TURKCELL ILETISIM HIZMETLERI A S
Form 6-K
May 15, 2008

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of **May 2008**

Commission File Number **001-15092**

TURKCELL ILETISIM HIZMETLERI A.S.

(Translation of registrant s name into English)

Turkcell Plaza
Mesrutiyet Caddesi No. 153
34430 Tepebasi
Istanbul, Turkey
(Address of principal executive offices)

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

Form 20-F: ý Form 40-F: o

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

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

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

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant s home country), or under the rules of the home country exchange on which the registrant s securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant s security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

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

Yes: o **No:** ý

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b) 82___

EXHIBIT INDEX

EXHIBIT 1

TURKCELL ILETISIM HIZMETLERI A.S.

REPORTS RESULTS

FOR THE FIRST QUARTER OF 2008

Continued top-line growth and strong profitability in a challenging operating environment

Istanbul, Turkey, May 7, 2008 Turkcell (NYSE:TKC, ISE:TCELL), the leading provider of mobile communications services in Turkey, today announced results for the first quarter ended March 31, 2008. All financial results in this press release are unaudited, prepared in accordance with International Financial Reporting Standards (IFRS) and expressed in US$ unless otherwise stated.

Please note that all financial data is consolidated and comprises Turkcell Iletisim Hizmetleri A.S., (the Company , or Turkcell) and its subsidiaries and its associates (together referred to as the Group). All non-financial data is unconsolidated and comprises Turkcell only. The terms we , us , and our in this press release refer only to the Company, except in discussions of financial data, where such terms refer to the Group, and where context otherwise requires.

First Quarter 2008 Results

Turkcell Iletisim Hizmetleri A.S. Reports Results for the First Quarter 2008

Highlights for the First Quarter 2008

Revenue increased by 21.6% to US$1,574.4 million compared to Q1 2007 (US$1,294.8 million)

EBITDA* increased by 12.4% to US$577.0 million compared to Q1 2007 (US$513.3 million)

Net income increased by 78.9% to US$486.8 million compared to Q1 2007 (US$272.1 million)

Turkcell s subscriber base grew by 9% to 35.1 million compared to Q1 2007 (32.2 million) as of March 31, 2008, although it decreased slightly from Q4 2007

Blended minutes of usage per subscriber (MoU) increased by 17.2% to 73.6 minutes compared to Q1 2007 (62.8 minutes)

Blended average revenue per user (ARPU) increased by 9.1% to US$13.2 compared to Q1 2007 (US$ 12.1)

Astelit s revenues increased by 111% to US$90.2 million compared to Q1 2007 (US$42.8 million) and recorded positive EBITDA* for the third consecutive quarter

**EBITDA is a non-GAAP financial measure. See pages 12-13 for the reconciliation of EBITDA to net cash from operating activities.*

<> In this press release, a year on year comparison of our key indicators is provided and figures in parentheses following the operational and financial results for the first quarter 2008 refer to the same item in the first quarter of 2007. For further details, please refer to our consolidated financial statements and notes as at and for the quarter ended March 31, 2008 which can be accessed via our web site in the investor relations section (www.turkcell.com.tr).

Comments from the CEO, Sureyya Ciliv

In the first quarter of 2008, our consolidated revenues increased by 21.6% to US$1,574 million from the corresponding period last year, while EBITDA increased to $577 million and net income grew to $487million.

The political uncertainty in Turkey coupled with the global economic volatility and a drop in consumer confidence has started to create a more challenging operating environment for us.

Furthermore, regulatory developments in October 2007 in the retail pricing area, which were unusual in nature and specifically aimed at Turkcell, limited our marketing campaigns until the end of February 2008, leading to a negative impact on our operations. However, continued growth in usage, the growing postpaid subscriber base and the contribution of our corporate business in Turkey were the main drivers for top line growth.

In Ukraine, revenues of our subsidiary Astelit grew by 111% and we continued to gain market share, reaching 17.2%. Fintur operations grew 35.7% in the quarter compared to last year.

Our achievements despite a challenging operating environment are due to the focus, agility and strong execution of our employees and partners. 2008 will be a tougher year but we are well positioned and excited about winning against the competition, driving customer satisfaction and continuing to grow our business.

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OVERVIEW OF THE QUARTER

The first quarter of 2008 has been a challenging period for us. The global macro economic environment combined with the the economic and political developments in Turkey resulted in a further decline in the Turkish consumer confidence and all these factors combined to impact the market we operate in.

During the period, we have not been able to implement some of the commercial offers and actions that we had previously planned as a result of the Telecommunications Authority s (TA) decision with regard to the retail pricing area. We have been impacted by these regulatory developments since October 2007, and since then have made certain adjustments in our pricing structure and believe we are now in line with the TA s recent decisions. Despite the fact that uncertainties may still exist in our operating environment, since the end of February 2008 we believe we have regained our flexibility to an extent to introduce new campaigns and offers to be able to sustain our competitiveness going forward.

We believe the growth in the Turkish GSM market slowed down during the quarter due to the changing macro economic conditions. In light of the current trends, we expect the market growth this year to be at a slower pace than previously anticipated, and mobile line penetration should reach about 95% by the end of 2008. The pace of growth of our subscriber base may be at a slower rate compared to that of the market in 2008.

During the quarter, our competitors continued with their aggressive acquisition offers and community offers with a focus on the price perception of the subscribers, we continued to maintain our leading position in the market despite the increasing competition and regulatory pressure. We continued to underline our strong value propositions, in particular retained our premium and corporate customers, focused on growing our postpaid subscriber base, and further strengthened our sales channel. Our VAS revenues constituted 14% of our consolidated revenue in the first quarter of 2008 clearly underlining our technological leadership and our commitment to create best value added services for our individual and business customers.

Financial and Operational Review of First Quarter 2008

The following discussion focuses principally on the developments and trends in our business in the first quarter of 2008. Selected financial information for the first quarter of 2007, fourth quarter of 2007 and first quarter of 2008 is also included at the end of this press release.

Selected financial information in TRY prepared in line with the Capital Markets Board of Turkey s standards is also included at the end of this press release.

First Quarter 2008 Results

Macro environment Information

	Q1 2007	Q4 2007	Q1 2008	Q1 2008- Q1 2007 % Chg	Q1 2008- Q4 2007 % Chg
TRY / US$ rate					
Closing Rate	1.3801	1.1647	1.2765	(7.5%)	9.6%
Average Rate	1.4024	1.1851	1.1898	(15.2%)	0.4%
INFLATION					
Consumer Price Index	2.4%	4.0%	3.1%	-	-

The Turkish financial markets have been negatively affected by the global economic concerns and rising local political tension during the last two quarters. The Turkish consumer confidence index further deteriorated during the period. Furthermore, the Central Bank of Turkey revised its 2008 YE inflation expectation upwards to 9.3%.

Our results of operations and business and financial performance are affected by the macro economic environment and its impact on Turkey along with developments in the political and regulatory environment. Although, we will carefully monitor the developments impacting our operating environment to strive for future growth of our business, we may not fully prevent potential negative impacts that may arise due to future macro economic, competitive or regulatory developments.

Financial Review

Profit & Loss Statement (million US$)	**Q1 2007**	**Q4 2007**	**Q1 2008**	**Q1 2008-Q1 2007 % Chg**	**Q1 2008-Q4 2007 % Chg**

Total revenue	**1,294.8**	**1,807.6**	**1,574.4**	**21.6%**	**(12.9%)**
Direct cost of revenue	(686.0)	(849.2)	(825.1)	20.3%	(2.8%)
Depreciation and amortization	(188.7)	(204.2)	(192.5)	2.0%	(5.7%)
Administrative expenses	(52.4)	(89.1)	(72.2)	37.8%	(19.0%)
Selling and marketing expenses	(231.7)	(328.0)	(292.7)	26.3%	(10.8%)
EBITDA	**513.3**	**745.4**	**577.0**	**12.4%**	**(22.6%)**
EBITDA Margin	**40%**	**41%**	**37%**	**(3 p.p)**	**(4 p.p)**
Net finance income / (expense)	25.6	(10.8)	209.4	718.0%	(2,038.9%)
Finance expense	(51.1)	(105.7)	(15.9)	(68.9%)	(85.0%)
Finance income	76.7	94.9	225.3	193.7%	137.4%
Share of profit of equity accounted investees	17.7	21.5	19.9	12.4%	(7.4%)
Income tax expense	(100.6)	(125.2)	(126.3)	25.6%	0.9%
Net income	**272.1**	**403.2**	**486.8**	**78.9%**	**20.7%**

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Revenue: In the first quarter of 2008 our revenues increased by 21.6% to US$1,574.4 million compared to the same quarter of 2007 mainly due to a 15% appreciation of TRY against US$, a 9% increase in our subscriber base, increase in usage, as well as the contribution of our consolidated subsidiaries.

Our consolidated revenues decreased by 12.9% in first quarter of 2008 compared to Q4 2007 mainly due to increased usage incentives introduced by the end of February 2008 and increased subscriptions to our incentivised tariff options implemented in Q4 2007. Additionally, the one time positive impact of the reversal of Avea invoices amounting to US$46 million that was recorded in Q4 2007 had impacted us positively during the last quarter.

Direct cost of revenue: Our direct cost of revenues including depreciation and amortization increased by 20.3% to US$825.1 million in the first quarter of 2008 compared to the same quarter of 2007 and the share of direct cost of revenues in total revenues slightly decreased to 52% from 53% a year ago. This was mainly due to lower depreciation and amortization expenses (2.4%), despite an increase in wages and salaries (1.5%) as a percent of revenues.

In the first quarter of 2008, direct cost of revenue including depreciation and amortization decreased by 2.8% compared to the fourth quarter of 2007. However, the share of direct cost of revenue in total revenues increased to 52% from 47% in the fourth quarter of 2007. This mainly resulted from a higher Treasury share expense in the first quarter of 2008 due to a one-time treasury share reduction in the fourth quarter of 2007, higher interconnect costs (1.4%), wages and salaries(0.9%), and higher depreciation and amortization expenses (0.9%) as a percent of revenues.

Selling and marketing expenses: Selling and marketing expenses in the first quarter of 2008 increased by 26.3% on an annual basis compared to the same quarter of 2007 to US$292.7 million. This was mainly due to a 15% appreciation of TRY against US$ and the increase in frequency usage fees due to higher prepaid subscriber base of 29.0 million as at the end of 2007 as opposed to 26.0 million as of end of 2006, as well as an increase in wages and salaries.

The proportion of selling and marketing expenses to revenue increased to 18.6% in the first quarter of 2008 from 17.9% in the first quarter of 2007.

Selling and marketing expenses decreased 10.8% in the first quarter of 2008 compared to the last quarter of 2007. This was mainly due to the slower campaign activities relative to Q4 2007 and decreasing selling expenses during the period. However, selling and marketing expenses as a percentage of revenues increased slightly from 18.1% to 18.6% due to slower revenue growth.

General and Administrative expenses: The year on year increase in general and administrative expenses was 37.8% in the first quarter of 2008 mainly due to an increase in wages and salaries as well as a 15% appreciation of TRY against US$ on average.

The share of general and administrative expenses in total revenues increased to 4.6% in the first quarter of 2008 from 4.0% in the first quarter of 2007.

General and administrative expenses in the first quarter of 2008 decreased 19.0% compared to the fourth quarter of 2007. This was mainly due to a decrease in wages and salaries due to an increase in bonuses paid to employees in Q4 2007. General and administrative expenses as a percentage of revenues remained at similar levels of 5%.

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First Quarter 2008 Results

Share of profit of equity accounted investees: In the first quarter of 2008, our equity in net income of unconsolidated investees increased to US$19.9 million compared to US$17.7 million the first quarter of 2007 mainly due to continuing solid operations of Fintur.

Our 50% owned subsidiary A-Tel, impacted two items in our financial statements. A-Tel s revenue that is generated from Turkcell amounting to US$11.0 million is netted from the selling and marketing expenses in our consolidated financial statements. The difference between the total net impact of A-Tel and the amount netted from selling and marketing expenses amounting to US$ 8.9 million is recorded in the share of profit of equity accounted investees line of our financial statements.

Net finance income/(expense): Financial income increased to US$225.3 million from US$76.7 million compared to the same quarter of 2007. We recorded a translation gain of US$125.8 million during the first quarter of 2008 as opposed to a translation loss of US$37.6 million in the first quarter of 2007 mainly due to 9.6% depreciation of TRY closing rate against US$ as we were in long position in hard currency. Our interest income also increased due to increase in our cash balance.

Overall, our net financing income increased to US$209.4 million in the first quarter of 2008.

Income Tax Expense: The total taxation charge in the first quarter of 2008 increased by 25.6% year on year to US$126.3 million mainly due to an increase in profit before tax.

Out of the total tax charge in Q1 of 2008, US$146.9 million was related to current tax charges in the first quarter of 2008 and deferred tax income of US$20.6 million was realized during the quarter.

In 2008, we are liable to pay 20% corporate tax and the payments will be made on quarterly basis.

Income tax expense

(million US$)	Q1 2007	Q4 2007	Q1 2008	Q1 2008-Q1 2007 % Chg	Q1 2008-Q4 2007 % Chg
Current Tax expense	(114.3)	(114.7)	(146.9)	28.5%	28.1%
Deferred Tax income /(expense)	13.7	(10.5)	20.6	50.4%	296.2%
Income Tax expense	(100.6)	(125.2)	(126.3)	25.6%	0.9%

EBITDA: EBITDA in the first quarter of 2008 increased 12.4% compared to first quarter of 2007. EBITDA margin decreased from 40% in the first quarter of 2007 to 37% in the first quarter of 2008 mainly due to an increase in our costs in line with our operational plans.

EBITDA in the first quarter of 2008 decreased 22.6% compared to the fourth quarter of 2007. EBITDA margin in first quarter of 2008 decreased to 37% from 41% in fourth quarter of 2007. This was mainly due to quarter on quarter decline in revenues as well as higher cost base as a percentage of revenue.

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First Quarter 2008 Results

As a result of recent developments including the increasing political tension in Turkey, volatility of the Turkish economy and global macro concerns, combined with regulatory and competitive challenges in our market, which we had not fully anticipated before, we are revising our YE 2008 EBITDA guidance to be about 38% as opposed to suggested few percentage point lower forecast from YE 2007 margin.

Net income: We recorded 78.9% year on year growth in our net income during the first quarter of 2008, with a net income of US$486.8 million, mainly due to an increase in translation gain. Net Income margin increased from 21.0% in Q1 2007 to 30.9% in first quarter of 2008.

The quarterly increase in net income of 20.8% in the first quarter of 2008 compared to the fourth quarter of 2007 was mainly due to an increase in translation gain despite an increasing cost base as a percentage of revenue. Net income margin increased from 22.3% in the last quarter of 2007 to 30.9% in first quarter of 2008.

Total Debt: Our consolidated debt amounted to US$646.1 million as of March 31, 2008. Of this total amount, US$532.9 million was related to our Ukraine operations.

Consolidated Cash Flow	**Q1**	**Q4**	**Q1**
(million US$)	**2007**	**2007**	**2008**
EBITDA	513.3	745.4	577.0
LESS:			
Capex and License	(130.0)	(274.3)	(192.5)
Turkcell	(75.0)	(144.2)	(97.4)
Ukraine	(50.0)	(76.8)	(55.5)
Investment & Marketable Securities	17.2	-	(25.0)
Net Interest Income	63.3	67.2	83.6
Other	(141.7)	31.9	(456.5)
Net Change in Debt	(58.0)	10.6	7.5
Turkcell	(58.0)	-	-
Ukraine	-	-	-
Other	-	10.6	7.5
Cash Generated	264.1	580.8	(5.9)
Cash Balance	1,862.7	3,095.3	3,089.4

Cash Flow Analysis: Capital expenditures in the first quarter of 2008 amounted to US$192.5 million of which US$55.5 million was related to our Ukrainian operations.

Other cash outflows in first quarter of 2008 are mainly composed of temporary corporate tax payments belonging to the last quarter of 2007 and prepaid frequency usage fee paid for the whole year of 2008.

Consequently, our cash position at the end of the first quarter of 2008 is US$3,089.4 million.

First Quarter 2008 Results

Operational Review

Summary of Operational Data	**Q1 2007**	**Q4 2007**	**Q1 2008**	**Q1 2008-Q1 2007 % Chg**	**Q1 2008-Q4 2007 % Chg**
Number of total subscribers (million)	32.2	35.4	35.1	9.0%	(0.9%)
Number of postpaid subscribers (million)	5.9	6.4	6.6	11.9%	3.1%
Number of prepaid subscribers (million)	26.3	29.0	28.6	8.8%	(1.4%)
ARPU (Average Monthly Revenue per User), blended (US$)	12.1	15.5	13.2	9.1%	(14.8%)
ARPU, postpaid (US$)	32.2	40.3	37.4	16.2%	(7.2%)
ARPU, prepaid (US$)	7.6	10.0	7.8	2.6%	(22.0%)
ARPU, blended (TRY)	17.0	18.3	15.7	(7.7%)	(14.2%)
ARPU, postpaid (TRY)	45.2	47.7	44.5	(1.6%)	(6.7%)
ARPU, prepaid (TRY)	10.7	11.9	9.2	(14.0%)	(22.7%)
Churn (%)	5.1	5.9	7.2	2.1pp	1.3pp
MOU (Average Monthly Minutes of usage per subscriber), blended	62.8	69.9	73.6	17.2%	5.3%

Subscribers: As of March 31, 2008, our total subscriber base totaled 35.1 million, representing a 9% increase compared to the first quarter of 2007. Gross acquisitions in the first quarter were strong with the highest level of net new postpaid subscriber acquisitions recorded in our history. On the other hand, due to the regulatory developments regarding the retail pricing and focus on maintaining high value generating subscribers, we have recorded less gross acquisitions and higher churn, as a consequence, recorded a net negative subscriber additions of approximately 220,000 during the quarter. Although currently it is difficult to assess the impact of the macro economic and political developments, it is fair to state that, so far, we have faced limited impact from these factors.

Churn Rate: Churn refers to disconnected subscribers, whether disconnected voluntarily or involuntarily. In the first quarter of 2008, our churn rate increased by 2.1 percentage points from 5.1% to 7.2% due to seasonally higher acquisitions in the previous quarters. As a consequence of the regulatory developments, there was a slow down in some of our churn prevention activities therefore involuntary churn of the low ARPU generating prepaid subscribers increased.

MoU: In the first quarter of 2008, our blended minutes of usage per subscriber (MoU) increased on an annual basis by 17.2% from 62.8 minutes to 73.6 minutes. This can be attributed mostly to the positive impact of our campaign that we revised and relaunched at the end of February to incentivize usage as well as further utilization of our simplified tariff options launched in October

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2007. Despite the increase we have achieved in our MoU, we believe regulatory developments regarding retail pricing led to a slow down on our segmented campaigns and to some extent, the developments in the macro economic and political environment, also had an unfavourable impact our subscribers usage levels.

ARPU: Compared to the same quarter in 2007, our blended average revenue per user (ARPU) increased by 9.1% to US$13.2 in the first quarter of 2008. This was mainly due to the 15% appreciation of TRY against US$ as ARPU in TRY terms decreased by 7.7%. Regulatory developments regarding retail pricing led to slowdown in revenue triggering mass offers and thus lower ARPU levels.

Regulatory Environment

TA s decision negatively affected our ability to design and launch new campaigns, offers and consequently had a negative impact on our business and continued to have a negative impact in our first quarter 2008 results. During the first quarter of 2008, until the end of February, as a consequence of this decision, we slowed down the implementation of some of the mass offers and churn prevention activities that we initially planned for the related period. By the end of February 2008, we designed and implemented an alternative call termination scheme with a new pricing model, which provides tiered pricing levels for call termination charges. Based on this model, currently, our lowest call termination charge per minute is TRY0,003 and the highest is TRY0.136 depending on call volume, peak and off peak hours. At present, through this new model, we believe we are in compliance with the regulator s decision and we have regained our flexibility to introduce new campaigns and offers in line with our pricing and marketing strategies to our customers.

In addition, the TA revised Reference Call Termination rates for fixed and mobile operators during in April 2008. Based on the revision, our reference call termination charge of TRY0.136 has come down by 33% to TRY0.091 unless otherwise agreed between the operators. Although, we expect no major change on our interconnection revenues and costs on net basis as a percentage of revenue due to this downward revision, the impact of this revision is yet to be seen fully in the retail market. We believe that Turkey s fixed call termination rates are quite in line with European counterparts, however, mobile termination rates are already significantly below the European counterpart averages. For this reason, we believe mobile termination rates should not be brought down further; however, there can be no assurance that Telecommunications Authority will not make future actions to revise rates downwards.

Potential Investments

As part of our efforts to evaluate investment opportunities in the region, our Board of Directors decided to conduct necessary studies to submit a proposal in order to acquire a majority stake in Syriatel Mobile Telecom (Syriatel) in Syria.

Additionally, our Board of Directors also decided to conduct the necessary studies to submit a proposal directly, or through one of our subsidiaries, to the shareholders of the Belarusian

Telecommunication Network (BeST), based in the Republic of Belarus, to purchase the majority of its shares. We will inform the public when there are further developments on this front.

International Operations

Fintur

We hold a 41.45% stake in Fintur and through Fintur we hold interests in GSM operations in Kazakhstan, Azerbaijan, Moldova, and Georgia.

FINTUR as of March 31, 2008	**Q1 2007 Subscriber (million)**	**Q1 2008 Subscriber (million)**	**Q1 2008 Q1 2007 %Chg**	**Q1 2007 Revenue (US$ million)**	**Q108 Revenue (US$ million)**	**Q1 2008 Q1 2007 %Chg**
Kazakhstan	3.9	6.5	66.7%	163.1	224.7	37.8%
Azerbaijan	2.5	3.2	28.0%	88.3	116.9	32.4%
Moldova	0.5	0.5	0%	11.4	14.4	26.3%
Georgia	1.1	1.4	27.3.%	34.9	48.0	37.5%
TOTAL	8.0	11.6	45.0%	297.7	404.0	35.7%

Fintur s operations recorded growth in revenues during the first quarter of 2008 compared to the same quarter in 2007 and consolidated revenues of Fintur reached US$404.0 million as of March 31, 2008. Fintur added approximately 3.6 million net new subscribers in the first quarter of 2008.

We account for our investment in Fintur using the equity method. Fintur s contribution to income was US$30.6 million (US$22.1 million) in the first quarter of 2008.

Astelit

Astelit, in which we hold a 55% stake through Euroasia, has operated in Ukraine since February 2005 under the brand life:) .

During the first quarter of 2008;

Astelit gained the largest market share in terms of net subscriber additions during the quarter
Astelit s market share increased to 17.2% from 11.5% in the highly competitive Ukrainian market
Astelit grew its revenue by 111% to US$90.2 million compared to the first quarter of 2007

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First Quarter 2008 Results

Astelit continued to build on its positive operational trends and recorded US$2.1 million EBITDA.
Astelit s operational indicators remained strong with total subscriber base growing by 62% to 9.4 million as of end of the first quarter of 2008
Astelit s 3 month active subscriber base in its total subscriber base grew to 62% from 58% as compared to the first quarter of 2007

The encouraging trends in Astelit s financial and operational performance continued in the first quarter of 2008. We currently expect that this positive performance will continue in the coming quarters.

Summary Data for Astelit	**Q1 2007**	**Q4 2007**	**Q1 2008**	**Q1 2008 Q1 2007 %Chg**	**Q1 2008 Q4 2007 %Chg**
Number of subscribers (million)					
Total	5.8	8.8	9.4	62.1%	6.8%
Active (3 months)[1]	3.5	5.4	5.8	65.7%	7.4%
Average Revenue per User (ARPU) in US$					
Total	2.5	3.3	3.3	32.0%	-
Active (3 months)	4.2	5.4	5.4	28.6%	-
Revenue	42.8	82.3	90.2	110.8%	9.6%
EBITDA[1]	(16.5)	2.7	2.1	112.7%	(22.2%)
Net Loss	(44.9)	(34.8)	(32.4)	(27.8%)	(6.9%)
Capex	50.0	76.8	55.5	11.0%	(27.7)

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(1) Active subscribers are those who in the past three months made a transaction which brought revenue to the Company.

(2) EBITDA is a non-GAAP financial measure. See page 14 for the reconciliation of Euroasia s EBITDA to net cash from operating activities. Eurasia holds 100% stake in Astelit.

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Reconciliation of Non-GAAP Financial Measures

We believe that EBITDA is a measure commonly used by companies, analysts and investors in the telecommunications industry, which enhances the understanding of our operating results and assists in the evaluation of our capacity to meet our financial obligations. We also use EBITDA as an internal measurement tool and, accordingly, we believe that the presentation of EBITDA provides useful and relevant information to analysts and investors.

Beginning from the 2006 fiscal year, we have revised the definition of EBITDA which we use and we report EBITDA using this new definition starting from the first quarter of 2006 results announcement to provide a new measure to reflect solely cash flow from operations.

The EBITDA definition used in our previous press releases and announcements had included Revenues, Direct Cost of Revenues excluding depreciation and amortization, Selling and Marketing expenses, Administrative expenses, translation gain/(loss), financial income, income on unconsolidated subsidiaries, gain on sale of investments, income/(loss) from related parties, minority interest and other income/(expense). Our new EBITDA definition includes Revenues, Direct Cost of Revenues excluding depreciation and amortization, Selling and Marketing expenses and Administrative expenses, but excludes translation gain/(loss), financial income, income on unconsolidated subsidiaries, gain on sale of investments, income/(loss) from related parties, minority interest and other income/(expense).

EBITDA is not a measure of financial performance under IFRS and should not be construed as a substitute for net earnings (loss) as a measure of performance or cash flow from operations as a measure of liquidity.

The following table provides a reconciliation of EBITDA, which is a non-GAAP financial measure, to net cash provided by operating activities, which we believe is the most directly comparable financial measure calculated and presented in accordance with IFRS.

TURKCELL	**Q1**	**Q4**	**Q1**	**Q1 2008-Q1 2007**	**Q1 2008-Q4 2007**
US$ million	**2007**	**2007**	**2008**	**% Chg**	**% Chg**
EBITDA	513.3	745.4	577.0	12.4%	(22.6%)
Income Tax Expense	(100.6)	(125.2)	(126.4)	25.7%	1.0%
Other operating income/(expense)	1.0	(17.4)	1.4	40.0%	108.1%
Financial income	5.3	0.1	3.2	(39.6%)	3100.0%
Financial expense	(0.4)	(18.4)	(2.4)	500.0%	(87.0%)

Net (decrease)/ıncrease in assets and liabilities	(75.1)	(27.1)	(292.9)	290.0%	980.8%
Net cash from operating activities	343.5	557.4	159.9	(53.5%)	(71.3%)

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EUROASIA (Astelit) US$ million	Q1 2007	Q4 2007	Q1 2008	Q1 2008-Q1 2007 % Chg	Q1 2008-Q4 2007 % Chg
EBITDA	(16.5)	2.7	2.1	112.7%	(22.2%)
Other operating income/(expense)	0	0.2	0.1	N/A	(50.0%)
Financial income	0.3	1.2	0.8	166.7%	(33.3%)
Financial expense	(9.8)	(15.2)	(9.1)	(7.1%)	(40.1%)
Net increase/(decrease) in assets and liabilities	22.8	21.1	26.6	16.7%	26.1%
Net cash from operating activities	(3.2)	10.0	20.5	740.6%	105.0%

Turkcell Group Subscribers

We have approximately 47.6 million proportionate GSM subscribers as of March 31, 2008. This is calculated by taking the number of GSM subscribers in Turkcell and each of our subsidiaries and multiplying the number of unconsolidated investees by our percentage ownership interest in each subsidiary. This figure includes the proportionate rather than total number of Fintur s GSM subscribers.However, it includes the total number of GSM subscribers in Astelit and in our operations in the Turkish Republic of Northern Cyprus (Northern Cyprus) because the financial statements of our subsidiaries in Ukraine and Northern Cyprus are consolidated with Turkcell s financial statements.

Turkcell Group Subscribers (million)	Q1 2007	Q4 2007	Q1 2008	Q1 2008- Q1 2007 % Chg	Q1 2008-Q4 2007 % Chg
Turkcell	32.2	35.4	35.1	9.0%	(0.9%)
Ukraine	5.8	8.8	9.4	62.1%	6.8%
Fintur (pro rata)	1.9	2.6	2.8	47.4%	7.7%
Northern Cyprus	0.3	0.3	0.3	-	-
TURKCELL GROUP	**40.2**	**47.1**	**47.6**	**18.4%**	**1.1%**

Forward-Looking Statements

This release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Safe Harbor provisions of the US Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts included in this press release, including, without limitation, certain statements regarding our operations, financial position and business strategy may constitute forward-looking statements. In addition, *forward-looking statements generally can be identified by the use of forward-looking terminology such as, among others, may, will, expect, intend, plan, estimate, anticipate, believe or continue.*

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First Quarter 2008 Results

Although Turkcell believes that the expectations reflected in such forward-looking statements are reasonable at this time, it can give no assurance that such expectations will prove to be correct. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

For a discussion of certain factors that may affect the outcome of such forward looking statements, see our Annual Report on Form 20-F for 2007 filed with the U.S. Securities and Exchange Commission, and in particular the risk factor section therein.

www.turkcell.com.tr

ABOUT TURKCELL

Turkcell is the leading GSM operator in Turkey with 35.1 million postpaid and prepaid customers as of March 31, 2008 operating in a three player market with a market share of approximately 57% as of December 31, 2007 (Source: The Telecommunications Authority). In addition to high-quality wireless telephone services, Turkcell currently offers General Packet Radio Service (GPRS) countrywide and Enhanced Data Rates for GSM Evolution (EDGE) in dense areas, which provide for both improved data and voice services. Turkcell provides roaming with 579 operators in 197 countries as of May 2, 2007. Serving a large subscriber base in Turkey with its high-quality wireless telephone network, Turkcell reported US$1,6 billion net revenues as of March 31, 2008 and US$6.3 billion net revenues as of December 31, 2007 as per IFRS financial statements. Turkcell has interests in international GSM operations in Azerbaijan, Georgia, Kazakhstan, Moldova, Northern Cyprus and Ukraine. Turkcell has been listed on the NYSE (New York Stock Exchange) and the ISE (Istanbul Stock Exchange) since July 2000 and is the only NYSE listed company in Turkey. 51.00% of Turkcell s share capital is held by Turkcell Holding, 4.22% by Cukurova Group, 13.07% by Sonera Holding, 2.32% by M.V. Group and 0.01% by others while the remaining 29.38% is free float.

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EXHIBIT 2

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

CONSOLIDATED INTERIM BALANCE SHEET

As at 31 March 2008

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

	Note	31 March 2008	31 December 2007
Assets			
Property, plant and equipment	11	2,091,708	2,221,895
Intangible assets	12	1,248,583	1,375,403
Investments in equity accounted investees	13	662,473	664,385
Other investments	14	38,644	42,354
Due from related parties	31	62,927	68,871
Other non-current assets	15	44,732	44,171
Deferred tax assets	16	3,000	2,446
Total non-current assets		**4,152,067**	**4,419,525**
Inventories		18,299	23,424
Other investments	14	52,957	28,218
Due from related parties	31	48,823	52,482

Trade receivables and accrued income	17	489,865	558,563
Other current assets	18	346,946	291,534
Cash and cash equivalents	19	3,089,440	3,095,300
Total current assets		**4,046,330**	**4,049,521**
Total assets		**8,198,397**	**8,469,046**
Equity			
Share capital	20	1,636,204	1,636,204
Share premium	20	434	434
Reserves	20	466,408	931,913
Retained earnings	20	3,704,083	3,224,526
Total equity attributable to equity holders of Turkcell Iletisim Hizmetleri Anonim Sirketi		**5,807,129**	**5,793,077**
Minority interest	**20**	**120,887**	**138,128**
Total equity		**5,928,016**	**5,931,205**
Liabilities			
Loans and borrowings	22	142,755	140,404
Employee benefits	23	28,674	27,229
Other non-current liabilities		304	-
Deferred tax liabilities	16	101,645	132,388
Total non-current liabilities		**273,378**	**300,021**
Bank overdraft	19	6,299	2,125
Loans and borrowings	22	503,355	619,555
Income taxes payable	10	407,662	443,194
Trade and other payables	26	663,107	759,019
Due to related parties	31	58,572	17,978
Deferred income	24	324,251	324,815
Provisions	25	33,757	71,134
Total current liabilities		**1,997,003**	**2,237,820**
Total liabilities		**2,270,381**	**2,537,841**
Total equity and liabilities		**8,198,397**	**8,469,046**

The notes on page 6 to 80 are an integral part of these consolidated interim financial statements.

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

CONSOLIDATED INTERIM INCOME STATEMENT

For the three months ended 31 March 2008

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

		Three months ended 31 March	
	Note	**2008**	**2007**
Revenue	7	1,574,380	1,294,761
Direct cost of revenue		(825,102)	(685,995)
Gross profit		**749,278**	**608,766**
Other income		2,250	3,110
Selling and marketing expenses		(292,638)	(231,695)
Administrative expenses		(72,208)	(52,432)
Other expenses		(868)	(2,016)
Results from operating activities		**385,814**	**325,733**
Finance income	9	225,349	76,770
Finance expense	9	(15,900)	(51,140)
Net finance expense		**209,449**	**25,630**
Share of profit of equity accounted investees	13	19,867	17,679
Profit before income tax		**615,130**	**369,042**
Income tax expense	10	(126,352)	(100,612)
Profit for the period		**488,778**	**268,430**
Attributable to:			
Equity holders of Turkcell Iletisim Hizmetleri Anonim Sirketi		486,790	272,138
Minority interest		1,988	(3,708)
Profit for the period		**488,778**	**268,430**
Basic and diluted earnings per share (in full USD)	21	0.221268	0.123699

The notes on page 6 to 80 are an integral part of these consolidated interim financial statements.

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TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

CONSOLIDATED INTERIM STATEMENT OF RECOGNIZED INCOME AND EXPENSE

For the three months ended 31 March 2008

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

	Three months ended 31 March	
	2008	**2007**
Foreign currency translation differences	(468,450)	76,955
Net change in fair value of available-for-sale securities	(723)	349
Income and expense recognized directly in equity	**(469,173)**	**77,304**
Profit for the period	488,778	268,430
Total recognized income for the period	**19,605**	**345,734**
Attributable to:		
Equity holders of Turkcell Iletisim Hizmetleri Anonim Sirketi	14,052	349,442
Minority interest	5,553	(3,708)
Total recognized income for the period	**19,605**	**345,734**

The notes on page 6 to 80 are an integral part of these consolidated interim financial statements.

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the three months ended 31 March 2008

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

	Three months ended 31 March	
	2008	**2007**
Cash flows from operating activities		
Profit for the period	**488,778**	**268,430**
Adjustments for:		
Depreciation	123,371	126,217
Amortization of intangibles	69,172	62,443
Foreign exchange loss, net	(127,130)	37,631
Net finance income	(81,493)	(58,410)
Provision for doubtful receivables	8,943	7,163
Income tax expense	126,352	100,612
Share of profit of equity accounted investees	(30,997)	(26,971)
Loss/(Gain) on sale of property, plant and equipment	1	(1,557)
Translation reserve	(42,338)	3,759
Net (gain)/loss on remeasurement of investments	(1,310)	(632)
Amortization of transaction costs of borrowings	-	2,176
Deferred income	27,885	(8,668)
	561,234	**512,193**
Change in trade receivables	13,612	(31,795)
Change in due from related parties	15,415	11,720
Change in inventories	3,071	3,255
Change in other current assets	(208,265)	(129,564)
Change in other investments	-	(6,391)
Change in other non-current assets	(4,430)	(4,133)
Change in other non-current investments	-	(1,906)
Change in due to related parties	(6,603)	38,556
Change in trade and other payables	(10,849)	(39,036)
Change in other current liabilities	(30,248)	22,334
Change in other non-current liabilities	304	(8,713)
Change in employee benefits	3,830	3,348
Change in provisions	(31,147)	(13,710)
	305,924	**356,158**
Interest paid	(11,252)	(17,894)
Income tax paid	(134,774)	(6,106)
Dividend received	-	11,306
Net cash from operating activities	**159,898**	**343,464**
Cash flows from investing activities		
Proceeds from sale of property plant and equipment	1,725	1,556
Proceeds from currency option contracts	3,188	1,372
Proceeds from sale of available-for-sale financial assets	5,988	16,729
Proceeds from settlement of held-to-maturity investments	-	7,246
Interest received	97,868	69,923
Dividends received	-	15,828
Acquisition of property, plant and equipment	(140,371)	(126,802)
Acquisition of intangibles	(49,597)	(3,195)
Acquisition of minority interest	-	(93)

Payment of currency option contracts premium	(2,027)	-
Acquisition of available-for-sale financial assets	(30,900)	(119)
Net cash used in investing activities	**(114,126)**	**(17,555)**
Cash flows from financing activities		
Payment of transaction costs	-	(203)
Proceeds from issuance of loans and borrowings	7,500	-
Repayment of borrowings	-	(58,000)
Change in minority interest	43,143	1,647
Net cash used in financing activities	**50,643**	**(56,556)**
Effects of foreign exchange rate fluctuations on balance sheet items	**(233,579)**	**32,335**
Net increase in cash and cash equivalents	**(137,164)**	**301,688**
Cash and cash equivalents at 1 January	**3,093,175**	**1,598,640**
Effect of exchange rate fluctuations on cash and cash equivalents	127,130	(37,631)
Cash and cash equivalents at 31 March	**3,083,141**	**1,862,697**

The notes on page 6 to 80 are an integral part of these consolidated interim financial statements.

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the three months ended 31 March 2008

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

Notes to the consolidated interim financial statements

TURKCELL ILETISIM HIZMETLERI AS AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the three months ended 31 March 2008

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

1. Reporting entity

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

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

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

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

The consolidated interim financial statements of the Company as at and for the three months ended 31 March 2008 comprise the Company and its nineteen subsidiaries (together referred to as the Group) and the Group s interest in one associate and one joint venture. The Company s and each of its subsidiaries , associate s and joint venture s interim financial statements are prepared as at and for the three months ended 31 March 2008.

2. Basis of preparation

(a) Statement of compliance

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

The Group s consolidated interim financial statements were approved by the Board of Directors on 7 May 2008.

(b) Basis of measurement

The accompanying consolidated interim financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRSs as issued by the IASB. They are prepared on the historical cost basis adjusted for the effects of inflation during the hyperinflationary period lasted by 31 December 2005, except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified as available-for-sale. The methods used to measure fair value are further discussed in note 4.

(c) Functional and presentation currency

The consolidated interim financial statements are presented in US Dollars (USD), rounded to the nearest thousand. Moreover, all financial information expressed in TRY, Euro (EUR) and Swedish Krona (SEK) have been rounded to the nearest thousand. The functional currency of the Company and its consolidated subsidiaries located in Turkey and Turkish Republic of Northern Cyprus is TRY. The functional currency of Euroasia Telecommunications Holding BV (Euroasia) and Financell BV (Financell) is USD. The functional currency of East Asian Consortium BV (Eastasia) is EUR. The functional currency of LLC Astelit (Astelit) is Ukrainian Hryvnia.

(d) Use of estimates and judgments

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

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

Information about estimates, uncertainty and critical judgements about the contingencies are described in note 30 and detailed analysis with respect to accounting estimates and judgements of bad debts, useful life or expected pattern of consumption of the future economic benefits embodied in depreciable assets is provided below:

Key sources of estimation uncertainty

In note 27, detailed analysis is provided for the foreign exchange exposure of the Company and risks in relation to foreign exchange movements.

2. Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

Critical accounting judgments in applying the Company s accounting policies

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

Allowance for doubtful receivables

The impairment losses in trade and other receivables are based on management s evaluation of the volume of the receivables outstanding, past experience and general economic conditions.

Useful life of assets

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

Commission fees

Commission fees relate to services performed in relation to betting games where the Group acts as an agent in the transaction rather than as a principal. In the absence of specific guidance under IFRSs on distinguishing between an agent and a principal, management considered the following factors:

The Group does not take the responsibility for fulfilment of the games.

The Group does not collect the proceeds from the final customer and it does not bear the credit risk.

The Group earns a stated percentage of the total turnover.

Revenue Recognition

In arrangements which include multiple elements, the Company considers the elements to be separate units of accounting in the arrangement. Deliverables are accounted separately where a market for each deliverable exists and if the recognition criterion is met individually. The arrangement consideration is allocated to each deliverable in proportion to the fair value of the individual deliverables.

Income taxes

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

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

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2. Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

Critical accounting judgments in applying the Company s accounting policies

Income taxes (continued)

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

3. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

(ii) Acquisition from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are excluded from the scope of International Financial Reporting Standards No. 3 (IFRS 3) *Business Combinations* . The assets and liabilities acquired from entities under common control are recognised at the carrying amounts recognised previously in the Group s controlling shareholder s consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group equity.

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

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and jointly controlled entities (equity accounted investees) are accounted for using the equity method and are initially recognised at cost. The Group s investment includes goodwill identified on acquisition, net of any accumulated impairment loss. The consolidated interim financial statements include the Group s share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group s share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. The Group s equity accounted investees as at 31 March 2008 are Fintur Holdings BV (Fintur) and A-Tel Pazarlama ve Servis Hizmetleri AS (A-Tel).

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

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

(ii) Foreign operations The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated to USD at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to USD at exchange rates approximating to the exchange rates at the dates of the transactions.

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

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

(iii) Translation from functional to presentation currency

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

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

3. Significant accounting policies (continued)

(b) Foreign currency (continued)

(iii) Translation from functional to presentation currency (continued)

Assets and liabilities for each balance sheet presented (including comparatives) are translated to USD at exchange rates at the balance sheet date. Income and expenses for each income statement (including comparatives) are translated to USD at monthly average exchange rates.

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

(iv) Net investment in foreign operations

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

(c) Financial instruments

(i) Non-derivative financial instruments

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

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

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

Accounting for finance income and expenses is discussed in note 3(m).

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

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

Financial assets at fair value through profit or loss

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

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3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Non-derivative financial instruments (continued)

Other

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

(ii) Derivative financial instruments

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

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

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

(iii) Share capital

Ordinary shares

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

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

(iii) Depreciation

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

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

Buildings	25 50 years
Network infrastructure	3 8 years
Equipment, fixtures and fittings	4 5 years
Motor vehicles	4 5 years
Central betting terminals	1 5 years
Leasehold improvements	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(e) Intangible assets

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

(i) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset (that is purchased from independent third parties) to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred. Capitalized costs generally relate to the application of development stage; any other costs incurred during the pre and post-implementation stages, such as repair, maintenance or training, are expensed as incurred. Subsequent expenditures of the Company do not relate to research and development activities.

(ii) Amortization

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

Computer software	3 8 years
GSM and other telecommunications license	3 25 years
Transmission lines	10 years
Central betting system operating right	1 5 years
Customer base	

2
years

3. Significant accounting policies (continued)

(f) Leased assets

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

Other leases are operating leases and the leased assets are not recognized on the Group s balance sheet.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses. The cost of inventory is determined using the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. As at 31 March 2008, inventories consist of simcards, scratch cards and handsets.

(h) Impairment

(i) Financial assets

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

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

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

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

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

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

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3. Significant accounting policies (continued)

(h) Impairment (continued)

(ii) Non-financial assets (continued)

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

(i) Employee benefits

(i) Retirement pay liability

In accordance with existing labor law in Turkey, the Company and its subsidiaries in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire, are called up for military service or die. Such payments are calculated on the basis of 30 days pay maximum full TRY 2,088 as at 31 March 2008 (equivalent to full $1,636 as at 31 March 2008) (31 December 2007: full TRY 2,030 (equivalent to full $1,590 as at 31 March 2008)) per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the consolidated interim financial statements on a current basis. The reserve has been calculated by estimating the present value of future probable obligation of the Company and its subsidiaries in Turkey arising from the retirement of the employees. The calculation was based upon the retirement pay ceiling announced by the Government.

(ii) >Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss when they are due. The Company initiated a defined contribution retirement plan for all eligible employees during 2005. Besides, during 2006, Inteltek Internet Teknoloji Yatirim ve Danismanlik Ticaret AS (Inteltek) and Bilyoner Interaktif Hizmetler AS (Bilyoner), during 2007 Kule Hizmet ve Isletmecilik AS (TurkKule), Turkcell Teknoloji Arastirma ve Gelistirme AS (Turkcell Teknoloji) and Tellcom Iletisim Hizmetleri AS (Tellcom), other consolidated subsidiaries, initiated defined contribution plan for all eligible employees. The assets of the plan are held separately from the consolidated interim financial statements of the Group. The Company and other consolidated companies that initiated defined contribution retirement plan are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the companies with respect to the retirement plan is to make the specified contributions.

3. Significant accounting policies (continued)

(j) Provisions

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

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract. The Company did not recognize any provision for onerous contracts as at 31 March 2008.

(k) Revenue

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

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

In connection with campaigns, both postpaid and prepaid services may be bundled with handset or other goods / services and these bundled services and products involve consideration in the form of fixed fee or a fixed fee coupled with continuing payment stream. Loyalty programs for both postpaid and prepaid services may be bundled with other services. Deliverables are accounted separately where a market for each deliverable exists and if the recognition criterion is met individually. Costs associated with each deliverable are recognized at the time of revenue recognized. The arrangement consideration is allocated to each deliverable in proportion to the fair value of the individual deliverables.

Commission fees mainly comprised of net takings earned to a maximum of 7% of gross takings, as a head agent of fixed odds betting games starting from 15 March 2007 and 4.3% commission recognized based on the para-mutual and fixed odds betting games operated on Central Betting System. Prior to 15 March 2007, under the former head agency agreement, head agency commission fees were earned to a maximum of 12% of gross takings. Commission revenues are recognized at the time all the services related with the games are fully rendered. Under the head agency agreement, Inteltek is obliged to undertake any excess payout, which is presented on net basis with the commission fees.

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

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

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

3. Significant accounting policies (continued)

(l) Lease payments

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

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

(m) Finance income and expenses

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

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

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

(n) Transactions with related parties

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

(o) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

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

3. Significant accounting policies (continued)

(o) Income tax (continued)

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

(p) Earnings per share

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

(q) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. Segment information is presented in respect of the Group s business and geographical segments. The Group s primary format for segment reporting is based on geographical segment and secondary segment reporting is based on business segments.

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and borrowings and related expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective at 31 March 2008, and have not been applied in preparing these consolidated interim financial statements:

IFRS 8 Operating Segments introduces the management approach to segment reporting. IFRS 8, which becomes mandatory for the Group s 2009 consolidated financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group s Chief Operating Decision Maker in order to assess each segment s performance and to allocate resources to them. Currently, the Group presents segment information in respect of its business and geographical segments (see note 6). It is not expected to have any impact on the consolidated financial statements.

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

3. Significant accounting policies (continued)

(r) New standards and interpretations not yet adopted (continued)

IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Group s 2009 consolidated financial statements, is not expected to have any impact on the consolidated financial statements.

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

Revised IFRS 3 Business Combinations made changes to the scope of IFRS 3, revised the definition of business, made some revisions at recognition principles of acquired assets and enhanced the disclosure requirements. The revised standard is effective for annual financial periods beginning on or after 1 July 2009, with early adoption permitted for annual periods beginning on or after 30 June 2007 providing that the entity also applies IAS 27 in the same period.

Revised IAS 27 Consolidated and Separate Financial Statements mainly changes the accounting for non-controlling interest and the loss of control of a subsidiary. The revised standard is effective for annual financial periods beginning on or after 1 July 2009, with early adoption permitted providing that the entity also applies IAS 27 in the same period.

Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations clarifies the definition of vesting conditions, introduces the concept of nonvesting conditions , requires non-vesting conditions to be reflected in grant date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 is effective for annual periods beginning on or after 1 January 2009, with early adoption permitted and is not expected to have any effect on the consolidated financial statements.

Amendments to IAS 32 Financial Instruments:Presentation and IAS 1 Presentation of Financial Statements-Puttable Financial Instruments and Obligations Arising on Liquidation improve the accounting for particular types of financial instruments that have characteristics similar to ordinary shares but are at present classified as financial liabilities. The amendments will apply for annual periods beginning on or after 1 January 2009, with earlier application is permitted and is not expected to have any effect on the consolidated financial statements

4. Determination of fair values

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

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

(ii) Intangible assets

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

(iii) Investments in equity and debt securities

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

(iv) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(v) Derivatives

The fair value of forward exchange contracts and option contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds) or option pricing models.

(vi) Non-derivative financial liabilities

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

5. Financial risk management

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

Credit risks

Liquidity risks

Market risk

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

The Company management has overall responsibility for the establishment and oversight of the Group s risk management framework.

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

Credit risk

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

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

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

Investments are allowed only in liquid securities and mostly with counterparties that have a credit rating equal or better than the Group. Some of the collection banks have credit ratings that are lower than the Group s, or they may not be rated at all, however, policies are in place to review the paid-in capital and capital adequacy ratios periodically to ensure credit worthiness.

Transactions involving derivatives are with counterparties with whom the Group has signed agreements and which have sound credit ratings. The Group does not expect any counterparty fail to meet its obligations.

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

The Group establishes an allowance for doubtful receivables that represents its estimate of incurred losses in respect of receivables from subscribers. This allowance includes the specific loss component that relates to individual subscribers exposures, and adjusted for a general provision which is determined based on historical data of payment statistics. Impairment loss as a percentage of revenues represented 0.6% of revenues for the three months ended 31 March 2008. If impairment loss as a percentage of revenues increased to 1.5% of revenues, the impairment loss would have been increased by $14,059, negatively impacting profit for the three months ended 31 March 2008.

5. Financial risk management (continued)

Liquidity risk

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

Market risk

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

Currency risk

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

Derivative financial instruments such as forward contracts and options are used to hedge exposure to fluctuations in foreign exchange rates. The Group uses forward exchange contracts to hedge its currency risk. When necessary, forward exchange contracts are rolled over at maturity.

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

The Group has not entered into any type of derivative instrument in order to hedge foreign currency risk as at 31 March 2008.

Interest rate risk

The Group has not entered into any type of derivative instrument in order to hedge interest rate risk as at 31 March 2008.

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

6. Segment reporting

Geographical segments:

The primary format, geographical segments, is based on the dominant source and nature of the Group s risk and returns as well as the Group s internal reporting structure.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the entities. Segment assets are based on the geographical location of the assets.

The Group comprises the following main geographical segments: Turkey, Ukraine, Turkish Republic of Northern Cyprus.

Business segments:

In presenting information on the basis of business segments, segment revenue is based on the operational activity of the entities. Segment assets are based on the intended use of the assets.

The Group comprises the following main business segments: Telecommunications and betting businesses.

6. **Segment reporting (continued)**

	Three months ended 31 March											
	Turkey		**Ukraine**		**Turkish Republic of Northern Cyprus**		**Other**		**Eliminations**		**Consolidated**	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Total external revenues	1,463,455	1,233,030	90,167	42,778	20,758	18,953	—	—	—	—	1,574,380	1,294,761
Inter-segment revenue	786	720	254	—	1,633	1,117	—	—	(2,673)	(1,837)	—	—
Total segment revenue	1,464,241	1,233,750	90,421	42,778	22,391	20,070	—	—	(2,673)	(1,837)	1,574,380	1,294,761
Segment result	401,289	357,956	(23,639)	(35,097)	6,035	1,674	—	—	747	106	384,432	324,639
Unallocated income/(expense), net	—	—	—	—	—	—	—	—	—	—	1,382	1,094
Results from operating activities	—	—	—	—	—	—	—	—	—	—	385,814	325,733
Net finance costs	—	—	—	—	—	—	—	—	—	—	209,449	25,630
Share of profit/(loss) of equity accounted investees	(10,726)	(4,441)	—	—	—	—	30,593	22,120	—	—	19,867	17,679
Income tax expense	—	—	—	—	—	—	—	—	—	—	(126,352)	(100,612)
Profit for the period	—	—	—	—	—	—	—	—	—	—	488,778	268,430

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6. **Segment reporting (continued)**

	As at 31 March 2008 and 31 December 2007									
	Turkey		Ukraine		Turkish Republic of Northern Cyprus		Other		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Segment assets	3,541,521	3,730,627	734,812	708,005	73,785	70,570	50	125,066	4,350,168	4,634,268
Investment in equity accounted investees	126,680	149,306	—	—	—	—	535,793	515,079	662,473	664,385
Unallocated assets	—	—	—	—	—	—	—	—	3,185,756	3,170,393
Total assets	—	—	—	—	—	—	—	—	8,198,397	8,469,046
Segment liabilities	997,457	1,096,780	103,532	91,561	7,638	12,694	37	48	1,108,664	1,201,083
Unallocated liabilities	—	—	—	—	—	—	—	—	1,161,717	1,336,758
Total liabilities	—	—	—	—	—	—	—	—	2,270,381	2,537,841

	Three months ended 31 March									
	Turkey		Ukraine		Turkish Republic of Northern Cyprus		Other		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Capital expenditure	127,140	78,793	55,482	49,971	9,883	1,233	—	—	192,505	129,997
Depreciation	106,247	115,007	16,125	9,560	999	1,650	—	—	123,371	126,217
Amortization of intangible assets	58,936	53,099	9,364	9,054	872	290	—	—	69,172	62,443

6. **Segment reporting (continued)**

Busines segments

	Three months ended 31 March							
	Telecommunications		Betting		Other operations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
Total external revenue	1,515,922	1,232,842	52,863	58,156	5,595	3,763	1,574,380	1,294,761
Capital expenditure	188,440	128,874	220	637	3,845	486	192,505	129,997

	As at 31 March 2008 and 31 December 2007							
	Telecommunications		Betting		Other operations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007
Segment assets	4,285,503	4,439,037	17,379	20,660	47,286	174,571	4,350,168	4,634,268

7. Revenue

	Three months ended 31 March	
	2008	**2007**
Communication fees	1,485,369	1,193,339
Commission fees on betting business	52,863	58,156
Monthly fixed fees	16,759	12,595
Simcard sales	5,155	6,873
Call center revenues	4,222	3,050
Other revenues	10,012	20,748
	1,574,380	1,294,761

8. Personnel Expenses

	Three months ended 31 March	
	2008	**2007**
Wages and salaries (*)	130,557	76,215
Increase in liability for long-service leave	4,620	3,950
Contributions to defined contribution plans	1,523	260
	136,700	80,425

* Wages and salaries include compulsory social security contributions.

9. Finance income and expenses

Recognised in profit or loss:

	Three months ended 31 March	
	2008	**2007**
Interest income on bank deposits	81,347	64,546
Late payment interest income	10,502	7,174
Premium income on option contracts	3,188	1,692
Interest income on unimpaired held-to-maturity investments	-	705
Net gain on disposal of available-for-sale financial assets transferred from equity	1,500	-
Interest income on available-for-sale financial assets	368	980
Net foreign exchange gain	125,759	-