TURKCELL ILETISIM HIZMETLERI A S
Form 6-K
February 20, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 6-K
REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934
Report on Form 6-K dated February 20, 2018
Commission File Number: 001-15092

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

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Küçükyalı Ofispark
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Istanbul, Turkey

(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.
Form 20-F Form 40-F
Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):
Yes No
Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):
Yes No
Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.
Yes No
If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-__________

Enclosure: A press release dated February 16, 2018 announcing Turkcell's Fourth Quarter 2017 results and Q4 2017 IFRS Report.

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Fourth Quarter and Full Year 2017 Results

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- Please note that all financial data is consolidated and comprises that of Turkcell Iletisim Hizmetleri A.S. (the "Company", or "Turkcell") and its subsidiaries and associates (together referred to as the "Group"), unless otherwise stated.
- We have three reporting segments:
  - "Turkcell Turkey" which comprises all of our telecom related businesses in Turkey (as used in our previous releases, this term covered only the mobile businesses). All non-financial data presented in this press release is unconsolidated and comprises Turkcell Turkey only figures, unless otherwise stated. The terms "we", "us", and "our" in this press release refer only to Turkcell Turkey, except in discussions of financial data, where such terms refer to the Group, and except where context otherwise requires.
  - "Turkcell International" which comprises all of our telecom related businesses outside of Turkey.
  - "Other subsidiaries" which is mainly comprised of our information and entertainment services, call center business revenues, financial services revenues and inter-business eliminations.
- 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 December 31, 2017 refer to the same item as at December 31, 2016. For further details, please refer to our consolidated financial statements and notes as at and for December 31, 2017, which can be accessed via our website in the investor relations section (www.turkcell.com.tr).
- Selected financial information presented in this press release for the fourth quarters and for the full year 2016 and 2017 is based on IFRS figures in TRY terms unless otherwise stated.
- In accordance with our strategic approach and IFRS requirements, Fintur is classified as 'held for sale' and reported as discontinued operations as of October 2016. Certain operating data that we previously presented with Fintur included has been restated without Fintur.
- In the tables used in this press release totals may not foot due to rounding differences. The same applies to the calculations in the text.
- Year-on-year and quarter-on-quarter percentage comparisons appearing in this press release reflect mathematical calculation.

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Fourth Quarter and Full Year 2017 Results

FINANCIAL HIGHLIGHTS

TRY million	Q416	Q417	y/y %	FY16	FY17	y/y %
Revenue	4,044	4,666	15.4%	14,286	17,632	23.4%
EBITDA[1]	1,371	1,739	26.8%	4,620	6,228	34.8%
EBITDA Margin (%)	33.9%	37.3%	3.4pp	32.3%	35.3%	3.0pp
Net Income	351	216	(38.4%)	1,492	1,979	32.6%
Net income excluding tax settlement[2]	351	716	104.2%	1,628	2,479	52.3%

Note: Net income excluding the impact of the tax settlement within the scope of Law No.7061 has been displayed as a separate line in order to facilitate comparison of current quarter and full year performance to prior periods.

FULL YEAR HIGHLIGHTS

- 2017 has been a remarkable year in terms of both operational and financial results
- Record operational results achieved:
  - Mobile churn at 20.5%, lowest of the past decade
  - 36.7 million total subscriber base in Turkey; 1.5 million net additions
  - 4.5G subscriber penetration at 87%
- Record financial results achieved:
  - Group revenues and EBITDA up 23.4% and 34.8%, respectively
  - Group EBITDA margin of 35.3% up 3.0pp, highest of past 9 years
  - Turkcell Turkey data and digital services revenues, comprising 67% of Turkcell Turkey revenues, up 51.2%
  - Group net income up 32.6% to TRY1,979 million (TRY1,492 million) on solid operational performance

Group net income of TRY2,479 million excluding TRY500 million net income impact of tax settlement within the scope of Law No.7061

- Guidance delivered via stellar growth performance at top line, midterm EBITDA margin target achieved a year early, and operational capex over sales ratio[3] at 21% with 2018 investments brought forward in Q417
- TRY3 billion dividend distributed to shareholders
- TRY1,240 million dividend proposal for year 2017, subject to approval of General Assembly
- 2018 Group guidance[4]; revenue growth target of 13-15%, EBITDA margin target of 33-35% and operational capex over sales ratio[3] target of 18-19%

FOURTH QUARTER HIGHLIGHTS

- Operational momentum continued:
  - Mobile triple play subscribers ratio[5] reached 55.8%, up 14pp year-on-year; and multiplay with TV subscribers[6] reached 44.4%, up 9pp year-on-year
  - 72% smartphone penetration, 15 million 4.5G compatible smartphones in our subscriber base
  - Data usage of 4.5G users at 5.9GB in Q417, 6.0GB in December
- Record financial results achieved:
  - All time high quarterly Group revenue and EBITDA, highest EBITDA margin of past 9 years
  - Group revenues and EBITDA up 15.4% and 26.8%, respectively with EBITDA margin of 37.3% up 3.4pp year-on-year
  - Turkcell Turkey's data and digital services revenues up 22.9%
  - Group net income at TRY216 million (TRY351 million)

Group net income doubled to TRY716 million excluding TRY500 million net income impact of tax settlement within the scope of Law No.7061

- On January 25, 2018, Fintur signed a binding agreement with Silknet JSC, a joint stock company in Georgia, to transfer its 100% shareholding in Geocell, for US$153 million.

(1) EBITDA is a non-GAAP financial measure. See page 14 for the explanation of how we calculate Adjusted EBITDA and its reconciliation to net income.
(2) Excluding the TRY500 million net income impact of the tax settlement in Q417 and TRY136 million net income impact of the tax amnesty in Q316
(3) Excluding license fee
(4) Please note that this paragraph contains forward looking statements based on our current estimates and expectations regarding market conditions for each of our different businesses. No assurance can be given that actual results will be consistent with such estimates and expectations. For a discussion of factors that may affect our results, see our Annual Report on Form 20-F for 2016 filed with U.S. Securities and Exchange Commission, and in particular, the risk factor section therein.
(5) Share among mobile voice users excluding subscribers who have not used their lines in the last 3 months
(6) Multiplay subscribers with TV: Internet + TV users & internet + TV + voice users
For further details, please refer to our consolidated financial statements and notes as at and for December 31, 2017 which can be accessed via our web site in the investor relations section (www.turkcell.com.tr).

Fourth Quarter and Full Year 2017 Results

COMMENTS BY KAAN TERZIOGLU, CEO

Digital transformation has been the key driver behind the 23% revenue growth, 35% EBITDA[1] growth and, excluding the one-off impact of the tax settlement, a 52% net income increase

2017 was a year in which we reached important milestones in Turkcell's digital transformation, including the launch of a new digital brand and new digital services, realized a record revenue increase and subscriber additions and gained the largest revenue generator status in the Turkish telecoms market. Moreover, solid financial and operational results led to a record high share price performance.

As Turkcell Group we registered the highest top line growth performance of the past 10 years at 23.4%, and an EBITDA margin increase of 3 percentage points in 2017, thanks to our 4.5G investments and successful digitalization model. We thereby, achieved higher results both in revenue growth and operational profitability than our guidance, which we upgraded twice during the year. We have brought forward our investments to meet our customers' rising digital demands. Accordingly, we registered an operational capex[2] of 3.7 billion TL, which has allowed us to widen the quality gap between us and our competitors. As we have completed the 20th month of our 4.5G network, one of the main constituents of our growth, we have accelerated efforts towards 5G technology development. With rising customer satisfaction and record customer retention of the past 10 years, Turkcell Turkey now has 36.7 million subscribers on approximately 1.5 million net subscriber adds. Moreover, 56%[3] of our mobile subscribers are using at least one of our digital services.

Our digital services that add value to our customers' 1440 daily minutes…

As Turkey's leading digital operator, in addition to providing legacy communication services, we continued to advance our existing digital services, while expanding the portfolio that enriches our customers' 1440 daily minutes. Our digital services and solutions play a bigger part in our customers' lives than the mere 31-minute[4] phone call initiated by an average phone user, or the raw data consumed on the OTT services.

Within this framework, we enhanced the messaging, audio and video calling capabilities of our digital communications platform BiP, by adding the group video call feature. With 2 billion messages sent in December 2017 alone, BiP surpassed the number of SMS messages sent, marking a first. Enriched with our telco capabilities, BiP offers a wide variety of solutions and services ranging from multi-screen calls to digitalized customer services, from gaming to money transfer and from app-to-network calls to web-based communication.

For the first time this year, we began live concert broadcasts on fizy, Turkey's most popular music application. This summer's concerts, each of which exceeded 200 thousand views, saw fizy rank first in App Store downloads. In total, 2.2 billion songs were streamed on fizy this year. At the time of our 4.5G launch, we said that "we will change the TV experience on the small screen," a claim we have now delivered on with record viewing times on TV+. The mobile users' daily average TV+ viewing duration rose by 29 minutes year-on-year to over 63 minutes. Our digital publishing app, Dergilik, which offers users 413 magazines and 75 newspapers, has created a significant revival in the publishing industry. In September, taking courage from the attention received by our digital services, we launched the digital brand, Lifecell, and its accompanying tariffs, swiftly reaching 242 thousand subscribers. Lifecell offers all communication services via mobile internet and the digital platform, including calling and messaging. Our strong presence in the digital space is evidenced by our ranking as the fourth publisher on Google Play, and third in the App Store according to the past twelve months' downloads.

Our search engine Yaani, launched this quarter, positioned Turkey among the countries with their own search engines. Yaani, designed to understand the unique syntax of Turkish, provides its users with easier access to information. Integrated with Turkcell services, Yaani simplifies the lives of its users. With Yaani, downloaded 3.5 million times, Turkcell is well positioned to carve its share of the digital advertising market. In accordance with our targeted contribution to the digital transformation of the economy, along with Yaani, we launched our e-commerce platform, the second phase of our digital operator strategy. On this platform, users are now able to securely log into digital services with GSMA-enabled Mobile Connect technology, and complete their shopping through easy and secure payment using Paycell.

Differentiated financing solutions from Turkcell

Turkcell Finansman A.Ş. (Financell), established to provide flexible financing solutions for our customers' smart device needs, continued to provide services at Turkcell's three thousand stores across Turkey. Granting approximately 4.3 million loans, it has reached a total loan portfolio of 4.2 billion TL. With Financell, we have already met our 2018 year-end smartphone penetration target at the end of the second quarter. As of the fourth quarter, this ratio had reached 72%.

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Given the sheer scope of techfin, our Paycell brand reached over two thousand member companies and over five million users. Paycell, providing fast and easy payment services, has, among others, offered utility bill payments, fuel payments without leaving the vehicle, and Turkcell tariff purchases.

Leveraging our technology strengths in new business areas

Through Turkcell Enerji Çözümleri (Energy Solutions), a company we established this year, we will provide energy management technologies. Besides providing our customers with uninterrupted electricity through Turkcell's service quality, we are excited to offer systems and solutions that will enable more efficient energy consumption.

Meanwhile, as one of the five founding participants, we commenced our studies into contribution to the Joint Initiative Group for Turkey's Automobile Project. The goal is to produce Turkey's first domestic car, and we will leverage our strong technological infrastructure and software capabilities to this end.

Our technology contributes to the value we place on human life

In accomplishing this work, we are ever aware of the potential to make a tangible difference in the lives of our disabled customers. We developed an app for the hearing impaired, having thus far developed similar apps more for the use of the visually impaired. Our "My Sign Language" app offered to hearing impaired individuals and their families in Turkey has registered one million downloads. Elsewhere, our "Hello Hope" app, developed for our Syrian guests, has registered more than 750 thousand downloads to date since its launch in September 2016. In facilitating the lives of millions of Syrian guests, the opportunity to showcase this effort on international platforms is a source of pride both for Turkcell and Turkey.

We have distributed 54% of our net income since 2010

With the 3 billion TL in dividends paid out in 2017, we have distributed 54% of our net income recorded since 2010, abiding by our dividend policy. Today we also announced TRY1,240 million dividend proposal for year 2017, which reflects our commitment to our dividend policy.

We achieved our targets in 2017, and will continue to grow in 2018 through digital services

The global reach of our digital experience, which has propelled customer loyalty and preferences, is among our focus areas for future periods. We will continue to initiate new projects that strengthen our positioning as the digital operator with global services. Accordingly, we have accelerated our B2B efforts. Our subsidiary, Lifecell Ventures, which is extending Turkcell's digital footprint to global markets, sold its first digital service (lifebox) to Moldcell of Moldova in the last quarter.

On the back of our solid fundamentals cemented in 2017, and our 2018 strategy, we target[5] Group revenue growth of 13-15%, an EBITDA margin of 33-35% and an operational capex to sales ratio[2] of 18-19%. We plan to also announce our mid-term targets at the Turkcell Capital Markets Day on March 14th, 2018 in İstanbul. Meanwhile, we will present our success story, an exemplary among many global operators, at the GSMA Mobile World Congress, one of the key platforms of our industry.

We take this opportunity to once again thank our Board of Directors and the Turkcell team for their outstanding performance, dedication and compassion, which fully embodies the Turkcell spirit. We would also like to express our gratitude to our customers, who have continued to show their trust in us throughout our success story.

(1) EBITDA is a non-GAAP financial measure. See page 14 for the explanation of how we calculate Adjusted EBITDA and its reconciliation to net income.
(2) Excluding license fee
(3) Share among mobile voice users excluding subscribers who have not used their lines in the last 3 months
(4) Duration of a phone call initiated by an average phone user per day
(5) Please note that this paragraph contains forward looking statements based on our current estimates and expectations regarding market conditions for each of our different businesses. No assurance can be given that actual results will be consistent with such estimates and expectations. For a discussion of factors that may affect our results, see our Annual Report on Form 20-F for 2016 filed with U.S. Securities and Exchange Commission, and in particular,

the risk factor section therein.

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Fourth Quarter and Full Year 2017 Results

FINANCIAL AND OPERATIONAL REVIEW
Financial Review of Turkcell Group

Profit & Loss Statement (million TRY)	Quarter			Year		
	Q416	Q417	y/y %	FY16	FY17	y/y %
Revenue	4,043.6	4,666.0	15.4%	14,285.6	17,632.1	23.4%
Cost of revenue[1]	(2,608.3)	(3,016.2)	15.6%	(9,236.6)	(11,350.2)	22.9%
Cost of revenue[1]/Revenue	(64.5%)	(64.6%)	(0.1pp)	(64.7%)	(64.4%)	0.3pp
Depreciation and amortization	(604.3)	(700.5)	15.9%	(2,203.2)	(2,597.0)	17.9%
Gross Margin	35.5%	35.4%	(0.1pp)	35.3%	35.6%	0.3pp
Administrative expenses	(190.0)	(67.3)	(64.6%)	(721.8)	(645.2)	(10.6%)
Administrative expenses/Revenue	(4.7%)	(1.4%)	3.3pp	(5.1%)	(3.7%)	1.4pp
Selling and marketing expenses	(478.5)	(544.1)	13.7%	(1,910.9)	(2,005.4)	4.9%
Selling and marketing expenses/Revenue	(11.8%)	(11.7%)	0.1pp	(13.4%)	(11.4%)	2.0pp
EBITDA[2]	1,371.1	1,738.9	26.8%	4,619.5	6,228.3	34.8%
EBITDA Margin	33.9%	37.3%	3.4pp	32.3%	35.3%	3.0pp
EBIT[3]	766.8	1,038.4	35.4%	2,416.3	3,631.3	50.3%
Net finance income / (costs)	(198.3)	(106.7)	(46.2%)	(172.8)	(322.9)	86.9%
Finance income	493.9	471.3	(4.6%)	1,064.8	1,090.4	2.4%
Finance costs	(692.2)	(578.0)	(16.5%)	(1,237.6)	(1,413.3)	14.2%
Other income / (expense)	(44.4)	(625.8)	n.m	(234.3)	(698.9)	198.3%
Non-controlling interests	(17.7)	(20.5)	15.8%	(51.7)	(58.6)	13.3%
Income tax expense	(111.3)	(69.5)	(37.6%)	(423.2)	(571.8)	35.1%
Discontinued operations	(44.4)	-	n.m	(42.2)	-	n.m
Net Income	350.7	215.9	(38.4%)	1,492.1	1,979.2	32.6%
Net Income excluding tax settlement[4]	350.7	716.0	104.2%	1,627.6	2,479.3	52.3%

(1) Including depreciation and amortization expenses.
(2) EBITDA is a non-GAAP financial measure. See page 14 for the explanation of how we calculate Adjusted EBITDA and its reconciliation to net income.
(3) EBIT is a non-GAAP financial measure and is equal to EBITDA minus depreciation and amortization expenses.
(4) Excluding the TRY500 million net income impact of the tax settlement in Q417 and TRY136 million net income impact of the tax amnesty in Q316

Revenue of the Group rose by 15.4% year-on-year in Q417. Increased ARPU level at Turkcell Turkey with data and digital services growth and a larger subscriber base with a higher postpaid ratio were the main drivers of growth.

Turkcell Turkey revenues, at 87% of Group revenues, grew by 13.0% to TRY4,041 million (TRY3,576 million).

- Data and digital services revenues grew by 22.9% to TRY2,735 million (TRY2,226 million).
  - o Rising smartphone penetration, an increased number of data users and higher data consumption per user were the main drivers of data and digital services revenue growth on the mobile side. On the fixed side main drivers were a larger subscriber base, price adjustments, and increased share of multiplay subscribers with TV.
  - o Revenues from our digital publishing service Dergilik, TV+, music platform fizy, personal cloud service lifebox and other mobile services helped to boost data and digital services revenues.
- Wholesale revenues grew by 11.4% to TRY153 million (TRY137 million) due to increased carrier traffic and the positive impact of TRY depreciation on FX based revenues.
- We reported revenues of TRY104 million originating from our Universal Service Project, which is aimed at building and operating infrastructure in unserved rural areas. Contractually, this project is financed by the Universal Service Fund on a net cost basis.

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Fourth Quarter and Full Year 2017 Results

Turkcell International revenues, constituting 6% of Group revenues, rose by 14.6% to TRY288 million (TRY252 million) mainly with the increase in lifecell and BeST revenues.

Other subsidiaries' revenues, at 7% of Group revenues, which includes information and entertainment services, call center revenues and revenues from financial services grew by 56.3% to TRY337 million (TRY216 million). This was mainly driven by the increase in the consumer finance company's revenues to TRY183 million (TRY90 million) in Q417.

For the full year, Turkcell Group revenues rose by 23.4%.

Turkcell Turkey revenues grew by 20.8% to TRY15,450 million (TRY12,788 million).

- Data and digital services revenues, at 67% of Turkcell Turkey revenues, grew by 51.2% to TRY10,304 million (TRY6,814 million).

- Wholesale revenues grew by 29.5% to TRY587 million (TRY453 million).

    - We reported revenues of TRY258 million originating from our Universal Service Project.

Turkcell International revenues rose by 22.0% to TRY1,067 million (TRY875 million).

Other subsidiaries' revenues grew by 78.9% to TRY1,115 million (TRY623 million).

Cost of revenue slightly increased to 64.6% (64.5%) as a percentage of revenues in Q417. The increase in consumer finance company funding costs (0.5pp) and other cost items (1.4pp) was offset by the decline in GSM related equipment expenses (1.8pp).

For the full year, cost of revenue decreased to 64.4% (64.7%) as a percentage of revenues. This was mainly due to the decrease in treasury share (1.0pp), radio costs (1.0pp), interconnect costs (0.8pp) and depreciation and amortization (0.7pp), despite the rise in consumer finance company funding costs (1.1pp), GSM related equipment expenses (0.8pp) and other cost items (1.3pp).

Administrative expenses declined to 1.4% (4.7%) as a percentage of revenues in Q417, mainly due to the change we made in our doubtful receivable provision assumptions based on improvement in collection performance which had a positive impact of TRY133 million.

For the full year, administrative expenses declined to 3.7% (5.1%) mainly due to the change made in doubtful receivable provision assumptions as explained above.

Selling and marketing expenses slightly declined to 11.7% (11.8%) as a percentage of revenues in Q417. The decline in prepaid subscriber frequency usage fees (0.7pp) and other cost items (0.2pp) was offset by the increase in marketing expenses (0.8pp).

For the full year, selling and marketing expenses as a percentage of revenues declined to 11.4% (13.4%) on the back of the fall in prepaid subscriber frequency usage fees (0.8pp), marketing expenses (0.6pp), selling expenses (0.2pp)

and other cost items (0.4pp).

EBITDA[1] rose by 26.8% year-on-year in Q417 leading to a 3.4pp improvement in EBITDA margin to 37.3% (33.9%). This was mainly due to the solid rise in revenues and effective management of costs. Cost of revenue (excluding depreciation and amortization) remained unchanged, while administrative expenses and selling and marketing expenses declined by 3.3pp and 0.1pp, respectively as a percentage of revenues.

- Turkcell Turkey's EBITDA grew by 27.7% to TRY1,566 million (TRY1,227 million) with an EBITDA margin of 38.8% (34.3%) on 4.5pp improvement.

- Turkcell International EBITDA decreased by 6.3% to TRY64 million (TRY68 million), which resulted in an EBITDA margin of 22.2% (27.2%). This was mainly due to the increase in radio costs and device sales.

- The EBITDA of other subsidiaries rose by 42.9% to TRY109 million (TRY76 million) with the increasing contribution of our consumer finance company.

For the full year, EBITDA grew by 34.8% with an EBITDA margin of 35.3% (32.3%) on 3.0pp rise. Direct cost of revenues (excluding depreciation and amortization) rose by 0.4pp, while administrative expenses and selling and marketing expenses fell by 1.4pp and 2.0pp, respectively.

(1) EBITDA is a non-GAAP financial measure. See page 14 for the explanation of how we calculate Adjusted EBITDA and its reconciliation to net income.

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- Turkcell Turkey's EBITDA rose by 34.4% to TRY5,594 million (TRY4,161 million), while the EBITDA margin rose 3.7pp to 36.2% (32.5%).

- Turkcell International EBITDA grew by 12.1% to TRY264 million (TRY235 million), while the EBITDA margin was at 24.7% (26.9%).

- The EBITDA of other subsidiaries rose by 65.9% to TRY370 million (TRY223 million).

In Q417, we changed our doubtful receivable provision assumptions based on improvement in collection performance, which had a positive impact of TYR133 million on EBITDA.

Net finance expense declined to TRY107 million (TRY198 million) in Q417 year-on-year. This was mainly due to lower translation losses in Q417, despite the decline in interest income from contracted receivables, and rise in interest expense of loans.

For the full year net finance expense rose to TRY323 million (TRY173 million). This was mainly due to the decline in interest income from contracted receivables and the increased interest expense of loans despite lower translation losses and positive impact from the fair market value changes of the swap contracts.

Income tax expense decreased 37.6% year-on-year in Q417. For the full year the income tax expense increased 35.1%. Please see Appendix A for details.

Net income of the Group declined to TRY216 million (TRY351 million) year-on-year in Q417, mainly due to the TRY575 million provision booked for tax settlement within the scope of Law No.7061, which had a TRY500 million impact on net income after tax. Excluding the impact of this provision, net income rose by 104.2% to TRY716 million driven by a solid operational performance and lower translation losses.

Turkcell Turkey's net income decreased to TRY179 million (TRY386 million) in Q417 mainly due to the provision booked for tax settlement as explained above. Excluding the impact of this provision, net income rose by 75.8% to TRY679 million.

For the full year, Group net income increased to TRY1,979 million (TRY1,492 million), mainly due to solid operational performance and better FX results, despite the provision booked for tax settlement in Q417 and higher depreciation and amortization expenses. In FY16 we also booked provisions for tax amnesty within the scope of Article 6736, which had a TRY136 million impact on net income after tax. Excluding the respective provision amounts booked for each year, net income rose by 52.3% to TRY2,479 million.

Turkcell Turkey's net income increased to TRY1,962 million (TRY1,480 million) in FY17 mainly due to the drivers explained above with respect to the rise in Group net income. Excluding the respective provision amounts booked for each year, net income rose by 52.4% to TRY2,462 million (TRY1,615 million).

Total cash & debt: Consolidated cash as of December 31, 2017 declined to TRY4,712 million from TRY4,906 million as of September 30, 2017. TRY2,598 million (US$689 million) of consolidated cash was denominated in US$, TRY1,073 million (EUR238 million) in EUR and TRY1,041 million in TRY and other local currencies.

Consolidated debt as of December 31, 2017 rose to TRY12,536 million from TRY11,867 million as of September 30, 2017. This was mainly due to the increased debt portfolio of our consumer finance company and the translation increase in the FX denominated debt portfolio of Turkcell Turkey, due to TRY depreciation against the US$ and EUR.

- Turkcell Turkey's debt was TRY8,475 million, of which TRY3,768 million (US$999 million) was denominated in US$, TRY4,656 million (EUR1,031 million) in EUR and the remaining TRY51 million in TRY.

- The debt balance of lifecell was TRY521 million, denominated in UAH.

- Our consumer finance company had a debt balance of TRY3,536 million, of which TRY988 million (US$262 million) was denominated in US$, and TRY973 million (EUR215 million) in EUR with the remaining TRY1,575 million in TRY (please note that the figures in parentheses refer to US$ or EUR equivalents).

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TRY8,392 million of our consolidated debt is set at a floating rate, while TRY4,278 million will mature within less than a year.

Net debt as of December 31, 2017 was at TRY7,824 million with a net debt to EBITDA ratio of 1.26 times. Excluding consumer finance company consumer loans, our telco only net debt was at TRY3,576 million with a leverage of 0.59 times.

Turkcell Group's short position was at US$144 million as at the end of Q417, thus within our comfort zone, which is below US$500 million as advised by our Board considering the size of our operations and balance sheet. (Please note that this figure takes into account advance payments, hedging and excluding FX swap transactions for TL borrowing).

Cash flow analysis: Capital expenditures, including non-operational items amounted to TRY1,806.6 million in Q417. The cash flow item noted as "other" in Q417 included mainly the positive impact of the change in working capital.

For the full year, capital expenditures, including non-operational items were at TRY4,090.4 million. The cash flow item noted as "other" included the payment of the final installment of the 4.5G license fee (TRY1,535 million) and mainly the negative impact of the change in working capital (TRY831 million).

In Q417 and FY17, operational capital expenditures (excluding license fees) at the Group level were at 35.7% and 21.0% of total revenues, respectively.

Consolidated Cash Flow (million TRY)	Quarter		Year	
	Q416	Q417	FY16	FY17
EBITDA[1]	1,371.1	1,738.9	4,619.5	6,228.3
LESS:				
Capex and License	(1,133.5)	(1,806.6)	(3,494.7)	(4,090.4)
Turkcell Turkey	(980.7)	(1,716.6)	(3,144.4)	(3,821.5)
Turkcell International[2]	(149.7)	(82.8)	(336.7)	(246.6)
Other Subsidiaries[2]	(3.1)	(7.2)	(13.6)	(22.3)
Net interest Income/ (expense)	324.1	250.0	616.9	395.6
Other	(939.6)	541.3	(3,020.0)	(2,366.3)
Net Change in Debt	784.0	82.2	4,411.9	1,492.9
Cash generated / (used)	406.1	805.8	3,133.6	1,660.0
Cash balance before dividend payment	6,052.4	5,712.3	6,052.4	7,712.3
Dividend paid	-	(1,000.0)	-	(3,000.0)
Cash balance after dividend payment	6,052.4	4,712.3	6,052.4	4,712.3

(1) EBITDA is a non-GAAP financial measure. See page 14 for the explanation of how we calculate adjusted EBITDA and its reconciliation to net income.
(2) The impact from the movement of reporting currency (TRY) against local currencies of subsidiaries in other countries is included in these lines.

Fourth Quarter and Full Year 2017 Results

Operational Review of Turkcell Turkey

Summary of Operational Data	Quarter			Year		
	Q416	Q417	y/y%	FY16	FY17	y/y%
Number of subscribers (million)	35.3	36.7	4.0%	35.3	36.7	4.0%
Mobile Postpaid (million)	17.4	18.5	6.3%	17.4	18.5	6.3%
Mobile M2M (million)	2.1	2.3	9.5%	2.1	2.3	9.5%
Mobile Prepaid (million)	15.7	15.6	(0.6%)	15.7	15.6	(0.6%)
Fiber (thousand)	1,043.9	1,204.3	15.4%	1,043.9	1,204.3	15.4%
ADSL (thousand)	818.0	921.4	12.6%	818.0	921.4	12.6%
IPTV (thousand)	359.7	505.9	40.6%	359.7	505.9	40.6%
Churn (%)						
Mobile Churn (%)[1]	5.6%	7.1%	1.5pp	24.6%	20.5%	(4.1pp)
Fixed Churn (%)	5.3%	5.7%	0.4pp	18.9%	19.6%	0.7pp
ARPU (Average Monthly Revenue per User) (TRY)						
Mobile ARPU, blended	29.2	30.4	4.1%	26.8	29.8	11.2%
Mobile ARPU, blended (excluding M2M)	30.9	32.3	4.5%	28.3	31.6	11.7%
Postpaid	41.6	43.8	5.3%	39.2	43.0	9.7%
Postpaid (excluding M2M)	46.8	49.6	6.0%	44.0	48.5	10.2%
Prepaid	15.6	15.1	(3.2%)	13.9	14.9	7.2%
Fixed Residential ARPU, blended	51.1	55.2	8.0%	51.1	53.6	4.9%
Average mobile data usage per user (GB/user)	2.8	4.3	53.6%	2.4	3.9	62.5%
Mobile MOU (Avg. Monthly Minutes of usage per subs) blended	331.3	353.4	6.7%	323.9	347.1	7.2%

(1) In Q117, our churn policy was revised to extend from 9 months to 12 months (the period at the end of which we disconnect prepaid subscribers who have not topped up above TRY10.) Additionally, under our revised policy, prepaid customers who last topped up before March will be disconnected at the latest by year-end. Please note that figures for prior periods have not been restated to reflect this change in churn policy.

Our mobile subscriber base continued to expand and reached 34.1 million in FY17. We registered 1.0 million net subscriber additions during the year, marking the highest net additions of the past 6 years. This was driven by 1.1 million net additions to postpaid subscribers, comprising 54.2% (52.5%) of our total mobile subscriber base. In Q417 the mobile subscriber base declined by 537 thousand as 596 thousand prepaid subscribers, who last topped up between January and March, were disconnected in accordance with our churn policy. Meanwhile, our postpaid subscribers rose by 103 thousand net additions.

Our fixed subscriber base exceeded 2.1 million in Q417 with 52 thousand quarterly net additions. We registered 264 thousand net additions during the year, of which 160 thousand were fiber and 103 thousand were ADSL subscribers. IPTV subscribers reached 506 thousand with 39 thousand quarterly and 146 thousand annual net additions. Total TV users, including OTT TV only subscribers, reached 2.2 million. The Turkcell TV+ mobile application has been downloaded 6.6 million times as of February 2018.

Mobile churn declined 4.1pp for the full year, marking the lowest churn rate of the past 10 years. This was driven by our value focused customer strategy, service quality, an attractive digital services portfolio and targeted retention campaigns in 2017. In Q417, our mobile churn rate rose 1.5pp year-on-year due to the disconnection of prepaid subscribers in line with our churn policy as explained above. Excluding this impact, our mobile churn would have

been at 5.5%. Our fixed churn rate was 5.7% for Q417 and 19.6% for the full year.

Mobile ARPU (excluding M2M) rose by 4.5% year-on-year in Q417. For the full year, mobile ARPU (excluding M2M) rose by 11.7%. Mobile ARPU growth was mainly driven by increased data and digital services usage, our upsell efforts, price adjustment and larger postpaid subscriber base. ARPU growth was also supported by the increased share of triple play subscribers, who use voice, data and digital services combined, to 55.8%[1].

Fixed Residential ARPU rose 8.0% in Q417 year-on-year and 4.9% for the full year, positively impacted by the increase in multiplay subscribers with TV[2] to 44.4% of total residential fiber subscribers, along with upsell efforts.

Average mobile data usage per user rose by 53.6% in Q417 year-on-year and 62.5% for the full year driven by increased usage of data and digital services offerings. Average mobile data usage of 4.5G users was at 5.9GB in Q417 and 6.0GB in December. Our smartphone penetration reached 72% in FY17, while 4.5G enabled smartphones reached 68% of total smartphones.

Fourth Quarter and Full Year 2017 Results

(1) Share among mobile voice users excluding subscribers who have not used their lines in the last 3 months
(2) Multiplay subscribers with TV: Internet + TV users & internet + TV + voice users

TURKCELL INTERNATIONAL

lifecell* Financial Data	Quarter			Year		
	Q416	Q417	y/y%	FY16	FY17	y/y%
Revenue (million UAH)	1,313.7	1,269.2	(3.4%)	4,837.5	4,876.0	0.8%
EBITDA (million UAH)	362.8	331.3	(8.7%)	1,356.4	1,326.5	(2.2%)
EBITDA margin	27.6%	26.1%	(1.5pp)	28.0%	27.2%	(0.8pp)
Net income / (loss) (million UAH)	(62.5)	(179.6)	187.4%	928.3	(503.6)	(154.2%)
Capex (million UAH)	847.0	414.3	(51.1%)	2,255.8	1,330.1	(41.0%)
Revenue (million TRY)	165.6	178.0	7.5%	570.7	664.7	16.5%
EBITDA (million TRY)	45.8	46.5	1.5%	159.9	180.7	13.0%
EBITDA margin	27.6%	26.1%	(1.5pp)	28.0%	27.2%	(0.8pp)
Net income / (loss) (million TRY)	(7.9)	(25.2)	219.0%	98.3	(69.0)	(170.2%)

(*) Since July 10, 2015, we hold a 100% stake in lifecell.

lifecell (Ukraine) revenues declined 3.4% year-on-year in Q417 in local currency terms, mainly due to the MTR cut from UAH0.23/min to UAH0.15/min, effective as of January 1, 2017. lifecell's EBITDA in local currency terms decreased 8.7% year-on-year leading to an EBITDA margin of 26.1%. This was mainly due to the increase in radio costs in Q417. lifecell's revenues in TRY terms rose by 7.5%, while EBITDA increased by 1.5% year-on-year in Q417.

For the full year, lifecell revenues in local currency terms rose by 0.8% with an EBITDA margin of 27.2%. In TRY terms, lifecell registered revenue growth of 16.5% while EBITDA rose by 13.0%.

lifecell* Operational Data	Quarter			Year		
	Q416	Q417	y/y%	FY16	FY17	y/y%
Number of subscribers (million)[1]	12.4	11.1	(10.5%)	12.4	11.1	(10.5%)
Active (3 months)[2]	9.2	8.0	(13.0%)	9.2	8.0	(13.0%)
MOU (minutes) (12 months)	141.3	135.7	(4.0%)	140.5	129.4	(7.9%)
ARPU (Average Monthly Revenue per User), blended (UAH)	35.2	37.0	5.1%	31.3	33.8	8.0%
Active (3 months) (UAH)	46.0	52.3	13.7%	40.6	47.7	17.5%

(1) We may occasionally offer campaigns and tariff schemes that have an active subscriber life differing from the one that we normally use to deactivate subscribers and calculate churn.
(2) Active subscribers are those who in the past three months made a revenue generating activity.
(*) Since July 10, 2015, we hold a 100% stake in lifecell.

lifecell maintained its leadership in Ukraine in terms of 3G+ network geographical coverage. lifecell continued to grow three-month active 3G data users, which exceeded 3.8 million as at the end of the quarter. Meanwhile, data usage per 3G user posted 75% growth in Q417 on a year-on-year basis. lifecell continued to lead the market in terms of smartphone penetration, which reached 68% as at the end of Q417.

lifecell's three-month active subscriber base declined to 8.0 million, mainly due to the declining multiple SIM card usage trend in the country. Blended ARPU (3-month active) rose by 13.7% year-on-year in Q417, mainly on rising mobile data consumption and a greater number of customers with higher ARPU tariffs.

On January 31, 2018, lifecell participated in the 2600 MHz frequency tender as part of the 4G License Tender. lifecell has been awarded the license for 15 years, bidding UAH909 million for the 15 MHz frequency band, the total of Lot 1 and Lot 2. Within the scope of the 4G tender, the 1800 MHz frequency tender is expected to be held in the first quarter of 2018.

Fourth Quarter and Full Year 2017 Results

BeST*	Quarter			Year		
	Q416	Q417	y/y%	FY16	FY17	y/y%
Number of subscribers (million)	1.6	1.6	-	1.6	1.6	-
Active (3 months)	1.2	1.3	8.3%	1.2	1.3	8.3%
Revenue (million BYN)	26.5	30.4	14.7%	98.6	111.8	13.4%
EBITDA (million BYN)	1.6	1.8	12.5%	3.9	4.3	10.3%
EBITDA margin	6.1%	6.0%	(0.1pp)	4.0%	3.8%	(0.2pp)
Net loss (million BYN)	(9.9)	(9.4)	(5.1%)	(43.5)	(42.0)	(3.4%)
Capex (million BYN)	3.3	5.1	54.5%	11.1	13.3	19.8%
Revenue (million TRY)	44.5	58.2	30.8%	150.0	210.4	40.3%
EBITDA (million TRY)	2.8	3.5	25.0%	6.2	8.0	29.0%
EBITDA margin	6.2%	6.0%	(0.2pp)	4.1%	3.8%	(0.3pp)
Net loss (million TRY)	(16.5)	(18.0)	9.1%	(65.6)	(79.2)	20.7%
Capex (million TRY)	7.8	10.6	35.9%	19.9	25.4	27.6%

(*)BeST, in which we hold an 80% stake, has operated in Belarus since July 2008.

BeST revenues rose by 14.7% year-on-year in Q417 in local currency terms, driven mainly by growth in voice and mobile data revenues. EBITDA rose by 12.5% leading to an EBITDA margin of 6.0%. BeST's revenues in TRY terms rose by 30.8% year-on-year in Q417.

For the full year, revenues in local currency terms rose by 13.4%, while EBITDA increased by 10.3% leading to an EBITDA margin of 3.8%. Revenues in TRY terms increased by 40.3%, while EBITDA rose by 29.0%.

BeST continued to offer its 4G services in all regions of Belarus increasing its coverage. The increased number of 4G users and higher data consumption led to increased data revenues. Meanwhile, BeST continued to increase the penetration of its digital services within its customer base in accordance with Turkcell's global digital services strategy.

Kuzey Kıbrıs Turkcell (million TRY)*	Quarter			Year		
	Q416	Q417	y/y%	FY16	FY17	y/y%
Number of subscribers (million)	0.5	0.5	-	0.5	0.5	-
Revenue	35.7	41.2	15.4%	135.9	158.2	16.4%
EBITDA	12.3	10.6	(13.8%)	50.0	53.0	6.0%
EBITDA margin	34.4%	25.7%	(8.7pp)	36.8%	33.5%	(3.3pp)
Net income	3.6	7.7	113.9%	28.6	34.0	18.9%
Capex	11.4	14.2	24.6%	24.4	41.8	71.3%

(*) Kuzey Kıbrıs Turkcell, in which we hold a 100% stake, has operated in Northern Cyprus since 1999.

Kuzey Kıbrıs Turkcell revenues grew by 15.4% year-on-year in Q417 on the back of growing mobile data and device sales revenues. EBITDA declined by 13.8% leading to an EBITDA margin of 25.7%, mainly due to the increase in cost of devices sold and interconnection costs.

For the full year, revenues rose by 16.4%, while EBITDA growth was 6.0%. This led to a 3.3pp decline in EBITDA margin to 33.5% mainly due to increased cost of devices sold.

Fintur has operations in Azerbaijan, Kazakhstan, Moldova and Georgia, and we hold a 41.45% stake in the company. In accordance with our strategic approach and IFRS requirements, Fintur is classified as 'held for sale' and reported as discontinued operations as of October 2016.

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On January 25th, 2018, Fintur has signed a binding agreement with Silknet JSC, a joint stock company in Georgia, to transfer its 100% total shareholding in Geocell, for US$153 million. The transaction is expected to be completed once regulatory approvals are received. The transaction has no impact on our financial statements since Fintur is classified as “assets held for sale” in our financials.

Turkcell Group Subscribers

Turkcell Group subscribers amounted to approximately 50.2 million as of December 31, 2017. This figure is calculated by taking the number of subscribers of Turkcell Turkey and each of our subsidiaries. It includes the total number of mobile, fiber, ADSL and IPTV subscribers of Turkcell Turkey, and the mobile subscribers of lifecell and BeST, as well as those of Kuzey Kıbrıs Turkcell and Turkcell Europe.

Turkcell Group Subscribers	Q416	Q417	y/y %
Mobile Postpaid (million)	17.4	18.5	6.3%
Mobile Prepaid (million)	15.7	15.6	(0.6%)
Fiber (thousand)	1,043.9	1,204.3	15.4%
ADSL (thousand)	818.0	921.4	12.6%
IPTV (thousand)	359.7	505.9	40.6%
Turkcell Turkey subscribers (million)[1]	35.3	36.7	4.0%
Ukraine	12.4	11.1	(10.5%)
Belarus	1.6	1.6	-
Kuzey Kıbrıs Turkcell	0.5	0.5	-
Turkcell Europe[2]	0.3	0.3	-
Turkcell Group Subscribers (million)	50.1	50.2	0.2%

(1) Subscribers to more than one service are counted separately for each service.
(2) The “wholesale traffic purchase” agreement, signed between Turkcell Europe GmbH operating in Germany and Deutsche Telekom for five years in 2010, had been modified to reflect the shift in business model to a “marketing partnership”. The new agreement between Turkcell and a subsidiary of Deutsche Telekom was signed on August 27, 2014. The transfer of Turkcell Europe operations to Deutsche Telekom’s subsidiary was completed on January 15, 2015. Subscribers are still included in the Turkcell Group Subscriber figure.

OVERVIEW OF THE MACROECONOMIC ENVIRONMENT

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

	Quarter					Year		
	Q416	Q317	Q417	y/y%	q/q%	FY16	FY17	y/y%
GDP Growth (Turkey)	4.2%	11.1%	n.a.	n.a.	n.a.	3.2%	n.a.	n.a.
Consumer Price Index (Turkey)	3.6%	1.3%	4.3%	0.7pp	3.0pp	8.5%	11.9%	3.4pp
US$ / TRY rate								
Closing Rate	3.5192	3.5521	3.7719	7.2%	6.2%	3.5192	3.7719	7.2%
Average Rate	3.2591	3.4999	3.7942	16.4%	8.4%	3.0059	3.6308	20.8%
EUR / TRY rate								
Closing Rate	3.7099	4.1924	4.5155	21.7%	7.7%	3.7099	4.5155	21.7%

Average Rate	3.5147	4.1241	4.4747	27.3%	8.5%	3.3179	4.1087	23.8%
US$ / UAH rate								
Closing Rate	27.19	26.52	28.07	3.2%	5.8%	27.19	28.07	3.2%
Average Rate	25.88	25.94	27.05	4.5%	4.3%	25.56	26.64	4.2%
US$ / BYN rate*								
Closing Rate	1.9585	1.9623	1.9727	0.7%	0.5%	1.9585	1.9727	0.7%
Average Rate	1.9403	1.9404	1.9812	2.1%	2.1%	1.9846	1.9278	(2.8%)

* The official currency of the Republic of Belarus has been redenominated on July 1, 2016. As a result, BYR10,000 has become BYN1 starting from 1 July 2016. Prior periods have been adjusted accordingly for presentation purposes.

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Fourth Quarter and Full Year 2017 Results

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

Our Adjusted EBITDA definition includes Revenue, Cost of Revenue excluding depreciation and amortization, Selling and Marketing expenses and Administrative expenses, but excludes translation gain/(loss), finance income, finance expense, share of profit of equity accounted investees, gain on sale of investments, minority interest and other income/(expense).

Nevertheless, Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations, as reported under IFRS. The following table provides a reconciliation of Adjusted EBITDA, as calculated using financial data prepared in accordance with IFRS as issued by the IASB, to net profit, which we believe is the most directly comparable financial measure calculated and presented in accordance with IFRS as issued by the IASB.

Turkcell Group (million TRY)	Quarter			Year		
	Q416	Q417	y/y%	FY16	FY17	y/y%
Adjusted EBITDA	1,371.1	1,738.9	26.8%	4,619.5	6,228.3	34.8%
Depreciation and amortization	(604.3)	(700.5)	15.9%	(2,203.2)	(2,597.0)	17.9%
Finance income	493.9	471.3	(4.6%)	1,064.8	1,090.4	2.4%
Finance costs	(692.2)	(578.0)	(16.5%)	(1,237.6)	(1,413.3)	14.2%
Other income / (expense)	(44.4)	(625.8)	n.m	(234.3)	(698.9)	198.3%
Consolidated profit from continued operations before income tax & minority interest	524.1	305.8	(41.7%)	2,009.2	2,609.5	29.9%
Income tax expense	(111.3)	(69.5)	(37.6%)	(423.2)	(571.8)	35.1%
Consolidated profit from continued operations before minority interest	412.8	236.3	(42.8%)	1,586.0	2,037.8	28.5%
Discontinued operations	(44.4)	-	n.m	(42.2)	-	n.m
Consolidated profit before minority interest	368.4	236.3	(35.9%)	1,543.8	2,037.8	32.0%

Fourth Quarter and Full Year 2017 Results

NOTICE: This release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Safe Harbor provisions of the US Private Securities Litigation Reform Act of 1995. This includes, in particular, our targets for revenue, EBITDA and capex for 2018. More generally, all statements other than statements of historical facts included in this press release, including, without limitation, certain statements regarding the launch and goals of our payment card business, our operations, financial position and business strategy may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as, among others, “will,” “expect,” “intend,” “estimate,” “believe”, “continue” and “guidance”.
Although Turkcell believes that the expectations reflected in such forward-looking statements are reasonable at this time, it can give no assurance that such expectations will prove to be correct. All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements. For a discussion of certain factors that may affect the outcome of such forward looking statements, see our Annual Report on Form 20-F for 2016 filed with the U.S. Securities and Exchange Commission, and in particular the risk factor section therein. We undertake no duty to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.
The Company makes no representation as to the accuracy or completeness of the information contained in this press release, which remains subject to verification, completion and change. No responsibility or liability is or will be accepted by the Company or any of its subsidiaries, board members, officers, employees or agents as to or in relation to the accuracy or completeness of the information contained in this press release or any other written or oral information made available to any interested party or its advisers.

ABOUT TURKCELL: Turkcell is a digital operator headquartered in Turkey, serving its customers with its unique portfolio of digital services along with voice, messaging, data and IPTV services on its mobile and fixed networks. Turkcell Group companies operate in 9 countries – Turkey, Ukraine, Belarus, Northern Cyprus, Germany, Azerbaijan, Kazakhstan, Georgia, Moldova. Turkcell launched LTE services in its home country on April 1st, 2016, employing LTE-Advanced and 3 carrier aggregation technologies in 81 cities. In 2G and 3G, Turkcell’s population coverage in Turkey is at 99.61% and 97.94%, respectively, as of December, 2017. Turkcell offers up to 1 Gbps fiber internet speed with its FTTH services. Turkcell Group reported TRY17.6 billion revenue in FY17 with total assets of TRY34.0 billion as of December 31, 2017. It has been listed on the NYSE and the BIST since July 2000, and is the only NYSE-listed company in Turkey. Read more at www.turkcell.com.tr

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This press release can also be viewed using the Turkcell Investor Relation app, which can be downloaded here for iOS, and here for Android mobile devices.

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Fourth Quarter and Full Year 2017 Results

Appendix A – Tables

Table: Translation gain and loss details

Million TRY	Quarter			Year		
	Q416	Q417	y/y %	FY16	FY17	y/y %
Turkcell Turkey	(499.1)	(284.7)	(43.0%)	(759.5)	(564.9)	(25.6%)
Turkcell International	(29.6)	(9.4)	(68.2%)	(37.4)	(8.3)	(77.8%)
Other Subsidiaries	6.3	(62.7)	n.m	7.2	(145.3)	n.m
Turkcell Group	(522.4)	(356.7)	(31.7%)	(789.7)	(718.5)	(9.0%)

Table: Income tax expense details

Million TRY	Quarter			Year		
	Q416	Q417	y/y %	FY16	FY17	y/y %
Current Tax expense	(12.4)	(84.3)	579.8%	(200.7)	(438.0)	118.2%
Deferred Tax Income/expense	(98.9)	14.8	(115.0%)	(222.5)	(133.8)	(39.9%)
Income Tax expense	(111.3)	(69.5)	(37.6%)	(423.2)	(571.8)	35.1%

TURKCELL ILETISIM HIZMETLERI AS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

	Note	31 December 2017	31 December 2016
Assets			
Property, plant and equipment	11	9,665,408	8,195,705
Intangible assets	12	8,340,410	8,235,989
Telecommunication licenses		5,720,398	6,160,536
Computer software		2,346,236	1,838,409
Other intangible assets		273,776	237,044
Investment properties	14	980	46,270
Trade receivables		155,634	235,393
Receivables from financial services	20	1,297,597	909,466
Deferred tax assets	18	96,060	51,255
Held to maturity investments		654	
Other non-current assets	17	356,620	575,234
Total non-current assets		19,913,363	18,249,312
Inventories	21	104,102	131,973
Trade receivables and accrued revenue	19	2,848,572	3,289,904
Due from related parties	37	5,299	5,861
Receivables from financial services	20	2,950,523	1,486,906
Derivative financial instruments	32	981,396	390,958
Held to maturity investments		11,338	-
Cash and cash equivalents	23	4,712,333	6,052,352
Other current assets	22	1,160,605	770,135
Subtotal		12,774,168	12,128,089
Assets classified as held for sale	16	1,294,938	1,222,757
Total current assets		14,069,106	13,350,846
Total assets		33,982,469	31,600,158
Equity			
Share capital		2,200,000	2,200,000
Share premium		269	269
Treasury shares	24	(56,313)	(65,607)
Additional paid-in capital		35,026	35,026
Reserves		1,542,679	1,102,896
Remeasurements of employee termination benefit		(44,776)	(41,786)
Retained earnings		11,312,276	12,780,967
		14,989,161	16,011,765

Total equity attributable to equity holders of Turkcell Iletisim Hizmetleri AS ("the Company")			
Non-controlling interests		55,927	56,632
Total equity		15,045,088	16,068,397
Liabilities			
Borrowings	27	8,257,995	6,935,102
Employee benefit obligations	28	197,666	164,553
Provisions	30	197,418	187,541
Deferred tax liabilities	18	651,122	458,160
Other non-current liabilities	26	409,337	427,547
Total non-current liabilities		9,713,538	8,172,903
Borrowings	27	4,278,154	2,846,060
Current tax liabilities		103,105	71,638
Trade and other payables	31	3,696,466	4,101,991
Due to related parties	37	6,980	11,201
Deferred revenue	29	193,831	93,800
Provisions	30	835,199	192,442
Derivative financial instruments	32	110,108	41,726
Total current liabilities		9,223,843	7,358,858
Total liabilities		18,937,381	15,531,761
Total equity and liabilities		33,982,469	31,600,158

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

1

TURKCELL ILETISIM HIZMETLERI AS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2017
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

	Note	2017	2016	2015
Revenue	5	17,026,401	14,100,863	12,769,415
Revenue from financial services	5	605,663	184,698	-
Total revenue		17,632,064	14,285,561	12,769,415
Cost of revenue	10	(11,073,465)	(9,166,384)	(7,769,483)
Cost of revenue from financial services	10	(276,709)	(70,223)	-
Total cost of revenue		(11,350,174)	(9,236,607)	(7,769,483)
Gross profit		5,952,936	4,934,479	4,999,932
Gross profit from financial services		328,954	114,475	-
Total gross profit		6,281,890	5,048,954	4,999,932
Other income	6	74,438	78,569	44,454
Selling and marketing expenses	10	(2,005,420)	(1,910,947)	(1,901,859)
Administrative expenses	10	(645,196)	(721,849)	(625,279)
Other expenses	6	(773,329)	(312,801)	(270,446)
Operating profit		2,932,383	2,181,926	2,246,802
Finance income	8	1,090,449	1,064,794	756,039
Finance costs	8	(1,413,315)	(1,237,593)	(799,514)
Net finance costs		(322,866)	(172,799)	(43,475)
Profit before income tax		2,609,517	2,009,127	2,203,327
Income tax expense	9	(571,758)	(423,160)	(667,112)
Profit from continuing operations		2,037,759	1,585,967	1,536,215
(Loss)/profit from discontinued operations (attributable to owners of the Company)		-	(42,164)	367,336
Profit for the year		2,037,759	1,543,803	1,903,551
Profit for the year is attributable to:				
Owners of the Company		1,979,129	1,492,088	2,067,654
Non-controlling interests		58,630	51,715	(164,103)
Total		2,037,759	1,543,803	1,903,551
Basic and diluted earnings per share for profit attributable to owners of the Company (in full TL)	25	0.90	0.68	0.94
Basic and diluted earnings per share for profit from continuing operations attributable to owners of the Company (in full TL)	25	0.90	0.70	0.77

Basic and diluted earnings/(losses) per share for profit /(loss) from discontinued operations attributable to owners of the Company (in full TL)	25	-	(0.02)	0.17

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.
2

TURKCELL ILETISIM HIZMETLERI AS

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2017
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

	2017	2016	2015
Profit for the year	2,037,759	1,543,803	1,903,551
Other comprehensive (expense):			
Items that will not be reclassified to profit or loss:			
Remeasurements of employee termination benefits	(3,738)	(34,532)	(13,466)
Income tax relating to this item	748	7,066	2,563
	(2,990)	(27,466)	(10,903)
Items that may be reclassified to profit or loss:			
Changes in cash flow hedge reserve	-	-	719
Exchange differences on translation of foreign operations	27,959	63,920	166,730
Exchange differences arising from discontinued operations	72,190	154,552	(551,196)
Income tax relating to these items	(107,299)	(87,381)	(5,749)
	(7,150)	131,091	(389,496)
Other comprehensive (loss)/income for the year, net of income tax	(10,140)	103,625	(400,399)
Total comprehensive income for the year	2,027,619	1,647,428	1,503,152
Total comprehensive income for the year is attributable to:			
Owners of the Company	1,968,102	1,594,465	1,616,867
Non-controlling interests	59,517	52,963	(113,715)
Total	2,027,619	1,647,428	1,503,152
Total comprehensive income for the year attributable to owners of the Company arises from:			
Continuing operations	1,903,109	1,496,209	1,798,094
Discontinued operations	64,993	98,256	(181,227)
Total	1,968,102	1,594,465	1,616,867

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.
3

TURKCELL ILETISIM HIZMETLERI AS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

	Share capital	Treasury shares	Additional paid-in capital	Share premium	Legal eeserve (*)	Cash flow hedge reserve (*)	Reserve for non-controlling interest put option (*)	Remeasurements of employee termination benefit	Foreign currency translation reserve (*)
Balance at 1 January 2015	2,200,000	-	35,026	269	839,284	(719)	(758,432)	(3,417)	350,254
Total comprehensive income/(loss):									
Profit for the year	-	-	-	-	-	-	-	-	-
Other comprehensive income/(loss):									
Foreign currency translation differences	-	-	-	-	-	-	(229,173)		(211,430)
Remeasurements of employee termination benefit	-	-	-	-	-	-	-	(10,903)	-
Change in cash flow hedge reserve	-	-	-	-	-	719	-	-	-
Other comprehensive loss for the year, net of income tax	-	-	-	-	-	719	(229,173)	(10,903)	(211,430)
Total comprehensive income for the year	-	-	-	-	-	719	(229,173)	(10,903)	(211,430)
Transfers	-	-	-	-	372,068	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-
Change in fair value of non-controlling interest	-	-	-	-	-	-	498,540	-	-
Acquisition of non-controlling	-	-	-	-	-	-	-	-	-

interest									
Balance at 31 December 2015	2,200,000	-	35,026	269	1,211,352	-	(489,065)	(14,320)	138,824
Balance at 1 January 2016	2,200,000	-	35,026	269	1,211,352	-	(489,065)	(14,320)	138,824
Total comprehensive income/(loss):									
Profit for the year	-	-	-	-	-	-	-	-	-
Other comprehensive income/(loss):									
Foreign currency translation differences	-	-	-	-	-	-	(133,222)	-	263,065
Remeasurements of employee termination benefits	-	-	-	-	-	-	-	(27,466)	-
Other comprehensive income for the year, net of income tax	-	-	-	-	-	-	(133,222)	(27,466)	263,065
Total comprehensive income for the year	-	-	-	-	-	-	(133,222)	(27,466)	263,065
Transfers	-	-	-	-	(16,148)	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-
Change in fair value of non-controlling interests	-	-	-	-	-	-	128,090	-	-
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-
Acquisition of treasury shares (-) (Note 24)	-	(65,607)	-	-	-	-	-	-	-
Balance at 31 December 2016	2,200,000	(65,607)	35,026	269	1,195,204	-	(494,197)	(41,786)	401,889
Balance at 1 January 2017	2,200,000	(65,607)	35,026	269	1,195,204	-	(494,197)	(41,786)	401,889
Total comprehensive									

income/(loss):									
Profit for the year	-	-	-	-	-	-	-	-	-
Other comprehensive income/(loss):									
Foreign currency translation differences	-	-	-	-	-	-	(45,848)	-	37,811
Remeasurements of employee termination benefits	-	-	-	-	-	-	-	(2,990)	-
Other comprehensive loss for the year, net of income tax	-	-	-	-	-	-	(45,848)	(2,990)	37,811
Total comprehensive income for the year	-	-	-	-	-	-	(45,848)	(2,990)	37,811
Transfers	-	-	-	-	447,820	-	-	-	-
Dividends paid	-	9,294	-	-	-	-	-	-	-
Balance at 31 December 2017	2,200,000	(56,313)	35,026	269	1,643,024	-	(540,045)	(44,776)	439,700

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.
4

TURKCELL ILETISIM HIZMETLERI AS

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2017
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

	Note	2017	2016	2015
Cash flows from operating activities:				
Profit before income tax from				
Continuing operations		2,037,759	1,585,967	1,536,215
Discontinued operations		-	(42,164)	367,336
Profit before income tax including discontinued operations		2,037,759	1,543,803	1,903,551
Adjustments for:				
Depreciation and impairment of property, plant and equipment and investment properties	11-14	1,501,579	1,281,539	1,118,499
Amortization of intangible assets	12	1,095,401	921,812	549,251
Net finance income		165,387	(117,598)	(515,040)
Fair value adjustments to derivatives		(562,562)	(383,452)	-
Income tax expense	9	571,758	423,160	667,112
Gain on sale of property, plant and equipment		(33,837)	(25,010)	(13,141)
Unrealized foreign exchange losses on operating assets		966,340	545,287	579,372
Provisions		980,040	197,543	196,588
Share of losses/(profits) of discontinued operations		-	42,164	(367,336)
Deferred revenue	29	131,486	(20,350)	8,095
		6,853,351	4,408,898	4,126,951
Change in operating assets/liabilities				
Change in trade receivables	19	613,404	1,197,053	(821,208)
Change in due from related parties	37	1,107	7,514	3,907
Change in receivables from financial services	20	(1,931,538)	(2,396,372)	-
Change in inventories	21	27,871	(62,090)	(4,526)
Change in other current assets	22	(198,268)	643,444	(771,583)
Change in other non-current assets	17	15,012	78,770	(70,030)
Change in due to related parties	37	(4,099)	4,302	(20,530)
Change in trade and other payables	31	(507,043)	(2,733,901)	348,472
Change in other non-current liabilities	26	(82,018)	(14,477)	(14,088)
Change in employee benefit obligations	28	(18,627)	15,151	5,125
Changes in other working capital		(265,518)	29,286	23,423
Cash generated from operations		4,503,634	1,177,578	2,805,913
Interest paid		(909,881)	(434,521)	(153,529)
Income tax paid		(492,487)	(135,920)	(751,078)
Net cash inflow from operating activities		3,101,266	607,137	1,901,306
Cash flows from investing activities:				
Acquisition of property, plant and equipment	11	(2,937,195)	(2,572,401)	(2,135,358)
Acquisition of intangible assets	12	(1,172,847)	(855,097)	(2,461,612)
Proceeds from sale of property, plant and equipment		58,740	49,639	24,192
Proceeds from currency option contracts		-	-	1,070

Proceeds from advances given for acquisition of property, plant and equipment		205,580	(209,686)	228,070
Proceeds from financial assets		-	-	19,350
Payments for held to maturity investment		(11,992)	-	-
Interest received		553,066	610,837	761,328
Net cash outflow from investing activities		(3,304,648)	(2,976,708)	(3,562,960)
Cash flows from financing activities:				
Acquisition of non-controlling interest		-	-	(267,920)
Capital decrease in subsidiaries		-	(9,000)	-
Proceeds from issues of loans and borrowings		24,102,643	9,381,318	4,866,381
Proceeds from issues of bonds		209,808	167,500	1,439,862
Repayment of borrowings		(22,265,088)	(4,932,768)	(6,551,001)
Repayment of bonds		(379,660)	-	-
Dividends paid to shareholders		(2,990,706)	-	(3,925,000)
Dividends paid to non-controlling interest in subsidiaries		(60,222)	(51,416)	(100,515)
Acquisition of treasury shares		-	(65,607)	-
(Increase)/decrease in cash collateral related to loans		(183,518)	349,004	(349,243)
Net cash (outflow)/inflow from financing activities		(1,566,743)	4,839,031	(4,887,436)
Net (decrease)/increase in cash and cash equivalents		(1,770,125)	2,469,460	(6,549,090)
Cash and cash equivalents at 1 January		6,052,352	2,918,796	9,031,881
Effects of exchange rate changes on cash and cash equivalents		430,106	664,096	436,005
Cash and cash equivalents at 31 December	23	4,712,333	6,052,352	2,918,796

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

TURKCELL ILETISIM HIZMETLERI AS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2017
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

Notes to the consolidated financial statements

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TURKCELL ILETISIM HIZMETLERI AS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2017
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

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 Maltepe Aydinevler Mahallesi Inonu Caddesi No: 20, Kucukyali Ofispark/Istanbul. It is engaged in establishing and operating a Global System for Mobile Communications ("GSM") network in Turkey and regional states.

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

On 26 August 2015, "Authorization Tender on IMT Services and Infrastructure" publicly known as 4.5G license tender, was held by the ICTA and the Company was awarded with a total frequency band of 172.4 MHz for 13 years. The tender price is EUR 1,623,460 (excluding VAT of 18%). IMT authorization period expires on 30 April 2029 and operators were able to commence service delivery for 4.5G starting from 1 April 2016. 2x1.4 MHz frequency band in 900MHz spectrum and 2 units of 2x5 MHz frequency bands in 2100 MHz spectrum were commenced on 1 December 2015, while remaining packages were commenced on 1 April 2016. For details please refer to Note 12.

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

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

The Company's parent is Turkcell Holding A.S., which holds 51% of the Company's shares as of 31 December 2017. The main shareholders of Turkcell Holding A.S. are TeliaSonera Finland Oyj (Sonera), Cukurova Group and Alfa Telecom Turkey Limited ("Alfa") according to the information obtained from public sources.

After failure to comply with corporate governance principles for election of independent board members, the CMB appointed 3 independent board members and 4 members, of which 2 members were chosen from the independent nominees list submitted by Sonera, as board members who satisfy the independence criteria in 2013. All members

shall serve as members until new members are elected by the general assembly or until the CMB announces a new resolution. After appointment of board members by the CMB, Turkcell board is comprised of 7 non-executive board members who satisfy the independence criteria and of which 3 are independent board members.

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1. Reporting entity (continued)

The consolidated financial statements of the Company as at and for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate. Subsidiaries of the Company, their locations and their nature of operations are disclosed in Note 38. The Company's and each of its subsidiaries' and associate's financial statements are prepared as at and for the year ended 31 December 2017.

2. Basis of preparation and summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of Turkcell İetişim Hizmetleri A.Ş. and its subsidiaries and the Group's interest in an associate.

(a) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB").

The General Assembly has the power to amend and reissue the financial statements. The consolidated financial statements as at and for the year ended 31 December 2016 were authorized for issue by the Board of Directors on 15 February 2017.

The consolidated financial statements as at and for the year ended 31 December 2017 were authorized for issue by the Board of Directors on 15 February 2018.

(b) Historical cost convention

The accompanying consolidated financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS as issued by the IASB. The financial statements have been prepared on a historical cost basis, except for the following measured at fair value:

- Derivative financial instruments

- Consideration payable in relation to the acquisition of Belarusian Telecom

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2. Basis of preparation and summary of significant accounting policies (continued)

(c) Functional and presentation currency

(i) Transactions and balances

Transactions denominated in foreign currencies are translated into the functional currency using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency using the exchange rates at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency using the exchange rates at the date when the fair value was determined. Translation differences are recognized in profit or loss, except for translation differences on available-for-sale financial assets, which are recognized in other comprehensive income.

Foreign exchange gains and losses are recognized in profit or loss, except:

- For capitalized foreign exchange differences relating to borrowings to the extent that they are regarded as an adjustment to interest costs eligible for capitalization.

Foreign exchange differences that are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. Foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within finance income or finance costs.

(ii) Foreign operations

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average monthly exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognized in other comprehensive income and accumulated in the foreign currency translation reserve, in equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2. Basis of preparation and summary of significant accounting policies (continued)

(d) Use of estimates and judgments

The preparation of the consolidated financial statements requires the use of accounting estimates. Management also needs to exercise judgement in applying the Group's accounting policies. Actual results may differ from these estimates.

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

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described below:

Allowance for doubtful receivables

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

Capitalization and useful lives of assets

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

Belarusian Telecom has 10 years of special GSM and UMTS services licenses acquired on 26 August 2008. In addition, the license period has been committed and signed for an additional 10 years for an insignificant fee. The amortization on the consolidated financial statements has been recognized on the assumption that the duration of the license would be extended.

Gross versus net presentation of revenue

When the Group acts as principal in sale of goods or rendering of services, revenue from customers and costs with suppliers are reported on a gross basis. When the Group acts as agent in sale of goods or rendering of services, revenue from customer and costs with suppliers are reported on a net basis, representing the net margin earned.

Whether the Group is acting as principal or agent depends on management's analysis of both legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and costs but do not impact reported assets, liabilities or cash flows.

2. Basis of preparation and summary of significant accounting policies (continued)

(d) Use of estimates and judgments (continued)

Multiple element arrangements

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

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

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

Income taxes

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

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

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

Provisions, contingent liabilities and contingent assets

As detailed and disclosed in Note 36, the Group is involved in a number of investigations and legal proceedings (both as a plaintiff and as a defendant) during the year arising in the ordinary course of business. All of these investigations and litigations are evaluated by the Group Management in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” and disclosed or accounted in the consolidated financial statements. Future results or outcome of these investigations and litigations might differ from Group Management’s expectations. As at the reporting date, the Group Management believes that appropriate recognition criteria and measurement basis are applied to provisions, contingent liabilities and contingent assets and that sufficient information is disclosed in the notes to enable users to

understand their nature, timing and amount by considering current conditions and circumstances.

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2. Basis of preparation and summary of significant accounting policies (continued)

(d) Use of estimates and judgments (continued)

Annual impairment review

The Group tests annually whether goodwill and intangible asset not yet available for use have suffered any impairment in accordance with IAS 36 "Impairment of Assets". Additionally, the carrying amounts of Group's nonfinancial assets are reviewed at each reporting date to determine whether there is an indication of impairment. If any indication exists the assets recoverable amount is estimated based on fair value less cost of disposal calculations. These calculations require the use of estimates as discussed in Note 13.

As at 31 December 2014, the Group has impaired its assets in Crimea region amounting to TL 19,897. As at 31 December 2017, the Group has impaired its assets in Luhansk and Donetsk regions amounting to TL 10,872.

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

Consequently, the subsidiaries operating within Belarus and Ukraine may subject to foreign currency and interest rate risks related to borrowings, the subscriber's purchasing power, liquidity and increase in corporate and personal insolvencies, that may not necessarily be observable in other markets. The accompanying consolidated financial statements contain the Group management's estimations on the economic and financial positions of its subsidiaries operating in Belarus and Ukraine. The future economic situation of Belarus and Ukraine might differ from the Group's expectations. As at 31 December 2017, the Group's management believes that their approach is appropriate in taking all the necessary measures to support the sustainability of these subsidiaries' businesses in the current circumstances and the achievability of the financials projections used in the impairment assessments.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 and 2 inputs are not available, the Group can engage third party qualified valuers to perform the valuation, if necessary. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 33.

2. Basis of preparation and summary of significant accounting policies (continued)

(d) Use of estimates and judgments (continued)

Contracted handset sales

The Company, the distributors and dealers offer joint campaigns to the subscribers which may include the sale of device by the dealer and/or distributor and a communication service to be provided by the Company. The Company does not recognize any revenue for the device in these transactions by considering the below factors:

- the Company is not primary obligor for the sale of handset,
- the Company does not have control over the sale prices of handsets,
- the Company has no inventory risk,
- the Company has no responsibility on technical compability of equipment delivered to customers
- the responsibility after sale belongs to the distributor and
- the Company does not make any modification on the equipment.

(e) Changes in accounting policies

Other than the adoption of the new and revised standards as explained in Note 2(af), the Group did not make any significant changes to its accounting policies during the current year.

(f) Changes in accounting estimates

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

The Company does not have significant changes in accounting estimates during the year.

(g) Comparative information and revision of prior period financial statements

The consolidated financial statements of the Group have been prepared consistent with prior periods.

2. Basis of preparation and summary of significant accounting policies (continued)

(g) Comparative information and revision of prior period financial statements (continued)

(h) Principles of consolidation and equity accounting

(i) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination comprises:

- the fair value of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- the fair value of any asset or liability resulting from a contingent consideration arrangement, and
- the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Goodwill is measured as the excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previously held equity interest in the acquired entity over the fair value of the net identifiable assets acquired. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest’s proportionate share of the acquired entity’s net identifiable assets.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.canc Contingent consideration classified as equity is not subject to remeasurement. Instead, any gain or loss at settlement is recorded as an adjustment to equity through other comprehensive income.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

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2. Basis of preparation and summary of significant accounting policies (continued)

(h) Principles of consolidation and equity accounting (continued)

(ii) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.
Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Non -controlling interest has not been attributed to Belarus Telekom on the grounds that net assets of Belarus Telekom is negative, Belarus Telekom is financed solely by the Company and management's assessment of relevant articles of the share purchase agreement with the non-controlling shareholder.

Turkcell Finansman A.Ş. ("Turkcell Finansman") sold financial loans amounting to TL 87,589 to Aktif Yatırım Bankası A.Ş. Turkcell Varlık Finansmanı Fund ("Fund") founded by Aktif Yatırım Bankası A.Ş. on 14 April 2017 in order to create funds for issuance of Asset Backed Securities ("ABS") which will be issued by the Fund in a structure where Turkcell Finansman will act as the source organization. Turkcell Finansman sold second financial loans amounting to TL 89,607 to Aktif Yatırım Bankası A.Ş. Turkcell Varlık Finansmanı Fund ("Fund") founded by Aktif Yatırım Bankası A.Ş. on 22 August 2017. Turkcell Finansman transferred its contractual rights to receive cash flows from the financial loans that have been sold to the Fund resulting in de-recognition of the related assets from its consolidated financial statements. Moreover, the Company did not consolidate the Fund since the activities of the Fund are not controlled by the Company and the Fund has been defined as a structured entity.

TURKCELL ILETISIM HIZMETLERI AS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2017
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

2. Basis of preparation and summary of significant accounting policies (continued)

(h) Principles of consolidation and equity accounting (continued)

(iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to the non-controlling and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company. The Group's ownership interest in lifecell was increased to 100% in 2015 and the difference between the non-controlling interests derecognized and the consideration paid for the acquisition of shares amounting to TL 929,013 was recognized in equity under retained earnings.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

(iv) Business combinations under common control

Business combinations between entities or businesses under common control are excluded from the scope of IFRS 3. In a business combination under common control, assets and liabilities of the acquired entity are stated at predecessor carrying values. Any difference between the consideration given and the aggregate book value of the assets and liabilities of the acquired entity at the date of the transaction is recognized in equity. The acquired entity's results and financial position are incorporated as if both entities (acquirer and acquiree) had always been combined, or using the results from the date when either entity joined the Group, where such a date is later.

(vi) Put option over shares relating to non-controlling interests

Where a put option is written by the Group on shares in an existing subsidiary held by non-controlling interests, the Group recognizes a financial liability at the present value of the redemption amount to reflect the put option. If the ownership risks and rewards of the shares relating to the put option is attributable to Group, the non-controlling interest is derecognized. The difference between the put option liability and the non-controlling interests derecognized is recognized in equity. For business combinations after 1 January 2009, subsequent changes in the fair value of the put option liability are recognized in profit or loss.

Reserve for put option over shares relating to non-controlling interests included in equity arises from the difference between the fair value of the put option written by Fintur Holdings B.V. ("Fintur") on non-controlling shares in one of its subsidiaries and the derecognized non-controlling interests relating to that put option.

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2. Basis of preparation and summary of significant accounting policies (continued)

(h) Principles of consolidation and equity accounting (continued)

(vii) Investments in associates

An associate is an entity over which the Group has significant influence, but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognized at cost.

Under the equity method of accounting, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in that entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.
Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

On acquisition of an associate, any excess of the cost of the investment over the Group's share of the net fair values of the associate's identifiable assets and liabilities is recognized as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment is included as part of the Group's share of the associate profit or loss in the period in which the investment is acquired.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in (Note 15). The Group measures an associate that is classified as held for sale at the lower of its carrying amount at the date of classification as held for sale and fair value less costs of disposal. Equity accounting ceases once an associate is classified as held for sale.

(i) Financial instruments

(i) Classification

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and

- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period. See Note 33 for details about each type of financial asset.

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2. Basis of preparation and summary of significant accounting policies (continued)

(i) Financial instruments (continued)

(ii) Reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(iii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

(iv) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortized cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognized as follows:

- for ‘financial assets at fair value through profit or loss’ – in profit or loss

- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortized cost of the security are recognized in profit or loss and other changes in the carrying amount are recognized in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive payments is established.

Details on how the fair value of financial instruments is determined are disclosed in Note 33.

2. Basis of preparation and summary of significant accounting policies (continued)

(i) Financial instruments (continued)

(iv) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

Impairment testing of trade receivables is described in Note 33.

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(v) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2. Basis of preparation and summary of significant accounting policies (continued)

(i) Financial instruments (continued)

(vi) Income recognition
Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.
Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.
(vii) Derivative financial instruments
Forward foreign exchange, interest rate and foreign exchange swaps (IRS, Cross Currency Swaps etc.) and option transaction fair values are calculated with market levels of interest rates and Central Bank of Republic of Turkey (CBRT) exchange rates via Bloomberg financial terminal. If market levels are not available for valuation date, fair value for forward contracts will be value of discounted future value of difference between contract price level and forward value of CBRT exchange rate with risk fee rates for the period. Interest rate and currency swaps will be valued with the difference of discounted cash flows of each leg of the swaps using risk free rates and CBRT exchange rates. Option transactions will be valued with option pricing models using risk free rates and CBRT exchange rates.
(viii) Offsetting financial assets and financial liabilities
Financial assets and liabilities are offset and the net amount presented in the statement of financial position where the Group has a legally enforcable right to offset the recognized amounts, and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.
(j) Cash and cash equivalents
For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
(k) Trade receivables
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.
Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See Note 33 for a description of the Group's impairment policies.

2. Basis of preparation and summary of significant accounting policies (continued)

(l) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at historical cost less depreciation and impairment losses. Property, plant and equipment related to the Company and its subsidiaries operating in Turkey are adjusted for the effects of inflation during the hyperinflationary period ended on 31 December 2005. Since the inflation accounting commenced on 1 January 2011, property, plant and equipment related to the subsidiaries operating in Belarus are adjusted for the effects of inflation. However, decrease in inflation rate in subsequent years led the three-year cumulative rate as of the end of 2014 to decrease to 65%. Accordingly, the economy of Belarus was considered to transit out of hyperinflationary status and 2015 is determined to be appropriate to cease applying IAS 29. Therefore, subsidiaries operating in Belarus ceased applying
IAS 29 in 2015.

Historical cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes 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.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. There are recognized included in profit or loss.

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

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

(ii) Subsequent costs

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

2. Basis of preparation and summary of significant accounting policies (continued)
(l) Property, plant and equipment (continued)
(iii) Depreciation
Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.
Land is not depreciated.
The estimated useful lives are as follows:

Buildings	21 – 25 years
Mobile network infrastructure	4 – 20 years
Fixed network infrastructure	3 – 25 years
Call center equipment	4 – 8 years
Equipment, fixtures and fittings	2 – 10 years
Motor vehicles	4 – 6 years
Central betting terminals	5 – 10 years
Leasehold improvements	3 – 5 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period.
(iv) Borrowing costs
General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.
(m) Intangible assets
(i) Telecommunication licenses
Separately acquired telecommunication licenses are stated at historical cost adjusted for the effects of inflation during the hyperinflationary period, where applicable, less amortization and impairment losses.
Amortization
Amortization is recognized in the statement of profit or loss on a straight-line basis by reference to the license period. The useful lives for telecommunication licenses are as follows:

Telecommunications licenses	3 – 25 years

2. Basis of preparation and summary of significant accounting policies (continued)

(m) Intangible assets (continued)

(ii) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.
Costs associated with maintaining computer software programmes are recognized as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads.
Research expenditure and development expenditure that do not meet the criteria above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

Amortization

Amortization is recognized in the statement of profit or loss on a straight-line basis over the estimated useful lives. The useful lives for computer software are as follows:

Computer software	3 – 8 years

(iii) Other intangible assets

Other intangible assets that are acquired by the Group which have finite useful lives are stated at historical cost adjusted for the effects of inflation during the hyperinflationary period, where applicable, less amortization and impairment losses. Indefeasible Rights of Use (“IRU”) are rights to use a portion of an asset’s capacity granted for a fixed period of time. IRUs are recognized as intangible asset when the Group has specific indefeasible rights to use an

identified portion of an underlying asset and the duration of the right is for the major part of the underlying asset's useful economic life. IRUs are amortized over the shorter of the underlying asset's useful economic life and the contract term.

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2. Basis of preparation and summary of significant accounting policies (continued)

(m) Intangible assets (continued)

(iii) Other intangible assets (continued)

Amortization

The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

Transmission line software	5 – 10 years
Central betting system operating right	7 – 10 years
Customer base	2 – 15 years
Brand name	9 – 10 years
Indefeasible right of use	15 years

Amortization methods, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period.

Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(n) Investment properties

Recognition and measurement

Investment properties are properties held for rental yields and/or for capital appreciation (including property under construction for such purposes). Investment properties are stated at historical cost less depreciation and impairment losses.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

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2. Basis of preparation and summary of significant accounting policies (continued)

(n) Investment properties (continued)

Depreciation
Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives. The estimated useful lives are as follows:

Investment Property   25 - 45 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period.

(o) Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Cost of inventory is determined using the weighted average method and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Costs of purchased inventory are determined after deducting rebates and discounts. At 31 December 2017 and 2016, inventories mainly consisted of mobile phones, sim-cards, and other devices.

(p) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(r) Employee benefits

(i) Short-term obligations

Liabilities for salaries including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as trade and other payables in the statement of financial position.

(ii) Termination benefits

In accordance with the 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 up to a of maximum full TL 6,000 as at 31 December 2017, per year of employment at the rate of pay

applicable at the date of retirement or termination. Termination benefits paid to key executive officers are presented as other expenses. Reserve for employee termination benefits is computed and reflected in the consolidated financial statements on a current basis. The reserve is calculated by estimating the present value of future probable obligation of the Company and its subsidiaries in Turkey arising from retirement of employees. Reserve for employee termination benefits is calculated annually by independent actuaries using the projected unit credit method.

2. Basis of preparation and summary of significant accounting policies (continued)

(r) Employee benefits (continued)

(iii) Defined contribution plans

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Share-based payments

The Group provides a cash-settled share-based payment plan for selected employees in return for their services. For cash-settled share-based payment transactions, the Group measures services acquired and the liability incurred at the fair value of the liability. Liabilities for cash-settled share-based payment plan are recognized as employee benefit expense over the relevant service period. The fair value of the liability is re-measured at each reporting date and at the settlement date. Any changes in fair value are recognized in profit or loss for the period.

(v) Personnel bonus

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

(s) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources will be required to settle the obligation.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

Onerous contracts

Present obligation arising under an onerous contract is recognized and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

2. Basis of preparation and summary of significant accounting policies (continued)

(s) Provisions (continued)

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

(t) Revenue
Revenue is recognized at the fair value of the consideration received or receivable, net of returns, trade allowances and rebates. The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.
Revenue from telecommunication services includes postpaid and prepaid revenue from voice, data, messaging and value added services, interconnect revenue, monthly fixed fees, SIM card sales and roaming revenue. Revenue from telecommunication services are recognized at the time services are rendered.
With respect to prepaid revenue, the Group generally collects cash in advance by selling prepaid top up to distributors. In such cases, the Group does not recognize revenue until subscribers use the telecommunication services. Deferred revenue is recorded under current liabilities.
Services may be bundled with other products and services and these bundled elements involve consideration in the form of a fixed fee or a fixed fee coupled with a continuing payment stream. Total arrangement consideration relating to a bundled contract is allocated to different units of accounting if:
- each element in the arrangement has standalone value to the customer; and
- fair value of each element can be measured reliably.

The arrangement consideration is allocated to each element based upon their relative fair values. If an element of a transaction is not a separately identifiable component, then it is accounted for as an integral part of the remaining elements of the transaction.
Revenue allocated to products where the Group acts as principal is recognized when significant risks and rewards of ownership are transferred to the buyer, collection is probable, associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the products and the amount of revenue can be measured reliably.
Revenue from device sales is recognized when the device is delivered to the end customer and significant risks and rewards of ownership are transferred. For device sales made to intermediaries, revenue is recognized if significant risks and rewards of ownership associated with the device are transferred to the intermediary and the intermediary has no general right to return the device to receive a refund. If significant risks and rewards of ownership are not transferred, revenue is deferred until sale of the device to an end customer by the intermediary or expiry of any right of return.
The Company, the distributors and dealers offer joint campaigns to the subscribers which may include the sale of device by the dealer and/or the distributor and the sale of communication service by the Company. In certain campaigns, dealers make the handset sale to the subscribers instalments of which will be collected by the Company based on the letters of undertaking signed by the subscribers. With the letter of undertaking, the dealer assigns its

receivables from handset sale to the distributor and the distributor assigns its receivables to the Company.

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2. Basis of preparation and summary of significant accounting policies (continued)

(t) Revenue (continued)

The Company pays the distributor net present value of the instalments to be collected from the subscribers and recognizes contracted receivables in its statement of financial position. The undue portion of assigned receivables from the distributors which were paid upfront by the Company is classified as "undue assigned contracted receivables" in trade receivables (Note 19). When monthly installment is invoiced to the subscriber, related portion is presented as "receivables from subscribers". The Company collects the contracted receivables in installments during the contract period and does not recognize any revenue for the handset in these transactions as the Company does not act as principal for the sale of handset.

Starting from 2014, the subscribers has an option to buy handsets using bank loans instalments of which are collected by the Company on behalf of the bank. The Company does not bear any credit risk in these transactions. Since the Company collects receivables during the contract period and acts as agent for the sale of handset, the Company does not recognize any revenue for the handset in these transactions.

Starting from 2016 the Company and distributors started to offer the option to buy a device through Turkcell Financing loan, which will be collected by the Company. The Group carries a risk of collection in these transactions. Turkcell Finansman collects the purchased credit from the subscriber during the contract period, and does not record revenue related to the device since it is not the main contractor in the device sale. Revenue from financial services comprise of interest income generated from consumer financing activities. Interest income is recognized as it accrues, using the effective interest method.

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. Monthly fixed fees are included telecommunication services revenues.

Revenues from betting business mainly comprise of net takings earned to a maximum of 1.4% of gross takings as the head agent of fixed odds betting games and mobile agent revenues of 7.25% of mobile agency turnover after deducting VAT and gaming tax as the head agent. Revenues from betting business are recognized at the time all services related to the games are fully rendered. Under the agreement signed with Spor Toto Teşkilat Müdürlüğü A.Ş. ("Spor Toto"), Inteltek Internet Teknoloji Yatırım ve Danışmanlık A.Ş. ("Inteltek") is obliged to undertake any excess payout, which is presented on a net basis.

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

Azerinteltek has been authorized for the Lottery games by Azerlotereya. Azerinteltek has been generating commission revenue over Lottery games turnover through its own agencies by applying 15% commission rate according to agreement between Azerinteltek and Azerlotereya. Commission revenues are recognized at the time all services related to the games are fully rendered.

SIM card sales are recognized upon delivery to distributors, net of returns, discounts and rebates. SIM card costs are also recognized upon sale of the SIM card to the distributors. SIM card sales are included telecommunication services revenues.

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

2. Basis of preparation and summary of significant accounting policies (continued)

(t) Revenue (continued)

When the Group sells goods or services as a principal, revenue and operating costs are recorded on a gross basis. When the Group sells goods or services as an agent, revenue and operating costs are recorded on a net basis, representing the net margin earned. Whether the Group is considered to be acting as principal or agent in the transaction depends on management's analysis of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and operating costs but do not impact reported assets, liabilities or cash flows.

The Company and the Ministry of Transport, Maritime Affairs and Communications, Directorate General of Communications signed a contract to continue the contract to establish and operate mobile communication infrastructure and operation in uncovered areas, (Phase 1) until 31 December 2018 and to add mobile broadband services to the existing infrastructure providing GSM services under Universal Service Law and to operate the new and existing networks together. Mobile broadband services will be added to the existing infrastructure established in accordance with Phase 1 in 1,799 rural locations. The new and the existing infrastructure will be operated together. As of 31 December 2017, the Company has recognized TL 257,866 revenue from its operations related to this contract. Since the Company acts as principal, revenue and operating costs are reported on a gross basis in these consolidated financial statements.

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

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

(u) Leases

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

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognized as income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

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2. Basis of preparation and summary of significant accounting policies (continued)

(v) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

(w) Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.
Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(x) Income taxes
The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.
Income tax expense is recognized in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

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