TURKCELL ILETISIM HIZMETLERI A S
Form 20-F/A
November 08, 2006

As filed with the Securities and Exchange Commission on November 8, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F/A

Amendment No. 1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2005

Commission File Number: 1-15092

TURKCELL ILETISIM HIZMETLERI A.S.

(Exact name of Registrant as specified in its charter)

TURKCELL
(Translation of Registrant s name into English)

Republic of Turkey

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

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

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

* Not for trading on the New York Stock Exchange, but only in connection with the registration of American Depositary Shares 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	**1,854,887,341**

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

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** o **No** x

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** x **No** o

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 x **Accelerated Filer** o **Non-Accelerated Filer** o

Indicate by check mark which financial statement item the registrant has elected to follow. **Item 17** o **Item 18** x

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** o **No** x

Explanatory Note

This amendment to our Form 20-F report for the year ended December 31, 2005 is solely to amend the audit report of PricewaterhouseCoopers Accountants N.V. to cover the consolidated statements of income and comprehensive income and of changes in shareholders   equity and cash flows for the year ended December 31, 2003 of Fintur Holdings B.V.

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ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of Turkcell Iletisim Hizmetleri Anonim Sirketi and its subsidiaries as of December 31, 2004 and 2005, and for each of the years in the three-year period ended December 31, 2005, with the Independent Registered Public Accounting Firm s Report thereon, are filed as part of this annual report, as follows:

ITEM 19. EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
12.1	Certification of Serkan Okandan, Acting Principal Executive Officer, 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.

Index to Financial Statements

Report of Independent Registered Public Accounting Firm

To the Board of Directors of
Turkcell Iletisim Hizmetleri Anonim Sirketi

We have audited the accompanying consolidated balance sheets of Turkcell Iletisim Hizmetleri Anonim Sirketi and its subsidiaries (the Company) as of December 31, 2004 and 2005, and the related consolidated statements of income, changes in shareholders equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2005. These consolidated financial statements are the responsibility of the Company 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 investee company. The Company s investment in Fintur at December 31, 2004 and 2005 was $175,141 thousand and $243,579 thousand, respectively, and its equity in the net income of Fintur was $18,927 thousand, $43,646 thousand and $67,599 thousand for the years ended December 31, 2003, 2004 and 2005, respectively. The consolidated financial statements of Fintur 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. 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 Anonim Sirketi and its subsidiaries as of December 31, 2004 and 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG CEVDET SUNER DENETIM VE YEMINLI MALI MUSAVIRLIK A.S.

KPMG Cevdet Suner Denetim ve
Yeminli Mali Musavirlik A.S.

April 5, 2006
Istanbul, Turkey

Report of independent accountants

To the Shareholders and Board of Directors of
Fintur Holdings B.V.

We have audited the consolidated balance sheets of Fintur Holdings B.V. (Fintur or the Company) and its subsidiaries as at 3 December 2005 and 2004 and the related consolidated statements of income and comprehensive income, of changes in shareholders equity and of cash flows for each of the years in the three-year period ended 31 December 2005. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion based on our audits.

We conducted our audits of these consolidated financial statements 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 consolidated 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fintur and its subsidiaries as at 31 December 2005 and 2004 and the results of their operations and their cash flows for each of the years in the three-year period ended 31 December 2005 in conformity with accounting principles generally accepted in the United States of America.

Rotterdam, 6 February 2006

PricewaterhouseCoopers Accountants N.V.

/s/ drs. R.A.J. Swaak RA

drs. R.A.J. Swaak RA

TURKCELL ILETISIM HIZMETLERI ANONIM SIRKETI
AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AT DECEMBER 31, 2004 AND 2005
(In thousands, except share data)

	2004	2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 6)	$ 763,821	795,091
Available for sale securities (Notes 3 and 7)		12,948
Held to maturity securities (Notes 3 and 7)	45,329	10,191
Trade receivables and accrued income, net (Note 8)	271,792	324,611
Due from related parties (Notes 3 and 9)	103,948	67,327
Inventories (Note 3)	13,007	9,198
Prepaid expenses	23,685	38,029
Other current assets, includes $110,166 and $34,105 of restricted cash as of December 31, 2004 and 2005, respectively (Note 10)	325,741	106,453
Deferred tax assets (Notes 3 and 20)	277,589	192,731
Total current assets	1,824,912	1,556,579
DUE FROM RELATED PARTIES (Notes 3 and 11)	65,971	80,906
PREPAID EXPENSES	6,482	13,879
INVESTMENTS (Note 12)	197,760	266,198
HELD TO MATURITY SECURITIES (Notes 3 and 7)	10,266	
FIXED ASSETS, net (Notes 3 and 13)	1,061,268	1,224,543
CONSTRUCTION IN PROGRESS (Note 14)	230,191	389,375
INTANGIBLES, net (Notes 3 and 15)	881,511	871,362
GOODWILL (Note 3)	1,349	
OTHER LONG TERM ASSETS (Note 3)	1,624	2,440
DEFERRED TAX ASSETS (Notes 3 and 20)	80,163	306
	$ 4,361,497	4,405,588
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
Short term borrowings (Note 16)	$ 549,079	564,503
Trade payables (Note 17)	616,816	137,775
Due to related parties (Notes 3 and 18)	6,711	5,774
Taxes payable (Note 20)	99,939	60,864
Other current liabilities and accrued expenses, includes $111,718 and 123,613 of deferred income as of December 31, 004 and 2005, respectively (Note 19)	523,475	564,188
Total current liabilities	1,796,020	1,333,104
LONG TERM BORROWINGS (Note 21)	266,447	82,848
TRADE PAYABLES (Note 17)	213,740	
LONG TERM LEASE OBLIGATIONS	3,284	9
RETIREMENT PAY LIABILITY (Note 3)	12,875	16,707
DEFERRED TAX LIABILITIES (Notes 3 and 20)	11,757	185,297
MINORITY INTEREST (Note 3)	64,044	62,427
OTHER LONG TERM LIABILITIES	7,813	7,623
SHAREHOLDERS EQUITY		
Common stock		
Par value TRY 1; authorized, issued and outstanding 1,854,887,341 shares in 2004 and 2005 (Note 22)	636,116	636,116
Additional paid in capital	178	178
Legal reserves	42,501	92,414
Accumulated other comprehensive income (Note 3)	2,244	5,549
Retained earnings	1,304,478	1,983,316
Total shareholders equity	1,985,517	2,717,573
COMMITMENTS AND CONTINGENCIES (Note 27)	$ 4,361,497	4,405,588

The accompanying notes are an integral part of these consolidated financial statements.

TURKCELL ILETISIM HIZMETLERI ANONIM SIRKETI
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2003, 2004 AND 2005
(In thousands, except share data)

	2003	2004	2005
Revenues (Notes 3 and 23)	$ 2,219,237	3,200,765	4,268,492
Direct cost of revenues (Note 3)	(1,613,150)	(2,001,223)	(2,390,977)
Gross profit	606,087	1,199,542	1,877,515
General and administrative expenses (Note 24)	(137,222)	(137,315)	(152,025)
Selling and marketing expenses (Note 25)	(294,611)	(349,249)	(488,659)
Operating income	174,254	712,978	1,236,831
Income from related parties, net (Note 26)	3,738	1,919	1,145
Interest income	117,240	152,751	138,918
Interest expense (Note 3)	(483,622)	(121,500)	(147,367)
Other income, net	6,190	7,113	5,183
Equity in net income of unconsolidated investees (Notes 3 and 12)	18,927	43,646	67,599
Minority interest in income of consolidated subsidiaries (Note 3)	3,558	7,466	24,335
Translation loss (Note 3)	(102,403)	(11,192)	(8,320)
Income (loss) before taxes	(262,118)	793,181	1,318,324
Income tax benefit (expense) (Notes 3 and 20)	477,285	(281,360)	(407,397)
Net income	$ 215,167	511,821	910,927
Basic and diluted earnings per common share (Notes 3 and 22)	$ 0.116000	0.275931	0. 491096
Weighted average number of common shares outstanding (Notes 3 and 22)	1,854,887,341	1,854,887,341	1,854,887,341

The accompanying notes are an integral part of these consolidated financial statements.

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TURKCELL ILETISIM HIZMETLERI ANONIM SIRKETI
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003, 2004 AND 2005
(In thousands)

	2003	2004	2005
Operating Activities:			
Net income	$ 215,167	511,821	910,927
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	421,474	424,153	467,699
Provision for retirement pay liability	4,177	2,041	3,832
Provision for inventories	(595)	36	(605)
Provision for doubtful receivables	9,243	(2,004)	15,294
Accrued income	4,903	(34,093)	26,848
Accrued expense	865,177	(993,082)	(181,223)
Equity in net income of unconsolidated investees	(18,927)	(43,646)	(67,599)
Translation Adjustment			1,666
Minority interest in income of consolidated subsidiaries	687	62,789	(1,605)
Deferred taxes	(539,063)	193,068	338,286
Changes in assets and liabilities:			
Trade receivables	(51,692)	(20,580)	(55,059)
Due from related parties	(38,794)	(42,683)	21,686
Inventories	(2,414)	(3,821)	4,414
Prepaid expenses	(12,059)	(1,791)	(21,741)
Other current assets	(37,178)	(222,182)	181,471
Taxes payable	68,734	31,205	(39,075)
Other long term assets	(3,646)	3,845	(1,029)
Due to related parties	2,037	2,126	(937)
Trade payables	21,782	783,037	(692,780)
Other current liabilities	134,439	(50,897)	232,800
Other long term liabilities	(2,144)	4,581	(193)
Net cash provided by operating activities	1,041,308	603,923	1,143,077
Investing Activities:			
Additions to fixed assets	(93,248)	(309,225)	(641,978)
Additions to intangibles	(79,653)	(177,463)	(136,634)
Purchases of investment securities held to maturity	(1,993)	(55,595)	
Proceeds from sale of investment securities held to maturity			45,404
Purchases of investment securities available for sale			(12,148)
Investments in investees	(23,970)		
Net cash used for investing activities	(198,864)	(542,283)	(745,356)
Financing Activities:			
Proceeds from issuance of long and short term debt	4,929	382,023	354,849
Payment on long and short term debt	(677,101)	(172,035)	(523,024)
Net increase/(decrease) in debt issuance expenses	24,158	802	(1,872)
Dividends paid		(78,072)	(182,176)
Payment on lease obligations	(11,334)	(13,217)	(14,228)
Increase in lease obligations	5,513		
Net cash provided by (used for) financing activities	(653,835)	119,501	(366,451)
Net increase in cash and cash equivalents	188,609	181,141	31,270
Cash and cash equivalents at the beginning of period	394,071	582,680	763,821
Cash and cash equivalents at the end of period	$ 582,680	763,821	795,091
Supplemental cash flow information:			
Interest paid	$ 132,691	67,124	82,587
Interest received	77,453	120,972	80,236
Income taxes paid		66,620	99,921
Non-cash investing activities			
Lease obligations	5,513	8,706	1,003

The accompanying notes are an integral part of these consolidated financial statements.

TURKCELL ILETISIM HIZMETLERI ANONIM SIRKETI
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2003, 2004 AND 2005
(In thousands, except share data)

	Common stock Shares (Note 2)	Amount	Additional paid in capital	Advances for common stock	Legal reserves	Comprehensive Income	Retained Earnings	Accumulated other Comprehensive income/(loss)	Total shareholders equity
Balances at January 1, 2003	1,854,887,341	$ 636,116	178	119	5		698,058	(4,017)	1,330,459
Comprehensive income:									
Net income						215,167	215,167		215,167
Other comprehensive income:									
Translation adjustment						1,771		1,771	1,771
Comprehensive income						216,938			
Other				(119)					(119)
Balances at December 31, 2003	1,854,887,341	$ 636,116	178		5		913,225	(2,246)	1,547,278
Comprehensive income:									
Net income						511,821	511,821		511,821
Other comprehensive income:									
Translation adjustment						4,490		4,490	4,490
Comprehensive income						516,311			
Transfer to legal reserves					42,496		(42,496)		
Dividend paid							(78,072)		(78,072)
Balances at December 31, 2004	1,854,887,341	$ 636,116	178		42,501		1,304,478	2,244	1,985,517
Comprehensive income:									
Net income						910,927	910,927		910,927
Other comprehensive income:									
Translation adjustment						2,505		2,505	2,505
Net unrealized capital gain on available-for-sale securities						800		800	800
Comprehensive income						914,232			
Transfer to legal reserves					49,913		(49,913)		
Dividend paid							(182,176)		(182,176)
Balances at December 31, 2005	**1,854,887,341**	**$ 636,116**	**178**		**92,414**		**1,983,316**	**5,549**	**2,717,573**

The accompanying notes are an integral part of these consolidated financial statements

Turkcell Iletisim Hizmetleri Anonim Sirketi
and Its Subsidiaries

Notes to Consolidated Financial Statements
As of December 31, 2004 and 2005 and for the years ended December 31, 2003, 2004 and 2005
(Amounts in thousands of US Dollar unless otherwise stated except share amounts)

(1) Business

Turkcell Iletisim Hizmetleri Anonim Sirketi (Turkcell) was incorporated on October 5, 1993 and commenced operations in 1994. It is engaged in establishing and operating a Global System for Mobile Communications (GSM) network in Turkey and neighboring states.

In April 1998, Turkcell signed a license agreement (the License) with the Ministry of Transportation and Communications of Turkey (the Turkish Ministry), under which it was granted a 25 year GSM license in exchange for a license fee of $500,000. The License permits Turkcell to operate as a stand-alone GSM operator and frees it from some of the operating constraints in the Revenue Sharing Agreement, which was in effect prior to the License. Under the License, Turkcell collects all of the revenue generated from the operations of its GSM network and pays the Undersecretariat of Treasury (the Turkish Treasury) an ongoing license fee equal to 15% of its gross revenue from Turkish GSM operations. Turkcell continues to build and operate its GSM network and is authorized to, among other things, set its own tariffs within certain limits, charge peak and off-peak rates, offer a variety of service and pricing packages, issue invoices directly to subscribers, collect payments and deal directly with subscribers.

On June 25, 2005, the Turkish government declared that GSM operators are required to pay 10% of their existing monthly ongoing license fee to the Ministry of Transportation as a universal service fund contribution in accordance with law no 5369. As a result, starting from June 30, 2005, Turkcell pays the 90% of the ongoing license fee to the Turkish Treasury and 10% to the Ministry of Transportation as universal service fund.

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

Two significant founding shareholders, TeliaSonera AB and the Cukurova Group own approximately 37.1% and 27.1% as of December 31, 2005, respectively, of the Company s share capital, and are ultimate counterparties to a number of transactions that are discussed in the related party footnote. On November 28, 2005, upon completion of a series of transactions, Alfa Telecom Turkey Limited (Alfa), an affiliate of Alfa Telecom, one of Russia s leading private telecommunications investors, acquired 13.2% indirect ownership in Turkcell.

Turkcell owns a 41.45% interest in Fintur Holdings B.V. (Fintur), which holds the majority of the Company s international GSM investments, with majority ownership in GSM operations in Azerbaijan, Georgia, Kazakhstan and Moldova. Fintur is accounted for under the equity method.

The Company also owns 100% of Kibris Mobile Telekomunikasyon Limited Sirketi (Kibris Telekom), a company that operates GSM network in Northern Cyprus.

In December 2003, the Company invested $50,000 in Digital Cellular Communications (DCC), a Ukrainian telecommunications company with several telecommunications licenses including a GSM 1800 license. In order to facilitate the investment in DCC, the Company created a new wholly-owned company named Euroasia Telecommunications Holding B.V. (Euroasia) in the Netherlands in February 2004, and capitalized it with cash contributions of $50,000. The owners of DCC contributed 99% of the shares of DCC to Euroasia in exchange for a 49% interest in Euroasia in May 2004. DCC held a nationwide

Turkcell Iletisim Hizmetleri Anonim Sirketi
and Its Subsidiaries

Notes to Consolidated Financial Statements (Continued)
As of December 31, 2004 and 2005 and for the years ended December 31, 2003, 2004 and 2005
(Amounts in thousands of US Dollar unless otherwise stated except share amounts)

(1) Business (Continued)

GSM1800 license through its then 99% owned subsidiary, LLC Astelit (Astelit). On February 1, 2005, Astelit commenced its operations with its GSM 1800 technology. In addition, Astelit acquired the GSM 900 license on November 10, 2005 and Astelit has the right to use this license starting from January 1, 2006. The Company has a 54% interest in consolidated subsidiaries, Euroasia, DCC and Astelit as of December 31, 2005.

On April 4, 2006, Astelit announced the merger of DCC with Astelit in order to optimize the internal business processes of both companies. The decision for the merger of DCC with Astelit was approved during the Shareholders Meeting which took place on April 3, 2006 in Kiev.

Turkcell and Ericsson Telekomunikasyon AS (Ericsson Turkey) have established a company named East Asian Consortium BV (Eastasia), with a share capital of EUR 91,000, to invest in the Iranian GSM business. However, as of December 31, 2005, the Company has no operations in Iran. On February 22, 2006, Turkcell purchased Eastasia shares held by Ericsson Turkey and Turkcell ownership in Eastasia has increased to 100%.

In addition, as of December 31, 2005, the Company was involved in various activities, including call centers and database management, directory assistance, operating a central betting system, fixed line long distance call services and internet services through various consolidated subsidiaries: Global Bilgi Pazarlama Danisma ve Cagri Servisi Hizmetleri AS (Global), Corbuss Kurumsal Telekom Servis Hizmetleri AS (Corbuss), Turktell Bilisim Servisleri AS (Turktell), Hayat Boyu Egitim AS (Hayat), Iyi Eglenceler Eglence ve Turizm AS (Iyi Eglenceler), Interaktif Cocuk Programlari Yapimciligi ve Yayinciligi AS (Digikids), Mapco Internet ve Iletisim Hizmetleri Pazarlama AS (Mapco), Inteltek Internet Teknoloji Yatirim ve Danismanlik Ticaret AS (Inteltek), Libero Interaktif Hizmetler AS (Libero), Tellcom Iletisim Hizmetleri AS (Tellcom) (December 31, 2004: Bilisim Telekomunikasyon Hizmetleri AS) and Turktell Uluslararasi Yatirim Holding AS (Turktell Uluslararasi). The subsidiaries are owned 100%, 99%, 100%, 100%, 100%, 60%, 100%, 55%, 55%, 100% and 100%, respectively, by Turkcell or its subsidiaries.

(2) Financial Position and Basis of Preparation of Financial Statements

The Company maintains books of account and prepares statutory financial statements in local currencies and in accordance with local commercial practice and tax regulations applicable in each subsidiary s respective country of residence. The accompanying consolidated financial statements are based on these statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Turkcell Iletisim Hizmetleri Anonim Sirketi
and Its Subsidiaries

Notes to Consolidated Financial Statements (Continued)
As of December 31, 2004 and 2005 and for the years ended December 31, 2003, 2004 and 2005
(Amounts in thousands of US Dollar unless otherwise stated except share amounts)

(3) Summary of Significant Accounting Policies:

Significant accounting policies followed in the preparation of the consolidated financial statements referred to above are set out below:

(a) Revenue and expense recognition

Revenues:

Communication fees include all types of postpaid revenues from incoming and outgoing calls, additional services and prepaid revenues. Communication fees are recognized at the time the services are rendered.

With respect to prepaid revenues, Turkcell generally collects cash in advance by selling scratch cards to distributors. In such cases, Turkcell does not recognize revenue until the subscribers use the telecommunications services.

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

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

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

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

Expenses:

Direct costs of revenues mainly include ongoing license fee and universal service fund, interconnection expenses, transmission fees, base station rents, billing costs, depreciation and amortization charges and technical, repair and maintenance expenses directly related to services rendered.

Direct cost of simcard and prepaid simcard sales include activation fees paid to dealers, certain subscriber acquisition costs, cost of simcard sales and simcard subsidies. Selling and marketing and general and administrative costs are charged to expenses as they are incurred.

(b) Principles of consolidation

As of December 31, 2005, the consolidated financial statements include the financial statements of Turkcell and sixteen majority owned subsidiaries (2004: seventeen) and of Cellco Finance N.V. (Cellco), consolidated under the guidance of FASB Interpretation No. 46 Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51 , as revised in December 2003 (FIN 46 (R)). The Company s

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Turkcell Iletisim Hizmetleri Anonim Sirketi
and Its Subsidiaries

Notes to Consolidated Financial Statements (Continued)
As of December 31, 2004 and 2005 and for the years ended December 31, 2003, 2004 and 2005
(Amounts in thousands of US Dollar unless otherwise stated except share amounts)

(3) Summary of Significant Accounting Policies: (Continued)

investment in Fintur is accounted for under the equity method of accounting (Note 12). All significant intracompany balances and transactions have been eliminated in consolidation. Minority interest in net assets and net income of the consolidated subsidiaries are separately classified in the consolidated balance sheets and consolidated statements of income.

(c) Principles of translation of the financial statements into US Dollar

Turkcell and its subsidiaries record transactions in their local currencies, which represent their functional currency. Transactions denominated in foreign currencies are recorded at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are converted into New Turkish Lira at the exchange rates ruling at balance sheet date, with the resulting exchange differences recognized in the determination of net income.

Financial statements of Turkcell, Kibris Telekom, Global, Corbuss, Turktell, Hayat, Iyi Eglenceler, Digikids, Mapco, Inteltek, Libero, Tellcom and Turktell Uluslararasi have been translated into the US Dollar, the reporting currency, in accordance with the relevant provisions of SFAS No. 52, Foreign Currency Translation as applied to entities in highly inflationary economies (2004: Turkcell, Kibris Telekom, Kibrisonline, Global, Corbuss, Turktell, Hayat, Iyi Eglenceler, Digikids, Mapco, Inteltek, Libero, Tellcom and Turktell Uluslararasi). Accordingly, revenues, costs, capital and non-monetary assets and liabilities are translated at historical exchange rates while monetary assets and liabilities are translated at the exchange rates prevailing at balance sheet dates. All foreign exchange adjustments resulting from translation of the financial statements into US Dollar are included in the determination of net income, as translation loss .

On November 22, 2005, the American Institute of Certified Public Accountants (AICPA) US Securities and Exchange Commission (SEC) Regulations Committee s International Practices Task Force (IPTF) concluded that Turkey ceased to be a highly inflationary country starting from January 1, 2006. TRY will be treated as a more stable currency and the financial statements of Turkcell and those of its subsidiaries located in Turkey and Northern Cyprus to be prepared in accordance with US GAAP will be translated into the US Dollars in accordance with SFAS No.52 and the resulting cumulative translation adjustment will be recognized in the shareholder s equity. This change in hyperinflationary status of Turkey will have effects on non-monetary assets and liabilities and income statement accounts. At this point, it is premature to its estimate its potential outcome.

The financial statements of majority owned subsidiaries DCC, Euroasia, Astelit and Eastasia, and equity investee, Fintur, have been translated into US Dollars in accordance with the relevant provisions of SFAS No. 52. All foreign exchange adjustments resulting from translation of the financial statements of DCC, Euroasia, Astelit, Eastasia and Fintur into US Dollar are included in a separate section of shareholders equity titled Accumulated other comprehensive income .

(d) Held to maturity and available for sale securities

Held to maturity and available for sale securities at December 31, 2005, consist of government bonds and foreign investment equity funds. The Company classifies its marketable securities in one of the three

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(3) Summary of Significant Accounting Policies: (Continued)

categories: trading, available for sale, or held to maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are debt securities in which the Company has the positive intent and ability to hold the security until maturity. All securities not classified as either trading securities or held to maturity securities are classified as available for sale securities.

Trading and available-for-sale securities are recorded at their fair values. Held-to-maturity debt securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in the determination of net income. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of other comprehensive income until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific-identification basis.

Premiums and discounts are amortized or accreted over the life of the related held-to-maturity security as an adjustment to yield using the effective-interest method. Dividend and interest income are recognized when earned.

(e) Fixed assets and intangibles

Fixed assets and intangibles are stated at historical cost less accumulated depreciation and amortization. Leases of plant and equipment under which the Company assumes substantially all the risks and the rewards incidental to ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are recognized in the balance sheet by recording an asset and liability equal to the present value of minimum lease payments at the inception of the lease. Capitalized finance leases are depreciated over the estimated useful life of the asset or the lease term where appropriate. Lease liabilities are reduced by repayments of principal, while the interest charge component of the lease payment is charged to statement of income. Depreciation and amortization is provided using straight-line method at rates established based on the estimated economic lives of the related assets. The annual rates used approximate the estimated economic lives of the related assets and are as follows:

Building	2.0% - 4.0%
Machinery and equipment	12.0% - 20.0%
Furniture, fixture and equipment	20.0% - 25.0%
Motor vehicles	20.0% - 25.0%
Leasehold improvements	20.0% - 36.0%
Intangibles	4.0% - 50.0%

Major renewals and betterments are capitalized and depreciated/amortized over the remaining useful lives of the related assets. Maintenance, repairs and minor renewals are expensed as incurred.

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(3) Summary of Significant Accounting Policies: (Continued)

When assets are otherwise disposed of, the costs and the related accumulated depreciation or amortization is removed from the accounts and resulting gain or loss is reflected in net income.

(f) Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. At December 31, 2004 and 2005, inventories consisted of simcards and scratch cards (finished goods) totaling to $13,007 and $9,198, respectively.

(g) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company s deferred tax assets and liabilities have been remeasured into US Dollar in accordance with the provisions of SFAS No. 109, Accounting for Income Taxes , and the transaction gains and losses that result from such remeasurement have been included within the translation loss in the consolidated financial statements.

(h) Use of estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with US GAAP. Actual amounts could differ from those estimates. Significant estimates and assumptions include the depreciable/amortizable lives of fixed assets and intangibles, amounts reflected as allowances for doubtful receivables, valuation allowances on deferred tax assets and amounts reflected as accruals for liabilities arising from legal proceedings.

(i) Transactions with related parties

For reporting purposes, investee companies and their shareholders, significant shareholders of Turkcell and subsidiaries and the companies that such shareholders have relationships with are considered to be related parties.

(j) Impairment of long-lived assets

In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets , long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization and cost method investments, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset

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(3) Summary of Significant Accounting Policies: (Continued)

exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale are presented separately in the appropriate asset and liability sections of the balance sheet.

(k) Earnings per share

In accordance with SFAS No. 128, Earnings per Share , basic earnings per share are computed by dividing net earnings by the weighted average number of common shares outstanding. Diluted earnings per share do not differ from basic earnings per share for all periods presented, as the Company has no common stock equivalents.

(l) Comprehensive income

Comprehensive income generally encompasses all changes in shareholders equity (except those arising from transactions with owners) and includes net income, net unrealized capital gains or losses on available for sale securities and foreign currency translation adjustments. The Company s comprehensive income differs from net income applicable to common shareholders by the amount of the foreign currency translation adjustment and net unrealized capital gain on available for sale securities charged to comprehensive income for the period. Comprehensive income for the years ended December 31, 2003, 2004 and 2005 was $216,938, $516,311 and $914,232, respectively.

(m) Derivative instruments and hedging activities

The Company accounts for derivatives and hedging activities in accordance with FASB Statement No. 133, Accounting for Derivative Instruments and Certain Hedging Activities , which requires that all derivative instruments be recorded on the balance sheet at their respective fair values.

The Company holds derivative financial instruments for both hedging and trading purposes and recognizes these derivative instruments as either assets or liabilities in the consolidated balance sheet and measures these instruments at fair value. As of December 31, 2005, the Company did not have any freestanding or embedded derivates in material amounts. As of December 31, 2005, the Company entered into forward contracts amounting to $56,000 to minimize currency risk.

(n) Accounting for computer software

The Company capitalizes only external costs incurred to obtain internal-use computer software from third parties, and external costs of specified upgrades and enhancements to internal-use computer software if it is probable that those expenditures will result in additional functionality.

(o) Business combinations and goodwill and other intangible assets

Goodwill represents the excess of costs over fair value of assets of businesses acquired. The Company adopted the provisions of SFAS No. 142, Goodwill and Other Intangible Assets , as of January 1, 2002. Pursuant to SFAS No. 142, goodwill and intangible assets acquired in a purchase business combination and

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(3) Summary of Significant Accounting Policies: (Continued)

determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually in accordance with the provisions of this statement. An impairment loss is recognized to the extent that the carrying amount exceeds the asset s fair value. The impairment determination of goodwill is made at the reporting unit level and consists of two steps. First, the Company determines the fair value of the reporting unit and compares it to its carrying amount. If the carrying amount of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss. An impairment loss is recognized for any excess of the carrying amount of the reporting unit s goodwill over the implied fair value of that goodwill. SFAS No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144 (Note 15). As of December 31, 2005, the Company provided impairment for its goodwill amounting to $1,349 with respect to acquisition of the remaining 30% shares of Mapco in June 2003.

(p) Retirement pay liability

Under the terms of the existing labor law in Turkey, the Company is required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause, or who retire, are called up for military service or die. Such payments are calculated on the basis of 30 days pay at the rate of pay applicable at the date of retirement or termination with a maximum payout of approximately $1,300 per year of employment. The liability for this retirement pay obligation is recorded in the accompanying consolidated financial statements at its present value using an annual discount rate of 5.5%.

Turkcell initiated a defined contribution retirement plan for all eligible employees during 2005. The assets of the plan are held separately from the financials of Turkcell. Turkcell is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Turkcell with respect to the retirement plan is to make the specified contributions. The cost of this program is being funded currently. Obligations for contributions to defined contribution plans are recognized as an expense in the statement of income as incurred. Turkcell incurred $829 in relation to defined contribution retirement plan for the year ending December 31, 2005.

(q) Deferred financing cost

Certain financing costs associated with the borrowings of funds are deferred. $5,289 of deferred financing costs are recorded in other current assets and $3 in long-term assets at December 31, 2005 (2004: $3,204 and $217, respectively). These assets are amortized over the terms of the related borrowings as an adjustment to interest expense in the accompanying consolidated statements of income (Note 10).

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(4) New Accounting Standards Issued

In March 2005, the FASB issued FIN 47, Accounting for Conditional Asset Retirement Obligations an interpretation of SFAS No. 143 (FIN 47). FIN 47 clarifies the term conditional asset retirement obligation as used in SFAS No. 143, Accounting for Asset Retirement Obligations . An entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. The fair value of a liability for the conditional asset retirement obligation should be recognized when incurred generally upon acquisition, construction, or development and/or through the normal operation of the asset. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. Retrospective application for interim financial information is permitted but is not required. The adoption of FIN 47 is not expected to have a material effect on the Company s consolidated financial statements.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and SFAS No. 3 . SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. SFAS No. 154 also provides guidance for determining whether retrospective application of a change in accounting principle is impracticable and for reporting a change when retrospective application is impracticable. The correction of an error in previously issued financial statements is not an accounting change. However, the reporting of an error correction involves adjustments to previously issued financial statements similar to those generally applicable to reporting an accounting change retrospectively. Therefore, the reporting of a correction of an error by restating previously issued financial statements is also addressed by SFAS No. 154. SFAS No. 154 shall be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Early adoption is permitted for accounting changes and corrections of errors made in fiscal years beginning after SFAS 154 is issued. The adoption of SFAS No. 154 is not expected to have a material effect on the Company s consolidated financial statements.

On July 12, 2005, FASB staff issued FSP No. Accounting Principles Board Opinions (APB) 18-1 Accounting by an Investor for Its Proportionate Share of Accumulated Other Comprehensive Income of an Investee Accounted for under the Equity Method in Accordance with APB Opinion No. 18 upon a Loss of Significant Influence The Board directed the FASB staff to issue this FSP to provide guidance on how an investor should account for its proportionate share of an investee s equity adjustments for other comprehensive income (OCI) upon a loss of significant influence. The Board believes that an investor s proportionate share of an investee s equity adjustments for OCI should be offset against the carrying value of the investment at the time significant influence is lost. To the extent that the offset results in a carrying value of the investment that is less than zero, an investor should (a) reduce the carrying value of the investment to zero and (b) record the remaining balance in income. The guidance in this FSP is effective as of the first reporting period beginning after July 12, 2005. The adoption of this FSP is not expected to have a material effect on the Company s financial statements.

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(5) Fair Value of Financial Instruments:

The Company s financial instruments consist of cash and cash equivalents, available for sale securities, held to maturity securities, trade receivables and accrued income, due from related parties, other current assets, other long term assets, investments, short and long term borrowings, trade payables, due to related parties, other current liabilities and accrued expenses and other long term liabilities.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

(a) *Cash and cash equivalents*

The carrying amounts approximate fair value because of the short maturity of those instruments.

(b) *Available for sale securities*

The fair values of foreign investment equity funds and government bonds classified as available for sale securities are based on both quoted market and over the counter market prices at December 31, 2005.

(c) *Held to maturity securities*

The fair values of government bonds classified as held-to-maturity investments are based on quoted market prices at December 31, 2005.

(d) *Trade receivable, accrued income and due from related parties*

The carrying amount approximates fair value because of the short maturity of those financial assets.

(e) *Other current assets*

The carrying amount approximates fair value because of the short maturity of those financial assets. Forward contracts are presented under other current assets and current market pricing models are used to estimate their fair values.

(f) *Trade payables and due to related parties*

The carrying amount approximates fair value because of the short maturity of those financial liabilities.

(g) *Short and long term borrowings*

(i) Cellco: As of December 31, 2004, the estimation of fair value is based on quoted market prices. This facility was fully repaid on August 1, 2005.

(ii) Borrowings from Akbank, Garanti, Murabaha Syndicated facility, West LB, ABN Amro NV and Ericsson Credit AB: The carrying amount approximates fair value because the interest rate varies based on the London, Euro or TRY interbank offered rates.

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(5) Fair Value of Financial Instruments: (Continued)

(iii) Other short term bank loans and overdrafts: The carrying amount approximates fair value because of the short term maturity of those instruments.

The estimated fair values of the Company s financial instruments at December 31, 2004 and 2005 are as follows:

	December 31, 2004		**December 31, 2005**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets				
Cash and cash equivalents	$ 763,821	763,821	795,091	795,091
Available for sale securities			12,948	12,948
Held to maturity securities	45,329	46,129	10,191	10,763
Trade receivables and accrued income	271,792	271,792	324,611	324,611
Due from related parties	103,948	103,948	67,327	67,327
Other current assets	164,750	164,750	70,942	70,942
Due from related parties-long term	65,971	65,971	80,906	80,906
Held to maturity securities-long term	10,266	10,696		
Other long term assets	1,172	1,172	2,440	2,440
Financial liabilities				
Short term borrowings				
Current portion of long term borrowings	548,356	562,593	457,355	457,355
Other short term bank loans and overdrafts	723	723	107,148	107,148
Trade payables	616,816	616,816	137,775	137,775
Due to related parties	6,711	6,711	5,774	5,774
Long term borrowings	266,447	266,447	82,848	82,848
Long term trade payables	213,740	213,740		

(6) Cash and Cash Equivalents

Cash and cash equivalents of $763,821 and $795,091 at December 31, 2004 and 2005, respectively, consist of cash on hand, overnight repurchase agreements, demand deposits at banks and time deposits at banks.

At December 31, 2005, cash and cash equivalents amounting to $23,662 (2004: $408,984 of which $361,348 from Yapi Kredi Bankasi AS (Yapi Kredi)) were deposited in the banks, which are owned and/or controlled by Cukurova Group, a significant shareholder of the Company. Since Cukurova Group transferred its shares in Yapi Kredi to Koc Group on October 28, 2005, Yapi Kredi is not a related party as of December 31, 2005.

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(7) Available for Sale and Held to Maturity Securities

The amortized cost, gross unrealized holding gains and fair value of available for sale and held to maturity debt securities by major security type and class of security at December 31, 2005 and 2004 were as follows:

	Amortized Cost	Gross Unrealized Holding Gains	Fair Value
At December 31, 2005			
Debt securities			
Available for sale securities:			
Government bonds	$ 1,306	28	1,261
	1,306	28	1,261
Held to maturity securities:			
Government bonds	$ 10,191	572	10,763
	10,191	572	10,763
Equity securities			
Available for sale securities:			
Foreign investment equity funds	$ *	772	11,687
		772	11,687
At December 31, 2004			
Debt securities			
Held to maturity:			
Government bonds	$ 55,595	1,230	56,825
	55,595	1,230	56,825

* Amortized cost is not available for foreign investment equity funds as of December 31, 2005. This equity security is recorded at fair value and unrealized capital gains amounting to $772 with respect to this security is recorded at other comprehensive income for the period.

The Company have not realized any gains or losses on available for sale securities for the years ended December 31, 2003, 2004 and 2005.

Maturities of debt securities classified as available-for-sale and held-to-maturity are due after one year through five years as of December 31, 2005.

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(8) Trade Receivables and Accrued Income, net

At December 31, 2004 and 2005, the breakdown of trade receivables and accrued income is as follows:

	December 31, 2004	December 31, 2005
Receivables from subscribers	$ 258,560	294,418
Accounts and checks receivable	77,027	79,709
Receivables from Turk Telekom		16,518
	335,587	390,645
Accrued service income	70,120	83,175
Allowance for doubtful receivables	(133,915)	(149,209)
	$ 271,792	324,611

Receivables from Turk Telekom as of December 31, 2005 represent net amounts that are due from Turk Telekom under the Interconnection Agreement (Note 27). The Interconnection Agreement provides that Turk Telekom will pay Turkcell for Turk Telekom s fixed-line subscribers calls to GSM subscribers. As of December 31, 2004, Turkcell has net payables to Turk Telekom due to the settlement agreement signed between Turkcell and Turk Telekom with respect to interconnection and infrastructure usage dispute.

The accrued service income represents revenues accrued for subscriber calls (air-time), which have not been billed. Due to the volume of subscribers, there are different billing cycles; accordingly, an accrual is made at each period end to accrue revenues for services rendered but not yet billed.

Letter of guarantees received with respect to the accounts and cheques receivable are amounting to $46,838 and $48,066 as of December 31, 2004 and 2005, respectively.

Movements in the allowance for doubtful receivables are as follows:

	December 31, 2004	December 31, 2005
Beginning balance	$ 135,920	133,915
Provision for doubtful receivables	14,572	24,379
Write offs	(22,890)	(9,122)
Effect of change in exchange rate	6,313	37
Ending balance	$ 133,915	149,209

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(9) Due from Related Parties

As of December 31, 2004 and 2005, the balance comprised:

	December 31, 2004	December 31, 2005
KVK Teknoloji Urunleri AS (KVK Teknoloji)	$ 37,019	31,128
Digital Platform Iletisim Hizmetleri AS (Digital Platform)	8,995	10,316
ADD Production Medya AS (ADD)	5,724	7,066
A-Tel Pazarlama ve Servis Hizmetleri AS (A-Tel)	24,549	7,055
Baytur Insaat Taahhut AS (Baytur)		5,892
Parman Ertabat	20,982	
Other	6,679	5,870
	$ 103,948	67,327

Substantially all of the significant due from related party balances are from Cukurova Group companies.

Due from KVK Teknoloji, a company whose majority shares are owned by Cukurova Group, mainly resulted from simcard and prepaid card sales to this company (Note 26).

Due from Digital Platform, a company whose majority shares are owned by Cukurova Group, mainly resulted from receivables from call center revenues, financial support for borrowing repayments and advances given for current and planned sponsorships (Notes 11 and 26).

Due from ADD, a company whose majority shares are owned by Cukurova Group, mainly resulted from balances paid in advance in order to benefit from the expertise and bargaining power of ADD with third parties in media purchasing (Note 26).

Due from A-Tel, a 50-50 joint venture of Yapi Kredi and Savings Deposit Insurance Fund (SDIF), mainly resulted from simcard and prepaid card sales to this company. On September 28, 2005, Cukurova Group transferred its Yapi Kredi shares to Koc Group following which A-Tel ceased to be considered a related party (Note 26).

Due from Baytur, a company whose majority shares are owned by Cukurova Group, mainly resulted from advances given to Baytur for the construction of a residence project (Note 26).

Due from Parman Ertabat, a co-investor in Irancell, resulted from the payment of capital contribution by Turkcell to Irancell s share capital on behalf of Parman Ertabat. This receivable was collected in March 2005.

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(10) Other Current Assets

At December 31, 2004 and 2005, the balance comprised:

	December 31, 2004	December 31, 2005
Restricted cash	$ 110,166	34,105
Value added tax (VAT) receivable	149,777	28,165
Interest income accrual	1,142	13,392
Advances to suppliers	3,381	7,571
Deferred financing costs	3,204	5,289
Prepaid taxes	273	3,562
Promotional materials	2,932	2,465
Receivable from personnel	2,295	1,930
Expenses to be invoiced for Iran GSM tender	6,578	
Telecommunications Authority income accrual (Note 19)	39,903	
Other	6,090	9,974
	$ 325,741	106,453

As of December 31, 2004, restricted cash represented the capital contribution for Irancell deposited in an escrow account in Iran. This cash was released to Turkcell and paid back in March 2005. As of December 31, 2005 restricted cash represents amounts deposited at banks as guarantees in connection with Euroasia Shareholders Loan and Murabaha Syndicated Facility. $30,605 of the total amount was released on January 5, 2006 and the remaining restricted cash will be released on August 29, 2006.

As of December 31, 2004, in accordance with the settlement agreements signed with Turk Telekom regarding infrastructure and interconnection disputes, Turk Telekom issued invoices amounting to TRY 1,946,601 (equivalent to $1,450,739 at December 31, 2005). Turkcell had the right to deduct VAT charged to Turkcell on Turk Telekom invoices from its VAT payable amount. VAT receivable represents the net balance of VAT on such invoices and VAT receivables and payables arising in the ordinary course of business. As of December 31, 2005, the amount represents the VAT receivable of consolidated subsidiaries, mainly Astelit.

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(11) Due from Related Parties Long Term

	December 31, 2004	December 31, 2005
Digital Platform	$ 64,199	78,275
Other	1,772	2,631
	$ 65,971	80,906

On December 23, 2005, a Restructuring Framework Agreement was signed between Digital Platform and Turkcell. The agreement includes the restructuring of Turkcell s receivables from Digital Platform amounting to $88,591 as of December 31, 2005 in exchange for sponsorship and the advertisement services that Turkcell will receive on Digital Platform s infrastructure. Under the agreement, Digital Platform commits to pay amounts due to Turkcell through July 15, 2011 along with the interest in cash and advertisement services. $88,591 represents present value of future cash flows and services discounted using imputed interest rate. As of December 31, 2005, $78,275 of the balance is classified as long term due from related parties in accordance with the revised repayment schedule.

(12) Investments

At December 31, 2004 and 2005, investments in associated companies were as follows:

	December 31, 2004	December 31, 2005
Fintur	$ 175,141	243,579
Aks Televizyon Reklamcilik ve Filmcilik Sanayi ve Ticaret AS (Aks TV)	15,750	15,750
T Medya Yatirim Sanayi ve Ticaret AS (T Medya)	6,869	6,869
	$ 197,760	266,198

At December 31, 2004 and 2005, the Company s ownership interest in Fintur is 41.45%. Fintur is accounted for under the equity method.

In 2003, the Company acquired a 6.24% interest in Aks TV and a 8.23% interest in T-Medya (2004: Basin Yatirim Sanayi ve Ticaret AS (Basin Yatirim)), media companies owned by the Cukurova Group. On June 24, 2005, at T Medya s General Assembly Meeting, it has been decided to increase the share capital of T Medya. However, the Company did not participate in the capital contribution; accordingly the ownership of the Company in T Medya decreased to 5.91%. Subsequent to the first share capital increase, the Company decided to participate in the second share capital increase and on January 2, 2006, the Company paid TRY 2,700 (equivalent to $2,012 at December 31, 2005) in cash as capital contribution to T Medya and the Company s ownership interest in T Medya increased to 8.23%.

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(12) Investments (Continued)

Aggregate summarized information of Fintur as of December 31, 2004 and December 31, 2005 and for the years ended December 31, 2003, 2004 and 2005 is as follows:

	December 31, 2004	December 31, 2005
Current assets	$ 146,258	250,718
Non-current assets	652,447	858,209
	$ 798,705	1,108,927
Current liabilities	$ 237,064	261,384
Non-current liabilities	256,029	376,799
Shareholders equity	305,612	470,744
	$ 798,705	1,108,927

	Year ended December 31, 2003	Year ended December 31, 2004	Year ended December 31, 2005
Revenues	$ 339,150	556,902	853,571
Direct cost of revenues	(163,834)	(234,401)	(352,628)
Income before taxes	58,738	138,276	213,439
Net income	45,662	105,297	163,085

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(13) Fixed Assets, net

As of December 31, 2004 and 2005, the analysis of fixed assets is as follows:

	Useful Lives	December 31 2004	December 31, 2005
Operational fixed assets:			
Base terminal stations	8 years	$ 1,014,085	1,197,797
Mobile switching center/Base station controller	8 years	869,981	906,119
Minilinks	8 years	219,739	365,665
Supplementary system	8 years	37,440	42,610
GSM services equipment	8 years	91,575	97,583
Betting equipment	7-8 years	14,458	14,636
Call center equipment	5 years	12,110	22,677
Other	5-8 years		4,147
		2,259,388	2,651,234
Accumulated depreciation		(1,361,927)	(1,598,146)
Operational fixed assets, net		897,461	1,053,088
Non-operational fixed assets:			
Land		899	677
Buildings	25-50 years	179,226	182,736
Furniture, fixture and equipment	4-5 years	165,301	180,483
Motor vehicles	4-5 years	8,710	9,905
Leasehold improvements	3-5 years	52,448	58,428
		406,584	432,229
Accumulated depreciation		(242,777)	(260,774)
Non-operational fixed assets, net		163,807	171,455
		$ 1,061,268	1,224,543

At December 31, 2004 and 2005, total fixed assets acquired under finance leases amounted to $81,497 and $82,465, respectively. Depreciation of these assets under finance leases amounted to $3,678, $4,167 and $4,570 for the years ended December 31, 2003, 2004 and 2005, respectively, and is included in depreciation expense.

Depreciation expenses for the years ended December 31, 2003, 2004 and 2005 are $309,425, $304,233 and $324,478, respectively.

As of December 31, 2005, fixed assets of the Company amounting to $18,744 are pledged as collateral to the banks that have loans to the Company.

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(14) Construction in Progress

At December 31, 2004 and 2005, construction in progress consisted of expenditures in GSM and non-operational items and is as follows:

	December 31, 2004	December 31, 2005
Turkcell-GSM network	$ 138,303	319,802
Astelit-GSM network	67,077	43,589
Turkcell-Other projects	6,915	13,821
Non-operational items	9,239	10,070
Kibris Telekom-GSM network	451	2,093
Other	8,206	
	$ 230,191	389,375

(15) Intangibles, net

As of December 31, 2004 and 2005, intangibles consisted of the following:

	Useful Lives	December 31, 2004	December 31, 2005
Computer software	3-8 years	$ 860,253	980,864
GSM and other telecommunications licenses	4-25 years	572,181	582,483
Transmission lines	10 years	19,531	19,891
Central betting system operating right	4-5 years	2,641	2,912
Customer base	2 years	1,132	1,193
		1,455,738	1,587,343
Accumulated amortization		(574,227)	(715,981)
		$ 881,511	871,362

As of December 31, 2004 and 2005, amortized intangible assets and related amortization are as follows:

	December 31, 2005 Gross carrying Amount	Accumulated Amortization
Computer software	$ 980,864	535,492
GSM and other telecommunications licenses	582,483	167,523
Transmission lines	19,891	10,735
Central betting system operating rights	2,912	1,229
Customer base	1,193	1,002
	$ 1,587,343	715,981

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(15) Intangibles, net (Continued)

	December 31, 2004 Gross carrying Amount	Accumulated Amortization
Computer software	$ 860,253	431,242
GSM and other telecommunications licenses	572,181	133,879
Transmission lines	19,531	8,291
Central betting system operating rights	2,641	463
Customer base	1,132	352
	$ 1,455,738	574,227

Aggregate amortization expense

Aggregate amortization expense for the years ended December 31, 2003, 2004 and 2005 are $112,049, $119,920 and $143,221, respectively.

Estimated amortization expense	
For the year ended December 31, 2006	$ 150,730
For the year ended December 31, 2007	140,874
For the year ended December 31, 2008	100,206
For the year ended December 31, 2009	63,087
For the year ended December 31, 2010	$ 47,278

(16) Short Term Borrowings

At December 31, 2004 and 2005, short-term borrowings comprised the following:

	December 31, 2004	December 31, 2005
Current portion of long term borrowings (Note 21)	$ 548,356	457,355
Other short term bank loans and overdrafts	723	107,148
	$ 549,079	564,503

Short term bank loans of Euroasia amounting to $103,638 as of December 31, 2005 have been fully repaid as of January 24, 2006.

(17) Trade Payables

As of December 31, 2004, trade payable balance mainly consists of payables to Turk Telekom regarding the settlements signed on December 24, 2004 with respect to the disputes on Turk Telekom interconnection fee and Turk Telekom infrastructure usage totaling to $490,256 and $32,649, respectively. As per the settlement agreement signed with respect to the dispute on Turk Telekom interconnection fee, Turkcell has used the early payment option at the settlement agreement and fully repaid the outstanding balance amounting to $213,787 on December 30, 2005, which would mature in 2006. As a result of this

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(17) Trade Payables (Continued)

payment, as of December 31, 2005, Turkcell does not have any payable to Turk Telekom related to settlement agreements.

The Company has payables to Ericsson Turkey, Ericsson Radio Systems AB (Ericsson Sweden) and Ericsson AB arising from fixed asset purchases, site preparation and other services amounting to $37,142 (December 31, 2004: $15,138). Balances due to other suppliers arising in the ordinary course of business are amounting to $100,633 (December 31, 2004: $78,773).

Turkcell is party to a series of supply agreements with Ericsson Turkey (collectively the Supply Agreements) under which Ericsson Turkey supplies Turkcell with an installed and operating GSM network, spare parts, training and documentation. The Supply Agreements also provide Turkcell a non-exclusive restricted software license f