11, 2009, Sonera Holding entered into a derivative transaction with Citibank, N.A. that was settled on October 30, 2009, resulting in Sonera Holding's acquisition of 6,418,710 of Turkcell's ADS (representing 16,046,775 Shares) at a price of \$17.30 per ADS.

On October 27, 2010, our Board of Directors approved a resolution for the blank endorsement of 25,500,000 shares, each having a nominal value of TRY 1, and held by MV Holding A.S. for their transfer and assignment pursuant to paragraph m of Article 9 of the Istanbul Stock Exchange Quotation Regulation.

Table of Contents

Mapfre Genel Sigorta notified the sale of 1,558,447.590 of its shares in our Company to the Capital Markets Boards on January 21, 2010 and the sale of 0.009 of its shares in our Company on May 6, 2010. These shares are now classified as publicly held shares of the Company and Mapfre Genel Sigorta is therefore no longer listed as an ordinary shareholder. These shares are now classified as publicly held shares of the Company and Mapfre Genel Sigorta is therefore no longer listed as an ordinary shareholder.

7.B Related Party Transactions

We have entered into agreements with our executive officers and with several of our current and former shareholders or affiliates of shareholders. We believe that all of such agreements are on terms that are comparable to those that would be available in transactions with unrelated parties. Our policy is to seek price quotes for services and goods we purchase and select the most favorable price. For a discussion of our Related Party Transactions for fiscal year 2010, see Note 33 to our Consolidated Financial Statements.

7.C Interests of Experts and Counsel

Not Applicable.

ITEM 8 FINANCIAL INFORMATION

8.A Consolidated Statements and Other Financial Information

Audited consolidated financial statements as of December 31, 2010 and 2009 and for each of the years in the three-year period ended December 31, 2010, are included in Item 18. Financial Statements .

Legal Proceedings

For a discussion of the various claims and legal actions in which we are involved, see Note 32 (Commitments and Contingencies) to our consolidated financial statements in this Form 20-F.

Dividend Policy

We have adopted a dividend policy, which is included in our Corporate Governance Guidelines. As adopted, our general dividend policy is to pay dividends to shareholders with due regard to trends in our operating performance, financial condition and other factors. Since 2004, the Board of Directors has endeavored to distribute cash dividends of at least 50% of our distributable net profits per fiscal year, although the payment of dividends remains subject to our cash flow requirements, applicable Turkish laws and the approval of, or amendment by, the Board of Directors and the General Assembly of Shareholders.

In accordance with Turkish law, the distribution of profits and the payment of an annual dividend with respect to the preceding financial year are subject to a recommendation which may be made by the Board of Directors each year for approval by the shareholders at the annual general assembly. The Board may decide whether or not to recommend a distribution of profits together with the amount of dividend and the shareholders, through the general assembly, accept or reject such proposal, if any. Dividends are payable on a date proposed by the Board of Directors and determined at the general assembly of shareholders, which date, under the CMB requirements, must be earlier than the end of the fifth month following the end of the preceding financial year. However, the CMB is authorized to designate another deadline for distribution of dividends in any given year. The general assembly of shareholders in respect of 2010 has not yet been held.

In connection with the redenomination of the Turkish Lira and as per the related amendments of Turkish Commercial Code, in order to increase the nominal value of the shares to TRY 1, 1,000 units of shares, each having a nominal value of TRY 0.001, shall be merged and each share having a nominal value of TRY 1 shall be

Table of Contents

issued to represent such shares. Turkcell is currently in the process of merging 1,000 existing ordinary shares, each having a nominal value of TRY 0.001, to one ordinary share having a nominal value of TRY 1. After the share merger, which appears as a provisional article In the Articles of Association to convert the value of each share with a nominal value of TRY 0.001 to TRY 1, all shares will have a value of TRY 1. Although the merger process has not been finalized, the practical application is to state each share having a nominal value of TRY 1 approved by the CMB. Basic and diluted weighted average number of shares and net income per share as of December 31, 2004 are retrospectively changed to reflect each share having a nominal value of TRY 1.

On March 30, 2009, our Board of Directors proposed a dividend of approximately TRY 1,098.2 million for the year ended December 31, 2008 (equivalent to \$710.3 million as at December 31, 2010) (which represents a net and gross cash dividend of TRY 0.50 (approximately \$0.32 as at December 31, 2010) per ordinary share with a nominal value of TRY 1). This dividend proposal was approved at the Ordinary General Assembly of Shareholders held on May 8, 2009. A cash dividend distribution began on May 18, 2009 and was completed by December 31, 2010.

On March 10, 2010, the Company's Board of Directors proposed a dividend for the year ended December 31, 2009 of TRY 859.3 million (equivalent to \$555.8 million at December 31, 2010), which represents 50% of distributable income and a net cash dividend of TRY 0.39 (equivalent to \$0.25 at December 31, 2010) per share. This dividend proposal was approved at the Ordinary General Assembly of Shareholders held on April 29, 2010. A cash dividend payment was distributed from May 17, 2010 for a period of 15 days.

On March 23, 2011, the Company's Board of Directors proposed a dividend for the year ended December 31, 2010 of TRY 1,328.70 million (equivalent to \$859.4 million at December 31, 2010), which corresponds to 75% of Turkcell's distributable income and a net cash dividend of TRY 0.60 (equivalent to \$0.39 at December 31, 2010) per share. This dividend proposal will be discussed at the Ordinary General Assembly of Shareholders that has been called for April 21, 2011.

Annual profits are calculated and distributed in accordance with our articles of association after deduction from our annual revenues of all expenses, depreciation, taxes, required reserves and any losses from the previous years.

Pursuant to CMB regulations, dividend distributions of publicly held companies are regulated as follows:

From the distributable net dividend calculated as per the CMB's regulations, the entire amount calculated according to the CMB regulations regarding the requirement of minimum dividend distribution shall be distributed in the event such amount can be covered by the distributable net dividend in the statutory records. In the event the entire amount cannot be covered by the distributable net dividend in the statutory records, the total distributable net dividend in the statutory records shall be distributed. In the event there is net loss in the financial statements prepared as per the CMB regulations or statutory records, there shall be no dividend distribution.

The CMB determined that for the accounting period ended December 31, 2008, the minimum dividend distribution rate should be at least 20% of the total distributable dividend. This distribution can be in cash or in the form of bonus share distribution, or both in cash and in the form of bonus share distribution, provided that it will not be less than 20% of the total distributable dividend. The amount of dividend to be distributed shall be resolved in the general assembly meetings of the companies. The CMB decided, with its decision dated January 27, 2010, to not to enforce a minimum dividend distribution ratio for the dividend distribution to be made relative to the profit generated in 2009. The CMB has taken no further decision to amend its decision dated January 27, 2010 regarding dividend distribution for the 2010 fiscal year.

To the extent we declare dividends in the future, we will pay those dividends in Turkish Lira. In the case of ordinary shares held in the form of ADSs, dividends will be converted into U.S. Dollars by the depositary for the ADSs, to the extent it can do so on a reasonable basis, and will be distributed to the holders of the ADSs.

Table of Contents

Because exchange rates between the Turkish Lira and the U.S. Dollar fluctuate continuously, a holder of ADSs will be subject to currency fluctuation generally, but particularly between the date on which dividends are declared and the date dividends are paid. Under current Turkish regulations, dividends or other distributions paid in respect of the ordinary shares or ADSs generally will be subject to withholding taxes. See Item 10E. Taxation .

8.B Significant Changes

Not applicable.

ITEM 9 THE OFFER AND LISTING

9.A Offer and Listing Details

Our capital consists of ordinary shares. Pursuant to an amendment in Turkish Capital Markets Law and a communiqué issued by the Turkish CMB, our shares traded on the Istanbul Stock Exchange were dematerialized as of November 2005. For detailed information on the dematerialization of our shares, see Item 10.B Transfer of Shares .

Our ordinary shares are traded on the Istanbul Stock Exchange under the symbol TCELL and our ADSs are traded on the NYSE under the symbol TKC . Currently two ADSs represent five of our ordinary shares. Our ADSs are evidenced by American Depositary Receipts (ADRs), issued by Morgan Guaranty Trust Company of New York, as Depositary under a Deposit Agreement, executed in July 2000, among us, Morgan Guaranty Trust Company of New York and registered holders from time to time of ADRs. ADRs were first issued in July 2000. We are considering transferring our ADR program to another depositary bank and will provide details about the transfer if and when it occurs.

Beginning January 1, 2006, capital gains realized without meeting a one year holding period are subject to a withholding tax in Turkey. On July 7, 2006, a provision was added to article 1/a of Code 5527 stating that foreign-based taxpayers, natural persons and corporations are subject to 0% tax. See Item 10.E. Taxation .

Table of Contents

The table below sets forth, for the periods indicated, the reported high and low closing quotations (as extracted from Reuters) on the NYSE and the Istanbul Stock Exchange. All quotations have been adjusted to take into account all dividends we have issued in the form of shares and cash.

	New York Stock Exchange (\$ per ADS)		Istanbul Stock Exchange (TRY per Ordinary Share)	
	High	Low	High	Low
Annual information for the past five years				
2010	19.98	12.34	11.18	7.80
2009	18.65	11.15	10.32	6.86
2008	27.47	9.70	11.30	6.19
2007	29.73	12.70	12.09	5.59
2006	16.14	9.72	6.95	4.46
Quarterly information for the past two years				
2010				
First Quarter	19.98	14.54	11.18	8.60
Second Quarter	16.18	12.34	9.22	7.80
Third Quarter	16.92	12.81	10.10	7.95
Fourth Quarter	19.59	16.48	11.15	9.90
Quarterly information for the past two years				
2009				
First Quarter	15.33	11.15	8.39	6.91
Second Quarter	13.94	11.73	8.31	6.86
Third Quarter	17.87	13.35	10.13	7.83
Fourth Quarter	18.65	15.36	10.32	8.84
Monthly information for most recent six months				
October	19.27	17.03	11.00	9.90
November	19.59	17.04	11.15	10.20
December	17.32	16.48	10.80	10.00
January	17.73	15.21	10.95	9.82
February	16.69	14.07	10.55	8.96
March	15.47	13.28	9.62	8.58
April (as of April 7, 2011)	15.60	15.42	9.60	9.48

Fluctuations in the exchange rate between the Turkish Lira and the U.S. Dollar will affect any comparisons of ordinary share prices and ADS prices.

On April 7, 2011, the closing price per ordinary share on the Istanbul Stock Exchange was TRY 9.48 and per ADS on the NYSE was \$15.43.

The Depositary confirmed that we had 80,028,203 ADRs outstanding as of the close of business December 31, 2010. We had 80,652,345 ADRs outstanding as of the close of business April 7, 2011.

9.B Plan of Distribution

Not applicable.

9.C Markets

Our ADSs are traded on the NYSE under the symbol **TKC** and our ordinary shares are traded on the Istanbul Stock Exchange under the symbol **TCELL**.

Table of Contents

9.D Selling Shareholders

Not applicable.

9.E Dilution

Not applicable.

9.F Expenses of the Issue

Not applicable.

ITEM 10 ADDITIONAL INFORMATION

10.A Share Capital

Not applicable.

10.B Memorandum and Articles of Association

General

We are registered in the Istanbul Trade Registry under number 304844. Pursuant to Article 3 of our Articles of Association, as amended January 30, 2009 at the Extraordinary General Assembly, we are incorporated primarily for the provision of any telephone, telecommunication and similar services in compliance with the Telegraph and Telephone Law number 406 and services stated in the GSM Pan Europe Mobile Telephone System bid that was signed with the Ministry of Transportation and to operate within the authorization regarding the IMT-2000/UMTS services and the infrastructure.

Board Members

General

The Board of Directors is comprised of seven members elected by the general assembly, all of whom must be individuals under Turkish law. An increase in the number of members of the Board of Directors must be approved by the general assembly. Directors are required to be shareholders of the Company unless they are representatives of legal entity shareholders. Shareholders that are legal entities cannot be elected as directors and can only nominate their representatives for election to the Board of Directors. Currently all of the directors on our Board are either representatives of shareholders that are legal entities or shareholders themselves. The Turkish Commercial Code, or the TCC, does not require a board member to be a Turkish citizen. There is no minimum age for the directors, provided that a board member has reached the age of majority, 18, and there is no mandatory retirement age under applicable law.

Board Members Interest

The TCC forbids a board member to enter into a transaction with us in any area relating to our business either on the board member's own behalf or on behalf of someone else, thus preventing the abuse of duty by board members and protecting our interests (TCC Article 334). Our general assembly may, however, authorize our board members to enter into these types of transactions through a specific provision in our Articles of Association, or our general assembly may grant such a right on a yearly basis. On April 29, 2010, such authorization was granted by our general assembly.

Board members cannot participate in board meetings in which a matter related to themselves or their relatives is discussed (TCC Article 332). If any item of an agenda is related to one of the Board members, within the meaning of TCC Article 332, the board member concerned should inform the board of this and request the

Table of Contents

situation be recorded in the minutes of the meeting. Interested board members cannot participate in and sign such resolutions. If we suffer any loss because of a board member's failure to raise such an issue, the board member shall be held liable to compensate us for the loss incurred due to such matter related to her/him or her/his relatives.

Under TCC Article 335, board members are barred from participating in similar commercial activities outside our company. Board members cannot become shareholders with unlimited liability or become board members of companies active in similar types of business. Our general assembly may, however, authorize our board members to enter into these types of transactions through a specific provision in our Articles of Association or our general assembly may grant such a right on a yearly basis. On May 8, 2009, such authorization was granted by our general assembly.

Compensation

Any remuneration payable to board members shall be determined by our general assembly. The Board of Directors has no authority to determine such remuneration. At our Annual General Assembly held on April 29, 2010, it was decided that our Chairman would receive a net sum of 250,000 per year and each Board member would receive a net sum of 100,000 per year for the period of their service, effective from February 25, 2010.

Borrowing Power

To the extent the relevant provisions of Turkish law allow, the board of directors of our company is the body entitled to, directly or through representatives authorized by the board of directors, resolve to exercise our powers to borrow money or give any form of guarantee or surety relating to our or any third party's obligations. CMB adopted a new rule on September 9, 2009, which was announced in its weekly bulletin in connection with credit extensions, that public companies can provide guarantees or pledges, including mortgages, to third parties, provided such third party (i) is fully consolidated in the company's financial statements, or (ii) the ordinary business operations of the company directly requires providing guarantees, pledges or mortgages. At the Ordinary General Assembly held on April 29, 2010, Article 3 entitled Purpose and Subject Matter of Turkcell's Articles of Association was amended in line with CMB's rule dated September 9, 2009. Under our Articles of Association, our Board of Directors is authorized to issue debentures and other securities subject to the TCC, Turkish Capital Markets Law and other relevant legislation. Under Turkish Capital Markets Law, the total value of capital market instruments shall not exceed the amount specified by the CMB, for each type of instrument. However, as a general rule, the total value of debentures and other debt instruments that a publicly held company may issue as capital market instruments may not exceed the balance remaining after deducting the losses, if any, from the total sum of the outstanding and paid up capital as shown on the latest independently audited financial statements submitted to the CMB, plus reserves and the revaluation fund stated in the latest financial statement approved by the general assembly. Pursuant to Article 3 of our Articles of Association, as amended on October 2, 2009 at the Extraordinary General Assembly, and as effective on October 7, 2009, we can extend credits to companies in which we have direct or indirect shareholding interest, both in Turkey and overseas, as well as to our main company and group companies, in Turkish Lira or other foreign currencies, on the condition that such extensions do not conflict with applicable laws and regulations.

Capital Structure

General

Our Board of Directors has adopted the authorized share capital system which, under Turkish law, allows us to increase our issued share capital up to the authorized share capital amount upon resolution by our board and without need for further shareholder approval. On January 23, 2008, the CMB amended its communiqué on principles regarding the registered capital system. According to this amendment, the registered capital ceiling authorization given by the CMB shall be valid for 5 years, including the year in which the authorization is granted. If the registered capital of the company does not reach this ceiling at the end of the 5 year term, the Board, in order to take

Table of Contents

a capital increase decision, will need to apply to the CMB for a new capital ceiling authorization and will need the General Assembly's approval in order to get a new authorization period of up to 5 years.

Preemption Rights

We may increase our capital only through the issuance of new shares, and such issuances may come in the form of a rights offering or a bonus issue. Under Turkish law, existing shareholders are entitled to subscribe for new shares, also known as preemption rights, in proportion to their respective shareholdings each time we undertake a capital increase. Our Board of Directors will generally recommend that new shares be issued at prices equal to their nominal value, which entitles the existing shareholders to subscribe for shares at a significant discount from their current market price. The exercise of preemption rights by shareholders must be made within a subscription period which we announce, which may not be less than 15 days nor more than 60 days after the issuance of the preemption rights circular. Shareholders who do not wish to subscribe for new shares may sell their rights on the Istanbul Stock Exchange, or the ISE. Any shares not subscribed for by the existing shareholders or purchasers of the rights coupons are sold on the ISE at the current market price. Any differences between the rights issue price and the price realized for the shares on the ISE would accrue to our surplus account. Preemption rights of shareholders related to a rights offering may be restricted wholly or in part either by an affirmative vote of the holders of a majority of the outstanding shares at an ordinary or extraordinary general assembly or a resolution adopted by the Board of Directors to such effect, provided that such authority is conferred upon the Board of Directors. CMB rules stipulate that such authority may be conferred upon the Board of Directors of companies that have received permission from the CMB to adopt the authorized capital system.

By the amendment to the Articles of Association, we have conferred such authority on our Board of Directors. The CMB further requires that the right of the Board of Directors to restrict the preemption rights of shareholders applies equally with respect to all shareholders. Under Turkish law, bonus issues may be undertaken in order to convert all or a portion of the revaluation fund and reserves of a company into share capital.

Dividend Distribution and Allocation of Profits

Our Board of Directors recommends annual dividends, which then must be approved by our shareholders at their annual general assembly. Dividends are payable on a date determined at the annual general meeting. Under current rules, the Board of Directors may decide whether or not to recommend a distribution of dividends and our shareholders at our annual general meeting may decide whether or not to distribute dividends in any year. Under the current CMB rules, the ratio of the first dividend must be specified in the Articles of Association and for the dividend distribution to be made with regard to the profit generated in year 2009, CMB decided not to enforce a minimum dividend distribution ratio. As per CMB rules, dividends may be distributed to shareholders in cash or bonus shares or, upon the general assembly's decision, may be retained by the company. The CMB is entitled to request that a publicly held company distribute its dividends in cash, provided that such request is served before the agenda of the general assembly meeting is published. Under the CMB rules, if a public company decides not to distribute the first dividend, the corresponding amount shall be set aside as a special reserve. Accordingly, we may freely determine the amount of dividends to be distributed based on the Dividend Policy adopted by our Board of Directors in 2004, pursuant to applicable Turkish laws and upon the approval of, or amendment by, the Board of Directors and the General Assembly of Shareholders. The Board decides whether or not to recommend an allocation of profits, as well as the amount of the dividend, and the shareholders, through the general assembly, accept or reject such proposal, if any.

According to the CMB's decision dated January 27, 2010 and numbered 02/51, regarding dividend distribution for the 2009 fiscal year, any cash dividend distribution must be completed by the end of the fifth month following the fiscal year. The CMB has taken no further decision to amend its decision dated January 27, 2010 regarding dividend distribution for the 2010 fiscal year. Dividends are payable in cash or by transfer to an account of the shareholder with a bank in Turkey against delivery to our office in Turkey of the relevant dividend coupon attached to the share certificate representing the relevant shares. If dividends are distributed in the form of bonus shares by means of a bonus issue, the registered value representing the bonus shares shall be transferred

Table of Contents

to the shareholders' accounts no later than six months after the end of the fiscal year. Shareholders' entitlement to cash dividends remains in effect for a period of five years following the date of the general assembly approving such distribution, after which time they are transferred to the Turkish government.

Part of our remaining net profit may be distributed to our shareholders as a second dividend or retained by us as retained earnings, all at the discretion of our general assembly. As per our Articles of Association and the TCC, we deduct 10% from the amount of any distributions made as a second dividend and add it to a contingency reserve fund.

For additional details regarding our dividend policy see Item 8.A. Consolidated Statements and Other Financial Information Dividend Policy .

Voting Rights

Shareholders are entitled to one vote per share on all matters submitted to a vote of our shareholders.

In 2003, the CMB published a Communiqué on Principles of Cumulative Voting in the General Assemblies of Joint Stock Companies Subject to the Capital Markets Law (Communiqué Serial IV, No:29) to govern principles and procedures regarding cumulative voting methods in publicly held companies. The cumulative voting designed thereby enables minority shareholders to elect representatives to the company's Board of Directors and board of auditors. Each shareholder receives a number of votes equal to the number of voting shares he possesses multiplied by the number of seats to be elected in the Board of Directors or board of auditors. The shareholders may choose to concentrate their votes for one candidate or to divide their votes between or among a number of candidates. The number of cumulative votes shall be calculated separately for the Board of Directors and the board of auditors. Implementation of the cumulative voting method is optional, but requires that the articles of association of the company include provisions for it. Our Articles of Association do not currently provide for cumulative voting.

Transfer of Shares

Subject to the limitations described below, shares may be sold and transferred by endorsement and delivery.

In practice, shares in registered form traded on the ISE are represented by the share certificates endorsed in blank, enabling such shares to be transferred as if they were in bearer form. As per the amendment in the Capital Markets Law and a communiqué issued by the CMB in this respect, our Company's shares traded at the Istanbul Stock Exchange were dematerialized as of November 2005.

Legal and actual dematerialization of the share certificates commenced on November 28, 2005. Beginning from November 28, 2005, it is prohibited for companies registered on the Istanbul Stock Exchange to issue new share certificates, in consideration of rights issues or bonus issues. The new shares arising out of capital increases shall be transferred to the accounts of the rightful owners by registration.

It was obligatory for share certificates that were not dematerialized and that were kept physically by their rightful owners to have been delivered to us or to an authorized stock broker for their registration with the Central Registry Agency that is under the control and supervision of the CMB, by December 31, 2007.

According to an announcement of the Central Registry Agency and the CMB in a letter dated January 30, 2008, the financial rights attached to share certificates, which were not delivered by December 31, 2007, shall be monitored in a dematerialized manner at the Central Registry Agency from that date onward and any rights related to management shall be exercised by the Central Registry Agency, in accordance with the Temporary 6th Article of the Turkish Securities Exchange Act. In case of delivery of the share certificates by the rightful owners to the Turkish Clearance House through us after December 31, 2007, the financial rights of such rightful owners, which are monitored in a dematerialized manner by the Central Registry Agency, shall be transferred to their accounts.

Table of Contents

According to the principles of the letter, financial rights that are formed after December 31, 2007 in respect of shares that remain in physical form shall be paid to the rightful owner after the shares are dematerialized. Furthermore, after December 31, 2007, such rights will not allow the holder to attend or vote at shareholders' meetings. As of any meeting date, the voting rights associated with any shares that have not yet been dematerialized are held by the Central Registry Agency, and the power to attend or not will be exercised by the Central Registry Agency.

Our share certificate records will be kept by us and the Central Registry Agency in a computer system, which is formed by the Central Registry Agency.

Provisions regarding the nominal values of the share certificates of the Company are regulated in the temporary article of the Company's Articles of Association and such article was approved at the Ordinary General Assembly Meeting on April 29, 2005. The temporary article reads as follows:

Decree 32 on the Protection of the Value of the Turkish Currency issued in August 1989, as amended from time to time, provides that persons not resident in Turkey may purchase and sell our shares, provided that such purchase is effected through a bank or broker authorized pursuant to applicable Turkish capital markets legislation. Turkish capital markets legislation requires that shares of a company quoted on a Turkish securities exchange be traded exclusively on such exchange. The CMB has indicated that this requirement applies only to intermediary institutions licensed for trading on the stock exchange and to trade orders placed with them by investors. Accordingly, our shareholders that are not resident in Turkey may transfer such shares only on the ISE. This requirement does not apply to transfers of ADSs.

Under Turkish law, in the event that one of our shareholders transfers shares to any other shareholder or to any other third party investor, either foreign or local, the Foreign Investment General Directorate (FIGD) must be notified within one month of the transfer of shares.

Under Article 8 of the Electronic Communications Law, electronic communications services is rendered and/or electronic communications network or infrastructure is established and operated following the authorization made by the ICTA. Authorization is granted through the notification made in accordance with the principles and procedures determined by the ICTA, in case the resource allocation is not necessary, or given of usage right, in case the resource allocation, which means allocation of frequency, satellite position etc., is necessary. Furthermore, under the Authorization Regulation Regarding Telecommunication Services and Infrastructure Regulation, the ICTA must be notified in case of any share transfers within one month of the transfer of shares at the latest and in the event that the share transfer results in change in control, such transfer of our shares by any of our shareholders should be realized with the written permission of the ICTA.

Under our Articles of Association, the Board of Directors is entitled to restrict the transfer of shares to foreigners in order to comply with the Turkish shareholding requirements under Turkish law.

Disclosure of Beneficial Interests in the Shares

The Turkish regulation on public disclosure of listed companies was changed by Communiqué Serial: VIII, No: 54 on Principles Regarding Public Disclosure of Material Events in February 2009 in harmonization with the relevant EU directives. In addition, the CMB issued a guideline concerning the scope and format of such disclosure. The new regulations do not specify every item or action to be disclosed but refer to this guideline and allow listed companies to decide whether such information is material for disclosure. Insider information, which means any non-public information that may possibly affect the value of capital market instruments and investors' decisions, is required to be disclosed immediately by listed companies. Unlike the previous communiqué on public disclosures, minority shareholders who hold 5% or more of a company's total share capital and have no management responsibility or power to intervene in the management decisions are not obligated to disclose all sale and purchase transactions relating to the securities. Their disclosure requirement would arise if they exceed the shareholding ratios established in the Communiqué Serial: VIII, No: 54 (5%, 10%, 15%, 20%, 25%, 33%,

Table of Contents

50%, 66% and 75%). Disclosure of insider information may be delayed to protect the legitimate interests of the company without causing market manipulation. For those that have administrative responsibilities in Turkcell (including board members and high-ranked executives), or are closely related persons, that purchase and sell Turkcell's capital market instruments (including, but not limited to, Turkcell shares), such transactions will need to be declared to the Istanbul Stock Exchange; however, if the cumulative amount of the above mentioned Turkcell transactions does not exceed TL 10,000 during 2010, such declaration will not be needed. This upper limit represents the total amount of all transactions made by Board members/high-ranked executives and their closely related persons. Closely related persons means: Wives/husbands, children and individuals sharing the same location at the time of transaction and corporations, legal entities run by, directly/indirectly controlled by or whose economic interests are similar with that of Board members and high-ranked executives of the Company.

In addition, according to the new Communiqué on Voluntary and Mandatory Tender Offers (Communiqué Serial: IV No.: 44) issued by the CMB on September 2, 2009, the mandatory tender offer shall be triggered when, directly or indirectly, more than 50% of our Company's shareholding is acquired or management control of a public company is taken over through acquiring (i) the necessary number of shares granting the right to elect, or (ii) privileged shares allowing the nomination of the majority of the board of directors. Communiqué Serial: IV No.: 44 also stipulates certain circumstances, that will not trigger a mandatory offer, such as management control changes of the company by a voluntary tender offer and share transfers by privileged shareholders with management control or persons acting together resulting in a possession of more than 50% of the capital or voting rights.

Free Float Definition Rules

While 34.69 % of our Company is listed on the stock exchange, the number of our Company's free floating shares as of December 31, 2010 was 557,614,008.03, according to the Report on Free Float Ratios released by the Central Registry Agency in accordance with the Capital Markets Board's decision 21/655 of July 23, 2010 as amended by its decision 24/729 of August 18, 2010, and its free float ratio was 25.34%. The difference between these rates results from the exclusion of shares which are i. held by a public entity, ii. held by the company's incorporators and its affiliates (companies subject to consolidation), iii. held by shareholders who may be a natural person or a corporate body and control at least 5% of the Company's capital, iv. held by a) the members of the Company's Board of Directors and the Board of Auditors, b) General Manager or executives who are equal to or superior to a general manager in terms of their powers and functions, c) senior executives who report to General Manager or executives who are equal to or superior to a general manager in terms of their powers and functions, v. owned by the savings funds or foundations of companies, vi. Provided as equity capital pursuant to regulations applicable to the capital markets legislation or as a collateral in respect of a margin trading or as a collateral except the ones which are given as a collateral only for Central Depository Bank markets, vii. Which are legally restricted and cannot be subject to purchase and sale, viii) prohibited, ix. Seized in the definition of free float ratio. The difference may result from one or more situations described in the decision and it is not possible for our Company to know it.

New Trading Rules

The CMB amended the Istanbul Stock Exchange (ISE) Stock Market trading rules with its decision dated July 23, 2010 (the Decision). The Decision is based on detailed research and technical analysis completed in three months and aims at ensuring conditions that will prevent the formation of artificial prices and support efficient price discovery.

According to the Decision, all companies traded on the ISE will be classified into 3 groups (A, B or C). Some trading rules are differentiated based on this classification. For example, Group B and Group C companies cannot be subject to margin trading and short sale.

Table of Contents

The Decision defines:

Group A listed companies as companies that are not listed under Group B or Group C.

Group B companies as companies that meet the following criteria (1) the value of the publicly traded shares is under 10 million TRY and the number of shares in circulation is under 10 million or (2) the value of the publicly traded shares is under 45 million TRY and the percentage of actual shares in circulation is under 5%. Furthermore, an investment trust is classified as a Group B company if its stock price is 1.5 times higher than its net asset value (NAV) per share.

Group C companies as companies that meet the following criteria: (1) companies traded in the Watch List Companies Market or (2) actual number of shares in circulation is under 10 million. Furthermore, an investment trust is classified as a Group C company if its stock price is 2 times higher than its NAV per share (except for investment trusts with a market maker).

According to this CMB decision, Turkcell is listed under Group A companies.

Protection of Minority Shareholders

Under Turkish securities law, minority shareholders, defined as those who hold 5% or more of our share capital, have the right, among other things, to request our Board of Directors:

to invite the shareholders to an extraordinary general assembly;

to request that a matter be included on the agenda at both ordinary and extraordinary general assembly;

to request the appointment of special statutory auditors; and

to require that the company take action against board members who have violated the Turkish Commercial Code or the articles of association of a company or who have otherwise failed to perform their duties.

Liquidation

In the event of liquidation, our shareholders are entitled to participate in any surplus pro rata their shareholdings.

Changes in Capital Structure

Our Board of Directors is authorized to increase the issued paid-in share capital by means of issuing new shares up to the authorized share capital ceiling. Any increase above our ceiling requires an amendment to our Articles of Association and therefore shareholder approval through a general assembly. Such amendment is subject to the prior approval of the Ministry of Industry and Trade and the CMB. Our Board of Directors may also restrict the rights of existing shareholders and offer new shares to third parties. Changes in the voting and dividend rights of our shareholders require an amendment to our Articles of Association and approval by the general assembly. Such amendment is also subject to the prior approval of the Ministry of Industry and Trade and the CMB. Furthermore, under the Turkish Commercial Code, during the general assembly meetings held to amend the articles of association of a joint stock company, each share shall be entitled to only one vote, even if otherwise is provided under its articles of association.

In addition, any decrease in our share capital requires an amendment to our Articles of Association. If we undertake to cancel our shares, we must notify any existing creditors, and within two months of notification, they may request payment or, if their receivables are not due and payable, we must create a security interest in their favor. Capital reduction is rarely applied in Turkey. Save for certain exceptions under Turkish

law, companies are not allowed to buy back their own shares.

Table of Contents

General Assemblies

Our general assemblies are normally held at our head office in Istanbul. We generally hold our annual general assembly within four months of the end of each financial year, which in our case is the calendar year, in accordance with the CMB rules. Extraordinary general meetings may be convened by our Board of Directors, or upon the request of our shareholders representing at least 5% of our share capital, or upon the request of our statutory auditors.

The following matters are among the ones required by the TCC and our Articles of Association to be included on the agenda of ordinary general assembly meeting:

review of the annual reports of our Board of Directors and the auditors;

the approval, amendment or rejection of the balance sheet and profit and loss account prepared for the preceding financial year, the release of our Board of Directors and statutory auditors from liability in respect of actions taken by them in the preceding financial year, and the proposals of our Board of Directors for the allocation and distribution of any of our net profits;

the approval of the remuneration of the board members and the auditors if the general assembly so decides; and

the re-election or replacement of directors and/or auditors whose terms of office have expired.

Shareholders representing at least 5% of our share capital may, by written notice, require any additional matters to be included on the agenda for discussions at any of our general assemblies.

Notices covering general assemblies (including postponements and rescheduling), which include the agenda of any such general assembly, must be published in the Trade Registry Gazette and a leading Turkish newspaper published in Istanbul determined by us, at least two weeks before the date fixed for the meeting. The TCC requires us to send notice of any general assembly by registered mail to each person registered in our books as a holder of shares and to those shareholders who have deposited at least one share certificate representing shares with us and have indicated a notice address. Under the Capital Markets Law, such notice requirement does not apply to holders of registered shares, which are also traded in the stock market.

Any shareholder holding any of our shares and wishing to attend general assembly meetings to vote must hand in the blockage letters and other required documents to our Head Office not less than a week before the date of the meeting in order to obtain an entry permit for that meeting. Shareholders that hold the physical shares and that want to attend our general assemblies must complete the dematerialization of the share certificates. In accordance with the dematerialization procedures, a determined period is necessary for dematerialization transactions of the share certificates. Holders of the non-public registered shares in our share book of registered shares need not comply with such requirement to attend a general assembly. Any shareholder not wishing to attend any such general assembly in person may appoint another person as a proxy.

Except as set out by the provisions of the TCC and our Articles of Association, the required quorum at any general assembly is shareholders representing at least one-quarter of the share capital. If such quorum is not present when a general assembly is convened, the meeting shall be adjourned, in which event the meeting is reconvened within a month, with shareholders or their proxies present at such meeting. Resolutions of general assembly meetings must be passed by a majority of the shareholders or their proxies present at such.

According to the TCC, the quorum requirement at general assemblies convened to discuss changes in the purpose or legal status of a joint stock company is at least two-thirds of its share capital. If a quorum is not present when the meeting is convened, the meeting shall be adjourned and reconvened, in which case the required quorum is at least half of its share capital. Resolutions of general assemblies relating to changing its purpose or legal status must be passed with a majority of its shareholders or proxies present at such meeting. However, under the Capital Markets Law, such quorum requirements are decreased for publicly held companies,

Table of Contents

provided that higher quorums are not required under their articles of associations, and as the meeting quorum for general assemblies convened to discuss changes in its purpose or legal status, attendance of shareholders representing at least one-quarter of its share capital is sufficient. Under Capital Markets Law, if such quorum is not present when a general assembly is convened, the meeting shall be adjourned, in which event the meeting is reconvened with shareholders or their proxies present at such meeting. Resolutions of general assemblies must be passed by a majority of the shareholders or their proxies present at such meeting as per the Capital Markets Law.

According to our Articles of Association, the meeting quorum requirement at general assemblies is 51% of our share capital. Resolutions of our general assemblies must be passed by the shareholders (or their proxies) representing the majority of the votes of the shareholders present at that meeting.

The quorum requirement at general assemblies convened to increase our share capital ceiling is 51% of our share capital. Resolutions of general assemblies relating to capital increases must be passed by a majority of our shareholders or their proxies present at such meeting.

The meeting quorum requirement at general assemblies convened to amend our Articles of Association (excluding capital ceiling increase) is two-thirds of our share capital. Resolutions of our general assemblies to amend our Articles of Association (excluding capital ceiling increase) shall be passed by the shareholders (or their proxies) representing at least 2/3 of the votes of the shareholders present at that meeting.

Changing our jurisdiction or increasing the obligations of the shareholders requires unanimous shareholder approval.

10.C Material Contracts

We are not a party to any material contracts other than those entered into in the ordinary course of business, except with regard to the settlement of certain legal disputes. For information regarding these settlements, see Item 8.A. Consolidated Statements and Other Financial Information Legal Proceedings and Note 31 (Guarantees and Purchase Obligations) to our consolidated financial statements in this Form 20-F.

10.D Exchange Controls

Banks in Turkey set their own foreign exchange rates independently of those announced by the Central Bank. Pursuant to Decree 32 on the Protection of the Value of the Turkish Currency, most recently amended in 2003, the government eased and ultimately abolished restrictions on the convertibility of the Turkish Lira for current account and nonresident capital account transactions by facilitating exchange of the proceeds of transactions in Turkish securities by foreign investors, which enabled Turkish citizens to purchase securities on foreign exchanges. These changes also permitted residents and nonresidents to buy foreign exchange without limitation and to transfer such foreign exchange abroad without ministerial approval.

Turkish citizens are permitted to buy unlimited amounts of foreign currency from banks and to hold foreign exchange in commercial banks. Capital transfers outside Turkey of more than \$5 million still require approval of the Turkish government. Although we believe it is unlikely that exchange controls will be reintroduced in the near term, any such exchange controls may materially adversely affect our results of operations.

10.E Taxation

The following discussion is a summary of certain material Turkish and United States federal income tax considerations relating to the ownership and disposition of our shares or ADSs. The discussion is based on current law and is for general information only. The discussion does not address all possible tax consequences relating to the ownership and disposition of shares, or ADSs, and holders are urged to consult their tax advisors regarding the applicable tax consequences of holding and disposing of the shares or ADSs based on their particular circumstances.

Table of Contents

The discussion is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change, possibly with retroactive effect. This summary is also based in part on representations of the Depository and assumes that each obligation provided for in or otherwise contemplated by the Deposit Agreement or any related document will be performed in accordance with the terms of such agreement.

Republic of Turkey Taxation

The following summary of Turkish tax law as in force on the date of this annual report describes the principal tax consequences for Turkish residents and U.S. holders (as defined below in "Taxation - United States Federal Income Taxation") of the ownership and disposition of shares and ADSs. It is not a complete description of all the possible tax consequences of such ownership and disposition. Shareholders should consult their own tax advisors concerning the Turkish and other tax consequences applicable in their particular situations.

Corporate Taxation

A corporation that has its legal and/or business center in Turkey (a "Resident Corporation") is subject to a corporate tax, which is levied at 20% on such corporation's taxable income. Resident Corporations are required to pay an advance corporation tax, also at 20%, on a quarterly basis.

Taxation of Dividends

In the event that a Resident Corporation distributes dividends to individual shareholders (resident or non-resident), or to non-resident corporations that do not have a permanent establishment (fixed place of business or permanent representative) in Turkey (and are not subject to rate-reducing provisions in applicable bilateral tax treaties), a 15% withholding tax is payable by the Resident Corporation on behalf of its shareholders. In the event that Resident Corporations distribute dividends to resident legal entities or to non-resident legal entities that have a permanent establishment in Turkey, such distributions are not subject to withholding tax.

Cash dividends received by Resident Corporations from other Resident Corporations are not subject to corporate tax. Dividends in cash received by resident individuals from Resident Corporations are subject to a withholding tax at the rate of 15% (as discussed above) and must file an annual income tax declaration. The withholding tax amount shall be deducted from the annual income tax. 50% of the dividend income received by resident individuals from Resident Corporations is exempt from the annual income declaration. The remaining 50% must be declared if it exceeded TRY 22,000 in 2010 (TRY 23,000 in 2011).

Under the Income Tax Treaty between the United States of America and the Republic of Turkey, signed March 28, 1996 (the "Treaty"), the withholding tax rate is limited to 20% (including the surcharges on dividends paid by a Turkish Resident Corporation) of the gross amount of the dividends unless the beneficial owner of shares is a company which owns at least 10% of the voting stock of the company paying the dividends (in which case the rate would be limited to 15%). Because the current withholding tax rate applicable to publicly traded corporations, such as Turkcell, is only 15%, the Treaty does not affect the current rate of Turkish withholding tax for U.S. holders. Cash dividends paid on ordinary shares or ADSs to a U.S. holder that does not have a permanent representative or place of business in Turkey will not be subject to taxation in Turkey, except in respect of the 15% income withholding tax discussed in the previous section. The distribution of dividends in kind (i.e. bonus shares) is not subject to a withholding tax and such dividends in kind are not subject to an income declaration.

Table of Contents

Taxation of Capital Gains

Gains realized by Residents

For shares acquired on or after January 1, 2006:

Gains realized by resident individuals on the sale of shares traded on the Istanbul Stock Exchange (such as Turkcell shares) or ADSs that represent shares traded on the Istanbul Stock Exchange (such as Turkcell ADSs) to residents or non-residents are exempt from income tax, provided that the holding period of such shares or ADSs exceeds one year. Where this holding period has not been met, there is a withholding tax from the gains derived from capital. The current rate for such withholding tax is 0%.

Gains realized by Resident Corporations on the sale of shares traded on the Istanbul Stock Exchange (such as Turkcell shares) or ADSs that represent shares traded on the Istanbul Stock Exchange (such as Turkcell ADSs) to residents or non-residents shall benefit from withholding exemption, if a one-year holding period is met. However, where this holding period has not been met, there is a withholding tax from the gains derived from capital gains. The current rate for such withholding tax is 0%.

Gains realized by Resident Corporations on the sale of shares or to residents or non-residents must be included in corporate income and are subject to the applicable corporate tax. Upon fulfillment of the stated conditions in Article 5 of the Corporate Tax Law, 75% of capital gains derived from the sale of the shares will be exempt from corporate income tax.

For shares acquired before January 1, 2006:

Capital gains derived from shares held by an investor (both individuals and corporations) for over 3 months are not subject to any withholding tax. Where this holding period has not been met, capital gains received by individuals are computed by deducting the original cost of the shares or ADSs, after the application of a cost adjustment (which uses the Producer Price Index determined by the Turkish Statistical Institute to eliminate gain arising solely from inflation), from the amount received upon the sale or disposition of the shares or ADSs. Total capital gains are subject to declaration on the income tax return if they exceeded TRY 18,000 in 2010 (TRY 19,000 in 2011).

Gains realized by Resident Corporations on the sale of shares are subject to the applicable corporate tax. Upon fulfillment of the stated conditions in Article 5 of the Corporate Tax Law, 75% of capital gains deriving from the sale of the shares will be exempt from corporate income tax.

Gains realized by U.S. holders

U.S. holders that do not have a permanent establishment in Turkey are exempt from Turkish tax on capital gains generated from the sale of shares quoted on an exchange, such as Turkcell shares, under Article 13 of the Treaty. U.S. resident legal entities having a permanent establishment (fixed place of business or permanent representative) in Turkey generally are subject to tax in Turkey on capital gains arising from the sale of such shares and should consult their own Turkish tax advisors as to the rules applicable to them. As of July 7, 2006, the withholding tax rate applicable to non resident holders of shares has been reduced to 0%.

U.S. holders who invest via ADSs will not have to comply with any procedures to avoid withholding tax, since gains derived from Turkcell ADSs are not generated in Turkey. However, U.S. holders who hold their shares directly in Turkey must comply with certain procedures to establish their exemption from Turkish capital gains withholding tax and are urged to consult their own tax advisors in this regard.

In addition, certain rules and procedures may need to be complied with in order to avoid Turkish withholding tax upon the conversion of ADSs to shares and from shares to ADSs in Turkey. U.S. holders are urged to consult their own tax advisors in this regard.

Table of Contents

Pursuant to a Turkish Constitutional Court decision, which annulled the income tax provision regulating the 0% withholding application on capital gains for non-resident individuals and corporations, the withholding tax regime has once again become subject to regulation pursuant to a law numbered 6009, which came into force on August 1, 2010. Pursuant to this new regulation, a 10% withholding on capital gains is applied to individual investors and a 0% withholding is applied to corporate investors, irrespective of the residency status. Non-resident corporate deposit receipt holders (depositories of our ADR facility) are included within the scope of corporate investors. Non-resident investors of Turkcell ADR s will be subject to 0% withholding provided that the depository of our ADR facility is a corporate body. The Turkish Council of Ministers has the authority to raise the withholding levels for 5 percentage points.

Taxation of Investment and Mutual Funds

Taxation on the Fund Level:

The gains realized from portfolio investment activities by resident Investment and Mutual Funds are exempt from corporate tax but are subject to withholding tax for the gains of stocks held and bonds/bills issued before January 1, 2006. Withholding tax rates are as follows:

if the institutions maintain a minimum of 25% of their portfolios invested in Turkish equity shares on a monthly weighted average basis, the applicable rate of withholding tax is 0%; and

if the percentage of Turkish equity shares in the portfolios of such institutions is below 25% during any month during the year, the applicable rate of withholding tax is 10%.

Gains from stocks purchased after January 1, 2006 and/or bonds and bills issued after January 1, 2006 are subject to withholding of 0%.

A nonresident Investment or Mutual Fund may also qualify for this taxation regime if it appoints a permanent representative in Turkey, registers with the Turkish tax office, maintains legal books and meets the other tax requirements in Turkey.

Taxation on the Investor Level:

The gains realized by investors for participating within FUND are subject to taxation depending on the date of purchase of the FUND by the individual investors.

For FUND shares purchased before January 1, 2006, gains are not subject to income tax withholding. Capital gains received by individuals are computed by deducting the original cost of the shares after the application of a cost adjustment (which uses the Producer Price Index determined by the Turkish Statistical Institute to eliminate gains arising solely from inflation), from the amount received upon the sale or disposition of the shares. Total capital gains are subject to declaration on the income tax return if they exceeded TRY 18,000 in 2010 (TRY 19,000 in 2011) and are required to be declared in compliance with the Turkish Tax Regime.

For FUND shares purchased after January 1, 2006:

1. If the FUND maintains at least 51% of the portfolio invested in the Istanbul Stock Exchange Market and is held for more than a year period, gains shall not be subjected to withholding. Such gains shall be declared in compliance with the Turkish Tax Regime.
2. If the FUND does not meet the conditions above, gains shall be subject to withholding at 10% for resident investors. In cases where non-resident investors can certify their own residency status, 0% withholding shall be applied.

3. Pursuant to a Turkish Constitutional Court decision, which annulled the income tax provision regulating the 0% withholding application on capital gains for non-resident individuals and corporations, the withholding tax regime has once again become subject to regulation pursuant to a law numbered 6009, which came into force on August 1, 2010. Pursuant to this new regulation,

Table of Contents

a 10% withholding on capital gains is applied to individual investors and a 0% withholding is applied to corporate investors, irrespective of the residency status. Non-resident corporate deposit receipt holders (depositories of our ADR facility) are included within the scope of corporate investors. Non-resident investors of Turkcell ADR s will be subject to 0% withholding provided that the depository of our ADR facility is a corporate body.

Stamp Taxes

According to the Turkish Stamp Tax Law (Law No. 488), all agreements and documents specified in the law with a monetary value indicated thereon are subject to a stamp tax with rates from 0.165% to 0.825%, which is calculated on the aggregate amount of such agreement or document. Stamp tax to be calculated for a particular PAPER was capped at a maximum of TRY 1,161,915.90 per original in 2010 and will be capped at a maximum of TRY 1,251,383.40 per original in 2011.

Certain additional tax regulations

Changes in the Ministry of Finance s interpretation of the taxation codes, especially changes regarding consumption taxes (Value Added Tax and Special Communication Tax), which may adversely affect consumer prices. In addition to the prospective financial impact of such changes, unanticipated tax liabilities and fines may also be levied against our financial results in prior years since a Turkish company s operations in the previous five years may be subject to financial investigation. Regulation that became effective July 1, 2010, however, have strengthened our rights with regards to this risk, particularly with regards to the following:

Tax inspectors shall not issue tax audit reports that contradict Decrees, Public Acts, Statutory Rules, General Communiqués and Circulars promulgated;

In case that tax authority differentiates previous interpretation of taxation codes via promulgated General Communiqués and Circulars, new interpretation shall not be applied to previous transactions; and

Transactions that are compliant to rulings taken from Tax Office shall be relieved from both tax penalty and overdue interest. Mentioned shelter is valid only for the tax payer which had applied for the ruling.

United States Federal Income Taxation

The following discussion is a summary of certain material U.S. federal income tax considerations applicable to the ownership and disposition of shares or ADSs by you, if you are a U.S. holder. In general you will be a U.S. holder if:

you are the beneficial owner of our shares or ADSs;

you are either (i) an individual resident or citizen of the United States, (ii) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created in or organized under the laws of the United States or any state thereof, (iii) an estate whose income is subject to U.S. federal income taxation regardless of its source, or (iv) a trust if a U.S. court can exercise primary supervision over the administration of the trust and one or more U.S. persons are authorized to control all substantial decisions of the trust;

you own our shares or ADSs as capital assets;

you own directly, indirectly or by attribution less than 10% of our outstanding share capital or voting stock;

you are fully eligible for benefits under the Limitation on Benefits article of the Treaty; and

you are not also a resident of Turkey for Turkish tax purposes.

Table of Contents

The Treaty benefits discussed below generally are not available to holders who hold shares or ADSs in connection with the conduct of business through a permanent establishment, or the performance of personal services through a fixed base, in Turkey.

If a partnership (including for this purpose any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds shares or ADSs, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner in a partnership that holds shares or ADSs is urged to consult its own tax advisor regarding the specific tax consequences of owning and disposing of its shares or ADSs.

The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular holder, including tax considerations that arise from rules of general application or that are generally assumed to be known by U.S. holders. This summary is based on provisions of the Internal Revenue Code of 1986, as amended (the Code), existing and proposed U.S. Treasury Regulations, rulings, administrative pronouncements, judicial decisions and the Treaty, all as of the date of this annual report. All of these authorities are subject to change, possibly with retroactive effect, and to differing interpretations. In addition, this summary does not discuss all aspects of U.S. federal income taxation that may be applicable to investors in light of their particular circumstances or to U.S. holders who are subject to special treatment under U.S. federal income tax law, including insurance companies, U.S. expatriates, dealers in stocks or securities, banks or financial institutions, tax-exempt organizations, regulated investment companies, retirement plans, traders in securities who elect to apply a mark-to-market method of accounting, persons who acquired their shares pursuant to the exercise of employee stock options or otherwise as compensation, persons holding shares as part of a straddle, hedging or conversion transaction, persons subject to the alternative minimum tax, and persons having a functional currency other than the U.S. Dollar.

U.S. holders are urged to consult with their own tax advisors regarding the tax consequences of the ownership or disposition of shares or ADSs, including the effects of federal, state, local, foreign and other tax laws with respect to their particular circumstances.

Dividends

If we make distributions to you (other than certain distributions of Turkcell shares), you generally will be required to include in gross income as dividend income the amount of the distributions paid on the shares (including the amount of any Turkish taxes withheld in respect of such dividend as described above in Taxation Republic of Turkey Taxation). Dividends paid by us will not be eligible for the dividends-received deduction applicable in some cases to U.S. corporations.

Any dividend paid in Turkish Lira, including the amount of any Turkish taxes withheld therefrom, will be includible in your gross income in an amount equal to the U.S. Dollar value of the Turkish Lira calculated by reference to the spot rate of exchange in effect on the date the dividend is received by you, in the case of shares, or by the Depositary, in the case of ADSs, regardless of whether the Turkish Lira are converted into U.S. Dollars. Any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend is includible in your gross income to the date such payment is converted into U.S. Dollars generally will be treated as U.S. source ordinary income or loss. Special rules govern, and elections are available to, accrual method taxpayers to determine the U.S. Dollar amount includible in income in the case of taxes withheld in a foreign currency. Accrual basis taxpayers are urged to consult their own tax advisors regarding the requirements and elections applicable in this regard.

Any dividends paid by us to you with respect to shares or ADSs will be treated as foreign-source income and will be categorized as passive category income or, in the case of certain U.S. holders, general category income for foreign tax credit purposes.

Table of Contents

Subject to limitations, you may elect to claim a foreign tax credit against your U.S. federal income tax liability for Turkish income tax withheld from dividends received in respect of shares or ADSs. The rules relating to the determination of the foreign tax credit are complex. Accordingly, you should consult your own tax advisor to determine whether and to what extent you would be entitled to the credit. If you do not elect to claim a foreign tax credit, you may instead claim a deduction for Turkish income tax withheld, but only for a year in which you elect to do so with respect to all foreign income taxes. A deduction does not reduce tax on a dollar-for-dollar basis like a credit, but the deduction for foreign taxes is not subject to the same limitations applicable to foreign tax credits.

Certain U.S. holders (including individuals) are eligible for reduced rates of U.S. federal income tax (at a maximum rate of 15%) in respect of qualified dividend income received in taxable years beginning before January 1, 2013. For this purpose, qualified dividend income generally includes dividends paid by a non-U.S. corporation if, amongst other things, the U.S. holders meet certain minimum holding periods and the non-U.S. corporation satisfies certain requirements, including that either (i) the shares (or ADSs) with respect to which the dividend income has been paid are readily tradable on an established securities market in the United States or (ii) the non-U.S. corporation is eligible for the benefits of a comprehensive U.S. income tax treaty (such as the Treaty) which provides for the exchange of information. We currently believe that dividends paid with respect to our shares and ADSs should constitute qualified dividend income for U.S. federal income tax purposes, and we anticipate that our dividends will be reported as qualified dividends on Forms 1099-DIV delivered to U.S. holders. In computing foreign tax credit limitations, non-corporate U.S. holders may take into account only a portion of a qualified dividend to reflect the reduced U.S. tax rate applicable to such dividend. Each U.S. holder of shares or ADSs is urged to consult its own tax advisor regarding the availability to it of the reduced dividend tax rate in light of its own particular situation and regarding the computations of its foreign tax credit limitation with respect to any qualified dividend income paid by us, as applicable.

The U.S. Treasury has expressed concerns that parties to whom ADSs are released may be taking actions that are inconsistent with the claiming of foreign tax credits or reduced tax rates in respect of qualified dividends by U.S. holders of ADSs. Accordingly, the discussion above regarding the creditability of Turkish withholding tax on dividends or the availability of qualified dividend treatment could be affected by future actions that may be taken by the U.S. Treasury with respect to ADSs.

Sale, Exchange or other Disposition of Shares or ADSs

Upon the sale, exchange or other disposition of shares or ADSs, you generally will recognize capital gain or loss equal to the difference between the amount realized on the disposition and your adjusted tax basis in your shares or ADSs (as determined in U.S. Dollars). Gain or loss upon the disposition of shares or ADSs generally will be U.S.-source gain or loss, and will be treated as long-term capital gain or loss if, at the time of the disposition, the holding period for the shares or ADSs exceeds one year. If you are an individual, any capital gains generally will be subject to U.S. federal income tax at preferential rates if specified minimum holding periods are met. The deductibility of capital losses is subject to significant limitations.

Your basis in your shares or ADSs must be adjusted to take into account any bonus shares received in a qualifying nontaxable transaction. To determine your adjusted basis, you are required to allocate your adjusted tax basis in the shares or ADSs you held as of the date the bonus shares were distributed between (x) your shares or ADSs and (y) the bonus shares you receive, in proportion to their relative fair market values immediately after the distribution. The holding period for bonus shares received will begin with the date that the shares or ADSs with respect to which the bonus shares were distributed were acquired. U.S. holders of shares or ADSs are urged to consult their own tax advisors to determine the exact consequences to them of the receipt and sale of the bonus shares for U.S. and other applicable tax purposes.

The surrender of ADSs in exchange for shares pursuant to the Deposit Agreement governing the ADSs will not be a taxable event for U.S. federal income tax purposes. Accordingly, you will not recognize any gain or loss upon such surrender.

Table of Contents***Passive Foreign Investment Company Status***

We currently believe that we were not a passive foreign investment company (a PFIC) for the taxable year ended December 31, 2010, for U.S. federal income tax purposes. However, this conclusion is a factual determination that must be made annually and thus may be subject to change. A non-U.S. corporation will be classified as a PFIC for any taxable year if at least 75% of its gross income consists of passive income (such as dividends, interest, rents, royalties, or gains on the disposition of certain minority interests), or at least 50% of the average value of its assets consists of assets that produce, or are held for the production of, passive income. If we were characterized as a PFIC for any taxable year, you would suffer adverse tax consequences. These consequences may include having gains realized on the disposition of shares or ADSs treated as ordinary income rather than capital gains, and being subject to punitive interest charges on certain dividends and on the proceeds of the sale or other disposition of the shares or ADSs. Furthermore, dividends paid by a PFIC would not be qualified dividend income (as discussed above) and would be taxed at the higher rates applicable to other items of ordinary income. You should consult your own tax advisor regarding the potential application of the PFIC rules to us and to your ownership of our shares and ADSs.

U.S. Information Reporting and Backup Withholding

Dividend payments with respect to shares or ADSs and proceeds from the sale, exchange, redemption or other disposition of shares or ADSs may be subject to information reporting to the Internal Revenue Service (the IRS) and possible U.S. backup withholding at a current rate of 28%. Certain exempt recipients (such as corporations) are not subject to these information reporting requirements. Backup withholding will not apply, however, to a holder who furnishes a correct taxpayer identification number or certificate of foreign status and makes any other required certification or who is otherwise exempt from backup withholding. U.S. persons who are required to establish their exempt status generally must provide IRS Form W-9 (Request for Taxpayer Identification Number and Certification). Non-U.S. holders generally will not be subject to U.S. information reporting or backup withholding. However, such holders may be required to provide certification of non-U.S. status (generally on IRS form W-8BEN) in connection with payments received in the United States or through certain U.S.-related financial intermediaries.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder's U.S. federal income tax liability, and a holder may obtain a refund of any excess amounts withheld by filing the appropriate claim for refund with the IRS and furnishing any required information.

10.F Dividends and Paying Agents

Not Applicable.

10.G Statement by Experts

Not Applicable.

10.H Documents on Display

Reports and other information of Turkcell can also be inspected without charge and copied at prescribed rates at the public reference facility maintained by the SEC in Room 1580, 100 F Street, N.E., Washington, D.C. 20549. Copies of these materials are also available by mail from the Public Reference Section of the SEC, at 100 F Street, N.E., Washington D.C. 20549, at prescribed rates.

10.I Subsidiary Information

Not Applicable.

Table of Contents**ITEM 11 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK****Overview**

We are exposed to foreign exchange rate risks because our income, expenses, assets and liabilities are denominated in a number of different currencies, primarily Turkish Lira, U.S. Dollars, Euros, Ukrainian Hryvnia and Belarusian Rubles. In particular, a substantial majority of our debt obligations and equipment expenses are currently, and are expected to continue to be, denominated in U.S. Dollars and Euros, while the revenues generated by the corresponding activities are denominated in other currencies, in particular the Turkish Lira, Ukrainian Hryvnia and Belarusian Rubles. Similarly, we are subject to market risk deriving from changes in interest rates that may affect the cost of our financing. We provide a detailed analysis of our foreign exchange and interest rate risks in Note 29.

Foreign Exchange Risk Management

Our functional currency is the TRY for operations conducted in Turkey, but certain revenues, purchases, operating costs and expenses and resulting receivables and payables are denominated in a number of different currencies. In particular, a substantial majority of our debt obligations and equipment expenses are currently, and are expected to continue to be, denominated in U.S. Dollars, Euros, Ukrainian Hryvnia and Belarusian Rubles, while the revenues generated by the corresponding activities are denominated in other currencies, in particular the Turkish Lira, Ukrainian Hryvnia and Belarusian Rubles. Transactions denominated in foreign currencies are recorded at the exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies are converted into TRY at the exchange rates prevailing at the balance sheet date, with the resulting exchange differences recognized in the determination of net income. In 2010, net foreign exchange losses amounted to \$13.8 million, resulting from transactions related to foreign exchange effects.

Market risk sensitive instruments consist of loans and borrowings denominated in foreign currencies (substantially in U.S. Dollars) totaling \$1,837.5 million, which represents the majority of total indebtedness as of December 31, 2010.

To manage our foreign exchange risk more effectively, we may enter into forward transactions and option contracts. In addition, in order to take advantage of market volatility in the foreign exchange markets and increase the yield on our free cash, we may enter into option transactions to buy or sell certain currencies, allowing us to mitigate our exposure to negative foreign exchange rate swings or collect premiums. As of December 31, 2010 we did not have any outstanding forward and option contracts to buy or sell U.S. Dollars against TRY. The basis for our sensitivity analysis to measure foreign exchange risk is an aggregate corporate-level currency exposure. The aggregate foreign exchange exposure is composed of all our assets and liabilities denominated in foreign currencies. This analysis excludes net foreign currency investments. It is estimated that a general increase of 10% in the value of TRY, Ukrainian Hryvnia and Belarusian Rubles, against other foreign currencies would have increased our profit before income tax by approximately \$53.9 million for the year ended December 31, 2010. These aforementioned assumptions are hypothetical and the actual results may differ substantially from the projected figures.

All hedging transactions have been authorized and executed pursuant to clearly defined policies and procedures, which provide that the transaction is entered into to protect us from fluctuations in currency values. Analytical techniques are used to manage and monitor foreign exchange risk which includes market valuation and sensitivity analysis. In addition, we keep a reasonable proportion of our monetary assets in U.S. Dollars to reduce our currency exposure. Furthermore, the maximum tariffs we may charge are adjusted periodically by the ICTA to account for, among other things, the devaluation of the TRY.

Table of Contents**Interest Rate Risk Management**

We are exposed to variations in interest rates, primarily in Euros, U.S. Dollars and TRY denominated debt and investments, which may affect the amounts of future interest income or expenses (reinvestment risk or cash flow risk) and also cause changes in the values of our interest bearing assets, which have already been added to the balance sheet. We manage interest rate risk by financing non-current assets with long-term debt with variable interest rates and equity.

The following table sets forth the carrying amount and fair value of loans, maturities and average effective interest rates for bank loans.

	Effective interest rate	Total carrying amount	2011	2012	2013	2014 thereafter	Fair Value	Effective interest rate	Total carrying amount	2010	2011	2012	2013 thereafter	Fair Value
December 31, 2010														
December 31, 2009														
Fixed rate instruments														
Finance lease obligations														
USD	4.6%	2.7	2.6	0.1			2.7	5.7%	5.2	2.5	2.7			5.2
EUR	3.4%	21.0	1.8	1.3	1.2	16.7								
Secured bank loans														
USD fixed rate loans	5.2%	6.2	6.2				6.2							
AZN fixed rate loans	22.5%	0.2	0.2				0.2							
Unsecured bank loans														
USD fixed rate loans	4.2%	591.5	208.5	109.7	164.0	109.3	591.5	3.7%	452.9	178.7	125.8	58.8	89.6	452.9
Variable rate instruments														
Secured bank loans														
BYR floating rate loans	10.9%	26.2	4.4	4.4	3.7	13.7	26.2	12.3%	25.3		4.5	4.4	16.4	25.3
Unsecured bank loans														
USD floating rate loans	3.6%	1,175.0	205.1	387.1	405.3	177.5	1,175.0	3.8%	1,026.5	507.5	32.9	467.1	19.0	1,026.5
BYR floating rate loans								2.1%	2.1	2.1				2.1
EUR floating rate loans	7.8%	13.6	0.4	1.5	11.7		13.6							
AZN floating rate loans	22.5%	0.3	0.3				0.3							
Total		1,836.7	429.5	504.1	585.9	317.2	1,836.7		1,512.0	690.8	165.9	530.3	125.0	1,512.0

For contractual cash flows and nominal interest of bank loans, see Note 24 and Note 29 to our audited consolidated financial statements included in Item 18. Financial Statements of this annual report on Form 20-F.

As of December 31, 2010, we did not have Turkish government floating rate noteholdings; therefore, we were not exposed to interest rate risks on our financial assets.

We use sensitivity analysis techniques to measure and assess our interest rate risk. The basis for the sensitivity analysis is an aggregate corporate-level interest rate exposure composed of interest bearing investments and interest bearing debts. When we assume a 1% increase in interest rates for all maturities from their levels as of December 31, 2010, with all other variables held constant, our profit before income tax decreases by \$9.3 million.

ITEM 12 DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

The Depository may collect from (i) each person to whom ADSs are issued, including, without limitation, issuances against deposits of Shares, issuances in respect of Share Distributions, Rights and Other Distributions (as such terms are defined in the Form of ADR certificate), issuances pursuant to a stock dividend or stock split declared by the Company, or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or the Deposited Securities, and (ii) each person surrendering ADSs for withdrawal of

Table of Contents

Deposited Securities or whose ADSs are cancelled or reduced for any other reason, U.S.\$5.00 for each 100 ADSs (or portion thereof) issued, delivered, reduced, cancelled or surrendered (as the case may be). The Depositary may sell (by public or private sale) sufficient securities and property received in respect of Share Distributions, Rights and Other Distributions prior to such deposit to pay such charge. These terms are set forth in Paragraph 7 of the Form of ADR certificate.

As provided for in the American Depositary Receipt included as Exhibit A to the Deposit Agreement between J.P. Morgan Chase Bank, as depositary (the Depositary), Turkcell and holders of American Depositary Receipts, dated July 7, 2000, as amended, holders of American Depositary Shares may be charged, directly or indirectly, the following amounts in relation to the ownership of depositary receipts held in the Company's ADR Program, which are payable to the Depositary:

Category	Depositary Actions	Associated Fee
(a) depositing or substituting the underlying shares	Each person to whom ADSs are issued against deposits of shares, including deposits in respect of share distributions, rights and other distributions	Up to USD 5.00 for each 100 ADSs (or portion thereof) evidenced by the ADRs delivered or surrendered
(b) receiving or distributing dividends	Distribution of dividends	USD 0.02 or less per ADS (or portion thereof)
(c) selling or exercising rights	Distribution or sale of securities, the fee being in an amount equal to the fee for the execution and delivery of ADSs, which would have been charged as a result of the deposit of such securities	USD 5.00 for each 100 ADSs (or portion thereof)
(d) withdrawing an underlying security	Acceptance of ADRs surrendered for withdrawal of deposited securities	Up to USD 5.00 for each 100 ADSs (or portion thereof) evidenced by the ADRs surrendered
(e) transferring, splitting or grouping receipts	Transfers, combination or grouping of depositary receipts	USD 1.50 per ADS
(f) general depositary services, particularly those charged on an annual basis	Administration of ADRs (to be charged only when there was no distribution of annual cash dividends)	An aggregate fee of USD 0.02 per ADS (or portion thereof)

Direct Payments made by J.P. Morgan to Turkcell

J.P. Morgan, as depositary, has agreed to reimburse certain reasonable expenses related to our ADR program and incurred by us in connection with such program. In 2010, the depositary reimbursed us \$1,728,443. The amounts the depositary reimbursed are not necessarily related to the fees collected by the depositary from ADR holders. The table below sets forth the type of expenses that J.P. Morgan reimbursed in the year

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ended December 31, 2010.

Category of Expenses	Amount Reimbursed for Year Ended December 31, 2010
Investor Relations(1)	\$ 1,728,443

- (1) This type of expense includes activities tailored to increase the company's ADR program, including, but not limited to roadshows and training in the US, legal costs connected with 20-F filing and ongoing SEC compliance and legal requirements and listing fees.

Table of Contents**Indirect Payments made by J.P. Morgan to Turkcell**

As part of its service to Turkcell, J.P. Morgan has agreed to waive fees for the standard costs associated with the administration of our ADR program and associated operating expenses estimated to total \$50,000. The table below sets forth the fees that J.P. Morgan has agreed to waive and/or expenses that J.P. Morgan has agreed to pay in the year ended December 31, 2010.

Category of Expenses	Amount Waived or Paid for Year Ended December 31, 2010
Third-party expenses paid directly	None
Fees waived	\$ 50,000

ITEM 13 DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not Applicable.

ITEM 14 MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15 CONTROLS AND PROCEDURES

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

(b) *Management's Annual Report on Internal Control Over Financial Reporting.* The management of Turkcell is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934), and for performing an assessment of the effectiveness of internal control over financial reporting as of December 31, 2010. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

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

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

possible to design safeguards to reduce, though not eliminate, this risk.

Table of Contents

Management assessed the effectiveness of the internal control over financial reporting as of December 31, 2010 based on criteria established in the Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment and those criteria, management has concluded that the Company’s internal control over financial reporting was effective as of December 31, 2010.

The effectiveness of our internal control over financial reporting as of December 31, 2010 has been audited by DRT Bagimsiz Denetim ve Serbest Muhasebeci Mali Musavirlik A.S. (Deloitte), our independent registered public accounting firm in Turkey, as stated in their attestation report which appears below under Item 15(c), Report of Independent Registered Public Accounting Firm.

(c) Attestation Report of the Independent Public Accounting Firm.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Turkcell İletişim Hizmetleri A.Ş.

We have audited the internal control over financial reporting of Turkcell İletişim Hizmetleri A.Ş. and its subsidiaries (together the Group) as of December 31, 2010 based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Group’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report. Our responsibility is to express an opinion on the Group’s internal control over financial reporting based on our audit.

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

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Table of Contents

In our opinion, based on our audit, the Group maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2010 of the Group and our report dated April 18, 2011 expressed an unqualified opinion on those financial statements based on our audit and the report of the other auditors.

Istanbul, Turkey

April 18, 2011

/s/ DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK AŞ.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

(d) *Changes in Internal Control Over Financial Reporting.* There were no changes in connection with the evaluation required by Rule 13a-15(d) and Rule 15d-15 in the Company's internal control over financial reporting that occurred during the year ended December 31, 2010, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. This conclusion has been made at a reasonable assurance level.

ITEM 16 AUDIT COMMITTEE FINANCIAL EXPERT

Currently no independent audit committee member is an audit committee financial expert as defined in Item 16A of Form 20-F because, after self-evaluation, our audit committee members did not consider themselves, individually, as an audit committee financial expert. However, both our audit committee members and our Board of Directors believe that our audit committee members are qualified to carry out their duties on the audit committee.

ITEM 16B. CODE OF ETHICS

We have adopted a code of ethics that applies to our Chief Executive Officer, Chief Financial Officer, and other executive officers and financial officers. This code of ethics is posted on our website, www.turkcell.com.tr.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Deloitte served as our independent registered public accountant for financial year 2010 ended December 31, 2010 and KPMG Akis Bagimsiz Denetim ve Serbest Muhasebeci Mali Musavirlik A.S. served as our independent registered public accountants in Turkey for financial years December 31, 2009 and 2008. Our audited financial statements for the three year period ended December 31, 2010 appear in this annual report on Form 20-F. At our 2010 annual general meeting of shareholders which occurred on April 29, 2010, Deloitte was appointed as our independent auditors for our 2010 and 2011 fiscal years.

The following table presents the aggregate fees for professional services and other services rendered by our auditors to us in 2010, 2009 and 2008.

	2010	2009	2008
	\$m	\$m	\$m
Audit Fees(1)	1.6	2.4	2.4
Audit-Related Fees(2)			
Tax Fees			

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All Other Fees(3)

Total	1.6	2.4	2.4
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- (1) Audit Fees consist of fees billed for professional services pertaining to the audit of the Company's annual financial statements or services that are normally provided by the principal accountant in connection with statutory or regulatory filings or engagements.

Table of Contents

- (2) Audit-Related Fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements.
- (3) All Other Fees consist of fees billed for products and services other than services provided under Audit Fees, Audit-Related Fees and Tax Fees.

Audit Committee Pre-approval Policies and Procedures

Our audit committee has determined that all work performed by our external auditors for the year 2011 will be approved by our audit committee and, therefore, it has not adopted blanket pre-approval policies and procedures.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

One of our audit committee members, Mr. Khudyakov, is a representative of Cukurova Telecom Holding Limited, one of our largest shareholders. Consequently, he is not considered independent under Rule 10A-3(b) of the Exchange Act. Mr. Khudyakov serves on our audit committee in reliance upon the exemption from independence standards contained in Rule 10A-3(b)(1)(iv)(D). We do not believe that such reliance would materially adversely affect the ability of the audit committee to act independently and to satisfy other requirements of Rule 10A-3.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

To our best knowledge and in accordance with the official Share Book of the Company, neither we nor any affiliated purchaser made any purchases of our ordinary shares during the fiscal year ended December 31, 2010.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Incorporated by reference to our annual report on Form 20-F filed on April 27, 2010.

ITEM 16G. CORPORATE GOVERNANCE

Significant Differences in Corporate Governance Practices

Matters related to corporate governance in Turkey are regulated by the Turkish Commercial Code (TCC) enacted in 1956 and the regulations and communiqués of the Capital Markets Board of Turkey (the CMB), the regulatory and supervisory authority, both of which are binding upon publicly held companies.

In addition, corporate governance practices in Turkey are also guided by the Corporate Governance Principles of the CMB (the CMB Principles), which took effect on a comply-or-explain basis on January 1, 2004. Effective from 2005, the CMB requires listed companies to incorporate in their annual reports a Corporate Governance Compliance Report which compares the CMB Principles to the Corporate Governance principles under which the Company operates. This report is posted on our website, www.turkcell.com.tr.

We believe that we have, in all cases, either followed the recommendations made in the CMB Principles or explained divergences in such principles and our own practices, and, thus, we believe that we are in compliance with the CMB Principles. As further explained below, the CMB Principles recommend that audit committee members be independent according to the criteria set forth therein. In Turkey, other than the CMB Principles, the composition of the audit committee for public companies is regulated by a CMB communiqué, which only requires that committee members be composed of non-executive board members. The CMB Principles function on a comply-or-explain basis. In accordance with these principles, we disclose in our Corporate Governance Compliance Report that our Board currently has one independent member.

Table of Contents

Below is a summary of the significant differences between our corporate governance practices and those that would apply to U.S. companies under the NYSE corporate governance rules:

NYSE Corporate Governance Rule for U.S. Issuers

Listed companies must have a majority of independent directors.

The non-management directors of each company must meet at regularly scheduled executive sessions without management.

Listed companies must have a nominating/corporate governance committee composed entirely of independent directors, with a written charter that provides for (i) minimum duties, which are to identify individuals qualified to become board members, consistent with criteria approved by the board, and to select, or to recommend that the board select, the director nominees for the next annual meeting of shareholders; develop and recommend to the board a set of corporate governance guidelines applicable to the corporation; and oversee the evaluation of the board and management; and (ii) an annual performance evaluation of the committee.

Listed companies must have a compensation committee composed entirely of independent directors, with a written charter that covers certain minimum specified duties.

Our Practice as a Foreign Private Issuer

Our Board currently has one member who is deemed to meet the independence standards of both the SEC and CMB Principles. Under the CMB Principles, it is recommended to have a board comprised of at least one-third independent members (or, in any event, two members). In accordance with the CMB Principles, we disclose our current status in our Corporate Governance Compliance Report and thus believe that we are in compliance with the CMB Principles.

Turkish law does not make any distinction between management and non-management directors. Members of the board who are not also members of management do not meet in regularly scheduled executive sessions.

On June 23, 2004 our Board of Directors established a Corporate Governance Committee. Our Corporate Governance Committee has a written charter specifying its duties. According to the CMB Principles, which operate on a comply or explain basis, only committees chairs are required to be independent as defined by the Principles themselves. At the Board of Directors meeting on May 27, 2010, it was decided that Colin J. Williams, our independent board member, will serve as Chairman of the Corporate Governance Committee.

Although Turkish legislation does not require us to have one, our Corporate Governance Committee has a written charter specifying its duties. The charter substantially satisfies the minimum requirements of the NYSE corporate governance rules. The Corporate Governance committee also may make recommendations on remuneration, including the compensation of our Chief Executive Officer, but the committee does not have the power to set remuneration.

The CMB Principles do not require us to have a compensation committee. Our corporate governance committee may develop and recommend a compensation policy to our Board of Directors in respect of our directors, the Chief Executive Officer and Chief Financial Officer.

Table of Contents**NYSE Corporate Governance Rule for U.S. Issuers**

Listed companies must have an audit committee that satisfies requirements set forth in Exchange Act Rule 10A-3 and additional requirements, including: (i) a minimum of three members; (ii) independence as defined in NYSE Rule 303A.02; (iii) a written charter that addresses minimum duties in addition to those required by Exchange Act Rule 10A-3.

Our Practice as a Foreign Private Issuer

Our audit committee has two members, in accordance with Turkish practice: Mr. Colin J. Williams and Mr. Alexey Khudyakov. Mr. Williams chairs the committee and is considered independent under the U.S. Sarbanes-Oxley Act of 2002, the rules promulgated thereunder by the U.S. Securities and Exchange Commission, the applicable rules of NYSE and the Turkish CMB Corporate Governance Principles. Mr. Khudyakov is an observer on the audit committee and is not considered independent under the U.S. Sarbanes-Oxley Act of 2002 and rules promulgated thereunder. On January 26, 2007, the Turkish CMB informed Turkcell that Alexey Khudyakov's current status, as an observer member on the audit committee does not satisfy the requirements under Article 25 of the CMB's Committees Responsible for Auditing. The CMB

has stated that steps must be taken so that our Company can comply with Article 25. We believe that Mr. Khudyakov does fully meet the requirements of Article 25 as he is a non-executive board member and have initiated a lawsuit before an administrative court seeking to suspend the execution and to annul the decision of the CMB with respect to Mr. Khudyakov. The administrative court ultimately dismissed our lawsuit in January 2008. In March 2008, we appealed before the Council of State and on April 9, 2008, the Council of State rejected our request to suspend the decision. The Council of State rejected the appeal. The Company applied for the correction of the decision. The correction of the decision process is still pending. If our position in this matter does not ultimately prevail over that of the CMB, our compliance with the listing requirements of the New York Stock Exchange (NYSE) and the continued listing of our ADRS on the NYSE could be jeopardized. Under the rules of the NYSE, we are exempted from compliance with certain NYSE corporate governance rules that are applicable to domestic issuers, but only to the extent that we comply with our home country corporate governance rules. If we do not prevail over the CMB and are thus deemed not to be in compliance with our home country rules, we may thus lose the benefit of this exemption and the NYSE may require us to comply with domestic issuer rules. If we were not able or willing to take remedial action to comply with our home country rules, or if we were not able or willing to comply with the applicable NYSE rules, our ADRs could be delisted from the NYSE, in which case they would no longer be traded on the NYSE.

Table of Contents

NYSE Corporate Governance Rule for U.S. Issuers

Our Practice as a Foreign Private Issuer

By a decision notified to us on October 23, 2008, the CMB penalized Turkcell TRY 11,836 (equivalent to \$7,809 as of April 7, 2011) for not complying with its decision that stated that Mr. Khudyakov's current status as an observer member on the audit committee did not satisfy the requirements under Article 25 of the CMB's Committees Responsible for Auditing. The CMB also required Turkcell to inform its shareholders at the following General Assembly (which was held on January 30, 2009) of this administrative penalty. In November 2008, we commenced a lawsuit before the court seeking to suspend the execution of the administrative fine and to annul the CMB's decision related thereto. The Court rejected the Company's suspension request and our objection to this decision was rejected. This lawsuit is still pending.

Mr. Williams and Mr. Khudyakov are non-executive board members as required by the CMB Communiqué Serial:X No: 22 which is binding upon public companies in Turkey. Under Turkish law, our entire Board of Directors is responsible for all decisions; as a result the audit committee's duties are advisory. Pursuant to Turkish law, our external auditor is nominated by the Board of Directors upon advice of the audit committee and approved by our general assembly of shareholders.

The audit committee has revised its charter, effective June 20, 2005 and reviewed both Turkcell Common Values and Business Ethics Document and Implementation of Turkcell Common Values and Business Ethics Rules in order to comply with the requirements of applicable CMB legislation and Exchange Act Rule 10A-3 and NYSE 303A.06.

Table of Contents

NYSE Corporate Governance Rule for U.S. Issuers

Listed companies must adopt and disclose corporate governance guidelines that cover certain minimum specified subjects.

Our Practice as a Foreign Private Issuer

There has been a second revision, effective July 21, 2006, to reconsider membership criteria. Our audit committee charter satisfies the requirements of the CMB. The charter does not provide for: an audit committee report to be included in Turkcell's annual proxy statement as it is not subject to the SEC proxy requirements; a review with the independent auditor of problems or difficulties and management's responses thereto, although such review is not prohibited by the charter; the discussion of policies with respect to risk assessment and risk management, although such discussion is not prohibited by the charter; the review by the committee of Turkcell's earnings releases or financial information or earnings guidance provided to analysts and ratings agencies; or the setting of clear hiring policies for employees or former employees of the independent auditors, although it does provide that the audit committee shall ensure that the independent auditors remain independent and avoid any conflicts of interest while performing their duties.

We are not required specifically by the CMB Principles to adopt corporate governance guidelines. However, our Board of Directors has adopted Corporate Governance Guidelines and posted a summary on its official website www.turkcell.com.tr. Our corporate governance guidelines largely cover the subjects requested by the NYSE corporate governance standards except director qualification standards and director compensation.

Table of Contents

ITEM 17 FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of responding to this item.

ITEM 18 FINANCIAL STATEMENTS

Our audited consolidated financial statements as of December 31, 2010, and for each of the years in the three-year period ended December 31, 2010, are filed as part of this annual report, on pages F-4 through F-111.

ITEM 19 EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
1.1	Articles of Association of Turkcell Iletisim Hizmetleri A.S.
8.1	Subsidiaries of Turkcell.
12.1	Certification of Sureyya Ciliv, Chief Executive Officer of Turkcell Iletisim Hizmetleri A.S., pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
12.2	Certification of Serkan Okandan, Chief Financial Officer of Turkcell Iletisim Hizmetleri A.S., pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
13.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
15.1	Consent of Independent Registered Public Accounting Firm.
15.2	Consent of Independent Registered Public Accounting Firm.
15.3	Consent of Independent Registered Public Accounting Firm.
15.4	Auditor Letter Pertaining to Item 16F (incorporated by reference to Form 20-F of Turkcell filed on April 27, 2010).

Table of Contents

SIGNATURES

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

TURKCELL ILETISIM HIZMETLERI A.S.

Date: April 20, 2011

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

Date: April 20, 2011

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

Table of Contents

Index to Consolidated Financial Statements

	Page
<u>Consolidated Financial Statements of Turkcell Iletisim Hizmetleri A.S.</u>	
<u>Reports of Independent Registered Public Accounting Firms</u>	F-2
<u>Consolidated Statement of Financial Position as at December 31, 2010 and 2009</u>	F-4
<u>Consolidated Income Statement for the years ended December 31, 2010, 2009 and 2008</u>	F-5
<u>Consolidated Statement of Comprehensive Income for the years ended December 31, 2010, 2009 and 2008</u>	F-6
<u>Consolidated Statement of Changes in Equity for the year ended December 31, 2010</u>	F-7
<u>Consolidated Statement of Cash Flows for the years ended December 31, 2010, 2009 and 2008</u>	F-9
<u>Notes to Consolidated Financial Statements</u>	F-10

Table of Contents

DRT Bağımsız Denetim ve Serbest

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Turkcell İletişim Hizmetleri A.Ş.

We have audited the accompanying consolidated statement of financial position of Turkcell İletişim Hizmetleri A.Ş (the Company) and its subsidiaries (together the Group) as of December 31, 2010 and the related consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year ended December 31, 2010. These consolidated financial statements are the responsibility of the Group s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Fintur Holdings B.V. (Fintur); a 41.45 percent owned equity accounted investee of the Group. The Group s investment in Fintur as of December 31, 2010 was \$304 million and its share in profit of Fintur was \$153 million, for the year 2010. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Fintur, is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2010 and the results of their operations and their cash flows for the year ended December 31, 2010 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Group s internal control over financial reporting as of December 31, 2010 based on the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 18, 2011 expressed an unqualified opinion on the effectiveness of Group s internal control over financial reporting.

Istanbul, Turkey

April 18, 2011

/s/ DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Table of Contents

Akis Bagimsiz Denetim ve Serbest

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Fax +90 (212) 317 73 00

Yapi Kredi Plaza C Blok Kat 17

Internet www.kpmg.com

Büyükdere Caddesi

Levent 34330 Istanbul

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Turkcell Iletisim Hizmetleri A.S.:

We have audited the accompanying consolidated statements of financial position of Turkcell Iletisim Hizmetleri A.S. and its subsidiaries (the Group) as of December 31, 2009, and the related consolidated income statements, consolidated statements of comprehensive income, changes in equity and cash flows each of the years in the two-year period ended December 31, 2009. These consolidated financial statements are the responsibility of the Group s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the consolidated financial statements of Fintur Holdings B.V. (Fintur), a 41.45 percent owned equity accounted investee company. The Group s investment in Fintur at December 31, 2009 was \$286 million and its share of profit of Fintur was \$120 million and \$151 million for the years 2009, and 2008, respectively. Those consolidated financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Fintur, is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Turkcell Iletisim Hizmetleri A.S. and its subsidiaries as of December 31, 2009, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2009, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Akis Bagimsiz Denetim ve Serbest

Muhasebeci Mali Müşavirlik A.S.

Istanbul, Turkey

April 26, 2010

Table of Contents**TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2010

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

	Note	2010	2009
Assets			
Property, plant and equipment	12	3,068,021	2,652,222
Intangible assets	13	1,709,311	1,897,981
<i>GSM and other telecommunication operating licenses</i>		955,703	1,058,098
<i>Computer software</i>		547,607	595,218
<i>Other intangible assets</i>		206,001	244,665
Investments in equity accounted investees	14	399,622	383,490
Other investments	15	33,849	34,755
Due from related parties	33	1,044	21,039
Other non-current assets	16	107,277	75,120
Trade receivables	18	35,024	
Deferred tax assets	17	2,876	2,058
Total non-current assets		5,357,024	5,066,665
Inventories		24,386	28,205
Other investments	15	8,201	62,398
Due from related parties	33	88,897	108,843
Trade receivables and accrued income	18	816,151	783,752
Other current assets	19	197,740	175,417
Cash and cash equivalents	20	3,302,163	3,095,486
Total current assets		4,437,538	4,254,101
Total assets		9,794,562	9,320,766
Equity			
Share capital	21	1,636,204	1,636,204
Share premium	21	434	434
Capital contributions	21	22,772	22,772
Reserves	21	(660,121)	(512,095)
Retained earnings	21	5,258,327	4,712,254
Total equity attributable to equity holders of Turkcell Iletisim Hizmetleri AS		6,257,616	5,859,569
Non-controlling interests	21	(24,019)	36,632
Total equity		6,233,597	5,896,201
Liabilities			
Loans and borrowings	24	1,407,316	821,179
Employee benefits	25	29,742	27,776
Provisions	27	57,055	5,676

Other non-current liabilities	23	160,832	154,991
Deferred tax liabilities			
	Revenue Recognition, Subtopic Vendor's Accounting for Consideration Given to a Customer.		

- Vendor consideration received pursuant to volume purchase incentive programs is allocated to inventory based on the applicable incentives from each vendor and is recorded in cost of sales, product and services, as the inventory is sold.
- Vendor consideration received pursuant to shared marketing expense programs is recorded as a reduction of the related selling and administrative expenses in the period the program takes place only if the consideration represents a reimbursement of specific, incremental, identifiable costs. Consideration that exceeds the specific, incremental, identifiable costs is classified as a reduction of cost of sales, product and services.

RESIDUAL VALUES — Residual values, representing the unguaranteed estimated value of equipment at the termination of a lease, are recorded at the inception of each lease. The estimated residual values vary, both in amount and as a percentage of the original equipment cost, and depend upon several factors, including the equipment type, manufacturer's discount, market conditions, term of the lease, equipment supply and demand and by new product announcements by manufacturers.

Unguaranteed residual values for direct financing and sales-type leases are recorded at their net present value and the unearned income is amortized over the life of the lease using the interest method. The residual values for operating leases are included in the leased equipment's net book value.

Residual values are evaluated on a quarterly basis and any impairment, other than temporary, is recorded in the period in which the impairment is determined. No upward revision of residual values is made subsequent to lease inception.

RESERVES FOR CREDIT LOSSES — Our receivables consist of accounts and notes receivable and minimum lease payments associated with our investments in direct financing and sales-type leases. We maintain our reserves for credit losses at a level believed to be adequate to absorb potential losses inherent in the respective balances. The reserve for credit losses is increased by provisions for potential credit losses, which increases expenses, and decreased by subsequent recoveries. The reserve for credit losses is decreased by write-offs and reductions to the provision for potential credit losses. Accounts are either written off or written down when the loss is both probable and determinable.

Management's determination of the adequacy of the reserves for credit losses for accounts and notes receivable is based on the age of the receivable balance, the customer's credit quality rating, an evaluation of historical credit losses, current economic conditions, and other relevant factors. We assign an internal credit quality rating to all new customers and update these ratings regularly, but no less than annually. Also, management regularly reviews the notes receivable portfolio to assess whether any balances should be impaired or placed on nonaccrual status.

Index to Financial Statements

Investments in direct financing and sales-type leases consist of minimum lease payments, estimated unguaranteed residual values, initial direct costs and unearned lease income. Management's determination of the adequacy of the reserve for credit losses for the minimum lease payments may be based on the following factors: an internally assigned credit quality rating, historical credit loss experience, current economic conditions, volume, growth, the composition of the lease portfolio, the fair value of the underlying collateral, and the funding status (i.e. not funded, funded on a recourse or partial recourse basis, or funded on non-recourse basis). We assign an internal credit quality rating to each customer at the inception of the lease based on the customer's financial status, rating agency reports and other financial information. We update the internal credit quality rating at least annually or when an indicator of a change in credit quality arises, such as a delinquency or bankruptcy.

RESERVES FOR SALES RETURNS — Sales are reported net of allowances for returns which is maintained at a level believed by management to be adequate to absorb potential returns of sales of product and services in accordance with Codification Topic Revenue, Subtopic Product. Management's determination of the adequacy of the reserve is based on an evaluation of historical sales returns, current economic conditions, volume and other relevant factors. These determinations require considerable judgment in assessing the ultimate potential for sales returns and include consideration of the type and volume of products and services sold.

CASH AND CASH EQUIVALENTS — We consider all highly liquid investments, including those with an original maturity of three months or less at the date of acquisition, to be cash equivalents. Cash and cash equivalents consist primarily of interest-bearing accounts and money market funds that consist of short-term U.S. treasury securities. There were no restrictions on the withdrawal of funds from our market accounts as of March 31, 2013 and March 31, 2012.

SHORT-TERM INVESTMENTS — We consider certificates of deposits with original maturities at the date of acquisition greater than 90 days but less than one year as short-term investments. Interest income is recognized when earned.

NOTES RECEIVABLE — We finance other assets for our customers including software and services, which are accounted for as notes receivable. Interest income is recognized using the effective interest method and reported within financing revenue in our consolidated statement of operations.

INVENTORIES — Inventories are stated at the lower of cost (weighted average basis) or market and are shown net of allowance for obsolescence of \$125 thousand and \$112 thousand as of March 31, 2013 and 2012, respectively.

PROPERTY AND EQUIPMENT — Property and equipment are stated at cost, net of accumulated depreciation and amortization. Property and equipment obtained through an acquisition are stated at the fair market value as of the acquisition date. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets, which range from three to ten years. Information Technology hardware is depreciated over three years. Software is depreciated over five years. Furniture and certain fixtures are depreciated over five to ten years. Telephone equipment is depreciated over seven years.

CAPITALIZATION OF COSTS OF SOFTWARE FOR INTERNAL USE — We capitalize costs for the development of internal use software under the guidelines of Codification Topic Intangibles—Goodwill and Other Intangibles, Subtopic Internal-Use Software. Software capitalized for internal use was \$171 thousand and \$600 thousand during the years ended March 31, 2013 and March 31, 2012, respectively, and is included in the accompanying consolidated balance sheets as a component of other assets. We had capitalized costs, net of amortization, of approximately \$766 thousand and \$791 thousand at March 31, 2013 and March 31, 2012, respectively.

CAPITALIZATION OF COSTS OF SOFTWARE TO BE MADE AVAILABLE TO CUSTOMERS — In accordance with Codification Topic Software, Subtopic Costs of Software to Be Sold, Leased, or Marketed, software development costs are expensed as incurred until technological feasibility has been established. At such time, such costs are capitalized until the product is made available for release to customers. We capitalized \$351 thousand and \$116 thousand for the years ended March 31, 2013 and March 31, 2012, respectively. We had \$642 thousand and \$382 thousand of capitalized costs, net of amortization, at March 31, 2013 and March 31, 2012, respectively, which is included within other assets in the accompanying balance sheets

GOODWILL AND INTANGIBLE ASSETS — Goodwill represents the premium paid over the fair value of net tangible and intangible assets we have acquired in business combinations. Goodwill is assigned to a reporting unit on the acquisition date. During the years ended March 31, 2012 and 2011, we made acquisitions for the Technology reporting unit and have assigned goodwill to the Technology reporting unit. We have four reporting units based on the nature of the products and services offered: financing, technology, software procurement, and software document management.

F-13

Index to Financial Statements

We review our goodwill for impairment annually in the third quarter of our fiscal year, or more frequently if indicators of impairment exist. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include a sustained, significant decline in our share price and market capitalization, a decline in our expected future cash flows, a significant adverse change in legal factors or in the business climate, unanticipated competition, and/or slower growth rates, among others.

We first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Qualitative factors we consider include, but are not limited to, macroeconomic conditions, industry and market conditions, company specific events, changes in circumstances, after tax cash flows and market capitalization. If the qualitative factors indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we perform the two step process to assess our goodwill for impairment. First, we compare the fair value of our reporting units with its carrying value. We estimate the fair value of the reporting unit using various valuation methodologies, including discounted expected future cash flows. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired, and no further testing is necessary. If the net book value of our reporting unit exceeds its fair value, we perform a second test to measure the amount of impairment loss, if any. To measure the amount of any impairment loss, we determine the fair value of goodwill in the same manner as if our reporting unit were being acquired in a business combination. Specifically, we allocate the fair value of the reporting unit to all of the assets and liabilities of that unit, including any unrecognized intangible assets, in a hypothetical calculation that would yield the estimated fair value of goodwill. If the estimated fair value of goodwill is less than the goodwill recorded on our balance sheet, we record an impairment charge for the difference.

IMPAIRMENT OF LONG-LIVED ASSETS —We review long-lived assets, including property and equipment, and other long term assets for impairment quarterly or whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be fully recoverable. If the total of the expected undiscounted future cash flows is less than the carrying amount of the asset, an impairment loss is recognized for the difference between the fair value and the carrying value of the asset. No impairment losses were recorded in the years ended March 31, 2013, 2012 and 2011.

FAIR VALUE MEASUREMENT—We follow the guidance in Codification Topic Fair Value Measurements and Disclosures which governs fair value accounting for financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be disclosed at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risk inherent in valuation techniques, transfer restrictions and credit risk. Topic Fair Value Measurements and Disclosures establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement as follows:

- Level 1 – Observable inputs such as quoted prices for identical assets and liabilities in active markets;
- Level 2 – Inputs other than quoted prices, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Unobservable inputs reflecting the Company’s own assumptions, consistent with reasonably available assumptions made by other market participants.

This hierarchy requires us to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. On a recurring basis, we measure certain financial assets and liabilities at fair

value. Our goodwill is subjected to non-recurring fair value measurement. For financial instruments such as cash and cash equivalents, short-term investments, accounts receivables, notes receivable, accounts payable and accrued expenses and other liabilities, we consider the recorded value of the financial instruments to approximate the fair value due to their short maturities.

TREASURY STOCK — We account for treasury stock under the cost method and include treasury stock as a component of stockholders' equity on the accompanying consolidated balance sheets. See Note 10, "Stockholders' Equity" for additional information.

INCOME TAXES — Deferred income taxes are accounted for in accordance with Codification Topic Income Taxes. Under this method, deferred income tax assets and liabilities are determined based on the temporary differences between the financial statement reporting and tax bases of assets and liabilities, using tax rates currently in effect. Future tax benefits, such as net operating loss carry-forwards, are recognized to the extent that realization of these benefits is considered to be more likely than not. We review our deferred tax assets at least annually and make necessary valuation adjustments.

Index to Financial Statements

In addition, we account for uncertain tax positions in accordance with Codification Topic Income Taxes. Specifically, the Topic prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on the related de-recognition, classification, interest and penalties, accounting for interim periods, disclosure and transition of uncertain tax positions. In accordance with our accounting policy, we recognize accrued interest and penalties related to unrecognized tax benefits as a component of tax expense.

EARNINGS PER SHARE—Basic earnings per share is calculated by dividing net earnings attributable to common shareholders by the basic weighted average number of shares of common stock outstanding during each period. Diluted earnings per share reflects the potential dilution of securities that could participate in our earnings, including incremental shares issuable upon the assumed exercise of “in-the-money” stock options and other common stock equivalents during each period, (further discussed in Note 9 – Earnings Per Share).

SHARE-BASED COMPENSATION —We account for share-based compensation in accordance with Codification Topic Compensation—Stock Compensation. We recognize compensation cost for awards of restricted stock with graded vesting on a straight line basis over the requisite service period and we estimate forfeitures based on historical experience. There are no additional conditions for vesting other than service conditions.

BUSINESS COMBINATIONS —We account for business combinations using the acquisition method in accordance with Codification Topic Business Combinations, which requires that the total purchase price of each of the acquired entities be allocated to the assets acquired and liabilities assumed based on their fair values at the acquisition date. The allocation process requires an analysis of intangible assets, such as customer relationships, trade names, acquired contractual rights and assumed contractual commitments and legal contingencies to identify and record all assets acquired and liabilities assumed at their fair value.

Any premium paid over the fair value of the net tangible and intangible assets of the acquired business is recorded as goodwill. We recognize a gain in our income statement to the extent the purchase price is less than the fair value of assets acquired and liabilities assumed. The results of operations for an acquired company are included in our financial statements from the date of acquisition.

CONCENTRATIONS OF RISK—Financial instruments that potentially subject us to concentrations of credit risk include cash and cash equivalents, short-term investments, accounts receivable, notes receivable and investments in direct financing and sales-type leases. Cash and cash equivalents and short-term investments are maintained principally with financial institutions in the United States, which have high credit ratings. Risk on accounts receivable, notes receivable and investments in direct financing and sales-type leases is reduced by the large number of diverse industries comprising our customer base and through the ongoing evaluation of collectability of our portfolio. Our credit risk is further mitigated through the underlying collateral and whether the lease is funded with recourse or non-recourse notes payable.

A substantial portion of our sales of product and services are from sales of Cisco and Hewlett Packard products, which represented approximately 48% and 11%, respectively, of our technology segment sales of product and services for the year ended March 31, 2013, as compared to 45% and 15%, respectively, of our technology segment sales of product and services for the year ended March 31, 2012 and 40% and 19%, respectively, for the year ended March 31, 2011. Any changes in our vendors’ ability to provide products could have a material adverse effect on our business, results of operations and financial condition.

For the year ended March 31, 2013, sales to a large telecommunications company were approximately 14% of total revenues, all of which related to our technology segment. No customer accounted for more than 10% of our revenues for the years ended March 31, 2012 and 2011.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS — In June 2011, the FASB issued ASU 2011-12, “Comprehensive Income” (ASU 2011-12), which amended existing guidance by allowing only two options for presenting the components of net income and other comprehensive income: (1) in a single continuous financial statement, statement of comprehensive income or (2) in two separate but consecutive financial statements, consisting of an income statement followed by a separate statement of other comprehensive income. ASU 2011-12 requires retrospective application, and it is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. We adopted this amendment on April 1, 2012, and are presenting our components of net income and other comprehensive income in two separate but consecutive financial statements.

F-15

Index to Financial Statements

2. INVESTMENTS IN LEASES AND LEASED EQUIPMENT—NET

Our investment in leases and leased equipment—net consists of the following (in thousands):

	March 31, 2013	March 31, 2012
Investment in direct financing and sales-type leases—net	\$66,243	\$95,460
Investment in operating lease equipment—net	24,467	20,514
	\$90,710	\$115,974

INVESTMENT IN DIRECT FINANCING AND SALES-TYPE LEASES—NET

Our investment in direct financing and sales-type leases—net consists of the following (in thousands):

	March 31, 2013	March 31, 2012
Minimum lease payments	\$64,614	\$99,747
Estimated unguaranteed residual value (1)	7,557	6,917
Initial direct costs, net of amortization (2)	684	797
Less: Unearned lease income	(5,767)	(10,665)
Less: Reserve for credit losses (3)	(845)	(1,336)
Investment in direct financing and sales-type leases—net	\$66,243	\$95,460

(1) Includes estimated unguaranteed residual values of \$3,361 thousand and \$1,700 thousand as of March 31, 2013 and 2012, respectively, for direct financing leases which have been sold and accounted for as sales under Codification Topic Transfers and Servicing.

(2) Initial direct costs are shown net of amortization of \$479 thousand and \$512 thousand as of March 31, 2013 and 2012, respectively.

(3) For details on reserve for credit losses, refer to Note 4, “Reserves for Credit Losses.”

Future scheduled minimum lease payments as of March 31, 2013 are as follows (in thousands):

Year ending March 31, 2014	\$30,877
2015	19,653
2016	10,905
2017	2,781
2018 and thereafter	398
Total	\$64,614

Our net investment in direct financing and sales-type leases for certain lease agreements serves as collateral for non-recourse and recourse equipment notes. See Note 7, “Notes Payable and Credit Facility.”

We enter into agreements to sell the financing receivables associated with certain notes receivables and investments in direct financing leases, which are accounted for as sales under Codification Topic, Transfer and Servicing. We recognized a net gain for these sales of \$7.1 million, \$3.9 million and \$2.2 million in financing revenues in the consolidated statement of operations for the years ended March 31, 2013, 2012 and 2011, respectively. Total proceeds from the sale of financing receivables were \$142.3 million, \$62.4 million and \$63.6 million for the years ended March 31, 2013, 2012, and 2011, respectively.

Index to Financial Statements

INVESTMENT IN OPERATING LEASE EQUIPMENT—NET

Investment in operating lease equipment—net primarily represents leases that do not qualify as direct financing leases. The components of the investment in operating lease equipment—net are as follows (in thousands):

	March 31, 2013	March 31, 2012
Cost of equipment under operating leases	\$46,106	\$44,487
Less: Accumulated depreciation and amortization	(21,639)	(23,973)
Investment in operating lease equipment—net (1)	\$24,467	\$20,514

(1) Includes estimated unguaranteed residual values of \$7,763 thousand and \$7,802 thousand as of March 31, 2013 and 2012, respectively.

Future scheduled minimum lease rental payments as of March 31, 2013 are as follows (in thousands):

Year ending March 31, 2014	\$ 10,336
2015	6,149
2016	1,946
2017	149
2018 and thereafter	30
Total	\$ 18,610

3. GOODWILL AND OTHER INTANGIBLE ASSETS

As of March 31, 2013, we reclassified other intangible assets from other assets to goodwill and other intangible assets and conformed the presentation for the year ended March 31, 2012.

Our goodwill and other intangible assets consist of the following (in thousands):

	March 31, 2013	March 31, 2012
Goodwill	\$ 28,660	\$ 28,444
Customer relationships	2,897	3,902
Capitalized software development	1,407	1,173
	\$ 32,964	\$ 33,519

GOODWILL

Goodwill represents the premium paid over the fair value of the net tangible and intangible assets we have acquired in business combinations. The following table summarizes the amount of goodwill allocated to our reporting units (in thousands):

Reporting Units:	Financing Segment	Technology Segment			Total
		Software Procurement	Software Document Management		
	Financing	Technology	Software Procurement	Software Document Management	

Balance April 1, 2012

Goodwill	\$4,029	\$27,355	\$ 4,644	\$ 1,089	\$37,117
Accumulated impairment losses	(4,029)	-	(4,644)	-	(8,673)
	-	27,355	-	1,089	28,444

Purchase accounting adjustments

	-	216	-	-	216
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Balance March 31, 2013

Goodwill	4,029	27,571	4,644	1,089	37,333
Accumulated impairment losses	(4,029)	-	(4,644)	-	(8,673)
Goodwill - net balance March 31, 2013	\$-	\$27,571	\$ -	\$ 1,089	\$28,660

F-17

Index to Financial Statements

During the third quarter of fiscal 2013, we performed our annual impairment test of goodwill and concluded that the fair value of our Technology and Software Document Management reporting units were in excess of their respective book values. As part of our annual assessment, we elected to bypass the qualitative assessment and estimated the fair values of our reporting units using the best information available, including prices for similar assets and liabilities and other valuation techniques. We employed both the market approach and the income approach to determine fair value. The market approach measures the value of an entity through an analysis of recent sales or by comparison to comparable companies. The income approach measures the value of an entity by discounting expected future cash flows.

Under the market approach, we used the guideline public company method and similar transactions method. Under the guideline public company method, we analyzed companies that were in the same industry, performed the same or similar services, had similar operations, and are considered competitors. Multiples that related to some level of earnings or revenue were considered most appropriate for the industry in which we operate. The multiples selected were based on our analysis of the guideline companies' profitability ratios and return to investors. We compared our reporting units' size and ranking against the guideline companies, taking into consideration risk, profitability and growth along with guideline medians and averages. We then selected pricing multiples, adjusted appropriately for size and risk, to apply to our reporting units' financial data.

Multiples were weighted based on the consistency and comparability of the guideline companies along with the respective reporting units, including margins, profitability and leverage. For each of the reporting units, we used the following multiples: enterprise value ("EV") to trailing twelve months ("TTM") revenue, EV to TTM earnings before interest and taxes ("EBIT"), and EV to forward twelve months revenue. Under the similar transactions method, we examined the recently completed transactions of sales of stock of private or public companies, which are in the same industry or similar lines of business to compute the enterprise value to trailing twelve months revenue multiple. This multiple, adjusted for differences in size, was used to estimate the fair value.

Under the income approach, we used the discounted future cash flow method to estimate the fair value of each of the reporting units by discounting the expected future cash flows to their present value using the weighted average cost of capital, which reflects the overall level of inherent risk involved in our reporting units and the rate of return an outside investor would expect to earn. To estimate cash flows beyond the final year of our model, we used a terminal value approach. Under this approach, we used the estimated earnings before interest, taxes, depreciation and amortization in the final year of our model, adjusted to estimate a normalized cash flow, applied a perpetuity growth assumption and discounted by a perpetuity discount factor to determine the terminal value. We incorporated the present value of the resulting terminal value into our estimate of fair value.

The estimated fair value of our reporting units is dependent on several significant assumptions underlying our forecasted cash flows and weighted average cost of capital. The forecasted cash flows were based on management's best estimates after considering economic and market conditions over the projection period, including business plans, growth rates in sales, costs, estimates of future expected changes in operating margins and cash expenditures. Any adverse change including a significant decline in our expected future cash flows; a significant adverse change in legal factors or in the business climate; unanticipated competition; or slower growth rates may impact our ability to meet our forecasted cash flow estimates.

The fair value of our Technology and Software Document Management reporting units exceeded their respective carrying values as of October 1, 2012, and our conclusions regarding the recoverability of goodwill would not have been impacted by a 10% change in the fair values.

OTHER INTANGIBLE ASSETS

As of March 31, 2013 and 2012, our other intangible assets were \$4.3 million and \$5.1 million, respectively, which consist of customer relationships and capitalized software development costs.

The gross carrying amount and accumulated amortization of customer relationships were \$6.5 million and \$3.6 million, respectively, as of March 31, 2013, and \$6.5 million and \$2.6 million, respectively, as of March 31, 2012. The gross carrying amount and accumulated amortization of capitalized software development costs were \$1.8 million and \$0.4 million, respectively, as of March 31, 2013 and \$1.4 million and \$0.2 million, respectively, as of March 31, 2012. Customer relationships and capitalized software development costs are amortized over their estimated useful live, which is generally between 3 to 5 years.

Total amortization expense was \$1.3 million, \$0.5 million, and \$138 thousand for the years ended March 31, 2013, 2012 and 2011, respectively. Amortization expense is estimated to be \$1.3 million, \$1.1 million, \$1.1 million, \$0.7 million, and \$0.1 million for the years ended March 31, 2014, 2015, 2016, 2017 and 2018, respectively.

F-18

Index to Financial Statements

4. RESERVES FOR CREDIT LOSSES

Activity in our reserves for credit losses for the years ended March 31, 2013, 2012 and 2011 were as follows (in thousands):

	Accounts Receivable	Notes Receivable	Lease-Related Receivables	Total
Balance April 1, 2012	\$ 1,307	\$ 2,963	\$ 1,336	\$5,606
Provision for bad debts, net of recoveries	(19)	174	(488)	(333)
Write-offs and other	(141)	-	(3)	(144)
Balance March 31, 2013	\$ 1,147	\$ 3,137	\$ 845	\$5,129

	Accounts Receivable	Notes Receivable	Lease-Related Receivables	Total
Balance April 1, 2011	\$ 944	\$ 94	\$ 1,733	\$2,771
Provision for bad debts, net of recoveries	739	2,869	(395)	3,213
Write-offs and other	(376)	-	(2)	(378)
Balance March 31, 2012	\$ 1,307	\$ 2,963	\$ 1,336	\$5,606

	Accounts Receivable	Notes Receivable	Lease-Related Receivables	Total
Balance April 1, 2010	\$ 1,580	\$ 75	\$ 1,930	\$3,585
Provision for bad debts, net of recoveries	(252)	19	330	97
Write-offs and other	(384)	-	(527)	(911)
Balance March 31, 2011	\$ 944	\$ 94	\$ 1,733	\$2,771

Our reserve for credit losses and minimum lease payments associated with our investment in direct financing and sales- type lease balances disaggregated on the basis of our impairment method were as follows (in thousands):

	March, 31, 2013		March 31, 2012	
	Notes Receivable	Lease-Related Receivables	Notes Receivable	Lease-Related Receivables
Reserves for credit losses:				
Ending balance: collectively evaluated for impairment	\$310	\$ 747	\$298	\$ 1,314
Ending balance: individually evaluated for impairment	2,827	98	2,665	22
Ending balance	\$3,137	\$ 845	\$2,963	\$ 1,336
Minimum payments:				
Ending balance: collectively evaluated for impairment	\$31,793	\$ 64,246	\$22,944	\$ 99,545
Ending balance: individually evaluated for impairment	3,237	368	4,356	202
Ending balance	\$35,030	\$ 64,614	\$27,300	\$ 99,747

The net credit exposure for the balance evaluated individually for impairment as of March 31, 2013 was \$3.6 million, \$3.4 million of which is related to one customer. During fiscal year 2012, we began selling and financing various products and services to a large law firm, which filed for bankruptcy in May 2012. As of March 31, 2013, we had \$3.4 million of notes and lease-related receivables from this customer and total reserves for credit losses of \$2.8 million, which represented our estimated probable loss. As of March 31, 2012, we had \$4.2 million of notes receivables from this customer and total reserves for credit losses of \$2.6 million. In addition to the notes receivable, there were accounts receivable for this customer of \$0.9 million and a reserve for credit losses of \$0.3 million as of March 31,

2012. Accordingly, the total receivables associated with this customer as of March 31, 2012 were \$5.1 million and our estimated probable loss was \$2.9 million. As of March 31, 2012, the notes and lease receivables associated with this customer were placed on non-accrual status.

F-19

Index to Financial Statements

The age of the recorded minimum lease payments and net credit exposure associated with our investment in direct financing and sales-type leases that are past due disaggregated based on our internally assigned credit quality rating ("CQR") were as follows as of March 31, 2013 and 2012 (in thousands):

	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Unbilled Minimum Lease Payments	Total Minimum Lease Payments	Unearned Income	Non-Recourse Notes Payable	Net Credit Exposure
March 31, 2013										
High CQR	\$ 454	\$ 316	\$ 28	\$ 798	\$ 322	\$ 38,278	\$ 39,398	\$ (2,777)	\$ (10,337)	\$ 26,284
Average CQR	51	51	5	107	101	24,640	24,848	(1,596)	(7,857)	15,395
Low CQR	-	-	61	61	-	307	368	(39)	-	329
Total	505	367	94	966	423	63,225	64,614	(4,412)	(18,194)	42,008

March 31,
2012

High CQR	\$ 1,767	\$ 5	\$ 72	\$ 1,844	\$ 977	\$ 58,214	\$ 61,035	\$ (4,541)	\$ (3,480)	\$ 53,014
Average CQR	85	7	12	104	53	38,337	38,494	(4,445)	(15,109)	18,940
Low CQR	-	-	-	-	-	218	218	(16)	-	202
Total	\$ 1,852	\$ 12	\$ 84	\$ 1,948	\$ 1,030	\$ 96,769	\$ 99,747	\$ (9,002)	\$ (18,589)	\$ 72,156

The age of the recorded notes receivable balance disaggregated based on our internally assigned CQR were as follows as March 31, 2013 and 2012 (in thousands):

	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current	Unbilled Notes Receivable	Total Notes Payments	Non-Recourse Notes Payable	Net Credit Exposure
March 31, 2013									
High CQR	\$ 1,342	\$ 127	\$ 832	\$ 2,301	\$ 3,450	\$ 22,097	\$ 27,848	\$ (5,621)	\$ 22,227
Average CQR	1,379	-	-	1,379	-	2,566	3,945	(1,203)	2,742
Low CQR	-	-	726	726	-	2,511	3,237	-	3,237
Total	\$ 2,721	\$ 127	\$ 1,558	\$ 4,406	\$ 3,450	\$ 27,174	\$ 35,030	\$ (6,824)	\$ 28,206

March 31,
2012

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High CQR	\$-	\$-	\$-	\$-	\$2,661	\$ 18,140	\$ 20,801	\$ (292)	\$ 20,509
Average CQR	-	-	-	-	29	2,113	2,142	(203)	1,939
Low CQR	-	-	86	86	387	3,884	4,357	-	4,357
Total	\$-	\$-	\$86	\$86	\$3,077	\$ 24,137	\$ 27,300	\$ (495)	\$ 26,805

We estimate losses on our net credit exposure to be between 0% - 5% for customers with high CQR, as these customers are investment grade or the equivalent of investment grade. We estimate losses on our net credit exposure to be between 2% - 25% for customers with average CQR, and between 50% - 100% for customers with low CQR, which includes customers in bankruptcy.

F-20

Index to Financial Statements

5. PROPERTY AND EQUIPMENT—NET

Property and equipment—net consists of the following (in thousands):

	March 31,	
	2013	2012
Furniture, fixtures and equipment	\$9,274	\$9,082
Vehicles	285	312
Capitalized software	4,149	5,199
Leasehold improvements	2,556	2,446
Total assets	16,264	17,039
Accumulated depreciation and amortization	(14,051)	(14,953)
Property and equipment - net	\$2,213	\$2,086

For the years ended March 31, 2013 and 2012, depreciation expense on property and equipment was \$1,096 thousand and \$967 thousand, respectively.

6. OTHER ASSETS AND ACCRUED EXPENSES AND OTHER LIABILITIES

Our other assets and accrued expenses and other liabilities consist of the following (in thousands):

	March 31,	
	2013	2012
Unbilled accounts receivable	\$3,095	\$4,304
Prepaid assets	2,667	2,215
Other	3,345	2,575
Total other assets	\$9,107	\$9,094
	March 31,	
	2013	2012
Accrued expenses	\$9,533	\$15,386
Other	10,731	9,501
Total accrued expenses and other liabilities	\$20,264	\$24,887

Other assets include the cash surrender value of life insurance, escrow deposits, and equipment held for sale. Other liabilities include accrued taxes, deferred compensation, lease rental payments due to third parties, and contingent consideration related to an acquisition.

7. NOTES PAYABLE AND CREDIT FACILITY

Recourse and non-recourse obligations consist of the following (in thousands):

	March 31,	
	2013	2012
Recourse note payable at 4.84% terminates on March 2, 2017	\$1,484	\$1,727

Non-recourse equipment notes secured by related investments in leases with interest rates ranging from 2.00% to 10.0% at March 31, 2013 and March 31, 2012	\$40,255	\$26,328
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Principal and interest payments on the non-recourse notes payable are generally due monthly in amounts that are approximately equal to the total payments due from the customer under the leases or notes receivable that collateralize the notes payable. The weighted average interest rate for our non-recourse notes payable was 4.23% and 5.15%, as of March 31, 2013 and March 31, 2012, respectively. Under recourse financing, in the event of a default by a customer, the lender has recourse against the customer, the assets serving as collateral, and us. Under non-recourse financing, in the event of a default by a customer, the lender generally only has recourse against the customer, and the assets serving as collateral, but not against us.

F-21

Index to Financial Statements

Our technology segment, through our subsidiary ePlus Technology, inc., finances its operations with funds generated from operations, and with a credit facility with GE Commercial Distribution Finance Corporation (“GECDF”). This facility provides short-term capital for our technology segment. There are two components of the GECDF credit facility: (1) a floor plan component and (2) an accounts receivable component. Under the floor plan component, we had outstanding balances of \$66.3 million and \$85.9 million as of March 31, 2013 and 2012, respectively. Under the accounts receivable component, we had no outstanding balances as of March 31, 2012 and 2012. As of March 31, 2013, the facility agreement had an aggregate limit of the two components of \$175 million, and the accounts receivable component had a sub-limit of \$30 million, which bears interest assessed at a rate of the One Month LIBOR plus two and one half percent. The credit facility with GECDF was amended and restated in July 2012 which increased the credit limit from \$125 million to \$175 million and modified the covenants, interest rate and other requirements within the facility.

The credit facility has full recourse to ePlus Technology, inc. and is secured by a blanket lien against all its assets, such as receivables and inventory. Availability under the facility may be limited by the asset value of equipment we purchase or accounts receivable, and may be further limited by certain covenants and terms and conditions of the facility. These covenants include but are not limited to a minimum excess availability of the facility and minimum earnings before interest, taxes, depreciation and amortization (“EBITDA”) of ePlus Technology, inc. We were in compliance with these covenants as of March 31, 2013. In addition, the facility restricts the ability of ePlus Technology, inc. to transfer funds to its affiliates in the form of dividends, loans or advances with certain exceptions for dividends to ePlus inc. The facility also requires that financial statements of ePlus Technology, inc. be provided within 45 days of each quarter and 90 days of each fiscal year end and also includes that other operational reports be provided on a regular basis. Either party may terminate with 90 days’ advance notice. We are not, and do not believe that we are reasonably likely to be, in breach of the GECDF credit facility. In addition, we do not believe that the covenants of the GECDF credit facility materially limit our ability to undertake financing. In this regard, the covenants apply only to our subsidiary, ePlus Technology, inc. This credit facility is secured by the assets of only ePlus Technology, inc. and the guaranty as described below.

The facility provided by GECDF requires a guaranty of \$10.5 million by ePlus inc. The guaranty requires ePlus inc. to deliver its annual audited financial statements by certain dates. We have delivered the annual audited financial statements for the year ended March 31, 2012, as required. The loss of the GECDF credit facility could have a material adverse effect on our future results as we currently rely on this facility and its components for daily working capital and liquidity for our technology segment and as an operational function of our accounts payable process.

We have an agreement with First Virginia Community Bank, (formerly 1st Commonwealth Bank of Virginia), to provide us with a \$0.5 million credit facility, which matured October 26, 2012. This credit facility was renewed for two years effective October 27, 2012. The credit facility is available for use by us and our affiliates and the lender has full recourse to us. Borrowings under this facility bear interest at the Wall Street Journal U.S. Prime rate plus 1%. The primary purpose of the facility is to provide letters of credit for landlords, taxing authorities and bids. As of March 31, 2013 and 2012, we had no outstanding balance on this credit facility.

Recourse and non-recourse notes payable as of March 31, 2013, mature as follows (in thousands):

	Recourse Notes Payable	Non-Recourse Notes Payable
Year ending March 31, 2014	\$ 390	\$ 22,169
2015	390	13,126
2016	390	4,553

2017	314	401
2018 and thereafter	-	6
	\$ 1,484	\$ 40,255

F-22

Index to Financial Statements

8. COMMITMENTS AND CONTINGENCIES

We lease office space and certain office equipment to conduct our business. Annual rent expense relating to these operating leases was \$3.5 million, \$2.4 million, and \$2.1 million for the years ended March 31, 2013, 2012 and 2011, respectively. As of March 31, 2013, the future minimum lease payments are due as follows (in thousands):

	(in thousands)
Year ended March 31, 2014	\$ 3,347
2015	1,974
2016	844
2017	439
2018 and thereafter	205
	\$ 6,809

Legal Proceedings

On May 19, 2009, we filed a complaint in the United States District Court for the Eastern District of Virginia (the “trial court”) against four defendants, alleging that they used or sold products, methods, processes, services and/or systems that infringe on certain of our patents. During July and August 2009, we entered into settlement and license agreements with three of the defendants. We obtained a jury verdict against the remaining defendant, Lawson Software, Inc. (“Lawson”) on January 27, 2011. The jury unanimously found that Lawson infringed certain ePlus patents relating to electronic procurement systems, and additionally found that all ePlus patent claims tried in court were not invalid.

On May 23, 2011, the trial court issued a permanent injunction, ordering Lawson and its successors to: immediately stop selling and servicing products relating to its electronic procurement systems that infringe our patents; cease providing any ongoing or future maintenance, training or installation of its infringing products; and refrain from publishing any literature or information that encourages the use or sale of its infringing products. Lawson appealed the trial court’s judgment, and we appealed the trial court’s evidentiary ruling which precluded us from seeking monetary damages. On November 21, 2012, the United States Court of Appeals for the Federal Circuit (the “Appeals Court”) reversed in part, vacated in part, affirmed in part, and remanded. The Appeals Court upheld the trial court’s ruling precluding us from seeking monetary damages. The Appeals Court also upheld a finding of infringement, as well as the injunction, and remanded the case to the trial court for consideration of what changes, if any, are required to the terms of the injunction. On January 29, 2013, the Appeals Court denied our petition for a rehearing relating to certain elements of its opinion. ePlus is seeking damages with respect to contempt of the injunction for the period dating back to May of 2011, when the injunction was issued. A hearing and oral argument on that petition for contempt were held in April 2013. However, court calendars are inherently unpredictable, and we cannot predict when the trial court will issue a ruling.

While we believe that we have a basis for our claims, these types of cases are complex in nature, are likely to have significant expenses associated with them, and we cannot predict whether we will be successful in our claim for a contempt finding or damages, whether any award ultimately received will exceed the costs incurred to pursue this matter, or how long it will take to bring this matter to resolution.

Other Matters

We may become party to various legal proceedings arising in the normal course of business, including preference payment claims asserted in customer bankruptcy proceedings, claims of alleged infringement of patents, trademarks, copyrights and other intellectual property rights, claims of alleged non-compliance with contract provisions, employment related claims, claims by competitors, vendors or customers, and claims related to alleged violations of laws and regulations. We accrue for costs associated with these contingencies when a loss is probable and the amount is reasonably estimable. Refer to Note 4, "Reserves for Credit Losses," for additional information regarding loss contingencies associated with our accounts, notes and lease-related receivables.

F-23

Index to Financial Statements

9. EARNINGS PER SHARE

During the preparation of the Form 10-Q for the three months ended December 31, 2012, we reviewed our restricted stock awards (“RSAs”) agreements and identified that certain RSAs issued contain non-forfeitable rights to dividends issued prior to vesting. As a result, those RSAs are considered participating securities which requires us to use the two-class method to compute basic and diluted earnings per shares. Accordingly, we have corrected our reported earnings per share for the corresponding periods. The weighted average shares outstanding for the fiscal years ended March 31, 2012 and 2011 used to calculate diluted earnings per common share decreased by 119 thousand and 70 thousand, respectively. Basic earnings per share for the fiscal years ended March 31, 2012 and 2011 decreased by \$0.10 and \$0.06, respectively. Diluted earnings per share for the fiscal years ended March 31, 2012 and 2011 decreased by \$0.05 and \$0.04, respectively.

Basic earnings per share is calculated by dividing net earnings attributable to common shareholders by the basic weighted average number of shares of common stock outstanding during each period. Diluted earnings per share reflects the potential dilution of securities that could participate in our earnings, including incremental shares issuable upon the assumed exercise of “in-the-money” stock options and other common stock equivalents during each period.

The following table provides a reconciliation of the numerators and denominators used to calculate basic and diluted net earnings per common share as disclosed in our consolidated statements of operations for the fiscal years ended March 31, 2013, 2012, and 2011 (in thousands, except per share data).

	Year Ended March 31,		
	2013	2012	2011
Basic and diluted shares outstanding			
Weighted average shares outstanding — basic	7,810	8,002	8,201
Effect of dilutive shares	93	93	152
Weighted average shares outstanding — diluted	7,903	8,095	8,353
Calculation of earnings per share - basic			
Net earnings	\$34,830	\$23,367	\$23,727
Net earnings attributable to participating securities	668	764	524
Net earnings attributable to common shareholders	\$34,162	\$22,603	\$23,203
Earnings per share - basic	\$4.37	\$2.82	\$2.83
Calculation of earnings per share - diluted			
Net earnings attributable to common shareholders— basic	\$34,162	\$22,603	\$23,203
Add: undistributed earnings attributable to participating securities	4	8	9
Net earnings attributable to common shareholders— diluted	\$34,166	\$22,612	\$23,213
Earnings per share - diluted	\$4.32	\$2.79	\$2.78

All unexercised stock options were included in the computations of diluted earnings per common share for the years ended March 31, 2013, 2012 and 2011.

10. STOCKHOLDERS' EQUITY

On August 13, 2012, our Board authorized a new share repurchase plan which authorized share repurchases up to 500,000 shares commencing on September 16, 2012, through September 15, 2013. The purchases may be made from

time to time in the open market, or in privately negotiated transactions, subject to availability. Any repurchased shares will have the status of treasury shares and may be used, when needed, for general corporate purposes.

During the year ended March 31, 2013, we repurchased 19,423 shares of our outstanding common stock at an average cost of \$29.46 per share for a total purchase price of \$572 thousand. Since the inception of our initial repurchase program on September 20, 2001 to March 31, 2013, we have repurchased 4.7 million shares of our outstanding common stock at an average cost of \$13.94 per share for a total purchase price of \$65.3 million.

On December 4, 2012, our Board of Directors declared a special cash dividend on our common stock of \$2.50 per share, which was paid to shareholders of record as of the close of business on December 17, 2012. The dividend was paid on December 26, 2012.

F-24

Index to Financial Statements

11. SHARE-BASED COMPENSATION

Share-Based Plans

We have share-based awards outstanding under the following plans: (1) the Amended and Restated 1998 Stock Incentive Plan (the “Amended LTIP (2003)”), (2) the 2008 Non-Employee Director Long-Term Incentive Plan (“2008 Director LTIP”), and (3) the 2008 Employee Long-Term Incentive Plan (“2008 Employee LTIP”). On September 13, 2012, our shareholders approved the 2012 Employee Long-Term Incentive Plan (“2012 Employee LTIP”), which has no awards outstanding as of March 31, 2013. For the year ended March 31, 2013, awards were issued under the 2008 Non-Employee Director Long-Term Incentive Plan and the 2008 Employee Long-Term Incentive Plan. All the share-based plans defined fair market value as the previous trading day's closing price when the grant date falls on a date the stock was not traded.

Amended LTIP (2003)

Minor amendments were made to our 1998 Long-Term Incentive Plan (the “1998 Plan”) on April 1, April 17 and April 30, 2001. The amendments added provisions “to allow the Compensation Committee to delegate to a single board member the authority to make awards to non-Section 16 insiders, as a matter of convenience,” and to provide that “no option granted under the Plan may be exercisable for more than ten years from the date of its grant.”

The 1998 Plan, modified in 2001 as described above, was then amended and restated on July 15, 2003 by the Board, and approved by shareholders on September 18, 2003 (the “Amended LTIP (2003)”). Primarily, the amendment modified the aggregate number of shares available under the plan to a fixed number (3,000,000). Although the language varies somewhat from earlier plans, it permits the Board or Compensation Committee to delegate authority to a committee of one or more directors who are also officers of the corporation to award options under certain conditions. The Amended LTIP (2003) replaced all the prior plans, and covered option grants for employees, executives and outside directors. Vesting periods varied for the Amended LTIP (2003) depending on individual award agreement. Awards are no longer issued under this plan.

2008 Director LTIP

On September 15, 2008, our shareholders approved the 2008 Director LTIP that was adopted by the Board on June 25, 2008. Under the 2008 Director LTIP, 250,000 shares were authorized for grant to non-employee directors. The purpose of the 2008 Director LTIP is to align the economic interests of the directors with the interests of shareholders by including equity as a component of pay and to attract, motivate and retain experienced and knowledgeable directors. In addition, each director will receive an annual grant of restricted stock having a grant-date fair value equal to the cash compensation earned by an outside director during our fiscal year ended immediately before the respective annual grant-date. Directors may elect to receive their cash compensation in restricted stock. These restricted shares are prohibited from being sold, transferred, assigned, pledged or otherwise encumbered or disposed of. Half of these shares will vest on the one-year and second-year anniversary from the date of the grant.

2008 Employee LTIP

On September 15, 2008, our shareholders approved the 2008 Employee LTIP that was adopted by the Board on June 25, 2008. Under the 2008 Employee LTIP, 1,000,000 shares were authorized for grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, or other share-based awards to ePlus employees. The purpose of the 2008 Employee LTIP was to encourage our employees to acquire a proprietary interest in the growth and performance of ePlus, thus enhancing the value of ePlus for the benefit of its stockholders, and to enhance our ability to attract and retain exceptionally qualified individuals.

The 2008 Employee LTIP was administered by the Compensation Committee. Shares issuable under the 2008 Employee LTIP consisted of authorized but unissued shares or shares held in our treasury. Shares under the 2008 Employee LTIP were not used to compensate our outside directors, who may be compensated under the separate 2008 Director LTIP, as discussed above. Under the 2008 Employee LTIP, the Compensation Committee determined the time and method of exercise of the awards.

F-25

Index to Financial Statements

2012 Employee LTIP

On September 13, 2012, our shareholders approved the 2012 Employee LTIP that was adopted by the Board on July 10, 2012. Under the 2012 Employee LTIP, 750,000 shares were authorized for grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, or other share-based awards to ePlus employees. The purpose of the 2012 Employee LTIP is to encourage our employees to acquire a proprietary interest in the growth and performance of ePlus, thus enhancing the value of ePlus for the benefit of its stockholders, and to enhance our ability to attract and retain exceptionally qualified individuals. The 2012 Employee LTIP is administered by the Compensation Committee. Shares issuable under the 2012 Employee LTIP may consist of authorized but unissued shares or shares held in our treasury. Shares under the 2012 Employee LTIP will not be used to compensate our outside directors, who may be compensated under the separate 2008 Director LTIP, as discussed above. Under the 2012 Employee LTIP, the Compensation Committee will determine the time and method of exercise of the awards. As of March 31, 2013, there are no outstanding awards under this plan.

Stock Option Activity

During the year ended March 31, 2013, there were no stock options granted to employees.

A summary of stock option activity during the year ended March 31, 2013 is as follows:

	Number of Shares	Exercise Price Range	Weighted Average Exercise Price	Weighted Average Contractual Life Remaining (in years)	Aggregate Intrinsic Value
Outstanding, April 1, 2012	145,000	7.14 - \$15.25	\$11.91		
Options exercised (1)	(105,000)	7.14 - \$15.25	\$11.12		
Outstanding, March 31, 2013	40,000	12.73 - \$15.25	\$13.99	1.5	\$1,288,800
Vested at March 31, 2013	40,000		\$13.99	1.5	\$1,288,800
Exercisable at March 31, 2013	40,000		\$13.99	1.5	\$1,288,800

(1) The total intrinsic value of stock options exercised during the year ended March 31, 2013 was \$2.9 million.

Additional information regarding options outstanding as of March 31, 2013 is as follows:

		Options Outstanding and Exercisable		
Range of Exercise Prices	Options Outstanding	Weighted Average Exercise Price per Share	Weighted Average Contractual Life Remaining (in years)	

\$12.73	20,000	\$ 12.73	2.5
\$15.25	20,000	\$ 15.25	0.5
\$12.73 -			
\$15.25	40,000	\$ 13.99	1.5

We issue shares from our authorized but unissued common stock to satisfy stock option exercises. At March 31, 2013, all of our options were vested.

Index to Financial Statements

Restricted Stock Activity

We estimate the forfeiture rate of the restricted stock to be zero. As of March 31, 2013, we have granted 95,851 shares under the 2008 Director LTIP, and 454,160 restricted shares under the 2008 Employee LTIP.

A summary of the non-vested restricted shares is as follows:

	Number of Shares	Weighted Average Grant-date Fair Value
Nonvested April 1, 2012	276,130	\$ 20.75
Granted	105,198	\$ 32.71
Vested	(132,244)	\$ 19.84
Forfeited	(3,036)	\$ 23.76
Nonvested March 31, 2013	246,048	\$ 26.32

Upon each vesting period of the restricted stock awards, participants are subject to minimum tax withholding obligations. The 2008 Director LTIP, 2008 Employee LTIP and the 2012 Employee LTIP allows the Company, at the participant's election, to withhold a sufficient number of shares due to the participant to satisfy their minimum tax withholding obligations. For the year ended March 31, 2013, the Company had withheld 37,928 shares of common stock at a value of \$1.3 million, which was included in treasury stock.

Compensation Expense

We recognize compensation cost for awards of restricted stock with graded vesting on a straight line basis over the requisite service period and estimate the forfeiture rate to be zero, based on historical experience. There are no additional conditions for vesting other than service conditions. During the years ended March 31, 2013, 2012 and 2011 we recognized \$3.3 million, \$2.4 million and \$1.3 million, respectively, of total share-based compensation expense. At March 31, 2013, there was no unrecognized compensation expense related to non-vested options. Unrecognized compensation expense related to non-vested restricted stock was \$4.1 million, which will be fully recognized over the next 27 months.

We also provide our employees with a contributory 401(k) profit sharing plan. Employer contribution percentages are determined by us and are discretionary each year. The employer contributions vest pro-ratably over a four-year service period by the employees, after which, all employer contributions will be fully vested. For the years ended March 31, 2013, 2012 and 2011, our employer contributions for the plan were approximately \$1.1 million, \$0.8 million and \$0.4 million, respectively.

12. INCOME TAXES

We account for our tax positions in accordance with Codification Topic Income Taxes. Under the guidance, we evaluate uncertain tax positions based on the two-step approach. The first step is to evaluate each uncertain tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained in an audit, including resolution of related appeals or litigation processes, if any. For tax positions that are not likely of being sustained upon audit, the second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50 percent likely of being realized upon ultimate settlement.

As of March 31, 2012, we had \$316 thousand of total gross unrecognized tax benefits recorded for uncertain income tax position in accordance with Income Taxes in the Codification. During the year ended March 31, 2013, we had no additions or reductions for uncertain income tax positions therefore our balance remains unchanged at \$316 thousand as of March 31, 2013.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows (in thousands):

	Year Ended March 31,		
	2013	2012	2011
Beginning balance	\$ 316	\$ 719	\$ 461
Additions for uncertain tax positions	-	-	403
Reductions to uncertain tax positions	-	(403)	(145)
Ending balance	\$ 316	\$ 316	\$ 719

F-27

Index to Financial Statements

At March 31, 2013, if the unrecognized tax benefits of \$316 thousand were to be recognized, including the effect of interest, penalties and federal tax benefit, the impact would have been \$434 thousand. At March 31, 2012, if the unrecognized tax benefits of \$316 thousand were to be recognized, including the effect of interest, penalties and federal tax benefit, the impact would have been \$424 thousand.

We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense. During the fiscal years ended March 31, 2013 and 2012, we recognized \$17 thousand and \$31 thousand, respectively, of interest related to uncertain tax positions, and did not recognize any additional penalties. We had \$197 thousand and \$180 thousand accrued for the payment of interest at March 31, 2013 and 2012, respectively.

We file income tax returns, including returns for our subsidiaries, with federal, state, local, and foreign jurisdictions. Tax years 2009, 2010 and 2011 are subjected to examination by federal and state taxing authorities. Various state and local income tax returns are also under examination by taxing authorities. We do not believe that the outcome of any examination will have a material impact on our financial statements.

A reconciliation of income taxes computed at the statutory federal income tax rate of 35% to the provision for income taxes included in the consolidated statements of operations is as follows (in thousands, except percentages):

	Year Ended March 31,					
	2013		2012		2011	
Statutory federal income tax rate	35	%	35	%	35	%
Income tax expense computed at the U.S. statutory federal rate	\$ 20,555		\$ 13,850		\$ 14,199	
State income tax expense—net of federal benefit	2,894		2,096		1,861	
Non-deductible executive compensation	150		152		81	
Other	316		109		700	
Provision for income taxes	\$ 23,915		\$ 16,207		\$ 16,841	
Effective income tax rate	40.7	%	41.0	%	41.5	%

The effective income tax rate for the year ended March 31, 2013 was 40.7%, a change from 41.0% of the previous fiscal year. The change in the effective income tax rate is due to changes in state apportionment factors.

The components of the provision for income taxes are as follows (in thousands):

	Year Ended March 31,					
	2013		2012		2011	
Current:						
Federal	\$ 20,041		\$ 12,266		\$ 10,604	
State	4,453		3,088		3,774	
Foreign	36		59		39	
Total current expense	24,530		15,413		14,417	
Deferred:						
Federal	(581)		814		2,846	
State	(34)		(20)		(422)	
Total deferred expense (benefit)	(615)		794		2,424	
Provision for income taxes	\$ 23,915		\$ 16,207		\$ 16,841	

Index to Financial Statements

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of our deferred tax assets and liabilities were as follows (in thousands):

	2013	March 31, 2012	2011
Deferred Tax Assets:			
Accrued vacation	\$ 1,345	\$ 1,174	\$ 1,174
Provision for bad debts	1,997	2,149	1,024
State net operating loss carryforward	1,505	1,217	1,296
Basis difference in fixed assets	-	-	147
Book compensation on discounted stock options	77	262	611
Deferred compensation	898	797	716
Deferred revenue	221	140	203
Foreign tax credit	-	-	72
Federal net operating loss carry forward	168	111	-
Other accruals and reserves	2,043	1,918	1,206
Gross deferred tax assets	8,254	7,768	6,449
Less: valuation allowance	(1,505)	(1,217)	(1,296)
Net deferred tax assets	6,749	6,551	5,153
Deferred Tax Liabilities:			
Basis difference in fixed assets	(491)	(378)	-
Basis difference in operating leases	(8,765)	(9,764)	(8,645)
Basis difference in tax deductible goodwill	(2,288)	(2,195)	(735)
Total deferred tax liabilities	(11,544)	(12,337)	(9,380)
Net deferred tax liabilities	\$ (4,795)	\$ (5,786)	\$ (4,227)

As of March 31, 2013, we have state net operating losses of approximately \$28.0 million, which will begin to expire in the year 2023.

The valuation allowance resulted from management's determination, based on available evidence, that it was more likely than not that the state net operating loss deferred tax asset balance of \$1.5 million and \$1.2 million as of March 31, 2013 and 2012, respectively, may not be realized.

13. FAIR VALUE MEASUREMENTS

We account for the fair values of our assets and liabilities in accordance with Codification Topic Fair Value Measurement and Disclosure. Accordingly, we established a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value.

The following table summarizes the fair value hierarchy of our financial instruments (in thousands):

March 31, 2013	Quoted Prices in Active Markets	Fair Value Measurement Using		Total Gains (Losses)
		Significant Other Observable Inputs	Significant Unobservable Inputs (Level 3)	

		for Identical Assets (Level 1)	(Level 2)		
Liabilities:					
Contingent consideration	\$918	\$-	\$ -	\$ 918	\$-

		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)	Total Gains (Losses)
Liabilities:	March 31, 2012				
Contingent consideration	\$1,292	\$-	\$ -	\$ 1,292	\$-

For the years ended March 31, 2013 and 2012, the adjustment to the fair value of the contingent consideration was an increase of \$99 thousand and reduction of \$208 thousand, respectively, which was presented within general and administrative expenses in our consolidated statement of operations. In addition, we paid \$473 thousand during the year ended March 31, 2013.

14. SEGMENT REPORTING

We manage our segments on the basis of the products and services offered. Our reportable segments consist of our technology segment and our financing segment. The technology segment sells information technology equipment and software and related services primarily to corporate customers on a nationwide basis. The technology segment also provides Internet-based business-to-business supply chain management solutions for information technology and other operating resources. The financing segment offers lease financing solutions to corporations and governmental entities nationwide. We evaluate segment performance on the basis of total revenue and earnings before provision for income taxes.

Index to Financial Statements

Both segments utilize our proprietary software and services within the organization. Sales and services and related costs of our software are included in the technology segment. Our reportable segment information was as follows (in thousands):

	2013		Total	Year Ended March 31, 2012		Total	2011		Total
	Technology	Financing		Technology	Financing		Technology	Financing	
Sales of product and services	\$936,228	\$-	\$936,228	\$784,951	\$-	\$784,951	\$672,303	\$-	\$672,303
Financing revenues	-	38,384	38,384	-	30,899	30,899	-	35,367	35,367
Fee and other income	6,949	1,551	8,500	7,455	2,276	9,731	8,260	2,460	10,720
Patent settlement income	-	-	-	-	-	-	125	-	125
Total revenues	943,177	39,935	983,112	792,406	33,175	825,581	680,688	37,827	718,515
Cost of sales, product and services	767,447	-	767,447	645,558	-	645,558	551,860	-	551,860
Direct lease costs	-	10,892	10,892	-	8,508	8,508	-	9,212	9,212
Professional and other fees	9,638	3,460	13,098	10,283	1,461	11,744	14,014	1,369	15,383
Salaries and benefits	100,447	10,516	110,963	88,321	9,947	98,268	74,706	9,541	84,247
General and administrative expenses	19,028	1,071	20,099	16,627	3,872	20,499	13,220	1,461	14,681
Interest and financing costs	89	1,779	1,868	93	1,337	1,430	84	2,480	2,564
Earnings before provision for income taxes	\$46,528	\$12,217	\$58,745	\$31,524	\$8,050	\$39,574	\$26,804	\$13,764	\$40,568
Total assets	\$255,257	\$182,615	\$437,872	\$241,488	\$192,200	\$433,688	\$206,963	\$182,228	\$389,191

The geographic information for the years ended March 31, 2013, 2012 and 2011 was as follows (in thousands):

Revenue	Year Ended March 31,		
	2013	2012	2011
U.S.	\$ 964,996	\$ 812,364	\$ 714,736

Non U.S.	18,116	13,217	3,779
Total	\$ 983,112	\$ 825,581	\$ 718,515

	As of March 31,	
	2013	2012
Assets		
U.S.	\$ 435,486	\$ 431,632
Non U.S.	2,386	2,056
Total	\$ 437,872	\$ 433,688

15. QUARTERLY DATA —UNAUDITED

We reviewed our RSA agreements and identified that certain RSAs issued contain non-forfeitable rights to dividends prior to their vesting. As a result, those RSAs are considered participating securities which requires us to use the two-class method to compute basic and diluted earnings per shares. Accordingly, we have corrected our reported earnings per share for the corresponding periods. Condensed quarterly financial information is as follows (amounts in thousands, except per share amounts):

Index to Financial Statements

Year Ended March 31, 2013

	First Quarter			Second Quarter			Third Quarter	Fourth Quarter	Annual Amount
	Previously Reported	Adjustments	As restated	Previously Reported	Adjustments	As restated	As reported	As reported	As reported
	Total revenues	\$244,724	\$-	\$244,724	\$260,051	\$-	\$260,051	\$242,025	\$236,312
Total costs and expenses	231,161	-	231,161	243,143	-	243,143	226,496	223,567	924,367
Earnings before provision for income taxes	13,563	-	13,563	16,908	-	16,908	15,529	12,745	58,745
Provision for income taxes	5,501	-	5,501	6,875	-	6,875	6,496	5,043	23,915
Net earnings	\$8,062	\$-	\$8,062	\$10,033	\$-	\$10,033	\$9,033	\$7,702	\$34,830
Net earnings per common share—Basic (1)	\$1.04	\$(0.03)	\$1.01	\$1.29	\$(0.03)	\$1.26	\$1.11	\$0.96	\$4.37
Net earnings per common share—Diluted (1)	\$1.02	\$(0.02)	\$1.00	\$1.27	\$(0.02)	\$1.25	\$1.11	\$0.95	\$4.32

Year Ended March 31, 2012

	First Quarter			Second Quarter			Third Quarter			Fourth Quarter	
	Previously Reported	Adjustments	As restated	Previously Reported	Adjustments	As restated	Previously Reported	Adjustments	As restated	Previously Reported	Adjustments
	Total revenues	\$178,899	\$-	\$178,899	\$203,655	\$-	\$203,655	\$224,028	\$-	\$224,028	\$218,999
Total costs and expenses	172,616	-	172,616	191,807	-	191,807	209,594	-	209,594	211,990	-
Earnings before provision for income taxes	6,283	-	6,283	11,848	-	11,848	14,434	-	14,434	7,009	-
Provision for income taxes	2,580	-	2,580	4,784	-	4,784	5,691	-	5,691	3,152	-
Net earnings	\$3,703	\$-	\$3,703	\$7,064	\$-	\$7,064	\$8,743	\$-	\$8,743	\$3,857	\$-
Net earnings per common	\$0.45	\$(0.02)	\$0.43	\$0.87	\$(0.04)	\$0.83	\$1.12	\$(0.04)	\$1.08	\$0.50	\$(0.00)

share—Basic

(1)

Net earnings

per common

share—Diluted

(1)	\$0.44	\$(0.01)	\$0.43	\$0.85	\$(0.03)	\$0.82	\$1.10	\$(0.03)	\$1.07	\$0.49	\$(0.0
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(1) Basic and diluted earnings per share are computed independently for each of the quarters presented. Therefore, the sum of quarterly basic and diluted per share information may not equal annual basic and diluted earnings per share.

F-31

Index to Financial Statements

ePlus inc. AND SUBSIDIARIES
 Schedule II - Valuation and Qualifying Accounts
 (Dollars in 000's)

	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions/ Write-Offs	Balance at End of Period
Allowance for Sales Returns (1)				
Year Ended March 31, 2011	\$ 330	\$ 689	\$ (672)	\$ 347
Year Ended March 31, 2012	347	1,054	(974)	427
Year Ended March 31, 2013	427	1,404	(1,288)	543
Reserve for Credit Losses				
Year Ended March 31, 2011	\$ 3,585	\$ 85	\$ (899)	\$ 2,771
Year Ended March 31, 2012	2,771	3,212	(377)	5,606
Year Ended March 31, 2013	5,606	(334)	(144)	5,128
Valuation for Deferred Taxes				
Year Ended March 31, 2011	\$ 1,250	\$ 46	\$ -	\$ 1,296
Year Ended March 31, 2012	1,296	(79)	-	1,217
Year Ended March 31, 2013	1,217	288	-	1,505

(1) These amounts represent the gross margin effect of sales returns during the respective years. Expected merchandise returns after year-end for sales made before year-end were \$3.4 million, \$3.2 million, and \$2.8 million as of March 31, 2012, 2011, and 2010, respectively.

S-1