

TURKCELL ILETISIM HIZMETLERI A S  
Form 424B3  
November 09, 2006  
**Subject to Completion. Dated November 9, 2006.**

**The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and they are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

Filed pursuant to Rule 424(b)(3)  
Registration No. 333-138528

Prospectus Supplement to Prospectus dated November 8, 2006.

## Turkcell Iletisim Hizmetleri A.S.

### 129,393,196.537 Ordinary Shares

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Our shareholders, Cukurova Holding A.S. and Cukurova Investments N.V., are selling an aggregate of 129,393,196.537 of our ordinary shares. We will not receive any of the proceeds from the sale of the ordinary shares by the selling shareholders.

Our ADSs, each representing two and one-half ordinary shares, are listed on the New York Stock Exchange under the symbol TKC . Our ordinary shares are listed on the Istanbul Stock Exchange under the symbol TCELL . On November 7, 2006 the closing price of our ordinary shares on the Istanbul Stock Exchange was TRY 7.70 per ordinary share and the closing price of our ADSs on the New York Stock Exchange was \$14.61 per ADS.

**Investing in our ordinary shares involves risks. See Risk Factors starting on page S-13 of this prospectus supplement and on page 8 of our 2005 Annual Report on Form 20-F, included as Annex B hereto, to read about factors you should consider before buying our ordinary shares.**

**Due to uncertainty surrounding the application of a Turkish capital gains tax, the ADR Depository has indefinitely halted issuance and cancellation of ADSs. Accordingly, during the indefinite halt, purchasers of ordinary shares will not be able to deposit them in order to create ADSs. See Risk Factors Risks related to the offering.**

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement and the accompanying prospectus. Any representation to the contrary is a criminal offense.**

	Per Ordinary Share	Total
Initial price to investors	TRY	TRY
Underwriting discounts and commissions	TRY	TRY
Proceeds, before expenses, to the selling shareholders	TRY	TRY

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The underwriter expects to deliver the ordinary shares through the facilities of Merkezi Kayit Kurulusu ( MKK ) on November , 2006.

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**JPMorgan**

Prospectus Supplement dated November , 2006.



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## ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of three parts. The first part is this prospectus supplement, which describes the specific terms of this offering of ordinary shares of Turkcell Iletisim Hizmetleri A.S. ( Turkcell ). The second part, the accompanying base prospectus, presents more general information. Generally, when we refer only to the prospectus , we are referring to both parts combined, and when we refer to the accompanying prospectus , we are referring to the base prospectus. The third part contains two annexes, the first of which is our report on Form 6-K filed on November 8, 2006, containing our Consolidated Financial Statements prepared in accordance with accounting principles generally accepted in the United States of America for the nine months ended September 30, 2006, incorporated by reference herein and attached hereto as Annex A (the Nine Month Report ), and the second of which is our Annual Report on Form 20-F for the year ended December 31, 2005 filed with the U.S. Securities and Exchange Commission (the SEC ) on April 13, 2006, as amended November 8, 2006 solely to amend the audit report of PricewaterhouseCoopers Accountants NV to cover the 2003 year of Fintur Holdings B.V., incorporated by reference herein and attached hereto as Annex B (the Form 20-F or our 20-F ).

If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in this document or in one to which we have referred you in this prospectus. We have not authorized anyone to provide you with information that is different. This document may be used only where it is legal to sell these securities. The information in this document may be accurate only on the date hereof.

Unless the context requires otherwise, in this prospectus, the Company , we , us , our or similar terms refers to Turkcell and its consolidated subsidiaries.

In this prospectus supplement, references to New Turkish Lira or TRY are to the lawful currency of the Republic of Turkey and references to dollars or \$ are to the lawful currency of the United States.

## NOTICE TO CERTAIN EUROPEAN INVESTORS

This document and the offering of ordinary shares are only addressed to and directed at persons in member states of the European Economic Area who are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC) ( Qualified Investors ). In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the Order ) and Qualified Investors falling within Article 49(2)(a) to (d) of the Order, and (ii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as relevant persons ). This document must not be acted on or relied on (i) in the United Kingdom, by persons who are not relevant persons, and (ii) in any member state of the European Economic Area (including the United Kingdom), by persons who are not Qualified Investors. Any investment or investment activity to which this document relates is available only to (i) in the United Kingdom, relevant persons, and (ii) in any member state of the European Economic Area (including the United Kingdom), Qualified Investors, and will be engaged in only with such persons.

J.P. Morgan Securities Ltd., which is authorized and regulated in the United Kingdom by the FSA, is acting exclusively for the Selling Shareholders and no-one else in connection with the offering of ordinary shares. It will not regard any other person (whether or not a recipient of this document) as its client in relation to the offering of ordinary shares and will not be responsible to anyone other than the Selling Shareholders for providing the protections afforded to its clients nor for giving advice in relation to the offering of ordinary shares or any transaction or arrangement referred to in this document.

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## WHERE YOU CAN FIND MORE INFORMATION

We file annual and other reports with the SEC. You may read and copy any document we file with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains a website (<http://www.sec.gov>) on which our annual and other reports are made available. You may also read and copy certain documents we submit to the New York Stock Exchange at its offices at 20 Broad Street, New York, New York 10005. We maintain a website at <http://www.turkcell.com.tr/>.

## NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

- competition in our home market;
- economic developments in Turkey and the global economy;
- political developments in Turkey and its neighboring countries;
- failure of the Turkish mobile telecommunications market to continue to develop;
- legal and regulatory restrictions, including those imposed by the Telecommunications Authority of Turkey (the Telecommunications Authority );
- enactment of the draft Electronic Communications Law in Turkey;
- adverse effects on our competitiveness due to our designation by the Telecommunications Authority as an operator holding significant market power in the mobile call termination services market and as an operator holding significant market power in access to GSM mobile networks and the call origination market ;
- our disputes with other GSM operators and Turk Telekom over call termination charges;
- failure to abide by the requirements of our license or applicable regulations;
- legal actions and claims to which we are a party;
- foreign exchange rate risks;
- interest rate risk;
- the influence and relationship of our controlling shareholders;

- exposure to certain risks through our interests in associated companies;

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- our ability to deal with spectrum limitations;
- rapid and significant change in the communications industry that may reduce the appeal of our services or require us to increase our capital expenditures;
- failure by our business partners to carry out their obligations under our agreements;
- potential liability and possible reduced usage of mobile phones as a result of alleged health risks related to base transmitter stations and the use of handsets;
- our dependence on certain suppliers for network equipment and the provision of data services;
- our ability to retain key personnel; and
- financial risks in the event that our majority owned subsidiaries fail to meet some of their obligations set forth in the agreements related to their financing arrangements.

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

#### **INCORPORATION BY REFERENCE**

The SEC allows us to incorporate by reference the information we submit to it, which means that we can disclose important information to you by referring you to certain documents filed with or furnished to the SEC that are considered part of this prospectus through incorporation by reference. Information that we file with or furnish to the SEC in the future and incorporate by reference will automatically update and supersede the previously filed or furnished information. We incorporate herein by reference the documents and portions of documents incorporated by reference in the accompanying prospectus.

You may obtain a copy of these filings at no cost by writing or telephoning us at the following address:

Turkcell Iletisim Hizmetleri A.S  
Attention: Investor Relations  
Turkcell Plaza  
Mesrutiyet Caddesi No: 153  
34430 Tepebasi  
Istanbul, Turkey  
Telephone: +90 212 313 1888  
Fax: +90 212 292 9322  
E-mail: investor.relations@turkcell.com.tr

## PROSPECTUS SUPPLEMENT SUMMARY

### Company Overview

Turkcell Iletisim Hizmetleri A.S., or Turkcell, a joint stock company organized and existing under the laws of the Republic of Turkey, was formed in 1993 and commenced operations in 1994. Our principal shareholders are Sonera Holding, formerly known as Telecom Finland Ltd., and currently owned by TeliaSonera, the Cukurova Group and Alfa Group (through its Altimo subsidiary). The address of our principal office is Turkcell Iletisim Hizmetleri A.S., Turkcell Plaza, Mesrutiyet Caddesi, No. 153, 34430 Tepebasi, Istanbul, Turkey. Our telephone number is +90 (212) 313 10 00.

We are the leading provider of mobile services in Turkey in terms of number of subscribers (based on our estimates and announcements made by other operators). We provide high-quality mobile voice and data services over our GSM network. We have developed one of the premier mobile brands in Turkey by differentiating ourselves from our competition in areas such as quality of service. As part of our focus on subscriber service and subscriber growth, we have introduced a wide range of mobile services for various subscriber needs in order to attract new customers and retain existing ones. At September 30, 2006, our subscriber base was approximately 30.8 million.

Through a state-of-the-art GSM network, we provide comprehensive coverage of an area that as of September 30, 2006, included 100% of the population living in cities of 10,000 or more people, 99.96% of the population living in cities of 5,000 or more people and 99.93% of the population living in cities of 3,000 or more people. Coverage also includes substantially the entire Mediterranean and Aegean coastline of Turkey. As of October 27, 2006, we provided service to our subscribers in 193 countries through roaming agreements with 536 operators.

We operate under a 25-year GSM license, which we were granted in April 1998 upon payment of an upfront license fee of \$500 million. At this time we also entered into an interconnection agreement with Turk Telekom providing for the interconnection of our network with Turk Telekom's fixed-line network. Under our license, we pay the Turkish Treasury a monthly ongoing license fee equal to 15% of gross revenue. Of that monthly ongoing license fee, 10% goes to the Ministry of Transportation for the Universal Services Fund. We have GSM operations in Ukraine and Northern Cyprus through majority owned subsidiaries and GSM operations in Azerbaijan, Georgia, Moldova and Kazakhstan through our minority owned subsidiary, Fintur Holdings B.V. ( Fintur ).

After giving effect to this offering, our major shareholders' ordinary share ownership will represent approximately 71.7% of our share capital and the public ownership will represent approximately 23.3%. TeliaSonera, the Cukurova Group and the Alfa Group (through its Altimo subsidiary) will own, directly and indirectly, after giving effect to this offering, approximately 37.1%, 21.4% and 13.2%, respectively, of our share capital.

### Strategy

Our vision is to enrich and facilitate the life of our subscribers. In line with this vision, our mission is to connect our customers to life by creating value-added communication services and providing creative communications solutions.

In order to achieve our vision and mission, we have adopted the following key strategic priorities:

#### *Enhance Customer Focused and Customer Relationship Management (CRM) Approach*

Since our inception, our business approach has been shaped by subscriber needs and expectations. The loyalty of our customers is very important and we use a customer-oriented approach to maintain the loyalty of our customers in a market with increasing competition and changing economic conditions. Our



CRM program and customer focus play an important role in the management of different marketing campaigns and services for different subscriber segments and in attracting potential subscribers. Through the effective management of our CRM program, we aim to:

- maintain subscriber acquisition market share;
- focus on retention; and
- strengthen the perception of better value for money among our subscribers.

*Provide Superior Products and Services*

We believe that the quality of our network, measured in terms of network coverage and capacity, has been an important factor in the successful provision of new and superior products and services to date. We intend to maintain our high quality network and to upgrade our networks to further facilitate the introduction of more sophisticated data services.

We intend to facilitate increased GSM usage among our existing subscribers and to foster the growth of new GSM subscribers in Turkey by offering value-added services and by allowing our subscribers to access a wide range of services through our network.

*Focus on Cost Control and Efficiency*

We continue to focus on cost management and increasing the efficiency of our operations without adversely impacting our ability to deliver high quality products and services to our subscribers.

**Investment and Financing Plans**

Our efforts to selectively seek and evaluate new international investment opportunities continue. These opportunities could include the purchase of a license and acquisitions in markets outside of Turkey in which we currently do not operate. In order to increase our financial flexibility, we plan to put in place significant external debt financing to be utilized for potential international investments, if one or more opportunities are realized. Utilization will be based upon need and in case the facility is not used the only cost will be relevant arrangement and commitment fees.

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## SUMMARY FINANCIAL DATA

The selected financial information set forth below for the years ended December 31, 2003, 2004 and 2005, and the nine months ended September 30, 2005 and 2006, has been derived from, and should be read in conjunction with, the financial statements and accompanying notes prepared in accordance with US Generally Accepted Accounting Principles ( US GAAP ) in our Form 20-F and Nine Month Report.

The financial information included in this prospectus has been prepared and is presented on a consolidated basis in accordance with US GAAP in US dollars. We have presented this information in accordance with US GAAP, even though we maintain our books of account and prepare our statutory financial statements in Turkish Lira (New Turkish Lira starting from January 1, 2005 onwards) in accordance with Turkish Accounting Principles promulgated under the Turkish Commercial Code and Turkish tax legislation, because US and international investors are generally unfamiliar with Turkish Accounting Principles. Until January 1, 2006, our financial statements and those of our subsidiaries located in Turkey and Northern Cyprus have been translated into US Dollars, our reporting currency, in accordance with the relevant provisions of SFAS No. 52, Foreign Currency Translation as applied to entities in highly inflationary economies. However, as hyperinflationary conditions in Turkey no longer existed starting from January 1, 2006, our financial statements for periods beginning on or after January 1, 2006, are not adjusted for hyperinflationary accounting.

Beginning from the 2006 fiscal year, we have prepared our interim consolidated financial statements and will prepare our annual consolidated financial statements in accordance with International Financial Reporting Standards ( IFRS ) exclusively (with the exception of this prospectus) and will reconcile these to US GAAP only in our annual consolidated financial statements. Please see Item 5.A. Operating Results in our Form 20-F for further information on our transition to reporting our consolidated financial statements in accordance with IFRS.

You should read the following information in conjunction with Operating And Financial Review And Prospects For The Nine Months Ended And As At September 30, 2006 , our Nine Month Report, Item 5. Operating and Financial Review and Prospects in our Form 20-F, and our consolidated financial statements as of December 31, 2004 and 2005 and for each of the years in the three-year period ended December 31, 2005, the related notes and the independent auditors report appearing in our Form 20-F. Our consolidated balance sheet as of December 31, 2003, and our consolidated financial statements as of and for the years ended December 31, 2002 and 2001 are not included in this prospectus.

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The information appearing under the captions Other Financial Data and Operating Results is not derived from the audited financial statements.

	Year Ended December 31, (Audited)				Nine Months Ended September 30, (Unaudited)	
	2001(1) \$	2002 \$	2003 \$	2004 \$	2005 \$	2006 \$
<b>Consolidated Statement of Operations Data</b>						
Revenues						
Communication fees	1,598.2	1,911.0	2,143.6	3,088.1	4,056.5	3,043.0
Commission fees on betting business				20.3	108.0	72.9
Monthly fixed fees	83.8	40.9	41.1	51.9	54.3	40.8
SIM card sales	12.0	13.3	24.4	28.3	32.6	23.8
Call center revenues	7.7	7.9	7.4	8.2	10.1	7.4
Other	0.5	0.8	2.7	4.0	7.0	5.2
Total revenues	1,702.2	1,973.9	2,219.2	3,200.8	4,268.5	3,193.1
Direct cost of revenues(2)	(1,173.7 )	(1,366.9 )	(1,613.2 )	(2,001.2 )	(2,391.0 )	(1,750.5 )
Gross profit	528.5	607.0	606.0	1,199.6	1,877.5	1,442.6
General and administrative expenses	(130.7 )	(104.5 )	(137.2 )	(137.3 )	(152.0 )	(107.9 )
Selling and marketing expenses	(180.5 )	(223.5 )	(294.6 )	(349.2 )	(488.7 )	(348.6 )
Income from operations	217.3	278.9	174.2	713.1	1,236.8	986.1
Income (loss) from related parties, net	2.5	(0.2 )	3.7	1.9	1.1	0.8
Financial income (expense), net	(207.8 )	(206.8 )	(366.3 )	31.3	(8.4 )	(28.4 )
Other income (expense), net	(5.2 )	13.6	6.2	7.1	5.2	5.4
Equity in net income (loss) of unconsolidated investees(3)	(51.3 )	(20.4 )	18.9	43.6	67.6	45.3
Minority interest in income (loss) of consolidated subsidiaries	0.4	0.3	3.6	7.5	24.3	6.0
Translation loss	(151.5 )	(18.0 )	(102.4 )	(11.3 )	(8.3 )	(8.4 )
Income (loss) before taxes	(195.6 )	47.4	(262.1 )	793.2	1,318.3	1,006.8
Income tax benefit (expense)	8.8		477.3	(281.4 )	(407.4 )	(337.3 )
Net income (loss)	(186.8 )	47.4	215.2	511.8	910.9	669.5
Net income (loss) per share(4)(10)	(0.090262 )	0.021545	0.097818	0.232636	0.414045	0.304318
<b>Other Financial Data</b>						
Dividends declared or proposed(5)			78.1	182.2	342.2	
Dividends per share (declared or proposed)(6)(10)			0.035500	0.082818	0.155545	
Gross margin(7)	31.0 %	30.8 %	27.3 %	37.5 %	44.0 %	45.2 %
Adjusted EBITDA(8)	611.1	691.0	595.7	1,137.1	1,704.5	1,326.1
Capital expenditures	108.3	71.2	172.9	486.7	778.7	572.9
<b>Consolidated Balance Sheet Data (at period end)</b>						
Cash and cash equivalents	243.1	394.1	582.7	763.8	795.1	641.9
Total assets	3,536.0	3,233.5	3,867.3	4,361.5	4,405.6	4,129.4
Long term debt(9)	1,246.0	925.0	522.2	269.7	82.9	108.2
Total debt	1,637.8	1,308.2	630.2	832.6	650.3	535.9

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Total liabilities	2,250.8	1,903.0	2,320.0	2,376.0	1,688.0	1,655.3	1,788.8
Capital stock	636.1	636.1	636.1	636.1	636.1	636.1	833.4
Total shareholders equity/net assets	1,285.2	1,330.5	1,547.3	1,985.5	2,717.6	2,474.1	2,933.1
Weighted Average Number of shares(10)	2,069,534,356	2,200,000,000	2,200,000,000	2,200,000,000	2,200,000,000	2,200,000,000	2,200,000,000
<b>Consolidated Cash Flow Information</b>							
Net cash provided by operating activities	288.7	608.8	1,041.3	603.9	1,143.1	894.8	1,246.5
Net cash used for investing activities	(159.9 )	(141.9 )	(198.9 )	(542.3 )	(745.4 )	(540.1 )	(606.8 )
Net cash provided by (used for) financing activities	(249.0 )	(315.9 )	(653.8 )	119.5	(366.5 )	(476.6 )	(346.5 )

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(1) We adopted EITF 01-09 Accounting for Consideration Given to a Customer or a Retailer of the Vendor's Products on January 1, 2002. As a result of applying the provisions of EITF 01-09, our revenues, gross profit, and selling and marketing expenses were reduced by \$84.7 million for the year ended December 31, 2001. The adoption of EITF 01-09 had no impact on operating income, net income (loss) or earnings (loss) per share. As a result of the application of EITF 01-09 to prior periods, certain figures provided in this prospectus will differ from figures provided previously.

(2) Direct cost of revenues includes mainly ongoing license fees, transmission fees, base station rents, billing costs, cost of simcards sold, depreciation and amortization charges, repair and maintenance expenses directly related to services rendered, roaming charges paid to foreign GSM operators for calls made by our subscribers while outside Turkey, interconnection fees and wages, salaries and personnel expenses for technical personnel.

(3) Until August 2006, equity in net income (loss) of unconsolidated investees included only the income (loss) from Fintur of which we own 41.45%. Fintur currently holds all of our International GSM investments other than our Northern Cyprus and Ukraine operations. During 2002, Fintur restructured its two business divisions, the international GSM businesses and the technology businesses. As part of the restructuring, we acquired 16.45% of Fintur's international GSM businesses from the Cukurova Group, increasing our ownership interest in that business to 41.45% and Fintur sold its entire interest in its technology businesses to the Cukurova Group. See Item 4B. Business Overview International Operations Fintur in our Form 20-F. On August 9, 2006, we acquired a 50% stake in the shares of A-Tel from Cukurova Group for consideration of \$150.0 million. A-Tel is a joint venture and its remaining 50% shares are held by Turkey's Savings and Deposit Insurance Fund (the SDIF). A-Tel is accounted for under the equity method.

(4) Net income (loss) per share figures have been restated to reflect the effect of certain stock splits as explained in note 19 to the consolidated financial statements in our Form 20-F.

(5) Distribution of cash dividends in the amount of TRY509,075,181 was approved at our General Assembly meeting held on May 22, 2006. The US dollar equivalent of the cash dividends amounts to \$342.2 million using the Central Bank of Turkey's TRY/US\$ exchange rate on May 22, 2006, which is the approval date of dividend distribution at our General Assembly Meeting. Therefore, the effect of dividend distribution in our consolidated statement of cash flows and in our consolidated statement of changes in shareholders' equity for the nine month period ended September 30, 2006, was \$342.2 million.

(6) In 2005 we paid dividends of \$182.2 million for the year ended December 31, 2004, when 1,854,887,341 of our shares were outstanding. In 2006 paid dividends of \$342.2 million for the year ended December 31, 2005, when 2,200,000,000 of our shares were outstanding. The decision of the Board of Directors was approved by the General Assembly held on May 22, 2006. Dividends per share for the year ending December 31, 2004 is computed over 2,200,000,000 shares in order to reflect the effect of certain stock splits.

(7) Gross margin has been calculated as gross profit divided by total revenues.

(8) Beginning from the 2006 fiscal year, we have revised the definition of EBITDA, to which we refer herein as Adjusted EBITDA, using this new definition starting from the first quarter of 2006 in order to provide a new measure to reflect solely cash flow from operations. Therefore, Adjusted EBITDA figures for the years 2001, 2002, 2003, 2004 and 2005 and for the nine months period ended 2005 provided in this prospectus will differ from figures provided previously since we have recalculated these Adjusted EBITDA figures according to our new definition. Our new Adjusted EBITDA equals income from operations excluding depreciation and amortization. Adjusted EBITDA is not a measurement of financial performance under US GAAP and should not be construed as a substitute for net earnings (loss) as a measure of performance or cash flow from operations as a measure of liquidity. It is used in this prospectus because it is a common and useful measure of performance of a mobile operator. See below for a reconciliation of Adjusted EBITDA to the most directly comparable US GAAP measure.

(9) Consists of long-term debt and long-term lease obligations.

(10) In connection with the redenomination of the Turkish Lira and as per the related amendments of Turkish Commercial Code, in order to increase the nominal value of the shares to TRY 1, 1,000 units of shares, each having a nominal value of TRY 0.001 shall be consolidated and each unit of share having a nominal value of TRY 1 shall be issued to represent such shares. Turkcell is currently in the process of merging 1,000 existing ordinary shares, each having a nominal value of TRY 0.001 to one ordinary share having a nominal value of TRY 1. After the share consolidation which appears as a provisional article in the Articles of Association to convert the value of each share with a nominal value of TRY 0.001 to TRY 1, all shares will have a value of TRY 1. Although the consolidation process has not been finalized, the practical application is to state each share having a nominal value of TRY 1 which is consented to by Capital Markets Board of Turkey (CMB). Basic and diluted weighted average number of shares and net income per share as of December 31, 2001, 2002, 2003 and 2004 are retrospectively changed to reflect each share having a nominal value of TRY 1.

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

	Year Ended December 31,					Nine Months Ended September 30,	
	2001 \$ (in millions)	2002 \$	2003 \$	2004 \$	2005 \$	2005 \$	2006 \$
<b>Adjusted EBITDA</b>	<b>611.1</b>	<b>691.0</b>	<b>595.7</b>	<b>1137.1</b>	<b>1704.5</b>	<b>1,326.1</b>	<b>1,357.1</b>
Income (loss) from related parties, net	2.5	(0.2 )	3.7	1.9	1.1	0.8	1.6
Other income (expense), net	(5.2 )	13.6	6.2	7.1	5.2	5.4	0.6
Financial income (expense), net	(207.8 )	(206.8 )	(366.3 )	31.3	(8.4 )	(28.4 )	48.8
Translation loss	(151.5 )	(18.0 )	(102.4 )	(11.3 )	(8.3 )	(8.4 )	
Net increase (decrease) in assets and liabilities	39.6	129.2	904.4	(562.2 )	(551.0 )	(400.7 )	(161.6 )
<b>Net cash provided by operating activities</b>	<b>288.7</b>	<b>608.8</b>	<b>1041.3</b>	<b>603.9</b>	<b>1143.1</b>	<b>894.8</b>	<b>1246.5</b>

We believe that Adjusted EBITDA, a measure commonly used in the telecommunications industry in Europe, can enhance the understanding of our operating results.

#### Operating Results

	Year Ended December 31,					Nine Months Ended September 30,	
	2001	2002	2003	2004	2005	2005	2006
<b>Industry Data</b>							
Estimated population of Turkey (in millions)(1)	66.8	69.7	70.7	72.3	73.4	73.2	74.4
<b>Turkcell Data</b>							
Number of postpaid subscribers at end of period (in millions)(2)	4.64	4.68	4.76	5.11	5.38	5.31	5.68
Number of prepaid subscribers at end of period (in millions)(2)	7.59	11.05	14.23	18.28	22.52	21.43	25.15
Total subscribers at end of period (in millions)(2)	12.23	15.73	18.99	23.39	27.90	26.74	30.83
Average monthly revenue per user (in \$)(3)	12.6	11.7	10.6	12.3	13.2	13.6	11.6
Postpaid	19.7	23.3	24.4	29.2	32.8	33.5	30.9
Prepaid	6.5	5.9	5.4	7.2	8.1	8.3	7.1
Average monthly minutes of use per subscriber(4)	63.9	56.2	58.5	64.9	67.7	66.9	69.1
Churn(5)	13.1 %	12.9 %	14.5 %	9.1 %	10.1 %	7.4 %	10.8 %
Number of Turkcell employees at end of period	2,241	2,163	2,148	2,441	2,858	2,780	3,064
Number of employees of consolidated subsidiaries at end of period(6)	1,180	1,913	2,914	4,075	4,659	6,964	7,788

(1) The Turkish population for 2001, 2002, 2003, 2004, 2005 and 2006 has been estimated based upon the 1996 and 2000 censuses prepared by the Turkish Statistical Institute, applying projected yearly growth rates of 1.20%-1.50%.

- (2) Subscriber numbers do not include the subscribers in Ukraine and Northern Cyprus.
- (3) We calculate average revenue per user, ARPU, using the weighted average number of our subscribers during the period. ARPU does not include the results of our operations in Ukraine and Northern Cyprus.
- (4) Average monthly minutes of use per subscriber is calculated by dividing the total of incoming and outgoing airtime minutes of use by the average monthly number of postpaid and prepaid subscribers for the year divided by twelve. Our Minutes of Usage ( MoU ) calculation does not include our operations in Ukraine and Northern Cyprus.
- (5) Churn is calculated as the total number of subscriber disconnections during a period as a percentage of the average number of subscribers for the period. Our churn calculations do not include our operations in Ukraine and Northern Cyprus.
- (6) See Item 6D. Employees in our Form 20-F for information with respect to our consolidated subsidiaries.

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**THE OFFERING**

The Offering	129,393,196.537 ordinary shares by the Selling Shareholders are being offered in the United States and internationally outside Turkey to Qualified Investors in the European Economic Area. See <b>Selling Restrictions</b> on pages S-67 to S-69.
Underwriter	J.P. Morgan Securities Ltd. ( <b>JPMorgan</b> ).
Shares Outstanding	We have 2,200,000,000 ordinary shares issued and outstanding.
The Selling Shareholders	Cukurova Holding A.S. and Cukurova Investments N.V.
The ADSs	Each ADS represents two and one-half ordinary shares. Due to uncertainty surrounding the application of a Turkish capital gains tax, the ADR Depositary has indefinitely halted issuance and cancellation of ADSs. Accordingly, during the indefinite halt, purchasers of ordinary shares will not be able to deposit them in order to create ADSs. See <b>Risk Factors</b> <b>Risks</b> related to the offering.
Offering Price	TRY per ordinary share.
Use of Proceeds	We will not receive any proceeds from this offering. All proceeds in connection with the sale of the ordinary shares will be received by the Selling Shareholders.
Listing/Trading Symbols	ADSs on NYSE: <b>TKC</b> Ordinary shares on the Istanbul Stock Exchange: <b>TCELL</b> .
Lock-up	The Selling Shareholders have agreed with JPMorgan, subject to certain exceptions, not to offer, sell, contract to sell, hedge or otherwise dispose of any of our ordinary shares or ADSs or any securities convertible into or exchangeable for ordinary shares or ADSs during the period from the date of this prospectus continuing through the date 90 days after the date of this prospectus, except with JPMorgan's prior written consent.
Selling Restrictions	The ordinary shares referred to herein have not been registered with any state or national securities regulator in any country (including the United Kingdom) other than the United States and the Republic of Turkey. Investors outside the United States should note the selling restrictions listed on pages S-67 to S-69 and act accordingly.
Risk Factors	You should review the <b>Risk Factors</b> section for a discussion of material factors about us, the industry in which we operate and this offering that you should consider before buying our ordinary shares.
Withholding Tax	Dividends paid to holders are subject to a withholding tax of 15%. Shareholders that qualify for and comply with the procedures for claiming benefits under the applicable tax treaty may be entitled to claim a refund of tax withheld in excess of the applicable treaty rate.

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Voting Rights

Shareholders and holders of ADSs are entitled to attend and vote at shareholders meetings on the basis of one vote per ordinary share on all matters submitted to a vote of our shareholders. The Foreign Investment Directorate may require any such shareholder to provide information relating to its corporate standing and financial status in connection with such notification.

Payment and Delivery

The underwriter expects to deliver the ordinary shares through the facilities of MKK.

Security Codes

Our ordinary shares:  
ISIN: TRATCELL 91M1  
SEDOL: B03MYN3

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## RISK FACTORS

*This section lists some of the risks that could materially affect an investment in the ordinary shares being offered and describes more fully other risks related specifically to the offering of our ordinary shares pursuant to this prospectus. You should read this section in conjunction with the detailed discussion of the risk factors that are listed starting on page 8 in our Form 20-F, included as Annex B hereto. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business operations.*

### Risks related to our business

The following is a list of some of the risks that could materially affect an investment in the ordinary shares being offered. These risks are more fully described starting on page 8 of our Form 20-F, included as Annex B hereto.

- Competition in our home market has increased in recent years and may continue to increase in the future;
- Economic developments in Turkey and in the global economy have had, and may continue to have, a material adverse effect on our business, consolidated financial condition, results of operations or liquidity;
- Political developments in Turkey and its neighboring countries may have a material adverse effect on our business, consolidated financial condition, results of operations or liquidity;
- The growth of our business is dependent upon the continued development of the Turkish mobile telecommunications market;
- A large amount of our business is or may be subject to significant legal and regulatory restrictions;
- Enactment of the Electronic Communications Law could have a material adverse effect on our operations and financial results;
- The Telecommunications Authority has designated Turkcell as an operator holding significant market power in the mobile call termination services market and an operator holding significant market power in access to GSM mobile networks and the call origination market which could affect our competitiveness and have a material adverse affect on our results of operations;
- Our disputes with other GSM operators and Turk Telekom over call termination charges could have a material adverse effect on our results of operations;
- We could face severe penalties, including limitation or revocation of our license in extreme cases, if applicable regulatory authorities determine that we are not in compliance with the requirements of our license or applicable regulations;
- We are involved in various claims and legal actions arising in the ordinary course of our business;
- We are exposed to foreign exchange rate risks that could significantly impact our ability to meet our obligations and finance our network construction;
- We are also exposed to interest rate risk on our variable rate borrowings. An increase in Libor rates would increase our interest exposure through increased interest expense;
- We hold interests in several companies that may expose us to various economic, political, social, financial and liquidity risks and may not provide the benefits that we expect;

We believe that Adjusted EBITDA, a measure commonly used in the telecommunications industry in Europe, can be

- We have financial exposure relating to outstanding receivables from Digital Platform Iletisim Hizmetleri, A.S.;

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- Spectrum limitations may adversely affect our ability to provide services to our subscribers;
- The communications industry is subject to rapid and significant changes in technology that could reduce the appeal of our services or require us to increase our capital expenditures;
- There can be no assurance that the other operators with whom we have entered into interconnection agreements can or will be able to perform their obligations under these agreements;
- There are alleged health risks related to base transmitter stations and the use of handsets which could expose us to liability and lead to reduced usage of mobile phones;
- We are dependent on certain suppliers for network equipment and for the provision of data services;
- If we are unable to retain key personnel, our business, consolidated financial condition or results of operations could be materially and adversely affected; and
- We face financial risks in the event that our majority owned subsidiaries fail to meet some of their obligations set forth in the agreements related to their financing arrangements or they require additional financing.

***The Cukurova Group, TeliaSonera and the Alfa Group together currently hold a majority of our outstanding share capital which allows them together to exercise a controlling influence over us. This ownership may also have the effect of delaying, deferring or preventing a change of control of Turkcell.***

As of the date of this prospectus, the Cukurova Group, TeliaSonera and the Alfa Group (through its Altimo subsidiary) currently own, directly or indirectly, approximately 27.3% , 37.1% and 13.2%, respectively, of our share capital. The Cukurova Group, TeliaSonera and the Alfa Group (through its Altimo subsidiary) will own, directly and indirectly, after giving effect to this offering, approximately 21.4%, 37.1% and 13.2%, respectively, of our share capital. If the Cukurova Group, TeliaSonera and the Alfa Group act together they have the ability to exercise a controlling influence over matters requiring a simple majority vote of the shareholders at a general assembly, such as the right to vote against changes to our articles of association and the right to approve the annual accounts. The Cukurova Group, TeliaSonera and the Alfa Group hold a portion of their interests in us through Turkcell Holding, a holding company that holds 51% of our shares. To the extent that the interests of the Cukurova Group, TeliaSonera and the Alfa Group differ from our interests or those of our other shareholders, we or our other shareholders could be disadvantaged by any actions that the Cukurova Group, TeliaSonera and the Alfa Group might seek to pursue.

The ownership of a substantial percentage of our outstanding ordinary shares by the Cukurova Group, TeliaSonera and the Alfa Group and the affiliation of these shareholders with members of the Board of Directors may have the effect of delaying, deferring or preventing a change in control of Turkcell, may discourage bids for our ordinary shares or ADSs and may adversely affect the market price of the ordinary shares or ADSs. Additionally, we benefit from our relationship with TeliaSonera and the Cukurova Group. If our relationship with either or both shareholders is impaired, or if either of our shareholders were to substantially change its shareholding in us, we may be adversely affected.

***Certain of our principal shareholders are currently involved in a dispute which could adversely impact their ability to achieve the consensus necessary to approve important matters relating to our business and operations.***

The Cukurova Group and TeliaSonera are currently involved in a dispute regarding the previously proposed sale by the Cukurova Group to TeliaSonera of certain holdings in Turkcell Holding A.S. Class B shares. The Cukurova Group and TeliaSonera are also currently involved in a dispute regarding the sale by the Cukurova Group to Cukurova Telecom Holdings Limited, a joint venture between the Cukurova



Group and the Alfa Group, of certain holdings in Turkcell Holding A.S. Class B shares. In addition, as part of this dispute on August 21, 2006, TeliaSonera, filed a lawsuit for the purpose of determination of the invalidity of our General Assembly Meeting held on May 22, 2006, and the invalidity of all resolutions taken in this meeting, including with respect to dividends and the election of board members.

The foregoing disputes could result in the failure of our three major shareholders to have a cooperative relationship, which could adversely impact the ability of our principal shareholders to achieve the consensus necessary to approve important matters relating to our business and operations.

*Turkcell currently does not have a chief executive officer.*

Mr. Muzaffer Akpinar resigned as our chief executive officer during the second quarter of 2006 with effect from June 23, 2006. A search for a replacement is underway but has not been concluded. A prolonged period without a chief executive officer may negatively impact the execution of our strategy and Turkcell's management.

#### **Risks related to the offering**

*Issuance and cancellation of ADSs has been indefinitely halted and purchasers of ordinary shares will not be able to deposit them to create ADSs. This indefinite halt may affect our ability to make in-kind distributions on our ADSs and long-term may adversely affect ADS liquidity and trading.*

Due to the uncertainty surrounding the application of a Turkish capital gains tax imposed from January 1, 2006, our ADR Depositary, Morgan Guaranty Trust Company of New York, has indefinitely halted issuance and cancellation of ADRs. We understand the depositary banks for all the Turkish DR programs (ADRs and GDRs) have taken similar action. Trading of our ADSs on the New York Stock Exchange has continued and purchases and sales of ADSs represented by ADRs are being settled and recorded by the Depositary. Accordingly, during the indefinite halt, purchasers of ordinary shares, including purchasers of ordinary shares in this offering, will not be able to deposit them in order to create ADSs and holders of ADSs will not be able to withdraw the underlying ordinary shares.

During the period that issuance and cancellation of ADSs is halted, we may not be able to make distributions of additional ADSs representing a dividend in bonus shares, as we have in the past.

If the halt in ADS issuance and cancellation continues, and if for any reason there were a sudden or significant increase in persons wishing either to sell or to buy ADSs at the same time, there may be adverse effects on liquidity and market disruption in the trading of our ADSs and ordinary shares.

*It may be difficult to enforce a U.S. judgment against us, our officers and directors and the Turkish experts named in this prospectus in Turkey or the United States, or to assert U.S. securities laws claims in Turkey or serve process on our officers and directors and these experts.*

We are incorporated in Turkey. None of our executive officers and directors and the Turkish experts named in this prospectus are residents of the United States, and substantially all of our assets and the assets of these persons are located outside the United States. Therefore, it may be difficult for an investor, or any other person or entity, to enforce a U.S. court judgment based upon the civil liability provisions of the U.S. federal securities laws against us or any of these persons in a U.S. or Turkish court, or to effect service of process upon these persons in the United States. Additionally, it may be difficult for an investor, or any other person or entity, to assert U.S. securities law claims in original actions instituted in Turkey. Certain matters of procedure will also be governed by Turkish law. There is little binding case law in Turkey addressing the matters described above. See "Enforceability of Certain Civil Liabilities" in the accompanying prospectus.

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*The market prices of our ordinary shares may be volatile, which could cause the value of your investment in us to decline.*

The market price of our ordinary shares historically has experienced and may continue to experience high volatility, and the broader stock market has experienced significant price and volume fluctuations in recent years. This volatility has affected the market prices of securities issued by many companies for reasons unrelated to their operating performance and may adversely affect the market prices of our ordinary shares. In addition to such factors as changes in global macro trends, war or acts of terrorism, any of the following factors could affect the market prices of our ordinary shares:

- general market, political and economic conditions including fluctuations in the TRY/\$ exchange rate;
- our failure to meet financial analysts or investors performance expectations;
- changes in recommendations by financial analysts;
- changes in market valuations of other telecommunications companies;
- changes in our corporate credit rating by rating agencies; and
- changes in our ownership structure.

In addition, many of the risks described elsewhere in this Risk Factors section could materially and adversely affect the market price of our ordinary shares.

*Future sales or issuances of ADSs or ordinary shares may depress the trading price of our ADSs or ordinary shares.*

The sale of substantial amounts of our ordinary shares or ADSs could adversely impact the market prices of our ordinary shares and/or ADSs. The Selling Shareholders, Cukurova Holding A.S. and Cukurova Investments N.V., have entered into a lock-up agreement with the underwriter that generally restricts the Selling Shareholders, subject to specified exceptions, from selling or otherwise disposing of any of our ordinary shares or ADSs for 90 days after the date of this prospectus without the consent of the underwriter. Although there is no present intention to do so, the underwriter may, in its sole discretion and without notice, release all or any portion of the shares from the restrictions in any of the lock-up agreements.

*Our dividend rates have varied, and we may reduce or eliminate dividends on our common stock.*

The declaration and amount of dividends is subject to the discretion of our General Assembly through proposal by our Board of Directors and our dividend rates have varied. Our Board of Directors makes its proposal depending on various factors, including our net earnings, financial condition, cash requirements, future prospects and other factors deemed relevant from time to time. Subject to the Turkish Capital Markets Board's (the CMB) minimum dividend requirements, we are under no obligation to pay dividends and we may discontinue payment of dividends at any time. Additionally, the CMB has the discretion to require public companies to distribute dividends. See Description of Ordinary Shares Dividend Distribution and Allocation of Profits. In addition, during the period that issuance and cancellation of our ADSs is halted, we may not be able to make distributions of additional ADSs representing a dividend in bonus shares, as we have in the past.

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**USE OF PROCEEDS**

The Selling Shareholders will receive all of the proceeds from its sale of our ordinary shares pursuant to this prospectus supplement. We will not receive any of the proceeds from the Selling Shareholders' sales of our ordinary shares pursuant to this prospectus.

**CAPITALIZATION**

The following table sets forth our consolidated capitalization as at September 30, 2006.

You should read this table together with our consolidated financial statements and related discussion and analysis included in this prospectus.

	<b>As at September 30, 2006 (in \$ millions)</b>
Long term debt	102.5
Stockholders' equity:	
Par value 1 TRY; authorized, issued and outstanding 2,200,000,000 shares	833.4
Additional paid-in capital	0.2
Legal reserves	136.2
Accumulated other comprehensive income	(107.9 )
Retained earnings	2,071.2
Total stockholders' equity	2,933.1
Total capitalization(1)	3,035.6

(1) Total capitalization has been calculated as the sum of total long term debt and total stockholders' equity as of September 30, 2006.

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## BUSINESS

### Operational Review for the Nine Months Ended September 30, 2006

Turkcell occupied the leading position in the new subscriber acquisition market throughout the first nine months of 2006. Our subscriber base grew 10.4% from 27.9 million at December 31, 2005, to 30.8 million at September 30, 2006. Net additions to our subscriber base were 3.3 million in the first nine months of 2005 and were 2.9 million in the first nine months of 2006.

During the first nine months of 2006, the Turkish GSM market continued its strong growth trend in number of subscribers through customer acquisition based campaigns and community offers.

The macroeconomic volatility in global markets during the second quarter of 2006, which also led to foreign currency exchange rate fluctuations in Turkey during the second quarter of 2006, stabilized during the third quarter of 2006 to a large extent

Throughout the nine month period ended September 30, 2006, our competitors continued to pursue price-based offerings to increase their share of new subscriptions as well as to increase the usage of mobile services. Nonetheless, we did note some upward price adjustments and limiting of usage incentives by our competitors during the second and third quarters of 2006. During the third quarter of 2006, our competitors also focused on improving their infrastructure related capabilities as a high priority.

During the first nine months of 2006, we continued our initiatives to increase usage and strengthen loyalty. Meanwhile, in line with changing market dynamics in the Turkish GSM market, for the nine months through September 30, 2006, we made a cumulative average increase in our tariffs of 9.3%.

During the nine months ended September 30, 2006, average minutes of monthly usage per subscriber ( MoU ) increased to 69.1 minutes from 66.9 minutes for the same period in 2005. During the nine months ended September 30, 2006, our average revenue per user ( ARPU ) decreased 15% to \$11.6 for the nine month period ended September 30, 2006 from \$13.6 for the same period in 2005. The decrease was mainly due to the depreciation of TRY against USD as well as the dilutive impact of prepaid subscribers and various loyalty campaigns.

The sale of substantially all of the assets and business of our competitor, Telsim, to Vodafone that had been announced in December 2005 was finalized in the second quarter of 2006. In addition, Telecom Italia announced and completed in the third quarter of 2006 the sale of its 40.5% stake in our competitor, Avea, to Turk Telekom.

Mr. Muzaffer Akpinar resigned as our chief executive officer during the second quarter of 2006 with effect from June 23, 2006.

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Please note that all financial data are consolidated and comprise the Company and our subsidiaries and our associates (together referred to as the Group) whereas non-financial data are unconsolidated. The terms we, us, and our in this prospectus refer only to the Company, except in discussions of financial data, where such terms refer to the Group, and where the context otherwise requires.

<b>Summary of Operational Data</b>	<b>Nine Months Ended and as at September 30, 2005</b>	<b>Nine Months Ended and as at September 30, 2006</b>	<b>% Chg</b>
Number of total subscribers (millions)	26.7	30.8	15.4 %
Number of post-paid subscribers (millions)	5.3	5.7	7.6 %
Number of pre-paid subscribers (millions)	21.4	25.1	17.3 %
ARPU (Average Monthly Revenue per User)			
ARPU, blended (US\$)	\$ 13.6	\$ 11.6	(14.7 %)
ARPU, postpaid (US\$)	\$ 33.5	\$ 30.9	(7.8 %)
ARPU, prepaid (US\$)	\$ 8.3	\$ 7.1	(14.5 %)
Churn (%)	7.4 %	10.8 %	(45.9 %)
MOU (Average Monthly Minutes of usage per subscriber), blended	66.9	69.1	3 %
SAC (Subscriber Acquisition Costs per subscriber)	\$ 24.7	\$ 31.2	26.3 %

### *Subscribers*

During the nine months ended September 30, 2006, we added 2.9 million net additions to our subscriber base compared with 3.3 million net additions to our subscriber base during the same period in 2005.

Our total number of subscribers reached 28.7 million as of March 31, 2006 in a stable macroeconomic environment. This is an increase of 2.9% compared to 27.9 million as of December 31, 2005. We added approximately 843,000 net new subscribers in the first quarter of 2006. Our subscriber base consisted of 5.5 million postpaid and 23.2 million prepaid subscribers. New gross subscribers acquired in the first quarter of 2006 consisted of 89% prepaid and 11% postpaid subscribers. The overall growth in the Turkish GSM market during the first quarter of 2006 has been above our expectations mainly due to continuation of price based community offers of competitors and acquisition packages containing fewer counter units than packages previously introduced in the market.

Our total number of subscribers reached 29.8 million as of June 30, 2006. This corresponds to an increase of 3.8% from 28.7 million as of March 31, 2006. We added approximately 1.1 million net new subscribers in the second quarter of 2006. Our subscriber base consisted of 5.6 million postpaid and 24.3 million prepaid subscribers in the second quarter of 2006. New gross subscribers acquired in the second quarter of 2006 consisted of 90% prepaid and 10% postpaid subscribers. The subscriber acquisition growth trend during the second quarter of 2006 remained strong despite the volatility in the macroeconomic environment and we maintained our leadership position in the gross subscriber acquisition market.

Our total number of subscribers reached 30.8 million as of September 30, 2006. This corresponds to an increase of 3.3% from 29.8 million as of June 30, 2006 and an increase of 15.3% from 26.7 million as of September 30, 2005. Our subscriber base consists of 5.7 million postpaid and 25.1 million prepaid subscribers. We added approximately 1.0 million net new subscribers in the third quarter of 2006. New gross subscribers acquired in the third quarter of 2006 consisted of 91% prepaid and 9% postpaid subscribers. During this period, we introduced several campaigns and programs targeting various segments in line with our strategy.

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We expect the subscriber market to continue to grow and we estimate that the mobile line penetration rate may reach above the 80% level at the end of the year from approximately 69% based on operators' announcements as of September 30, 2006. We intend to maintain our leading position in the gross subscriber additions market.

*Turkcell Group Subscribers*

We have approximately 37.4 million proportionate GSM subscribers as of September 30, 2006, which is calculated by taking the number of GSM subscribers in Turkcell and each of our subsidiaries and multiplying the numbers unconsolidated investees by our percentage ownership interest in each subsidiary. This figure includes the proportionate rather than total number of Fintur's GSM subscribers of 1.7 million subscribers. However, it includes the total number of GSM subscribers in Ukraine (we have a 54.8% direct and indirect stake in the Ukrainian subsidiary) and in our operations in Turkish Republic of Northern Cyprus (Northern Cyprus) (we have a 100% stake in Northern Cyprus) amounting to 4.65 million including TDMA subscribers and 0.2 million subscribers respectively, because the financials of our subsidiaries in Ukraine and Northern Cyprus are consolidated with Turkcell's financial statements.

Turkcell Group Subscribers (million)	Q3 2005	Q1 2006	Q2 2006	Q3 2006	Q3 2005- Q3 2006 % Chg
Turkcell	26.7	28.7	29.8	30.8	15.4 %
Ukraine*	1.3	3.3	3.91	4.65	257.7 %
Fintur (pro rata)	1.3	1.54	1.6	1.7	30.8 %
Northern Cyprus	0.2	0.2	0.2	0.2	0 %
<b>TURKCELL GROUP</b>	<b>29.5</b>	<b>33.7</b>	<b>35.6</b>	<b>37.35</b>	<b>26.6 %</b>

\* at 100% and including TDMA subscribers

*Churn Rate*

Churn rate refers to the total number of subscriber disconnections during a period, whether voluntary or involuntary, as a percentage of the average number of subscribers for the period. Our churn rate for the nine month period ended September 30, 2006, was 10.8% compared to a churn rate of 7.4% for the same period in 2005.

Our churn rate increased to 3.5% in the first quarter of 2006 from 2.9% in the fourth quarter of 2005 mainly due to low priced acquisition packages from our competitors, a seasonal increase in subscriber base in previous quarters and intensified competition in the market. This led to an increase in the churn rate in this quarter, primarily involuntary churn of subscribers at the lower-value end of the subscriber base. During the second quarter of 2006, our churn rate remained almost stable at 3.6% (3.5%) in line with our expectations. In the third quarter of 2006, our churn rate increased to 4.1% mainly due to overall high market growth in the previous quarters and competition.

While our on-going emphasis on retention remains a high priority, we expect our churn rate in 2007 to be higher than 2006.

*MoU*

Our blended MoU in the first quarter of 2006 decreased to 57.9 minutes from 70.1 minutes in the fourth quarter of 2005 mainly due to the effect of seasonality and the effect of community offers made by our competitors in the first quarter of 2006. Our blended MoU in the second quarter of 2006 increased by 17% to 67.5 minutes mainly due to seasonality as well as retention based offers such as our new loyalty programs for the youth club. Our blended MoU in the third quarter of 2006 increased by 21% to 81.8 minutes mainly due to the loyalty program for the youth segment, the introduction of the incentive program in July for both the consumer and the corporate segments as well as seasonality.

In 2007, we expect our blended MoU to increase with our continued emphasis on segmented incentives and loyalty programs.

#### *ARPU*

During the nine months ended September 30, 2006, our average revenue per user ( ARPU ) decreased 15% to \$11.6 for the nine month period ended September 30, 2006 from \$13.6 for the same period in 2005. The decrease was mainly due to the depreciation of TRY against USD as well as the dilutive impact of prepaid subscribers and various loyalty campaigns.

Our blended ARPU is expected to decrease in 2007 mainly due to depreciation of TRY combined with the dilutive impact of prepaid subscribers.

#### *Subscriber Acquisition Costs*

During the nine months ended September 30, 2006, subscriber acquisition costs per subscriber ( SAC ) increased to \$31 from \$25 for the same period in 2005. As of September 2006, our average SAC has increased in line with our expectations mainly due to campaigns initiated during the period parallel to intensified competition, increasing activation and dealer activities.

#### *International Operations*

##### *Fintur*

We hold a 41.45% stake in Fintur, which currently holds our entire interest in our international GSM investments other than our Turkish Republic of Northern Cyprus and Ukraine operations. Fintur operates in markets which generally have strong subscriber growth due to relatively lower line penetration rates. Our major shareholder, Alfa, operates a GSM mobile company in Kazakhstan through its holdings in the VimpelCom Group.

The Fintur GSM businesses in Azerbaijan, Kazakhstan, Georgia and Moldova added approximately 727,000 net new subscribers during the nine months ended September 30, 2006, raising their total number of subscribers to approximately 6.9 million as of September 30, 2006 from 6.1 million as of December 31, 2005. Second quarter growth in Kazakhstan was negatively affected by increased competition and the requirement to register customer information of prepaid subscribers.

##### *Ukraine Life:)*

In Ukraine, we have operated through our indirect subsidiary, Astelit, under the brand life:) since February 2005. We hold our interest in Astelit through our subsidiary, Turkcell Uluslararası Yatırım Holding A.S. ( Turkcell Uluslararası ), which holds an interest in Astelit's immediate parent, Euroasia Telecommunications Holdings B.V. ( Euroasia ). Euroasia currently holds a 100% interest in Astelit. In April 2006, Astelit announced the merger of CJSC Digital Cellular Communications ( DCC ) with Astelit in order to optimize the internal business processes of both companies. Prior to its merger with Astelit, Euroasia held a direct 100% interest in DCC. The merger was finalized as of August 2006. As of September 30, 2006, Turkcell holds 54.8% stake in Astelit. Our major shareholder, Alfa, operates a mobile company in Ukraine through its holdings in the VimpelCom Group and in addition, has a holding in a second GSM operator in the Ukraine, Kyivstar.

Astelit, through its distribution channel of approximately 16,500 non-exclusive shops and high brand recognition in the market, grew its subscriber base to 4.7 million (including TDMA subscribers) by September 30, 2006 from 2.5 million (excluding approximately 43,000 TDMA subscribers) at December 31, 2005. Penetration in the Ukrainian GSM market has increased to 85% levels by September 30, 2006, reflecting trends toward individual multiple SIM Card usage. Parallel to the market characteristics, life:) grew its market share to about 12%.

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In December 2005, Astelit signed agreements amounting to US\$540 million long term financing. The total financing package consists of a syndicated loan and a junior loan. The long term syndicated loan (the Syndicated Loan ) in the amount of US\$390 million has a term of six years of which US\$270 million is guaranteed by Export Credit Agency (ECA). Nokia Corporation and Ericsson Credit AB, the two major suppliers of Astelit s GSM network also took part in the Syndicated Loan in the amount of US\$30 million. The junior loan in the amount of US\$150 million has a term of six years and is fully guaranteed by Turkcell. The proceeds from these facilities have been used to refinance Astelit s existing vendor loans and local bank loans and finance additional capital expenditures and working capital requirements.

Based on Astelit s interim financial statements as at and for the three months ended March 31, 2006, the six months ended June 30, 2006, and the nine months ended September 30, 2006, Astelit has been in breach of certain of its covenants contained in the Syndicated Loan as at each respective date. As a result, for each of the first, second and third quarters of 2006, Astelit s long term debt has been reclassified as short term debt, amounting to US\$501.1 million (including its junior loan) as at the end of the third quarter of 2006. Astelit requested and received certain waiver letters from the facility agent and the lenders under the Syndicated Loan for the breach of its covenants under the Syndicated Loan during the first, second and third quarters of 2006. Such waivers were granted subject to certain conditions, including the condition that we and Euroasia s other principal shareholder contribute a share of \$150 million (proportional to our shareholding in Euroasia) to Astelit and that certain restructuring amendments be agreed prior to November 30, 2006, and documented prior to December 31, 2006. The \$150 million contribution to Astelit is to take place in three tranches of \$50 million, two of which have been completed and in which we participated. Based on Astelit s financial status and discussions held with the lenders, significant additional shareholder contribution may be needed in the coming quarters. See Operating And Financial Review And Prospects For The Nine Months Ended And As At September 30, 2006 Liquidity Outlook Loans for further information on Astelit s financings, including the Syndicated Loan.

#### *Investment and Financing Plans*

Our efforts to selectively seek and evaluate new international investment opportunities continue. These opportunities could include the purchase of a license and acquisitions in markets outside of Turkey in which we currently do not operate. In order to increase our financial flexibility, we plan to put in place significant external debt financing to be utilized for potential international investments, if one or more opportunities are realized. Utilization will be based upon need and in case the facility is not used the only cost will be relevant arrangement and commitment fees.

#### *Egypt*

In line with our strategy to evaluate potential investment opportunities in the international GSM arena, our Board of Directors took a decision regarding our intention to conduct the required studies for the pre-qualification stage and submit a prequalification application in accordance with the relevant provisions of the Request For Proposals for the tender of the third GSM license in the Arab Republic of Egypt. In this respect, we signed a Memorandum of Understanding ( MOU ) with Amwal El Khaleej and Banque Misr in order to form a consortium to apply for the pre-qualification of the third GSM license. Our Board of Directors took a decision to bid for the tender of the third GSM license in the Arab Republic of Egypt which took place on July 4, 2006. In this respect, we participated in the auction process of the tender. However as per our evaluation based on our business plans, we subsequently decided to withdraw from the tender.

#### *Purchase of A-Tel*

We exercised an option to purchase the 50% stake of shares of A-Tel Pazarlama ve Servis Hizmetleri A.S. ( A-Tel ) owned by Yapi ve Kredi Bankasi A.S., completing the transaction as of August 9, 2006, by

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paying US\$150 million in cash. Since August 9, 2006, we account for A-Tel under the equity method. A-Tel is a joint venture and its remaining 50% share is held by Turkey's Savings and Deposit Insurance Fund.

A-Tel is involved in marketing, selling and distributing Turkcell's prepaid systems. A-Tel acts as our exclusive dealer for the Muhabbet Kart (a prepaid card), and receives dealer activation fees and simcard subsidies for the sale of Muhabbet Kart. A-Tel sells simcards and scratch cards through an extensive network of newspaper kiosks located throughout Turkey.

Since 1999, the business cooperation between Turkcell and A-Tel has provided important support to Turkcell's sales and marketing activities. With the brand name Muhabbet Kart, A-Tel has proven effective in a competitive environment through well structured campaigns. With the acquisition of a 50% stake in A-Tel, we believe that Turkcell will be better positioned in the changing competitive environment and achieve increased benefits by optimizing our respective sales and marketing efforts. During September 2006, A-Tel's General Assembly decided to distribute dividends and accordingly we reduced the carrying value of the investment in A-Tel by the dividends declared of TRY 30.3 million (equivalent to \$20.2 million at September 30, 2006). On October 16, 2006, such dividend was received by us. A-Tel is a joint venture and its remaining 50% shares are held by Turkey's Savings and Deposit Insurance Fund.

#### *Regulatory Environment*

There were no major developments in the regulatory environment regarding the issuance of any 3G license, or regulations on Mobile Virtual Network Operators ( MVNOs ) or Mobile Number Portability ( MNP ) from those described in our Form 20-F. Regarding the 3G tender process, despite previous announcements made by the Telecommunications Authority that had pointed toward the end of 2006 for the initiation of the 3G tender process, we now expect the 3G tender process to take place in the first half of 2007. With respect to MNP, the Telecommunications Authority is expected to issue the final regulation before the end of 2006, whereas the regulation is expected to be implemented during the second half of 2007.

#### *Legal Developments*

Two of our major shareholders, the Cukurova Group and TeliaSonera, are currently involved in a dispute regarding the previously proposed sale by the Cukurova Group to TeliaSonera of certain holdings in Turkcell Holding A.S. Class B shares. The Cukurova Group and TeliaSonera are also currently involved in a dispute regarding the sale by the Cukurova Group to Cukurova Telecom Holdings Limited, a joint venture between the Cukurova Group and the Alfa Group, of certain holdings in Turkcell Holding A.S. Class B shares. In addition, as part of this dispute, on August 21, 2006, our shareholder, TeliaSonera, filed a lawsuit for the purpose of determination of the invalidity of our General Assembly Meeting held on May 22, 2006, and the invalidity of all resolutions taken in this meeting, including with respect to dividends and the election of board members.

While Inteltek, our subsidiary, is not a party to certain lawsuits filed against Genclik ve Spor Genel Mudurlugu ( GSGM ) and the Turkish Public Tender Authority in connection with the fixed odds betting tender by which Inteltek obtained one of its licenses to operate, Inteltek's operations may be affected by the court's decision in connection with such lawsuits. If the court annuls the fixed odds betting tender by which Inteltek obtained one of its licenses to operate, Inteltek will not be able to continue its operations pursuant to that license. See Operating and Financial Review and Prospectus for the Nine Months Ended and as at September 30, 2006 Revenues and Nine Month Period Ended September 30, 2006 Compared to Nine Month Period Ended September 30, 2005 Revenues .

Please see Operating and Financial Review and Prospects for the Nine Months Ended and as at September 30, 2006 Legal Proceedings herein, Note 20 (Commitments and Contingencies Legal Proceedings) in our Nine Month Report and Note 27 (Commitments and Contingencies) of our consolidated financial statements in our Form 20 F for further information on certain of our legal disputes.

**OPERATING AND FINANCIAL REVIEW AND PROSPECTS FOR THE NINE MONTHS ENDED AND AS AT SEPTEMBER 30, 2006**

**Overview**

The financial information contained in the following discussion and analysis has been prepared and is presented on a consolidated basis in accordance with US GAAP in USD. The following discussion and analysis should be read in conjunction with the consolidated balance sheets as of December 31, 2004 and 2005 and the related consolidated statements of operations, changes in shareholders' equity and comprehensive income, and cash flows for each of the years in the three year period ended December 31, 2005 and the related notes there to included in our annual report on Form 20-F for the year ended December 31, 2005 and the consolidated balance sheets as of December 31, 2005 and September 30, 2006, and the related consolidated statements of operations, changes in shareholders' equity and comprehensive income, and cash flows for each of the nine month periods ended September 30, 2005 and 2006 included herein. The information as of September 30, 2006 and for the nine month periods ended September 30, 2005 and 2006 is not audited.

Beginning from the 2006 fiscal year, we started to prepare our interim and will prepare our annual consolidated financial statements in accordance with International Financial Reporting Standards ( IFRS ). Our interim consolidated financial statements includes comparable data for 2005. Our first annual report on Form 20-F that will be filed containing financial information prepared in accordance with IFRS (with a reconciliation to US GAAP) will be that for the fiscal year ending December 31, 2006. The implementation of IFRS may result in material differences in accounting and/or balances of several items in our annual consolidated financial statements, which may include without limitation:

- Revenue,
- Sales and marketing expenses,
- Depreciation and amortization,
- EBITDA margin,
- Net income, and
- Fixed assets, investments, intangibles.

In accordance with US GAAP, our revenues, gross profit and selling and marketing expenses are reduced as a result of the adoption of standards issued by the Emerging Issues Task Force ( EITF ) which operates at the direction of the Financial Accounting Standards Board ( FASB ) that addresses the extent to which cash consideration given to distributors shall be reported as reductions in revenue or incurred as expenses. With the change to IFRS, EITF rules are no longer applied, therefore we expect that our revenues, gross profit, and selling and marketing expenses to some extent.

Until January 1, 2006, our financial statements were prepared in accordance with US GAAP and translated into USD, which is our reporting currency, in accordance with the relevant provisions of Statement of Financial Accounting Standard ( SFAS ) No. 52 Foreign Currency Translation as applied to entities in highly inflationary economies. Accordingly, revenues, costs, capital and non-monetary assets and liabilities are translated at historical exchange rates while monetary assets and liabilities are translated at the exchange rates prevailing at balance sheet dates. All foreign exchange adjustments resulting from translation of the financial statements into USD were included in the determination of net income, as Translation gain/(loss) . However, under IFRS, in accordance with International Accounting Standard No. 29 Financial Reporting in Hyperinflationary Economies the local currency is taken as the functional currency and revenues, costs, capital and non-monetary assets and liabilities are restated to account for changes in the general purchasing power of the local currency. The resulting gain/(loss) on net monetary

position is included in the determination of net income. Accordingly, revenues, costs, capital and non-monetary assets and liabilities were affected by these differences. However, as hyperinflationary conditions in Turkey no longer existed starting from January 1, 2006, New Turkish Lira ( TRY ) has been treated as a more stable currency since that time and our financial statements and those of the subsidiaries located in Turkey and Turkish Republic of Northern Cyprus prepared in accordance with IFRS are not required to be adjusted for hyperinflationary accounting.

IAS 39 Financial Instruments Recognition and Measurement provides recognition and measurement requirements covering financial instruments. Financial assets and liabilities are stated at present value using effective interest method with charges flowing through the income statement. Under US GAAP it does not require discounting in certain specified circumstances including trade receivables and payables maturing in less than a one year.

Similarly, deferred tax calculation is also affected due to the accounting methodology differences between US GAAP and IFRS standards.

Certain statements contained below, including information with respect to our plans and strategy for our business, are forward looking statements. The statements contained in this discussion of operating results, which are not historical facts, are forward looking statements with respect to our plans, projections or future performance, the occurrence of which involves certain risks and uncertainties. For a discussion of important factors that could cause actual results to differ materially from such forward-looking statements see Item 3D. Risk Factors in our 20-F and elsewhere in this prospectus supplement.

### Overview of Business

We were formed in 1993 and we commenced operations in 1994 pursuant to a revenue sharing agreement with Turk Telekom. Since April 1998, we have operated under a 25-year GSM license (the License ), which was granted upon payment of an upfront license fee of \$500 million. At the same time, we entered into an interconnection agreement with Turk Telekom for the interconnection of our network with Turk Telekom's fixed-line network. On September 20, 2003, we signed an agreement (the Amended Agreement ) with Turk Telekom amending certain sections of the Interconnection Agreement dated April 24, 1998. As a result of intervention by the Telecommunications Authority, we entered into a new supplemental protocol with Turk Telekom in 2003.

Under the license, we were paying ongoing license fees to the Turkish Treasury equal to 15% of our gross revenue from our GSM operations in Turkey, which included monthly fixed fees and communication fees including taxes, charges and duties paid to the Turkish Treasury. Since June 2004, SIM card sales in Turkey, outgoing roaming revenues and late payment interest charges have been included in the definition of gross revenue and included in the monthly ongoing license fee computations. Based on the law enacted on July 3, 2005 with respect to the regulation of privatization, the gross revenue description used for the calculation of the treasury share has been changed. According to this new regulation, accrued interest charged for the late payments, taxes such as indirect taxes, and accrued amounts accounted for reporting purposes are excluded from the description of gross revenue. This regulation was published officially on July 21, 2005. We submitted to the Telecommunications Authority a revision of the related articles of the Amended Agreement and completed certain necessary procedures to reflect the revised definition of gross revenue. The Danistay, the highest administrative court in Turkey, approved the agreement on March 10, 2006. Calculation of gross revenue for the ongoing license fee in accordance with the new agreement is valid after March 10, 2006. Therefore, the basis for calculating the universal service fund has also changed. See Legal Disputes .

Under our Amended Agreement with Turk Telekom, we pay Turk Telekom an interconnection fee per call based on the type and length of call for calls originating on our network and terminating on Turk Telekom's fixed-line network, as well as fees for other services. We also collect an interconnection fee from

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Turk Telekom for calls originating on their fixed-line network and terminating on our network. We also have interconnection agreements with Vodafone Telekomunikasyon A.S. ( Vodafone ) (named as Telsim Mobil Telekomunikasyon Hizmetleri A.S. ( Telsim ) before 24 May 2006), Avea Iletisim Hizmetleri A.S. ( Avea ), Milleni.com GMBH ( Milleni.com ) and Globalstar Avrasya Uydu Ses ve Data Iletisim A.S. ( Globalstar ) pursuant to which we have agreed, among other things, to pay interconnection fees to the other parties for calls originating on our network and terminating on theirs, and they have agreed to pay interconnection fees for calls originating on their networks and terminating on ours.

From the time of our start-up through September 30, 2006, we have made capital expenditures amounting to approximately \$5.0 billion including the cost of our licenses, \$0.6 billion of which was related to Ukrainian operations. The build-out of our network in Turkey is now substantially complete, with coverage at September 30, 2006 of 100% of the Turkish population living in cities of 10,000 or more people. As of September 30, 2006, our network covers 99.96% of the Turkish population living in cities of 5,000 or more and 99.93% of the Turkish population living in cities of 3,000 or more. Coverage also includes substantially the entire Mediterranean and Aegean coastline of Turkey. We meet the coverage requirements of our license.

Our Turkish GSM subscriber base has expanded from 63,500 at year-end 1994 to 30.8 million as of September 30, 2006. In 2007, we expect the subscriber market to continue to grow and we estimate that the mobile line penetration rate may reach above an 80% level at the end of the year from approximately 69% based on operators' announcements as of September 30, 2006. We intend to maintain our leading position in gross additions market.

Our prepaid mobile service increases our market penetration and limits our credit risk. This service permits access to our GSM services to subscribers who prefer to avoid monthly billing or to better control their mobile communication expenses. As of September 30, 2006, we had 25.1 million prepaid subscribers and 5.7 million postpaid subscribers in our GSM network in Turkey. Average minutes of use per prepaid subscriber and average revenue per prepaid subscriber tend to be lower than for postpaid subscribers resulting in dilutive effects if the proportion of prepaid subscribers increases.

Our average monthly minutes of use per subscriber has increased 3% to 69.1 minutes for the nine month period ended September 30, 2006 from 66.9 minutes for the same period in 2005, mainly due to our efforts to promote usage through segmented and volume based incentives. In 2007, we expect our blended MoU to continue to increase with our continued emphasis on segmented incentives and loyalty programs. Our blended average revenue per user ( ARPU ) decreased 15% to \$11.6 for the nine month period ended September 30, 2006 from \$13.6 for the same period in 2005. The decrease was mainly due to the depreciation of TRY against USD as well as the dilutive impact of prepaid subscribers and various loyalty campaigns. Our blended ARPU is expected to decrease in 2007 mainly due to depreciation of TRY combined with the dilutive impact of prepaid subscribers. We aim to increase our revenues in 2007. However, macroeconomic developments may impact our forecasts.

Our churn rate is the ratio of total subscriber disconnections, both voluntary and involuntary during a period to the average number of subscribers for the period. In addition to voluntary disconnections, under our disconnection process, subscribers who do not pay their bills are disconnected from our network and included in churn upon the commencement of the legal process to disconnect them, which occurs approximately 180 days from the due date of the unpaid bill. Pending disconnection, non-paying subscribers are suspended from service (but are still considered subscribers) and receive a suspension warning, which in some cases results in payment and reinstatement of service. Also, prepaid subscribers who do not use any airtime for a period of seven months are disconnected from our network in Turkey. Our churn rate for operations in Turkey was 7.4 % for the nine month period ended September 30, 2005 compared with 10.8% for the nine month period ended September 30, 2006. Our churn rate as of September 30, 2006 has increased compared to 2005 in line with our expectations. The increase was due to

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intensified competition in the GSM mobile market and the increasing prepaid subscriber base. However, our retention and mass loyalty programs contributed positively to our efforts to keep our churn rate under control. While our on-going emphasis on retention remains a high priority, we expect our churn rate in 2007 to be higher than 2006.

We made a bad debt provision in our financial statements for non-payments and disconnections that amounted to \$149.2 million and \$151.4 million as of December 31, 2005 and September 30, 2006, respectively, which we believe is adequate. Prior to 2003, the majority of subscriber disconnections were due to non payment of bills. However, starting from 2003, the majority of involuntary subscriber disconnections were prepaid subscribers' disconnections due to not using the network as a result of the increased number of prepaid subscribers in our subscriber base.

### **International and Other Domestic Operations**

As noted in our Form 20-F, we participated in a consortium ( Irancell ) that in 2004 was awarded the first private GSM operator tender in Iran. Irancell signed a license agreement with the Iranian Ministry of Communication and Information Technology in 2004, but the Iranian Parliament subsequently revised the license agreement in 2005. Although our Board of Directors decided to continue with the project despite the modifications to the license agreement, there has been no notification made by the Iranian Authorities regarding any resolution to the first private GSM operator tender in Iran. As a result, we requested an injunction order in Iranian courts seeking to compel the Ministry of Communication and Information Technology to implement the laws and regulations passed by the Iranian Parliament in connection with the GSM tender process. Such request for an injunction order was rejected in April 2006. We are currently reviewing our options for further legal action to recover our expenses in connection with our participation as part of Irancell in the first private GSM operator tender in Iran. We currently have no plans to invest in the Iranian market.

On October 20, 2005, Cukurova Group offered to sell us the A-Tel Option Contract , under which the holder had the right to purchase 50% shares of A-Tel Pazarlama ve Servis Hizmetleri AS ( A-Tel ) for a consideration of \$150.0 million. After tax, legal and financial due diligence review in A-Tel, we decided to purchase 50% of A-Tel shares for a consideration of \$150.0 million. Following the legal approval of Turkish Competition Board on August 1, 2006, the related payment was made on August 9, 2006 and the transaction has been finalized. A-Tel is a joint venture and its remaining 50% shares are held by Turkey's Savings and Deposit Insurance Fund.

As of September 30, 2006, we have not yet completed the evaluation of the fair value of identifiable assets and liabilities of A-Tel and the allocation of the purchase price. We have a period up to one year to complete the purchase price allocation effective from 9 August 2006, which is the date of acquisition. Therefore, final purchase accounting adjustments may differ from our initial estimates and the allocation of purchase price is subject to refinement. A-Tel is accounted for under the equity method and results of the operations for the two months period ended September 30, 2006 are included in the accompanying interim consolidated financial statements using the ownership percentage of 50%. In addition, during September 2006, A-Tel's General Assembly decided to distribute dividends and accordingly we reduced the carrying value of the investment in A-Tel by the dividends declared of TRY 30.3 million (equivalent to \$20.2 million at September 30, 2006). On October 16, 2006, we received the dividend.

A-Tel is involved in marketing, selling and distributing our prepaid systems. A-Tel acts as our exclusive dealer for the Muhabbet Kart (a prepaid card), and receives dealer activation fees and simcard subsidies for the sale of Muhabbet Kart.

Since 1999, the business cooperation between us and A-Tel has provided important support to our sales and marketing activities. With the brand name Muhabbet Kart, A-Tel has proven successful in a competitive environment through well-structured campaigns. With the acquisition of the 50% stake in

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A-Tel, we believe that we will be better positioned in the changing competitive environment and achieve increased benefits by optimizing our respective sales and marketing efforts.

In May 2006, we and System Capital Management (SCM) (the other shareholder of Astelit-the Ukrainian subsidiary in which we indirectly hold 54.8%) have committed to contribute approximately \$150.0 million to Astelit in proportion to our respective shares as required by the lenders of the syndicated loan to obtain a waiver letter for breaches of financial covenants. This capital increase is to be made in three equal installments in July 2006, October 2006 and January 2007. Consequently, we participated in the first tranche payment in the form of a capital increase to Astelit on July 24, 2006 amounting to \$27.5 million which is calculated according to an ownership interest in Astelit. We also participated in the second tranche payment amounting \$27.5 million on October 20, 2006. Based on Astelit's financial status and discussions held with the lenders, significant additional shareholder contribution may be needed in the coming quarters. For a description of, and additional information regarding, funding and commitments in relation to Astelit, see "Liquidity and Capital resources" "Liquidity Loans" ..

On August 1, 2006, our indirect Ukrainian subsidiary, CJSC Digital Cellular Communications (DCC), merged with Astelit, in order to optimize the internal business processes of both companies. Both companies were wholly-owned by Euroasia, in which we hold 54.8%.

Our efforts to selectively seek and evaluate new international investment opportunities continue. These opportunities could include the purchase of a license and acquisitions in markets outside of Turkey in which we currently do not operate. In order to increase our financial flexibility, we plan to put in place significant external debt financing to be utilized for potential international investments, if one or more opportunities are realized. Utilization will be based upon need and in case the facility is not used the only cost will be relevant arrangement and commitment fees.

For a description of, and additional information regarding, our international and other domestic operations, see "Business" in this prospectus supplement and "Item 4B. Business Overview" in our Form 20-F.

#### **Critical Accounting Policies**

For a discussion of our critical accounting policies, please see "Item 5. Operating and Financial Review and Prospects-Critical Accounting Policies" in the 20-F. There have been no material changes in our critical accounting policies since the date of the 20-F.

#### **Revenues**

Our revenues are mainly derived from communication fees, monthly fixed fees, sales of SIM cards, commission fees and call center revenues. Communication fees consist of charges for calls that originate or terminate on our GSM network, including international roaming, and are based on minutes of actual usage of service. Per-minute communication fees vary according to the subscriber's service package. Commission fees on betting business relate to our operation of a central betting system and head agency fees. Such fees are recognized at the time the services related to the betting games are rendered. Monthly fixed fees are charged to each postpaid subscriber in a specified monthly amount that varies according to the subscriber's service package, regardless of actual use of our GSM network services. SIM card revenues are receipts from the sale of SIM cards, which are needed to operate a handset used by a subscriber. Call center revenues consist of revenues for call center services provided by our call center subsidiary to affiliated and third party companies.

We recognize SIM card sales as revenue upon initial entry of a new subscriber into the GSM network only to the extent of the direct costs associated with providing these services. Excess SIM card sales are deferred and recognized over the estimated effective subscription contract life. In connection with

postpaid and prepaid subscribers, we currently incur costs for activation fees to dealers and other promotional expenses, which historically offset all or substantially all of the subscription fees. We charge a usage fee for certain services we offer, such as SMS, voicemail and data and facsimile transmission. Our revenues depend on the number of subscribers, call volume and tariff pricing.

As is the case throughout Europe, airtime charges generally are paid only by the initiator of a call, except when a subscriber travels outside Turkey, in which case we charge the subscriber for a portion of the incoming call.

In Turkey, we and other operators have entered into interconnection agreements which set out the terms and conditions regarding the price terms as well as periodical revision of such terms. However, revisions of the pricing terms of the interconnection agreements have been pending as we have not been able to agree on the pricing terms with other operators through our discussions. As per the Access and Interconnection Regulation, the issue has been referred to the Telecommunications Authority by Turk Telekom, Telsim and Avea. Meanwhile, the Telecommunications Authority issued reference interconnection rates during the fourth quarter of 2004, which indicate pricing terms. Subsequently, on August 10, 2005, the Telecommunications Authority issued a temporary interconnection price schedule for the interconnection between Turk Telekom and us which are in line with the reference tariff structure defined by the Telecommunications Authority during the fourth quarter of 2004.

The Telecommunications Authority issued final reference call termination rates for all operators in the market in June 2006. These rates were lower than previously applied termination rates with the other GSM operators, as expected, but reveal no change from the temporary interconnection rates applied between Turk Telekom and us since August 2005. Based on the Telecommunications Authority's resolution, we have started to apply the new reference call termination rates with Vodafone and Avea starting from March 2006 and July 2006 respectively. However, in the end of July 2006, we signed an agreement with Vodafone at relatively more favorable rates than the reference call termination rates suggested by the Telecommunications Authority which had been retroactively effective from May 24, 2006 which is the date of transfer of shares of Telsim to Vodafone. Therefore, we have applied rates based on the agreement dated July 31, 2006, starting from May 24, 2006 with Vodafone. For the period between March 1, 2006 and May 24, 2006, we retroactively applied the new reference call termination rates with Telsim. In the previous periods, disagreements existed between us and the other GSM operators regarding the revision of pricing terms of the interconnection agreements. In addition there is a disagreement with Turk Telekom about international calls. See Legal Proceedings and Note 27 to our consolidated financial statements in our Form 20-F.

Our revenues have increased as a result of the growth in our subscriber base, improvement in the macroeconomic indicators and improving minutes of usage.

Inteltek, our betting subsidiary, operates pursuant to a Head Agency Agreement and Central Betting System operation and risk management Agreements ( CBS Agreement ) signed with relevant governmental body. The Head Agency Agreement relates to the fixed odds betting business and the CBS Agreement relates to operating the central betting system entitling Inteltek to receive up to a maximum of 12% and 4.3% of gross takings as commissions, respectively. Under the Head Agency Agreement, Inteltek is obligated to undertake any excess payout, which is presented in our financial statements as a net off from the commission revenues. The Head Agency Agreement, which currently accounts for 99.7% of Inteltek's revenue, is the subject of a dispute. See Nine Month Period Ended September 30, 2006 Compared to Nine Month Period Ended September 30, 2005 Revenues .

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## **Operating Costs**

### *Direct Cost of Revenues*

Direct cost of revenues includes mainly ongoing license fees, transmission fees, base station rents, billing costs, cost of simcards sold, depreciation and amortization charges, repair and maintenance expenses directly related to services rendered, roaming charges paid to foreign GSM operators for calls made by our subscribers while outside Turkey, interconnection fees mainly paid to Turk Telekom, Vodafone, Avea, Milleni.com and Globalstar and wages, salaries and personnel expenses for technical personnel.

### *General and Administrative*

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

### *Selling and Marketing*

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

The average Turkish GSM subscriber acquisition cost was approximately \$31 and \$25 per new subscriber for the nine month periods ended September 30, 2006 and 2005, respectively. We compute average acquisition cost per new subscriber by adding sales promotion expenses, SIM card subsidies and activation fees and dividing the sum by the gross number of new subscribers in our Turkish operations for the related period. These costs are recorded as either selling and marketing expense or reduction of revenue in our statements of operations. As of September 2006, our average SAC has increased in line with our expectations mainly due to campaigns initiated during the period parallel to intensified competition, increasing activation and dealer activities.

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**Results of Operations**

The following table shows information concerning our consolidated statements of operations for the periods indicated.

	Nine Months ended September 30,	
	2006	2005
Revenues	3,308.7	3,193.1
Direct cost of revenues	(1,785.8 )	(1,750.5 )
<b>Gross profit</b>	<b>1,522.9</b>	<b>1,442.6</b>
General and administrative expenses	(125.7 )	(107.9 )
Selling and marketing expenses	(422.3 )	(348.6 )
<b>Operating income</b>	<b>974.9</b>	<b>986.1</b>
Income from related parties, net	1.6	0.8
Financial income (expense), net	48.8	(28.4 )
Other income, net	0.6	5.4
Equity in net income of unconsolidated investees	62.5	45.3
Minority interest in income at consolidated subsidiaries	38.1	6.0
Translation loss		(8.4 )
<b>Income before taxes</b>	<b>1,126.5</b>	<b>1,006.8</b>
Income tax expense	(455.4 )	(337.3 )
<b>Net income</b>	<b>671.1</b>	<b>669.5</b>

The following table shows certain items in our consolidated statement of operations as a percentage of revenues.

	Nine Months ended September 30,	
	2006	2005
<b>Statement of Operations (% of revenue)</b>		
Revenues		
Communication fees	93.4	95.2
Commission fees on betting business	4.0	2.3
Monthly fixed fees	1.3	1.3
SIM card sales	0.5	0.8
Call center revenues	0.2	0.2
Other	0.6	0.2
Total revenues	100.0	100.0
Direct cost of revenues	(54.0 )	(54.8 )
Gross margin	46.0	45.2
General and administrative expenses	(3.8 )	(3.4 )
Selling and marketing expenses	(12.8 )	(10.9 )
Operating income	29.4	30.9

**Nine month period ended September 30, 2006 compared to nine month period ended September 30, 2005**

We had 30.8 million Turkish GSM subscribers, including 25.1 million prepaid subscribers, as of September 30, 2006, compared to 26.7 million Turkish GSM subscribers, including 21.4 million prepaid subscribers, as of September 30, 2005. During the first nine months of 2006 and 2005, we added approximately 2.9 million and 3.3 million net new Turkish GSM subscribers respectively.

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In Ukraine, with 4.7 million subscribers as of September 30, 2006, based on various independent market studies, we have a 11.7% share in the Ukrainian mobile market.

#### *Revenues*

Total revenues for the nine month period ended September 30, 2006 slightly increased 4% to \$3,308.7 million from \$3,193.1 million for the same period in 2005. The slight increase in revenues is mainly due to the growth in the number of subscribers and increased usage despite the depreciation of TRY against USD as well as the dilutive impact of prepaid subscribers and various retention campaigns in 2006.

Revenues from communication fees for the nine month period ended September 30, 2006 slightly increased 2% to \$3,089.5 million from \$3,043.0 million for the same period in 2005. The slight increase in the communication fees resulted from the growth in the number of subscribers, increased usage and cumulative tariff increases of 9.3% despite 6% depreciation of TRY against USD on average terms compared to the same period of the year 2005.

Our majority-owned subsidiary, Inteltek, commenced its operations of fixed odds betting games in April 2004, pursuant to an agreement signed with Genclik ve Spor Genel Mudurlugu on October 2, 2003 and started to generate commission revenue from this betting business. Commission revenue from the betting business for the nine month period ended September 30, 2006 increased 83% to \$133.5 million from \$72.9 million for the same period in 2005. Commission fees on the betting business are increasing as betting games are becoming widespread in the market.

Inteltek may be affected by ongoing litigation in connection with the fixed odds betting tender under which it obtained its license to operate a risk management center and to act as a head agency. In the event that the ongoing litigation resulted in the cancellation of the fixed odds betting tender under which Inteltek obtained its license, Inteltek would be unable to operate its risk management center, or to act as a head agency with respect to its fixed odds betting business and may not be able to carry out its activities. The portion of Inteltek's revenues relating to the fixed odds betting business accounted for 99.7% of Inteltek's revenues in the nine months period ended September 30, 2006. See *Legal Proceedings Disputes on Annulment of Fixed Odds Betting Tender Related to Establishment and Operation of Risk Management Center Head Agency* for further information on this ongoing litigation.

Revenues from monthly fixed fees for the nine month period ended September 30, 2006 increased 2% to \$41.8 million from \$40.8 million for the same period in 2005 mainly due to the increase in our subscriber base and increase in the volume of the operations in Ukraine.

SIM card revenues for the nine month period ended September 30, 2006 decreased 37% to \$15.0 million from \$23.8 million for the same period in 2005 mainly due to the increase in the 100% discounted SIM cards delivered to the sales channel as a part of introduction packages.

#### *Direct cost of revenues*

Direct cost of revenues for the nine month period ended September 30, 2006 increased to \$1,785.8 million from \$1,750.5 million for the same period in 2005.

Ongoing license fees and universal fund paid to the Turkish Treasury and to the Turkish Ministry of Transportation decreased 8% to \$574.1 million for the nine month period ended September 30, 2006 from \$620.9 million for the same period in 2005. Despite the increase in our revenues, the amendment in our license agreement regarding the definition of gross revenue, which became effective as of March 10, 2006 led to lower ongoing license fees and universal service fund payments. Based on the law enacted on July 3, 2005 with respect to the regulation of privatization, the gross revenue calculation for the ongoing license fee and universal service fund has been changed. According to this new regulation, accrued interest charged for the late payments, indirect taxes such as VAT, and accrued revenues are excluded from the

calculation of gross revenue. Calculation of gross revenue for the ongoing license fee and universal service fund according to the new regulation was effective after Danistay's approval on March 10, 2006.

Depreciation and amortization charges increased 12% to \$382.2 million for the nine month period ended September 30, 2006 from \$340.0 million for the same period in 2005 mainly due to the increase in the capital expenditures, in Turkey and Ukraine. The amortization expense for our GSM license and other telecommunication licenses was \$29.6 million and \$24.2 million for the nine month periods ended September 30, 2006 and 2005, respectively.

Interconnection costs decreased 14% to \$267.1 million for the nine month period ended September 30, 2006 from \$309.4 million for the same period in 2005 mainly due to the 6% depreciation of TRY against USD as well as lower tariffs imposed by the Telecommunications Authority for Avea outgoing calls effective from July 2006 and lower tariffs set by the new agreement between us and Vodafone effective from May 24, 2006. In line with the reference tariffs of the Telecommunications Authority the tariffs applied between us and Turk Telekom have decreased approximately by 26%, in the nine months period ended September 30, 2006 compared to the same period in 2005.

Transmission costs, site costs, information technology, network maintenance expenses and infrastructure cost increased approximately 9% to \$109.4 million for the nine month period ended September 30, 2006 from \$100.3 million for the same period in 2005 mainly due to an increase in transmission and maintenance costs as a result of the capacity increases in the lines. In addition, uncapitalizable antenna site costs and expenses increased 9% to \$123.1 million for the nine month period ended September 30, 2006 from \$112.6 million for the same period in 2005 mainly due to the increase in radio network operations.

Wages, salaries and personnel expenses for technical personnel increased 10% to \$102.3 million for the nine month period ended September 30, 2006 from \$92.8 million for the same period in 2005 mainly due to periodic increases in salaries and an increase in number of the employees.

Roaming expenses increased 43% to \$71.5 million for the nine month period ended September 30, 2006 from \$50.0 million for the same period in 2005, mainly due to the increase in roaming revenue generated from the calls made by our subscribers while outside Turkey, primarily reflecting better economic conditions and the fact that between September 30, 2005 and September 30, 2006 we added 78 new roaming operators for GSM in 12 countries, 64 for GPRS in 22 countries and 72 for Active Customised Applications for Mobile Network Enhanced Logic ( active CAMEL ) technologies in 38 countries which enable our pre-paid subscribers to be able to roam on foreign operators' networks.

The cost of SIM cards sold decreased 14% to \$30.3 million for the nine month period ended September 30, 2006 from \$35.1 million for the same period in 2005 in parallel with a 14% decrease in the net additions to our subscriber base from 3.3 million subscribers to 2.9 million subscribers for the nine month periods ended September 30, 2005 and 2006 respectively.

Billing costs increased 19% to \$25.2 million for the nine month period ended September 30, 2006 from \$21.1 million for the same period in 2005 mainly due to the increase in subscriber numbers and an increase in postage fees despite the decreasing effect of costs related to printing of inserts included in bills.

Consultancy services received for the risk management related to betting operations increased 81% to \$9.6 million for the nine month period ended September 30, 2006 from \$5.3 million for the same period in 2005 mainly due to the significant increase in our betting business.

As a percentage of revenue, direct cost of revenues decreased to 54% for the nine month period ended September 30, 2006 from 55% for the same period in 2005 mainly due to the amendment in our license agreement regarding the gross revenue definition used in the ongoing license fee and universal service fund calculation and lower interconnection tariffs.



Gross profit increased to \$1,522.9 million for the nine month period ended September 30, 2006 from \$1,442.6 million for the same period in 2005 mainly due to the decrease in ongoing license fee, the growth in the number of subscribers, the increase in usage and interconnection costs as discussed above.

*General and administrative expenses*

General and administrative expenses increased 16% to \$125.7 million for the nine month period ended September 30, 2006 from \$107.9 million for the same period in 2005, mainly due to the increases in wages, salaries and personnel expenses, bad debt expenses, consulting expenses and collection expenses. As a percentage of revenues, general and administrative expenses slightly increased to 3.8% for the nine month period ended September 30, 2006 from 3.4% for the same period in 2005.

Wages, salaries and personnel expenses for non-technical and non-marketing employees increased 19% to \$47.5 million for the nine month period ended September 30, 2006 from \$39.9 million for the same period in 2005 mainly due to periodic increase in salaries and an increase in number of employees both in Turkey and Ukraine.

Bad debt expenses increased 14% to \$22.2 million for the nine month period ended September 30, 2006 from \$19.5 million for the same period in 2005 mainly due to the increase in sales. We provided an allowance of \$151.4 million and \$149.2 million for doubtful receivables for the nine month period ended September 30, 2006 and 2005, respectively, based upon past experience.

Consulting expenses increased 35% to \$13.1 million for the nine month period ended September 30, 2006 from \$9.7 million for the same period in 2005, mainly due to the consulting services related with the Egypt GSM tender and the operations in Ukraine.

Collection expenses increased 8% to \$10.6 million for the nine month period ended September 30, 2006 from \$9.8 million the same period in 2005 mainly resulting from the increase in legal follow-up expenses.

Other expenses increased to \$32.3 million for the nine month period ended September 30, 2006 from \$29.0 million for the same period in 2005 mainly as a result of the increase in equipment, software maintenance, repairment and rent expenses.

*Selling and marketing expenses*

Selling and marketing expenses increased 21% to \$422.3 million for the nine month period ended September 30, 2006 from \$348.6 million for the same period in 2005, mainly due to the increase in prepaid subscribers frequency usage fees, increased product management and public relations expenses resulting from intensifying competition and increased dealer and distributor activities. As a percentage of revenues, selling and marketing expenses were 13% and 11% for the nine month periods ended September 30, 2006 and 2005, respectively.

Total prepaid advertising, market research, product management, public relations expenses and prepaid subscribers frequency usage fee expenses increased 13% to \$205.6 million for the nine month period ended September 30, 2006 from \$181.6 million for the same period in 2005. The increase in 2006 stemmed mainly from the increase in prepaid subscribers frequency usage fees, the increase in product management expenses mainly due to the retention campaigns and the increase in public relations expenses mainly due to the increase of social and corporate sponsorships.

Total postpaid advertising, market research, product management, public relations and call center expenses remained almost constant and increased to \$61.7 million for the nine month period ended September 30, 2006 from \$60.8 million for the same period in 2005.

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Wages, salaries and personnel expenses for selling and marketing employees increased 31% to \$49.9 million for the nine month period ended September 30, 2006 from \$38.1 million for the same period in 2005 mainly due to the increase in the headcount and periodic increase in salaries.

Activation fees and sales promotions increased 69% to \$72.8 million for the nine month period ended September 30, 2006 from \$43.0 million for the same period in 2005 mainly due to campaigns initiated during the period parallel to intensified competition, increasing activation and dealer activities.

#### *Operating income*

Operating income slightly decreased to \$974.9 million for the nine month period ended September 30, 2006 from \$986.1 million for the same period in 2005, mainly due to increase in selling and marketing expenses despite the increase in revenues and almost stable direct cost of revenues.

#### *Financial income (expense), net*

Net financial income was \$48.8 million for the nine month period ended September 30, 2006 compared to \$28.4 million net financial expense for the same period in 2005. The change between periods was mainly due to the settlement of legal disputes in 2005 with the Turkish Treasury regarding the calculation of license fees and with Turk Telekom regarding an interconnection dispute on call termination pricing. These settlements involved payment of an interest expense of \$74.5 million in 2005 and also had the effect that there were lower average time deposited cash balances in 2005 compared to 2006 due to the settlement payments related to legal disputes settlements made in 2005.

For a description of, and additional information regarding legal disputes and their financial impacts, see Item 5A. Operating Results-Revenues and Note 27 to our consolidated financial statements in our 20-F.

#### *Translation loss*

Since Turkey ceased being regarded as a hyperinflationary country starting from January 1, 2006, no translation gain/(loss) has been realized for the nine month period ended September 30, 2006, whereas we had a translation loss of \$8.4 million for the same period in 2005 mainly stemming from the depreciation of TRY against the USD. Foreign exchange differences arising from foreign currency transactions have been accounted under financial income/(expense) for the nine months period ended September 30, 2006.

#### *Income tax expense*

Income tax expense for the nine month period ended September 30, 2006 was \$455.4 million and \$337.3 million for the same period in 2005. The increase in income tax expense stemmed from the increase in revenues. The effective tax rate was 40% and 34% for the periods September 30, 2006 and 2005, respectively. Differences between effective tax rate and statutory tax rate include but are not limited to the effect of tax rates in foreign jurisdictions, non-deductible expenses, reversal of non-taxable translation and indexation and tax incentives not recognized in profit or loss.

The corporate tax rate was 30% for the year ended December 2005. According to the article 32 of New Corporate Tax Law No. 5520 in June 2006, the corporate tax rate has been reduced from 30% to 20%. In this respect, corporate income is subject to corporate tax at the rate of 20%, effective from January 1, 2006 onwards.

According to the Income Tax Law which was published in the Official Gazette on April 8, 2006, the investment allowance application has been abolished effective from January 1, 2006. However, the law allows taxpayers to utilize their investment allowance rights obtained under the scope of the previous provisions only from their income generated in the years 2006, 2007 and 2008.

*Equity in net income of unconsolidated investees*

Our share of the net income of unconsolidated investees was \$62.5 million for the nine month period ended September 30, 2006 compared \$45.3 million for the same period in 2005. The increase in net income of unconsolidated investees was mainly due to an increase in Fintur's net income to \$153.4 million for the nine month period ended September 30, 2006 compared to \$109.4 million for nine month period ended September 30, 2005.

As explained in *International and Other Domestic Operations* section, during August 2006, we acquired 50% of the shares of A-Tel for a consideration of \$150.0 million. We made the related payment on August 9, 2006 and the results of A-Tel's operations have been included in the consolidated financial statements since that date. Like Fintur, A-Tel is accounted for under the equity method. During the two months ended September 30, 2006, the subsidiary contributed a loss of \$1.1 million.

At September 30, 2006, we have not yet completed the evaluation of the fair value of identifiable assets and liabilities of A-Tel and the allocation of the purchase price. We have a period up to one year to complete purchase price allocation effective from August 2006, which is the date of acquisition. Therefore, final purchase accounting adjustments may differ from our initial estimates and the allocation of purchase price is subject to refinement. A-Tel is accounted for under the equity method and results of the operations for the two months period ended September 30, 2006 are included in the accompanying interim consolidated financial statements using the ownership percentage of 50%. During September 2006, A-Tel's General Assembly decided to distribute dividends and accordingly we reduced the carrying value of the investment in A-Tel by the dividends declared of TRY 30.3 million (equivalent to \$20.2 million at September 30, 2006). On October 16, 2006, such dividend was received by us. A-Tel is a joint venture and its remaining 50% shares are held by Turkey's Savings and Deposit Insurance Fund.

*Net income*

Net income increased to \$671.1 million for the nine month period ended September 30, 2006 compared to net income of \$669.5 million for the same period in 2005. The increase was mainly due to the increase in net income and income from investees, despite the slight decrease in operating income and the increase in taxes, for the nine month period ended September 30, 2006 compared to the same period of 2005.

*Taxation Issues in Telecommunications Sector*

For a discussion of Turkish Tax legislation on telecommunications revenues, please see *Item 5. Operating and Financial Review and Prospects -Taxation Issues in Telecommunications Sector* in the 20-F. Other than as disclosed herein, there have been no material changes in the taxes imposed on telecommunications services since the date of the 20-F.

*Investment Incentive Certificates*

In 1993, 1997, 2000, 2001, 2004 and 2005, the Under Secretariat of the Treasury approved investment incentive certificates for a program of capital expenditures made by us and our subsidiaries in our mobile communications operations, call center operations and betting games operations. Such incentives entitle us to a 100% exemption from customs duty on imported machinery and equipment and an investment tax benefit of 100% on qualifying expenditures. The investment tax benefit takes the form of deductions for corporation tax purposes, but these deductions were subject to withholding tax at a rate of 19.8% (for expenditures made after April 24, 2003, the investment tax benefit equals 40% of qualifying expenditures but it is not subject to any withholding tax). However, on April 8, 2006, in line with the changes in corporate tax law, amendments were made to regulations governing investment incentives. Accordingly, tax payers have been granted an option to use the tax benefits of investment incentive certificates given that they file tax returns at 30% corporate tax rate; or file tax returns at 20% corporate tax rate (which is

the new corporate tax rate effective from January 1, 2006) without using the tax benefits of investment incentive certificates. We preferred to use the tax benefit of investment incentive certificates which provides 0.2% net benefit on corporate taxes. As of September 30, 2006, investment incentive certificates provide for tax benefits on cumulative purchases of up to approximately \$4.8 billion in qualifying expenditures as defined in the certificates. As of September 30, 2006, we had unused tax benefit carryforwards under the certificates of approximately \$4.1 million (\$294.4 million as of December 31, 2005) which can be carried forward until December 31, 2008. The certificates are denominated in TRY. However, approximately \$0.5 billion of qualifying expenditures through September 30, 2006 (\$0.5 billion as of December 31, 2005) under the certificates are indexed against future inflation.

According to the Income Tax Law which was published in Official Gazette on April 8, 2006, the investment allowance application has been abolished effective from January 1, 2006. However, the law allows taxpayers to utilize their investment allowance rights obtained under the scope of the previous provisions only from their income generated in the years 2006, 2007 and 2008.

#### *Capital Transactions*

On March 22, 2006, our board of directors declared that our statutory paid-in capital would be increased from TRY 1,854.9 million to TRY 2,200.0 million by capitalizing TRY 345.1 million out of the total dividend for 2005. After the approval at the General Assembly Meeting held on May 22, 2006, the increase of TRY 345.1 million was distributed to our shareholders in the form of a stock split (345,112,659 units of shares). The capital increase was accounted for as a stock split in our consolidated financial statements. As a result of the aforesaid transactions, we issued new shares with a total nominal value of TRY 345,112,659.

All share amounts and per share figures reflected in our historical financial statements have been retroactively restated for the stock splits discussed above.

#### *Capital Transactions in Astelit*

On April 4, 2006, LLC Astelit, our Ukrainian subsidiary, announced the merger with DCC, our other Ukrainian subsidiary, in order to optimize the internal processes of both companies. On August 1, 2006 the merger transaction was completed.

We also participated in the \$40 million capital increase in Euroasia, our 54.8% owned holding company for Astelit. On May 11, 2006, we contributed \$22.0 million to increase the capital of Euroasia, representing our proportion of shareholding in Euroasia.

Also, in June 16, 2006, we and the other minority shareholder, System Capital Management (SCM) Limited, purchased the existing shares of Eurocorp Invest Limited in exchange of \$0.6 million and \$0.5 million, respectively.

We and the other minority shareholder decided to contribute an aggregate amount \$150 million (in three tranches of each \$50 million) to the share capital of Euroasia as a condition to obtaining a waiver of covenant defaults from Astelit's lenders, whereby we and SCM shall make such contribution proportionate to our shareholding in Euroasia at the time of each capital contribution; in July 2006, October 2006 and January 2007. The first and second tranches of aforesaid \$150 million have already been paid in July and October 2006, respectively. See Liquidity and Capital Resources Liquidity Outlook Loans .

#### *Effects of Inflation*

The annual inflation rates in Turkey were 18.4%, 9.3% and 7.7% for the years ended December 31, 2003, 2004 and 2005, respectively, based on the Turkish consumer price index. The annualized inflation rate for the nine-month period ended September 30, 2006 was 10.6%. Liquidity turmoil in certain economies and bias of investors to less risk-averse investment alternatives triggered cost-push inflation in

Turkey. But, with the help of tight monetary policy followed by the Central Bank of Turkey, this effect has been lessened and demand side inflation has been under control. The current inflation target set by the Central Bank of Turkey is 5% with a confidence interval of 3-7% for 2006. Although it is unlikely to be in that inflation zone in 2006, Central Bank of Turkey announced its commitment to 2007 inflation targets and has been acting to control the comfort zone for 2007. For additional information, see Item 3A. Selected Financial Data-Exchange Rate Data and Item 3D. Risk Factors in our 20-F.

*New Accounting Standards Issued*

In February 2006, the Financial Accounting Standards Board ( FASB ) issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments-an amendment of FASB Statements No. 133 and 140 . SFAS No.155, resolves issues addressed in Statement 133 Implementation Issue No. D1, Application of Statement 133 to Beneficial Interests in Securitized Financial Assets . SFAS No.155, permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133, establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives and amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument.

SFAS No.155, is effective for all financial instruments acquired or issued after the beginning of an entity s first fiscal year that begins after September 15, 2006. Earlier adoption is permitted as of the beginning of an entity s fiscal year, provided the entity has not yet issued financial statements, including financial statements for any interim period for that fiscal year. Provisions of this Statement may be applied to instruments that an entity holds at the date of adoption on an instrument-by-instrument basis. The adoption of SFAS No. 155 is not expected to have a material effect on our consolidated financial statements.

In April 2006, the FASB issued FSP No. 46(R)-6, Determining the Variability to be Considered in Applying FASB Interpretation No. 46(R) . The FSP addresses how a reporting enterprise should determine the variability to be considered in applying FIN 46(R). The variability that is considered in applying FIN 46(R) affects the determination of (a) whether an entity is a VIE, (b) which interests are variable interests in the entity, and (c) which party, if any, is the primary beneficiary of the VIE. That variability affects any calculation of expected losses and expected residual returns, if such a calculation is necessary. FSP No. 46(R)-6 must be applied prospectively to all entities (including newly created entities) and to all entities previously required to be analyzed under FIN 46(R) when a reconsideration event has occurred, in the first reporting period beginning after June 15, 2006. We will evaluate the impact of this FSP at the time any such reconsideration event occurs and for any new entities created.

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 . FIN 48, clarifies the criteria for recognizing tax benefits under FASB Statement No. 109, Accounting for Income Taxes. FIN 48, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48, also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. Earlier application of the provisions of this interpretation is encouraged if the enterprise has not yet issued financial statements, including interim financial statements, in the period FIN 48 is adopted. The adoption of FIN 48 is not expected to have a material effect on our consolidated financial statements.

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In June 2006, FASB issued EITF No. 06-3 How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation) . EITF No. 06-3 would permit companies to elect to present on either a gross or net basis sales and other taxes that are imposed on and concurrent with individual revenue-producing transactions between a seller and a customer. The gross basis includes the taxes in revenues and costs; the net basis excludes the taxes from revenues. The Consensus would not apply to tax systems that are based on gross receipts or total revenues. Companies would disclose their policy for presenting the taxes and would disclose any amounts presented on a gross basis. Companies would not be required by the Consensus to change their policies for presenting taxes. A change would be permitted only if the new policy is considered preferable. Assuming ratification, the disclosures required by the Consensus will have to be presented for interim and annual financial periods beginning after December 15, 2006. We will evaluate to elect to present taxes collected from customers and governmental authorities either gross or net basis and this may reveal a material effect on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements . SFAS No. 157, defines fair value, establishes a framework for measuring fair value in GAAP, and enhances disclosures about fair value measurements. SFAS No. 157 applies when other accounting pronouncements that require or permit fair value measurements. Accordingly, SFAS No. 157 does not require new fair value measurements. However, for some entities, the application of SFAS No. 157 will change current practice. The transition adjustment, measured as the difference between the carrying amounts and the fair values of those financial instruments at the date this statement is initially applied, should be recognized as a cumulative-effect adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for the fiscal year in which this statement is initially applied. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those years. Earlier application is encouraged, provided the entity has not yet issued financial statements for any interim period for that fiscal year. The adoption of SFAS No. 157 is not expected to have a material effect on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132 (R) ( SFAS 158 ). SFAS 158 requires an employer to recognize the over-funded or under-funded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. SFAS 158 also requires the measurement of defined benefit plan assets and obligations as of the date of the employer s fiscal year-end statement of financial position (with limited exceptions). Under SFAS 158, we will be required to recognize the funded status of its defined benefit postretirement plan to provide the required disclosures in our financial statements as of December 31, 2006. We do not anticipate that the adoption of SFAS 158 will have a material effect on our results of operations or financial condition.

In September 2006, the SEC issued Staff Accounting Bulletin 108 ( SAB108 ). SAB 108 establishes an approach requiring the quantification of financial statement errors based on the effects of the error on each of an entity s financial statements and the related financial statement disclosures. This model is commonly referred to as a dual approach because it essentially requires quantification of errors under both of the widely-recognized methods for quantifying the effects of financial statement errors: the roll-over method and the iron-curtain method. SAB 108 permits existing public companies to record the cumulative effect of initially applying the dual approach in the first year ending after November 15, 2006 by recording the necessary correcting adjustments to the carrying values of assets and liabilities as of the beginning of that year with the offsetting adjustment recorded to the opening balance of retained earnings.

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We do not anticipate that the adoption of SAB 108 will have a material effect on our financial statements or results of operations.

In September 2006, FASB issued EITF No. 06-1 Accounting for Consideration Given by a Service Provider to Manufacturers or Resellers of Equipment Necessary for an End-Customer to Receive Service from the Service Provider. The EITF reached a Consensus on how providers of services that depend on specialized equipment should account for payments they make to the manufacturers or resellers of the specialized equipment. The service provider's objective is to stimulate demand for its services by facilitating equipment sales to potential customers. TV, radio, and security services are among those that might depend on specialized equipment often sold by unrelated manufacturers, and the payments could be in the form of cash, equity instruments, tooling, technological know-how, or key components of the specialized equipment. The Consensus would require a service provider to characterize the consideration based on the form of the benefit the service provider's customer receives from the manufacturer or reseller. If the benefit is other than cash (such as a discount on the price of the equipment) or the service provider does not control the form of benefit given by the manufacturer or equipment seller to the customer, the consideration would be treated as a cost rather than as a reduction of revenue. If the contractual provisions dictate that the service provider's customer receives cash consideration, such as a cash rebate, the amount would be reported as a reduction of revenue. If the Consensus is ratified, its requirements will have to be adopted through retrospective application to all prior periods as of the beginning of the first annual reporting period beginning after June 15, 2007, unless retrospective application is impracticable. Earlier adoption will be permitted for financial statements that have not yet been issued. The adoption of EITF No. 06-1 is not expected to have a material effect on our consolidated financial statements.

## Liquidity and Capital Resources

### Liquidity

We require significant liquidity to finance capital expenditures for the expansion and improvement of our GSM network, for non-operational capital expenditures, for working capital and to service our debt obligations. To date, these requirements have been funded largely through cash generated by our operations as well as supplier financings, bank borrowings, and the issuance of \$700 million in bonds by a finance vehicle, Cellco, which issued \$300 million of debt securities in July 1998 and \$400 million of debt securities in December 1999, and a rights issue. As of September 30, 2006, we do not have any outstanding amounts due related to the Cellco transaction after the extinguishment of the outstanding \$400 million senior notes on August 1, 2005.

A summary of our consolidated cash flows for the nine month periods ended September 30, 2006 and 2005 are as follows:

	2006	2005
	(In millions of USD)	
Net cash provided by operating activities	1,246.5	894.8
Net cash used for investing activities	(606.8 )	(540.1 )
Net cash used for financing activities	(346.5 )	(476.6 )
Net cash increase / (decrease)	293.2	(121.9 )

The net cash provided by our operating activities for the nine month period ended September 30, 2006 and 2005 amounted to \$1,246.5 million and \$894.8 million, respectively. The increase in 2006 was primarily due to the increase in revenues and the absence of litigation-related payments which had a significant outflow impact on the operating activities for the nine month period ended September 30, 2005.

The net cash used for investing activities for the nine month periods ended September 30, 2006 and 2005 amounted to \$606.8 million and \$540.1 million, respectively. Total investments in investees amounted to \$152.5 million for the nine months period ended September 30, 2006 whereas it was nil for the same period ended September 30, 2006. For the nine month period ended September 30, 2006, we spent approximately \$394.1 million for capital expenditures compared with \$572.9 million for the same period in 2005. Out of \$394.1 million in capital expenditures, \$258.8 million is related to capital expenditures especially for our GSM network in Turkey. Total capital expenditures made by Astelit was \$117.0 million for the nine months period ended September 30, 2006.

**In 2007, we plan to spend approximately US\$400 million excluding potential 3G expenditures of operational capital expenditures in Turkey in the core, access and service network. In 2007, we expect to spend less than the approximately US\$200 million planned for 2006 in capital expenditures in Ukraine.**

New technologies are excluded from the current projections, so addition of any new technology such as 3G technology may require both higher operating expenses and capital expenditures.

The net cash used for financing activities for the nine months period ended September 30, 2006 amounted to \$346.5 million and the net cash used for financing activities for the nine month period ended September 30, 2005 amounted to \$476.6 million. As of September 30, 2006, we made a \$342.2 million dividend payment whereas we made \$182.2 million in the year 2005. In addition, in 2005, we extinguished the aggregate principal amount of \$400 million of Cellco notes plus accrued interest on August 1, 2005.

In June 2006, we and SCM, in accordance with waiver letter dated May 30, 2006, undertook to contribute \$150 million to Astelit by way of a contribution to the share capital of Astelit or a subordinated loan to be made to Astelit whereby we will contribute \$82.6 million and SCM will contribute \$67.4 million. In July and October 2006, the first and second drawdowns under the contribution were made to Astelit amounting to an aggregate of \$100 million. The third drawdown will be made in January 2007. See Liquidity Outlook Loans .

#### *Source of liquidity*

We believe that we will be able to finance our current operations, capital expenditures and financing costs and maintain and enhance our network in 2006 through our operating cash flow and our strong cash balance as of September 30, 2006.

Our efforts to selectively seek and evaluate new international investment opportunities continue. These opportunities could include the purchase of a license and acquisitions in markets outside of Turkey in which we currently do not operate. In order to increase our financial flexibility, we plan to put in place significant external debt financing to be utilized for potential international investments, if one or more opportunities are realized. Utilization will be based upon need and in case the facility is not used the only cost will be relevant arrangement and commitment fees.

For a description of, and additional information regarding source of liquidity, see Item 5B. Liquidity and Capital Resources-Source of Liquidity section in our 20-F.

#### **Off-balance sheet arrangements**

We routinely enter into operating leases for property in the normal course of business. At September 30, 2006, there were no commitments and contingent liabilities in material amounts arising from such operating leases.

For a description of, and additional information regarding off-balance sheet arrangements, see Item 5E. Off-Balance Sheet Arrangements in our 20-F.

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**Contractual Obligations and Commercial Commitments**

The following table illustrates our major contractual obligations and commitments as of September 30, 2006.

	Payments due by period				After 5 years
	Total (US\$ Million)	Less than 1 year	1-3 years	4-5 years	
<b>Contractual Obligations</b>					
Borrowings	734.1	623.8	110.3		
Finance Lease Obligations	0.4	0.4			
Purchase Obligations	103.8	29.6	41.2	33.0	
<i>Digital Platform Sponsorship and advertising</i>	<i>87.0</i>	<i>18.0</i>	<i>36.0</i>	<i>33.0</i>	
<i>Baytur Dealer Loyalty Program</i>	<i>11.6</i>	<i>11.6</i>			
<i>Ericsson GSM Equipment</i>	<i>5.2</i>		<i>5.2</i>		
Total Contractual Cash Obligations	<b>838.3</b>	<b>653.8</b>	<b>151.5</b>	<b>33.0</b>	

On December 23, 2005, we signed the restructuring framework agreement with Digital Platform in order to restructure our receivables from Digital Platform. As an integral part of this restructuring framework agreement, we committed to purchase sponsorship and advertisement intermediary services from Digital Platform amounting to \$99.8 million excluding VAT until July 15, 2011. Outstanding purchase obligation with respect to these agreements as at September 30, 2006 is amounting to \$87.0 million (December 31, 2005: \$99.8 million) excluding VAT.

The principal shareholder of Baytur, a construction company, is the Cukurova Group. Baytur committed to complete construction of 484 apartments within the scope of an agreement signed among us, Baytur and the land owner, which is a governmental organization, on October 19, 2004. The agreement amount is \$39.7 million and the project is planned to be completed in 2008. We have paid \$28.1 million to Baytur within the scope of this contract as of September 30, 2006.

Purchase obligations in relation to GSM equipment arise from GSM equipment supply and service contracts signed by Astelit with Ericsson AB. As of September 30, 2006, Astelit's purchase commitment is \$5.2 million.

**Related Party Transactions**

Since Cukurova Group transferred its shares in Yapi Kredi to Koc Group on October 28, 2005, Yapi Kredi is not a related party as at September 30, 2006.

During August 2006, we acquired 50% shares of A-Tel from Yapi Kredi. A-Tel is a joint venture and its remaining 50% shares are held by Turkey's Savings and Deposit Insurance Fund (the SDIF).

On September 1, 2006, a revised agreement has been signed with ADD Production Medya AS and the validity period of the agreement has been extended to August 31, 2008.

For a discussion of our transactions with related parties see Item 7B. Related Party Transactions in our 20-F. Other than as set forth above, there have been no material changes in our related party transactions since the date of our 20-F.

**Contingent Liabilities**

The following table illustrates our major contingent liabilities as of September 30, 2006.

	Amount of contingent liability expiration per period						
	Total amount committed USD million	Remaining commitment at September 30, 2006	Indefinite*	Less than one year	1-3 years	3-5 years	Over 5 years
<b>Bank Letters of Guarantee Guarantees</b>	<b>47.5</b>	<b>47.5</b>	<b>34.6</b>	<b>12.2</b>	<b>0</b>	<b>0.6</b>	

\* Bank letter of guarantees are not given for a specific period. Most of the guarantees will remain as long as the business relationship with the counterparty continues.

As of September 30, 2006, we are contingently liable in respect of bank letters of guarantee obtained from various banks and given to the customs authorities, private companies and other public organizations amounting to \$47.5 million.

We have fully guaranteed the long term junior facility of Astelit amounting to \$150 million. See Liquidity Outlook Loans .

**Liquidity Outlook**

Under the current assumptions and circumstances, we expect to generate sufficient cash to maintain our strong cash position and positive free cash flow in the GSM business in Turkey. According to our current business plan for the operations in Turkey, we believe that we will be able to finance our current operations, capital expenditures and financing costs and maintain and enhance our network through our operating cash flow and our strong cash balance as of September 30, 2006.

Our efforts to selectively seek and evaluate new international investment opportunities continue. These opportunities could include the purchase of a license and acquisitions in markets outside of Turkey in which we currently do not operate. In order to increase our financial flexibility, we plan to put in place significant external debt financing to be utilized for potential international investments, if one or more opportunities are realized. Utilization will be based upon need and in case the facility is not used the only cost will be relevant arrangement and commitment fees.

The forward-looking statements made here regarding our liquidity and any other financial results are not a guarantee of performance. They are subject to risks and uncertainties that could cause future activities and results of operations to be different from those set forth in this document.

Important factors that may adversely affect our projections include general economic conditions, change in the competitive environment, developments in the domestic and international capital markets, increased investments, changes in telecommunication regulations. Please see Item 3D. Risk Factors in our 20-F and elsewhere in this prospectus supplement for a discussion of these and other factors that may affect our plans.

*General Economic Conditions*

With the support of the encouraging outlook of the Turkish economy and the positive consumer sentiment in the market, we expect our net cash generation trend to be sustained. The Turkish government's efforts to engage in a new economic program with the IMF lasting until 2007, acceptance of Turkey for membership negotiations with the EU, recovery in consumer purchasing power in line with developments such as sustainable GDP growth, improved distribution of wealth and a growing young and technology oriented population are projected to expand the GSM penetration in the market. However, a fragile current account balance and inflation concerns are the main risks for Turkey.

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*Loans*

On August 24, 2005, TRY 50.0 million (equivalent to \$33.4 million at September 30, 2006) loan was obtained from West LB A.G., London Branch with a term of 3 years. The interest and principal was to be paid semiannually and interest was calculated on a floating rate of 6 month TRYibor (TRY Libor) minus 0.15 basis points. The facility was aimed to reduce the currency risk on our balance sheet. On August 29, 2006, we early extinguished the loan due to financial market volatility leading to an increase in costs.

On April 21, 2006, we have fully repaid \$25.0 million for the outstanding balance of the loan obtained from Garanti Bank on November 22, 2000 and on June 16, 2006, the \$6.9 million outstanding balance of Murabaha Syndicated Facility has been fully repaid.

In connection with the Iranian project, we transferred funds to Eastasia in the form of capital as required by the license terms set by the Iranian Telecom Authority, but remained unutilized due to license issues, in order to reutilize these funds, on June 21, 2006, we obtained a new loan from West LB AG in the amount of EUR 80.0 million (equivalent to \$101.3 million at September 30, 2006) with a tenor of 2 years and a rate of Euribor plus 0.75% with an early pre-payment option. The loan was provided in return for a deposit in the same amount by East Asian Consortium BV ( Eastasia ), a fully owned subsidiary, formed for the purpose of the Iranian project.

In December 2005, Astelit signed an agreement amounting to US\$540 million long term financing. The total financing package consists of a syndicated loan and a junior loan. The long term syndicated loan (the Syndicated Loan ) in the amount of US\$390 million has a term of six years of which US\$270 million is guaranteed by Export Credit Agency (ECA). Nokia Corporation and Ericsson Credit AB, the two major suppliers of Astelit s GSM network also took part in the Syndicated Loan in the amount of US\$30 million. The junior loan in the amount of US\$150 million has a term of six years and we have fully guaranteed it. The proceeds from these facilities have been used to refinance Astelit s existing vendor loans and local bank loans and finance additional capital expenditures and working capital requirements. As at September 30, 2006, \$368.7 million of that facility has been utilized and \$21.3 million was undrawn.

These financing agreements contain a number of restrictive debt covenants applicable to Astelit and Euroasia which may be summarized as follows:

- Astelit has to comply with certain financial ratios during the period of financing;
- Astelit may not pledge any of its assets (including its rights under the supply contracts and its rights under the material insurance contracts);
- Euroasia may not pledge shares owned in Astelit to other parties;
- Euroasia may not pledge any loans issued to Astelit;
- There are restrictions on disposal of assets by Astelit;
- Astelit can not attract financing from parties other than Euroasia and Lenders, without the consent of the Lenders;
- There are restrictions on finance leasing and supplier financing arrangements;
- Astelit may not conduct any other business apart from the operation of telecommunications services, and business ancillary thereto;
- Astelit may not merge with other companies (DCC merger is out of coverage of this clause as per waiver letter dated May 9, 2006);
- There are restrictions on acquisitions of subsidiaries;



- There are restrictions on issuance of guarantees by Astelit;
- Astelit can not issue any shares for purposes other than receiving financial support from current shareholders;
- Payment of dividends may only occur once Astelit complies with certain financial ratios.

As part of the project financing package, a long term junior facility up to \$150 million (including interest amounting to \$24 million) was also finalized with Turkiye Garanti Bankasi AS Luxemburg Branch and Akbank TAS Malta Branch. The junior facility is fully guaranteed by us. This facility has been fully utilized as at September 30, 2006.

As of September 30, 2006, Euroasia recorded net revenue of US\$50.9 million, gross loss of US\$79.3 million including depreciation and amortisation of US\$72.7 million and net loss of US\$168.6 million.

Based on Astelit's interim financial statements as at and for the three months ended March 31, 2006, the six months ended June 30, 2006, and the nine months ended September 30, 2006, Astelit has been in breach of its consolidated EBITDA covenant contained in the Syndicated Loan as at each respective date. During the second and third quarter of 2006, Astelit also was in breach of certain of its other covenants under the Syndicated Loan, including the covenant to deliver its consolidated financial statements for the fiscal year ending December 31, 2005, to the facility agent within 180 days of the end of the 2005 fiscal year. As a result, for each of the first, second and third quarters of 2006, Astelit's long term debt has been reclassified as short term debt, amounting to US\$501.1 million (including its junior loan) as at the end of the third quarter of 2006.

Astelit requested that the facility agent, the senior creditors and Export Credit Agencies (ECA) waive the breach of its consolidated EBITDA covenant in each of the first, second and third quarters of 2006 and that Astelit be allowed to make further drawings under the Syndicated Loan. Astelit received a waiver letter from the facility agent on behalf of the lenders under the Syndicated Loan for breach of its consolidated EBITDA covenant for the first quarter of 2006 on May 10, 2006. As a condition to receipt of the waiver in the May 10, 2006 letter, the main shareholders of Astelit, Turkcell and System Capital Management Limited (SCM), committed to contribute to Astelit their respective share of a total amount of approximately US\$150 million. We participated in the first and second tranche payments of US\$50 million in the form of a capital increase to Astelit in July and October proportionate to our shareholding and the third tranche is due in January 2007.

In a letter from the facility agent dated July 24, 2006, Astelit was granted a waiver of the covenant that required that Astelit deliver its 2005 annual consolidated financial statements to the facility agent.

In a letter from the facility agent dated August 8, 2006, Astelit was granted a waiver of its breach of its consolidated EBITDA covenant for the second quarter of 2006, a waiver of certain other covenants in the Syndicated Loan and a further extension in the requirement to deliver its 2005 annual consolidated financial statements to the facility agent. The grant of such waivers was subject to the condition that certain restructuring amendments to the Syndicated Loan (the Restructuring Amendments) were required to be agreed prior to September 1, 2006, and documented prior to September 30, 2006, which was subsequently extended to October 31, 2006, and November 30, 2006, respectively.

In a letter from the facility agent dated October 31, 2006, Astelit was granted a waiver of its breach of its consolidated EBITDA covenant for the third quarter of 2006 and a further extension of the requirement to agree the Restructuring Amendments to prior to November 30, 2006, and the requirement to document the Restructuring Amendments to prior to December 31, 2006. The grant of such waiver and extension was also subject to the condition that no further disbursements under certain of the facilities in the Syndicated Loan would be made without prior written consent of certain of the lenders of the Syndicated Loan.

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Based on Astelit's financial status and discussions held with the lenders, significant additional shareholder contribution may be needed in the coming quarters.

We have an approval from our Board of Directors for TRY or foreign currency denominated loans up to \$300 million with a maturity of up to 5 years. The line can be used for contingency purposes. We believe that we will be able to fully fund the operations in Turkey by our cash from operations through the remainder of 2006, which includes the repayment of approximately \$25.0 million in debt principal obligations.

*Credit Ratings*

Our long term foreign currency ratings as of October 3, 2006:

Standard & Poor's	B+
Fitch	BB

Any further upgrades from the ratings agencies may allow us to lower the cost of borrowing for any future indebtedness in the domestic and international debt and capital markets. Conversely, any ratings downgrade may limit our future access to debt and capital markets and increase the cost of borrowing.

After the extinguishment of the Cellco notes in August 2005, Moody's no longer has a valid credit rating for us.

**Dividend Payments**

We have adopted a dividend policy, which is set out in our Corporate Governance Guidelines. As adopted, our general dividend policy is to pay dividends to shareholders with due regard to trends in our operating performance, financial condition and other factors. Our Board of Directors intends to distribute cash dividends in an amount of not less than 50% of our distributable profits for each fiscal year, starting with profits for fiscal 2004. However, the payment of dividends will still be subject to our cash flow requirements, compliance with Turkish law and regulations and the approval of, or amendment by, our Board of Directors and the General Assembly of Shareholders.

On March 22, 2006, our Board of Directors decided to make a proposal to the General Assembly for distribution of a total net cash dividend of TRY 509.1 million (equivalent to \$340.0 million and \$342.2 million at September 30, 2006 and May 22, 2006, respectively) (which constitutes 50% of distributable income per statutory accounts) and dividend in the form of bonus issue amounting of TRY 345.1 million (equivalent to \$230.5 million and \$232.0 at September 30, 2006 and May 22, 2006, respectively) for the year ended December 31, 2005. The distribution of dividends was approved at the General Assembly Meeting held on May 22, 2006 and cash dividend distribution was started on May 29, 2006.

	Amount per share (TRY in full)	Total (TRY Million)	USD equivalent September 30, 2006
<i>Dividend in cash</i>	0.274450 *	509.1	\$ 340.0
<i>Dividend in bonus shares</i>		345.1	230.5

\* Amount of per share figure is computed over 1,854,887,341 shares.

Accordingly, the rate of bonus issue certificate to be issued for each share having a nominal value of TRY 1 is recommended as 18.605586%.

In connection with the redenomination of the Turkish Lira and as per the related amendments of Turkish Commercial Code, in order to increase the nominal value of the shares to TRY 1, 1,000 units of

shares, each having a nominal value of TRY 0.001 shall be merged and each unit of share having a nominal value of TRY 1 shall be issued to represent such shares. We are still in the process of merging 1,000 existing ordinary shares, each having a nominal value of TRY 0.001 to one ordinary share having a nominal value of TRY 1 each. After the share merger which appears as a provisional article in the Articles of Association to convert the value of each share with a nominal value of TRY 0.001 to TRY 1, all shares will have a nominal value of TRY 1. Although the merger process has not been finalized, the practical application is to state each share having a nominal value of TRY 1 which is consented by Capital Markets Board of Turkey ( CMB ).

#### **Quantitative and Qualitative Discussion of Market Risk**

Our functional currency is TRY for operations conducted in Turkey, but certain revenues, purchases, operating costs and expenses and resulting receivables and payables are denominated in foreign currencies, primarily USD, Euros, Swedish Krona and Ukrainian Hryvnia.

To manage our foreign exchange risk more efficiently, in 2006, we entered into structured forward transactions. As at September 30, 2006, we have structured forward contracts amounting to notional \$410.0 million to buy USD against TRY and notional \$169.5 million to sell USD against TRY. Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognized in the income statement. \$4.2 million liability was recorded in the balance sheet due to the change in the fair value of forward exchange contracts at September 30, 2006. As of October 27, 2006, we have outstanding structured forward contracts amounting to notional \$410.0 million to buy USD against TRY and notional \$169.5 million to sell USD against TRY. We bought \$229.0 million and sold \$48.5 million from the structured forward transactions as of October 27, 2006.

In order to take advantage of market volatility in the foreign exchange markets and increase the yield on our free cash, we began in 2006 to enter into short term option transactions to buy or sell certain currencies. Option contracts allow us to either hedge our exposure or collect premiums depending on their types. As of September 30, 2006, we have bought currency options in the notional amounts of \$150.0 million outstanding in order to hedge ourselves against TRY depreciation. Changes in the fair value of options that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognized in the income statement. \$5.6 million asset was recorded in the balance sheet due to the fair value change of currency options used as economic hedges of monetary assets and liabilities in foreign currencies at September 30, 2006. As of October 27, 2006, we bought \$170.0 million to hedge ourselves and sold \$200.0 million from the currency options.

In managing currency risk, we aim to reduce the impact of short-term fluctuations on our earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates would have an impact on our earnings.

As of September 30, 2006, interest on our assets was fixed excluding floating rate note holdings. Most of the floating rate holdings are denominated in TRY. Holdings of TRY denominated Turkish government floating rate notes carry a face value of TRY 45.0 million (equivalent to \$30.1 million as of September 30, 2006) and have a fair value of TRY 47.8 million (equivalent to \$31.9 million as of September 30, 2006). Therefore, we are not exposed to interest rate risk on financial assets, apart from these floating rate notes, as of September 30, 2006.

We have not entered into any type of derivative instrument in order to hedge interest rate risk as of September 30, 2006.

We made a sensitivity analysis on our portfolio of structured USD hedging products. Two scenarios of 10% appreciation and 10% depreciation of \$/TRY exchange rate have been included. In case of a 10%

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appreciation, from the spot rate of 1.4447 on October 27, 2006, our total structured USD buy forward transaction size would rise to \$647.0 million with a total loss effect of \$4.8 million and total structured USD sell forward transaction size would fall to \$75.0 million with a total profit effect of \$9.7 million. In the case of a 10% depreciation, all structured USD call forward transactions will be knocked-out, and total structured USD put transaction size would rise to \$337.0 million with a total loss effect of \$21.6 million.

As of October 27, 2006, we have bought \$170.0 million notional of \$/TRY call option to hedge ourselves and sold \$200 million notional of \$/TRY call option. Two scenarios of 10% appreciation and 10% depreciation of \$/TRY exchange rate have been included. In case of a 10% appreciation of TRY, from a spot rate of 1.4447 on October 27, 2006, the fair value of USD call options we bought would fall to \$0.07 million and the fair value of USD call options we sold would converge to nil. In case of a 10% depreciation of TRY, the fair value of USD call options we bought would rise to \$11.3 million and the fair value of USD call options we sold would increase to \$8.9 million.

All hedging transactions have been authorized and executed pursuant to clearly defined policies and procedures, which provide that the transaction is entered into to protect us from fluctuations in currency values. Analytical techniques are used to manage and monitor currency risk which include market valuation and sensitivity analysis. In addition, we keep a reasonable proportion of our monetary assets in USD to reduce our currency exposure. Furthermore, the maximum tariffs we may charge are adjusted periodically by the Telecommunications Authority to account for, among other things, the devaluation of the TRY.

### Legal Proceedings

We are involved in various claims, which are described in Item 8A. Consolidated Statements and Other Financial Information Legal Proceedings in our 20-F.

There has not been any material change in our legal and arbitration proceedings since the date of our 20-F, except for the following:

*a) Disputes on annulment of fixed odds betting tender related to establishment and operation of risk management center head agency*

Reklam Departmani Basın Yayın Proje Yapım Danışmanlık ve Ticaret Limited Şirketi ( Reklam Departmanı ) commenced a lawsuit against the Gençlik ve Spor Genel Müdürlüğü ( GSGM ) in the Ankara 4th Administrative Court. In the lawsuit, Reklam Departmanı claimed for the annulment of fixed odds betting tender related to the establishment and operation of risk management center and acting as head agency. Inteltek is not a party to the lawsuit but Inteltek's operations may be affected by the court's decision. Inteltek, requested from the court to participate to the case as intervener; the court has not decided on this request. On February 21, 2005, the Court rejected the case. Reklam Departmanı appealed this rejection. Danıştay accepted the appeal request of Reklam Departmanı. On February 17, 2006, GSGM has applied for the correction of this decision. Danıştay rejected the correction of decision request of GSGM. Then, the case was sent to the Ankara 4th Administrative Court. Reklam Departmanı claimed suspension of execution and cancellation of the tender. On August 18, 2006, the Court rejected Reklam Departmanı's suspension of execution claim and Reklam Departmanı did not appeal the court's decision.

With respect to the same tender, Gtech Avrasya Teknik Hizmet ve Müşavirlik AS ( Gtech ) commenced a lawsuit against the Public Tender Authority and GSGM. Inteltek is not a party to the lawsuit but Inteltek's operations may be affected by the court's decision. Accordingly, Inteltek has participated to the case as intervener. On February 21, 2006, the court rejected the case. Both Gtech and Public Tender Authority appealed the decision. Danıştay accepted the request of appeal. Inteltek has applied for the correction of decision on February 9, 2006. On July 9, 2006, Danıştay rejected Inteltek's appeal. On July 18, 2006, the court issued a preliminary injunction which stopped the effectiveness of the Public

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Tender Authorities' decision that there is no ground to give a decision regarding the cancellation of the aforementioned tender and rejected the request concerning the injunction of fixed odds betting tender related to the establishment and operation of risk management center and acting as head agency. This decision has been contested by the defendants Public Tender Authority, GSGM and Inteltek. Ankara District Administrative Court, which examined these contestations on August 22, 2006, has accepted the defendants' contestations and upheld the preliminary injunction decision issued by the Local Court; and dismissed the applicant's request for a preliminary injunction. Gtech repeated claim of cancellation of FOB tender. On the other hand, GSGM submitted October 9, 2006 dated petition to court and indicated that case was not filed within legal period of time (60 days). Spor Toto also requested from Local Court to dismiss Gtech's case and required hearing.

Gtech commenced another lawsuit against GSGM for the cancellation of the fixed odds betting contract signed in the same tender. The Ankara 4th Administrative Court dismissed the case for a lack of jurisdiction. Gtech appealed this decision. The cases are still pending.

For the reason that, those requests of annulment of tender relate to the Fixed Odds Betting Agreement Relating to the Establishment and Operation of Risk Management Center and Acting as Head Agency, an annulment decision that would be rendered in those lawsuits shall invalidate the said agreement and therefore it shall be impossible for Inteltek to carry out its activities as under the agreement.

Legal counsel believes that it is not practicable to issue an opinion on the conclusion of these cases. Based on our management's and legal counsel's opinion, we have not provided any accruals with respect to these matters in our consolidated interim financial statements as at September 30, 2006.

*b) Dispute on Call Termination Fee*

Telsim has initiated a lawsuit claiming that we have not applied the reference interconnection rates determined by the Telecommunications Authority, and have charged interconnection fees exceeding the ceiling rates approved by Telecommunications Authority and requested an injunction to be applicable starting from August 1, 2005, to cease this practice and requested a payment of damages totaling to nominal amount of TRY 26.1 million (equivalent to \$17.4 million as at September 30, 2006) including principal, interest and penalty on late payment. On April 6, 2006, the case was rejected. Telsim appealed the decision. As it is stated in the existing Interconnection Agreement with Telsim, Telsim referred the matter to the Telecommunications Authority. The resolution procedure was finalized and Telecommunication Authority set the call termination charges which are effective from March 1, 2006. According to the Telecommunications Authority decision, these charges have been applied between us and Telsim from March 1, 2006 to May 24, 2006.

In addition, on June 1, 2006, the Telecommunications Authority issued reference call termination fees for us and Turk Telekom. In addition, on July 26, 2006, the Telecommunications Authority issued final reference call termination fees for us and Turk Telekom. On July 10, 2006 and August 14, 2006, we filed two lawsuits in Ankara Administrative Court for the injunction and cancellation of reference call termination fees set as TRY 0.14/minute for calls terminating on Turk Telekom and our network through the decisions of Telecommunications Authority dated June 1, 2006 and July 26, 2006. On August 18, 2006, the Court has decided to combine these two lawsuits. The case is still pending.

In addition, reference call termination fees between us and Vodafone and us and Avea are set through a Reconciliation procedure and Reference call termination fees issued on June 1, 2006 by Telecommunications Authority. These reference call termination fees are effective from March 2006, May 2006 and July 2006 for Telsim, Vodafone and Avea, respectively. On August 14, 2006, we filed a lawsuit in Ankara Administrative Court for the injunction and cancellation of reference call termination fees between us and Avea which have been set as TRY 0.14/minute for calls terminating on our network.

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Additionally, on August 23, 2006, we also filed a lawsuit in Ankara Administrative Court for the injunction and cancellation of reference call and SMS termination fees between us and Vodafone (Telsim for the period between March 1 - May 24, 2006) which have been set as TRY 0.14/minute for calls terminating and TRY 0.297/unit for SMS terminating on our network. The Ankara Administrative Court dismissed the case on August 29, 2006, deciding that it does not have jurisdiction over the case. The file was sent to Council of State. The case is still pending.

*c) Dispute with Avea*

On February 28, 2006, Avea has initiated a lawsuit against us claiming that although there is an agreement between us and Avea stating that both parties would not charge any SMS interconnection termination fees, we have charged SMS interconnection fees for the messages terminating on our own network and also assumed liabilities for the messages terminating in Avea's network and made interconnection payments to Avea after deducting the net balance of those SMS charges and accruals. Avea requested provisions of Interconnection Agreement regarding SMS pricing to be applied and requested collection of its losses amounting to nominal amount of TRY 12.3 (equivalent to \$8.2 at September 30, 2006) for the period between February 2005 and December 2005 with its accrued interest till payment.

On October 10, 2006, the Court decided that charging SMS interconnection termination fees violates the agreement between us and Avea and we should pay Avea's losses amounting to nominal amount of TRY 12.3 (equivalent to \$8.2 at September 30, 2006) for the period between February 2005 and December 2005 with its accrued interest till payment. In line with the court decision, neither SMS interconnection revenue nor SMS interconnection expense has been recognized with respect to February 2005 to June 2006 and interest has been accrued till October 27, 2006 amounting to nominal amount of TRY 3.0 (equivalent to \$2.0 at September 30, 2006) for Avea's losses in our interim financial statements as at and for the nine months ended September 30, 2006. We made the principal and interest payment for the period between February 2005 and December 2005 on November 6, 2006.

We have also applied to the Telecommunications Authority to set SMS interconnection prices between us and Avea.

*d) Dispute on ongoing license fee and universal service fund payment based on the amended license agreement*

Based on the law enacted on July 3, 2005 with respect to the regulation of privatization, gross revenue the calculation of ongoing license fee and universal service fund has been changed. According to this new regulation, accrued interest charges for the late payments, taxes such as indirect taxes, and accrued revenues are excluded from the calculation of gross revenue. Calculation of gross revenue with respect to the ongoing license fee and universal service fund according to the new regulation is valid after Danistay's approval on March 10, 2006. In the meanwhile, we made the payments including above-mentioned items between July 21, 2005 and March 10, 2006, when the amendment to the license agreement was effective. On April 21, 2006, we initiated a lawsuit against the Turkish Treasury for repayment of the difference between the payments that were made started from July 21, 2005 until March 10, 2006 totaling TRY 111.3 million (equivalent to \$74.3 million at September 30, 2006) including interest of TRY 8.7 million (equivalent to \$5.8 million at September 30, 2006).

The above-mentioned law enacted on July 3, 2005 also assigned to the Telecommunications Authority responsibility for the revision of license agreement according to new regulation. However, the Telecommunications Authority did not finalize such revision timely. Therefore, on May 5, 2006, we have initiated a lawsuit against the Telecommunications Authority for the delay of the revision in license agreement preventing the new regulation from becoming effective until March 10, 2006. By this lawsuit, we

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have requested payment totaling TRY 112.3 million (equivalent to \$75.0 million at September 30, 2006) including interest of TRY 9.7 million (equivalent to \$6.5 million at September 30, 2006). We have decided to give up the request regarding the interest of TRY 9.7 million (equivalent to \$6.5 million at 30 September 2006).

*e) Dispute on receivables from Avea regarding call termination fees*

Based on the 21st article of the Access and Interconnection Regulation, the operators may retroactively apply the final call termination fees determined by Telecommunications Authority under the reconciliation procedure. Therefore, on August 29, 2006, we have initiated a lawsuit against Avea for the collection of our damages totaling to nominal amount of TRY 32.3 million (equivalent to \$21.6 million at September 30, 2006) including principal, interest and penalty on late payment covering the period from June 30, 2004 until July 7, 2006 which is the announcement date of the reference call termination fees issued by Telecommunications Authority in June 2006.

*f) Invalidity of the General Assembly Meeting*

On August 21, 2006, our shareholder, Sonera, filed a lawsuit with an injunction request for the purpose of determination of the invalidity of our General Assembly Meeting with an agenda including dividend distribution and appointment of members of the Board of Directors, held on May 22, 2006 and the invalidity of all resolutions taken in this meeting.

*g) Dispute on value added taxation with respect to roaming services*

Tax Office claimed that we should have paid VAT on the invoices issued by foreign GSM operators for the international calls originated by our subscribers and terminating on those foreign GSM operators networks during the year 2000. It has been notified that, based on the calculation made by the Tax Office, we should pay nominal amount of TRY 19.8 million (equivalent to \$13.2 million at September 30, 2006) for VAT and penalty fee. Moreover, Tax Office also claimed that we should have paid VAT on the invoices issued by foreign GSM operators for the international calls originated by our subscribers and terminating on those foreign GSM operators networks during the years 2001 and 2002 amounting to nominal amount of TRY 16.0 million (equivalent to \$10.7 million at September 30, 2006) and TRY 23.9 million (equivalent to \$16.0 million at September 30, 2006) respectively, for VAT and penalty fee. Management decided not to pay such amounts and initiated judicial processes on April 6, 2006 for VAT and penalty fee for the year 2000 and on July 13, 2006 for VAT and penalty fees for the years 2001 and 2002. Our legal counsel believes that we will prevail in this matter. Accordingly, we have not provided any accruals with respect to this matter in our consolidated interim financial statements as at September 30, 2006.

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**HISTORICAL ORDINARY SHARE AND ADS TRADING, DIVIDENDS AND EXCHANGE RATE INFORMATION****Ordinary Share and ADS Trading**

The following table sets out, for the periods indicated, the reported high and low market quotations based on closing prices for Turkcell's ordinary shares on the Istanbul Stock Exchange and for its sponsored ADSs on the NYSE:

	New York Stock Exchange (\$ per ADS)(1)(2)		Istanbul Stock Exchange (TRY per Ordinary Share)(2)	
	High	Low	High	Low
<b>Annual information</b>				
<b>Year ended December 31,</b>				
<b>2001</b>	20.03	1.48	2.87	0.76
<b>2002</b>	5.06	2.29	2.75	1.27
<b>2003</b>	6.03	2.48	3.08	1.61
<b>2004</b>	12.13	5.42	5.95	2.80
<b>2005</b>	13.41	10.22	7.30	5.09
<b>Quarterly information</b>				
<b>2004</b>				
First quarter	8.18	5.61	4.06	2.80
Second quarter	8.41	5.42	4.10	3.15
Third quarter	7.84	5.87	4.43	3.23
Fourth quarter	12.13	7.81	5.95	4.21
<b>2005</b>				
First quarter	13.22	10.26	6.83	5.09
Second quarter	11.60	10.22	5.95	5.09
Third quarter	12.88	10.45	6.78	5.48
Fourth quarter	13.41	10.56	7.30	5.44
<b>2006</b>				
First quarter	16.14	12.95	8.28	6.53
Second quarter	15.84	10.06	7.40	5.30
Third quarter	13.30	9.72	7.70	6.05
<b>Monthly information</b>				
May 2006	15.84	10.24	7.20	5.30
June 2006	11.86	10.06	7.40	5.60
July 2006	12.34	9.72	7.30	6.05
August 2006	12.31	11.03	7.30	6.50
September 2006	13.30	11.78	7.70	6.80
October 2006	14.50	13.54	7.90	7.45
November 2006 (through November 3)	14.29	14.10	7.75	7.55

(1) Share prices have been revised to reflect the ADR ratio change for our American Depositary Receipt (ADR) program, which became effective on April 29, 2005. In connection with the redenomination of the Turkish Lira and the change of the nominal value of the Turkcell ordinary share, the Turkcell ADR ratio was changed from the existing ratio of one (1) ADS to two thousand five hundred (2,500) ordinary shares to a new ratio of two (2) ADS's to five (5) ordinary shares.

(2) Share prices have been revised to reflect past distributions of dividends in the form of bonus shares.

**Exchange Rate Information**

Effective January 1, 2005, the Turkish Parliament redenominated the Turkish Lira and created a new currency, the New Turkish Lira or TRY. One million Turkish Lira are equal to one New Turkish Lira. Turkish Lira remained in circulation along with the New Turkish Lira, until the end of 2005. Effective January 1, 2006, only New Turkish Lira are in circulation in Turkey.

The Federal Reserve Bank of New York does not report a noon buying rate for the New Turkish Lira, and historically has not reported a noon buying rate for the Turkish Lira. For the convenience of the reader, this prospectus presents unaudited translations of certain New Turkish Lira amounts into US dollars at the relevant New Turkish Lira exchange rate for purchases of US dollars at the TRY/\$ Exchange Rate announced by the Central Bank of Turkey. Until the end of the year 2005, any balance sheet data in US dollars derived from our consolidated financial statements were translated from New Turkish Lira into US dollars at rates for US dollars announced by the Central Bank of Turkey on the date of such balance sheet for monetary assets and liabilities and at historical rates for capital and nonmonetary assets and liabilities. Since Turkey ceased to be a highly inflationary country starting from January 1, 2006, assets and liabilities for each balance sheet presented are translated to US Dollars at the foreign exchange rates at the balance sheet date. Any data from our consolidated statements of operations in US dollars derived from our consolidated financial statements are translated from New Turkish Lira into US dollars at historical rates. Unless otherwise indicated, the TL/\$ exchange rate or TRY/\$ exchange rate used in this prospectus is the TL/\$ exchange rate or TRY/\$ exchange rate in respect of the date of the financial information being referred to.

The following table sets forth, for the periods and the dates indicated, the Central Bank of Turkey's buying rates for US dollars. These rates may differ from the actual rates used in preparation of our consolidated financial statements and other information appearing herein. The TRY/\$ exchange rate as of November 3, 2006 was TRY 1.4602 = \$1.00.

<b>Year ended December 31</b>	<b>High</b>	<b>Low</b>	<b>Year end</b>	<b>Average(1)</b>
2001	1,636,942	663,739	1,439,567	1,241,391
2002	1,688,410	1,286,543	1,634,501	1,513,611
2003	1,746,390	1,348,023	1,395,835	1,492,581
2004	1,550,710	1,301,340	1,342,100	1,422,514
2005(2)	1.400	1.254	1.342	1.344
2006(2) (through November 3, 2006)	1.693	1.296	N/A	1.434

(1) The average of the Central Bank of Turkey's buying rates for US dollars on the last business day of each month during the year.

(2) These columns set forth the Central Bank of Turkey's buying rates for US dollars expressed in New Turkish Lira.

<b>Exchange rate information for the months of</b>	<b>High</b>	<b>Low</b>
May 2006	1.540	1.310
June 2006	1.693	1.527
July 2006	1.588	1.495
August 2006	1.499	1.431
September 2006	1.525	1.442
October 2006	1.509	1.442
November 2006 (through November 3, 2006)	1.460	1.448

**DESCRIPTION OF ORDINARY SHARES**

The following is a description of the rights attaching to our shares, which are derived from the Turkish Commercial Code, or TCC, the Capital Markets Law, the regulations of the Capital Markets Board, or CMB, and our articles of association.

**Paid-in Capital, Nominal Value, Form of Shares and Limit of Liability**

Our Board of Directors has adopted the authorized share capital system which, under Turkish law, allows us to increase our issued share capital up to the authorized share capital amount upon resolution by our board and without need for further shareholder approval. On March 22, 2006, our Board of Directors decided to make a proposal to the General Assembly for distribution of a total net cash dividend of TRY 509.1 million (equivalent to \$342.2 million and \$340.1 million at May 22, 2006 and September 30, 2006, respectively) (which constitutes 50% of distributable income per statutory accounts) and dividend in the form of bonus issue amounting of TRY 345.1 million (equivalent to \$232.0 million and \$230.5 million at May 22, 2006 and September 30, 2006, respectively) for the year ended December 31, 2005. The distribution of dividends was approved at the General Assembly Meeting held on May 22, 2006 and cash dividend distribution was started on May 29, 2006. As of September 30, 2006, upon the completion of the bonus issue, we have TRY 2,200,000,000 paid-in capital consisting of one class of shares, nominal value TRY 1.000 each.

Our shares are in registered form. The ordinary shares sold in connection with this offering will be in registered form. Our Board of Directors has resolved on November 8, 2006, that this offering of ordinary shares be endorsed in blank, enabling such shares to be transferred as if they were in bearer form.

The following table presents a reconciliation of our share capital for each of the three years ending December 31, 2005, and the nine month period ending September 30, 2006.

Date	Ordinary Shares Issued During the Period	Ordinary Shares Outstanding as of Such Date
<b>January 1, 2004</b>		<b>500,000,000</b>
Transfer from retained earnings	118,159,000	
Statutory capital inflation adjustment	856,480,000	
<b>December 31, 2004</b>		<b>1,474,639,000</b>
Transfer from retained earnings	234,091,962	
Statutory capital inflation adjustment	146,156,379	
<b>December 31, 2005</b>		<b>1,854,887,341</b>
Transfer from retained earnings	293,450,878	
Statutory capital inflation adjustment	51,661,781	
<b>September 30, 2006</b>		<b>2,200,000,000</b>

**Preemption Rights**

We may increase our capital only through the issuance of new shares, and such issuances may come in the form of a rights issue or a bonus issue. Under Turkish law, existing shareholders are entitled to subscribe for new shares, also known as preemption rights, in proportion to their respective shareholdings each time we undertake a capital increase. In parallel with the market practice, our Board of Directors will generally recommend that new shares be issued at prices equal to their nominal value, which entitles the existing shareholders to subscribe for shares at a significant discount from their current market price. The exercise of preemption rights by shareholders must be made within a subscription period which we announce, which may not be less than 15 days nor more than 60 days after the issuance of the preemption rights circular. Shareholders who do not wish to subscribe for new shares may sell their rights on the

Istanbul Stock Exchange, or the ISE. Any shares not subscribed for by the existing shareholders or purchasers of the rights coupons are sold on the ISE at the current market price. Any differences between the rights issue price and the price realized for the shares on the ISE would accrue to our surplus account. Preemption rights of shareholders related to a rights issue may be restricted wholly or in part either by an affirmative vote of the holders of a majority of the outstanding shares at an ordinary or extraordinary general assembly or a resolution adopted by the Board of Directors to such effect, provided that such authority is conferred upon the Board of Directors. CMB rules stipulate that such authority may be conferred upon the board of directors of companies that have received permission from the CMB to adopt the authorized capital system. By the amendment to the articles of association, we have conferred such authority on our Board of Directors. The CMB further requires that the right of the board of directors to restrict the preemption rights of shareholders applies equally with respect to all shareholders. Under Turkish law, bonus issues may be undertaken in order to convert all or a portion of the revaluation fund and reserves of a company into share capital.

#### **Dividend Distribution and Allocation of Profits**

Our Board of Directors recommends annual dividends, which then must be approved by our shareholders at their annual general assembly. Dividends are payable on a date determined at the annual general meeting upon the proposal of our Board. Under current rules, the Board of Directors may decide whether or not to recommend a distribution of dividends and our shareholders at our annual general meeting may decide whether or not to distribute dividends in any year. Under the current CMB rules, the ratio of the first dividend must be specified in the articles of association but starting with the accounting period ended December 31, 2004 the minimum dividend should be 20% of the net profit remaining after deduction of statutory reserve fund, taxes, funds, financial payments, and losses accrued from preceding years, if any, from the profit of such fiscal period. As per CMB rules, dividends may be distributed to shareholders in cash or bonus shares or, upon the general assembly's decision, may be retained by the company. The CMB is entitled to request a publicly held company to distribute its dividends in cash, provided that such request is served before the agenda of the general assembly meeting is published. In its decision dated January 27, 2006, the CMB decided that public companies distribute at least 30% of the profits gained from the activities carried out in 2005. Under the CMB rules, if a public company decides not to distribute the first dividend, the corresponding amount shall be set aside as a special reserve. Accordingly, we may freely determine the amount of dividends to be distributed, subject to the requirements of our articles, the CMB and the Turkish Commercial Code.

Under the dividend policy set out in our Corporate Governance Guidelines, our general dividend policy is to pay dividends to shareholders with due regard to trends in our operating performance, financial condition and other factors.

Any distribution in the form of cash or bonus shares must be completed by the end of the fifth month following the fiscal year, unless decided otherwise by the Capital Markets Board. Amounts of dividends accrued on from the dematerialized shares are transferred to MKK, also known as the Central Registry Agency, on the date of entitlement, for distribution to the relevant accounts no later than the next business day. These amounts are transferred to the relevant member pooling accounts based on the Central Registry Agency records for immediate further transfer to the right owners. Entitlement of shareholders to dividends remains in effect for a period of five years following the date of the general assembly approving such distribution, after which time they are transferred to the Turkish government.

Part of our remaining net profit may be distributed to our shareholders as a second dividend or retained by us as retained earnings, all at the discretion of our general assembly. As per our articles of association and the Turkish Commercial Code, we deduct 10% from the amount of any distributions made as a second dividend and add it to a contingency reserve fund.

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For further details regarding our dividend policy see Item 8A. Consolidated Statements and Other Financial Information Dividend Policy in our Form 20-F.

### **Voting Rights**

Shareholders are entitled to one vote per share on all matters submitted to a vote of our shareholders.

In 2003, the CMB published a Communiqué on Principles of Cumulative Voting in the General Assemblies of Joint Stock Companies Subject to the Capital Markets Law to govern principles and procedures regarding cumulative voting methods in publicly held companies. The cumulative voting designed thereby enables minority shareholders to elect representatives to the company's board of directors and board of auditors. Each shareholder receives a number of votes equal to the number of voting shares he possesses multiplied by the number of seats to be elected in the board of directors or board of auditors. The shareholders may choose to concentrate their votes for one candidate or to divide their votes between or among a number of candidates. The number of cumulative votes shall be calculated separately for the board of directors and the board of auditors. Implementation of the cumulative voting method is optional, but requires that the articles of association of the company include provisions for it. Our articles of association do not currently provide for cumulative voting.

### **Transfer of Shares**

Subject to the limitations described below, shares may be sold and transferred by endorsement and delivery. In practice, shares in registered form traded on the ISE are represented by the share certificates endorsed in blank, enabling such shares to be transferred as if they were in bearer form. As per the amendment in the Capital Markets Law and a new communiqué issued by the Capital Markets Board in this respect, our Company's shares traded at the Istanbul Stock Exchange were dematerialized as of November 2005.

Legal and actual dematerialization of the share certificates commenced on November 28, 2005.

Beginning from November 28, 2005, it is prohibited for the companies listed in the ISE to issue new share certificates, bonus or not, as a result of capital increases. The new share certificates arising out of capital increases shall be transferred to the accounts of the rightful owners by registration.

It is obligatory for the share certificates that are not dematerialized and that are kept physically by their rightful owners to be delivered to our Company ( Issuer ) for their registration with the Central Registry Agency by December 31, 2007.

The financial rights attached to share certificates, which are not delivered by December 31, 2007, shall be monitored in a dematerialized manner at the Central Registry Agency from that date onward and any rights related to management shall be exercised by Central Registry Agency. In case of delivery of the share certificates by the rightful owners to the Turkish Clearance House through us after December 31, 2007, the financial rights of such rightful owners, which are monitored in a dematerialized manner Central Registry Agency, shall be transferred to their accounts.

Our share certificate records are kept by us and the Central Registry Agency in a computer system, which is formed by the Central Registry Agency.

The transactions regarding the change in share certificates shall be commenced by the Board of Directors of the Company after the dematerialization of Capital Markets instruments is put into practice and within the framework of related regulations.

Decree 32 on the Protection of the Value of the Turkish Currency issued in August 1989, as amended from time to time, provides that persons not resident in Turkey may purchase and sell our shares, provided that such purchase is effected through a bank or broker authorized pursuant to applicable Turkish capital



markets legislation. Turkish capital markets legislation requires that shares of a company quoted on a Turkish securities exchange be traded exclusively on such exchange. The CMB has indicated that this requirement applies only to intermediary institutions licensed for trading on the stock exchange and to trade orders placed with them by investors. Accordingly, our shareholders that are not resident in Turkey may transfer such shares only on the ISE. This requirement does not apply to transfers of ADSs.

Under Turkish law, in the event that one of our shareholders transfers shares to any other shareholder or to any other third party investor, either foreign or local, the Foreign Investment General Directorate ( FIGD ) must be notified within one month of the transfer of shares.

Under the Amending Law, all authorities of the Ministry of Transportation relating to concession or license agreements or general permissions were transferred to the Telecommunications Authority. Furthermore, under the Authorization Regulation Regarding Telecommunication Services and Infrastructure Regulation, the Telecommunications Authority must be notified in case of any share transfers within one month of the transfer of shares at the latest and in the event that the share transfer results in change in control, the Telecommunications Authority must approve such transfer of our shares by any of our shareholders.

Under our articles of association, the Board of Directors is entitled to restrict the transfer of shares to foreigners in order to comply with the Turkish shareholding requirements under Turkish law.

#### **Disclosure of Beneficial Interests in the Shares**

We are required by the CMB to supply it with any information which it requires regarding the sale of our securities to the public. We are required to inform the ISE and the CMB of changes in the holdings of any shareholder who owns 5%, 10%, 15%, 20%, 25%, 33.3%, 50%, 66.7%, 75% or more of our shares or voting rights, or who falls below such thresholds, and of changes in our own shareholding in any other company in which we own at least 10% of the issued share capital or voting rights. Furthermore, the chairman of our board and each board member, general manager and assistant general manager and any other authorized person and shareholder that owns at least 5% of the issued share capital or voting rights, or any person acting together with these persons, is required to notify the CMB and the ISE of their transactions in our shares.

In July 2003 the rules regarding the disclosure of beneficial interests in Turkey were amended. Under the current rules, publicly held companies are required to disclose any changes in the capital structure and changes in the rights attached to shares. Additionally, any proxy solicitation as per the capital markets legislation as well as any change in the management of the company through any type of agreements or by any other means shall need to be disclosed to the ISE and the CMB. The current rules also require the disclosure of any voting agreement.

In addition, in the event any party or parties acting together acquire, directly or indirectly, 25% or more of our capital, voting rights or management control, such party or parties are required to make an offer to the other shareholders to buy their shares. Furthermore, if a party or parties acting together owns between 25% and 50% of the capital or, our voting rights and if they increase such ratio by 10% or more in any given 12-month period, such party or parties are required to make an offer to the other shareholders to purchase their shares. The CMB may grant an exemption to the above mentioned requirement to make an offer to the shareholders.

#### **Protection of Minority Shareholders**

Under Turkish securities law, minority shareholders, defined as those who hold 5% or more of our share capital, have the right, among other things, to request our Board of Directors:

- to invite the shareholders to an extraordinary general assembly;

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- to request that a matter be included on the agenda at both ordinary and extraordinary general assembly;
- to request the appointment of special statutory auditors; and
- to require that the company take action against board members who have violated the Turkish Commercial Code or the articles of association of a company or who have otherwise failed to perform their duties.

#### SELLING SHAREHOLDERS

The table below sets forth information regarding the ownership by the Selling Shareholders of our ordinary share capital prior to and immediately after the offering including 0.17% and 0.03% of the Company's total share capital held by Cukurova Investments N.V. and Cukurova Holding A.S., respectively, and shown in Major Shareholders below as shares publicly held:

Shareholder	Prior to the Offering(1)			After the Offering	
	Number of Shares Offered	Number of Shares Owned	Percent of Total Ordinary Share Capital	Number of Shares Owned	Percent of Total Share Capital(2)
Cukurova Holding A.S.	64,720,506.120	163,514,517.633	7.43 %	98,794,011.510	4.49 %
Cukurova Investments N.V.	64,672,690.417	131,857,125.333	5.99 %	67,184,434.920	3.05 %

(1) As of October 31, 2006.

(2) After giving effect to the offering of 129,393,196.537 ordinary shares by the Selling Shareholders.

Cukurova Holding A.S. is a Turkish joint stock company with its principal address at Buyukdere Cad. Yapi Kredi Plaza A Blok K: 15 34330 Levent, Istanbul, Turkey. Its principal business is to function as a holding company.

Cukurova Investments N.V. is a wholly owned subsidiary of Cukurova Holding A.S., established in Curacao, Netherlands Antilles. It is an investment company also active in the field of finance.

The Selling Shareholders do not have voting rights that differ from the voting rights of other shareholders.

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**MAJOR SHAREHOLDERS**

The following table sets forth our major shareholders' ordinary share ownership as shown in the Company's share register. The following information is given as of October 31, 2006.

Name and Address of Owner	Nominal TRY Value of Shares Owned(1)	Percent of Class
<b>Sonera Holding B.V.(2)</b> P.O. Box 8675 NL 3009 AR Rotterdam The Netherlands	287,632,179.557	13.07 %
<b>Cukurova Holding A.S.(3)(6)</b> Buyukdere Cad. Yapi Kredi Plaza A Blok Kat: 15, 80620, Levent, Istanbul, Turkey	162,907,419.016	7.40 %
<b>Turkcell Holding A.S.(4)</b> Buyukdere Cad. Yapi Kredi Plaza A Blok Kat: 15 80620, Levent, Istanbul, Turkey	1,122,000,000.238	51.00 %
<b>Cukurova Investments N.V.(3)(6)</b> De Ruyterkade 62 Curacao, Netherlands Antilles	128,086,667.996	5.82 %
<b>Turkiye Genel Sigorta A.S.(3)</b> Meclisi Mebusan Cad., No: 91 80040, Salipazari, Istanbul, Turkey	1,558,452.599	0.07 %
<b>Bankrupt Bilka Bilgi Kaynak Ve Iletisim San.ve Tic. A.S.</b> Cumhuriyet Cad. No: 16 Kat: 2 Oda: 2 Sisli, Istanbul, Turkey	153,999.575	0.01 %
<b>M.V. Holding A.S.(5)</b> K.V.K. Plaza Bayar Cad., Gulbahar Sok. No: 14 81090 Kozyatagi, Istanbul, Turkey	84,021,712.590	3.82 %
<b>M.V. Investments N.V.(5)</b> Landhuis Jonnchi Kaya Richard J. Baujon ZN P.O. Box 837 Curacao Netherlands Antilles	27,494,257.660	1.25 %
<b>Shares Publicly Held(6)</b>	386,145,310.769	17.56 %

(1) On April 29, 2005, the General Assembly approved a revaluation of our ordinary shares from TL 1,000 to TRY 1. The revaluation resulted in the formation of fractional shares, which have not yet been merged into whole ordinary shares. Therefore, we give the nominal value of the ordinary shares owned rather than the units or fractional units thereof.

(2) Controlled by TeliaSonera.

(3) Controlled by Cukurova Group.

(4) Held by TeliaSonera (directly), the Cukurova Group (indirectly) and Alfa Telecom (indirectly).

(5) Controlled by Murat Vargi.

(6) The shareholdings shown for Cukurova Investments N.V. and Cukurova Holdings A.S. do not include 0.17% and 0.03%, respectively, of the Company's total share capital held by such entities, which are accounted for under Shares Publicly Held.

We believe that Adjusted EBITDA, a measure commonly used in the telecommunications industry in Europe, can be



## TAXATION

The following discussion is a summary of certain material Turkish and United States federal income tax considerations relating to the ownership and disposition of our shares. The discussion is based on current law and is for general information only. The discussion does not address all possible tax consequences relating to the ownership and disposition of shares, and holders are urged to consult their tax advisors regarding the applicable tax consequences of holding and disposing of the shares based on their particular circumstances. In particular, the discussion is not addressed to:

- holders that do not hold the shares as capital assets,
- holders that own or are deemed to own 10% or more of the stock (by vote or value) of Turkcell, or
- special classes of holders such as dealers in securities and investment companies.

The discussion is based upon laws and relevant interpretations thereof in effect as of the date of this prospectus supplement, all of which are subject to change, possibly with retroactive effect.

Beginning from January 1, 2006, capital gains which have been realized without meeting a one year holding period are subject to a 15% withholding tax. However, the withholding tax rate applicable to non-resident entities or individuals such as US holders of Turkcell shares has been reduced to 0% beginning from July 7, 2006.

### Turkish taxation

The following summary of Turkish tax law as in force on the date of this prospectus supplement describes the principal tax consequences for Turkish residents and US holders (as defined below in "Taxation - United States Federal Income Taxation") of the ownership and disposition of shares. It is not a complete description of all the possible tax consequences of such ownership and disposition. Shareholders should consult their own tax advisers concerning the Turkish and other tax consequences applicable in their particular situations.

### Corporate Taxation

A corporation that has its legal or business center in Turkey (a "Resident Corporation") is subject to a corporate tax, which is levied at a rate of 20% on such corporation's taxable income in 2006.

Resident Corporations are required to pay an "advance corporation tax" on a quarterly basis. The applicable advance corporate tax rate is 20% in 2006.

Cash dividends received by Resident Corporations from other Resident Corporations are not subject to corporate tax within the recipient corporations. Dividends in cash received by resident individuals from Resident Corporations are subject to withholding tax at the rate of 15% in 2006 (as discussed above) and an annual income tax declaration. The withholding tax offsets the annual income tax. 50% of the dividend income received by resident individuals from Resident Corporations is exempt from annual income declaration. The remaining 50% must be declared if it exceeds TRY 18,000 in 2006. However, for those cash dividends that are distributed from the corporate tax-exempt income (i.e., investment tax benefit) of the dividend distributing company, the dividend income to be declared is computed using the following formula:  $[\text{net cash dividend corresponding to the corporate exempted income} + (\text{net cash dividend corresponding to the corporate exempted income}/9)] * 50\%$ . However, in such a case 20% of the income so declared is offset against the income tax computed at the income tax declaration.

Some corporate taxpayers, such as Turkcell, continue to benefit from the old investment allowance regime where such taxpayers are subject to a 19.8% corporate withholding tax on corporate tax-exempted income, regardless of whether dividends are distributed. Law No. 4842 modified the investment allowance regime effective from April 24, 2003, however, taxpayers like Turkcell still benefit from the regime

pursuant to Investment Incentive Certificates obtained prior to the enactment of the Law No 4842. For those dividends distributed to shareholders from the corporate tax exempted income, which was already taxed through corporate withholding tax at the rate of 19.8% as described above, no additional withholding tax is applied to such dividend distributions. However, dividends corresponding to exempt income from the incentive certificates issued on and after April 24, 2003 will be subject to 15% withholding tax as any other distribution.

On the other hand, as a reason of reducing corporate tax rate to 20%, investment allowance regime was abolished beginning from January 1, 2006. Tax payers have option to utilize carry forward investment allowances in the tax years of 2006, 2007 and 2008 providing that applicable corporate tax rate is to be applied as 30% instead of reduced rate. Deduction right for carry forward investment allowances that cannot be used at corporate tax return of 2008 due to lack of profit will be expired.

#### **Taxation of Dividends**

In the event that a Resident Corporation distributes dividends to individual shareholders (resident or non-resident), or to non-resident corporations that do not have a permanent establishment (fixed place of business or permanent representative) in Turkey (and subject to rate-reducing provisions in applicable bilateral tax treaties), a 15% withholding tax is payable by the Resident Corporation on behalf of its shareholders. In the event that Resident Corporations distribute dividends to resident legal entities or to non-resident legal entities that have a permanent establishment in Turkey, such distributions are not subject to withholding tax.

Under the Income Tax Treaty between the United States of America and the Republic of Turkey, signed March 28, 1996 (the Treaty), the withholding tax rate is limited to 20% (including the surcharges on dividends paid by a Turkish Resident Corporation) of the gross amount of the dividends unless the beneficial owner of shares is a company which owns at least 10% of the voting stock of the company paying the dividends (in which case the rate would be limited to 15%). Because the current withholding tax rate applicable to publicly traded corporations, such as Turkcell, is only 15%, the Treaty does not affect the current rate of Turkish withholding tax for US holders.

The distribution of dividends in kind (i.e., bonus shares) is not subject to withholding tax and such dividends in kind are not subject to an income declaration.

#### **Taxation of Capital Gains**

##### *Gains realized by Turkish Residents*

Gains realized by resident individuals on the sale of shares traded on the Istanbul Stock Exchange (such as Turkcell shares) to residents or non-residents are exempt from income tax, provided that the holding period of such shares exceeds 1 year. Where this holding period has not been met, capital gains are computed by deducting the original cost of the shares, after the application of a cost adjustment (which uses the Wholesale Price Index determined by the State Statistical Institution to eliminate gain arising solely from inflation), from the amount received upon the sale or disposition of the shares. Gains realized by Resident Corporations on the sale of shares to residents or non-residents must be included in corporate income and are subject to the applicable corporate tax. However, if a two-year holding period is met, the Resident Corporation can benefit from exemption for the 75% of the gains (under article 5/e of the Corporate Tax Law), provided that the conditions specified in the laws are met.

Beginning January 1, 2006, to be exempt from tax, the required holding period of shares which are traded on the Istanbul Stock Exchange is more than 1 year. Capital gains realized without meeting the more than 1 year holding period are subject to 15% withholding tax according to this new amendment.

*Gains realized by US holders*

US holders (that do not have a permanent establishment in Turkey) are exempt from Turkish tax on capital gains generated from the sale of shares quoted on an exchange, such as Turkcell shares, under Article 13 of the Treaty. US resident legal entities having a permanent establishment (fixed place of business or permanent representative) in Turkey generally are subject to tax in Turkey on capital gains arising from the sale of such shares and should consult their own Turkish tax advisors as to the rules applicable to them.

Beginning January 1, 2006, capital gains realized on the shares held for 1 year or less were subject to a 15% withholding tax. However, the withholding tax rate applicable to non-resident holders of shares has been reduced to 0% as of July 7, 2006. Non-resident investors should be identified by the custodian entities and accordingly these entities will not withhold any tax from the non-residents.

**Taxation of Investment and Mutual Funds**

The gains realized from portfolio investment activities by resident Investment and Mutual Funds are exempt from corporate tax but are subject to 15% income withholding tax beginning from January 1, 2006.

A nonresident Investment or Mutual Fund may also qualify for this taxation regime if it appoints a permanent representative in Turkey, registers with the Turkish tax office, maintains legal books and meets the other tax requirements in Turkey.

**Stamp Taxes**

According to the Turkish Stamp Tax Law (Law No. 488), all agreements and documents specified in the law with a monetary value indicated thereon are subject to stamp tax with various rates from 0.15% to 0.75% which is calculated on the aggregate amount of such agreement or document up to a maximum of TRY 878,400 per original in 2006.

**United States taxation**

The following discussion is a summary of certain material US federal income tax considerations applicable to the ownership and disposition of shares by you if you are a US holder. In general you will be a US holder if:

- you are the beneficial owner of our shares;
- you are either (i) an individual resident or citizen of the United States for US federal income tax purposes, (ii) a corporation (or certain other entities taxable as corporations for US federal income tax purposes) created in or organized under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate whose income is subject to US federal income taxation regardless of its source, or (iv) a trust if a US court can exercise primary supervision over the administration of the trust and one or more US persons are authorized to control all substantial decisions of the trust;
- you own our shares as capital assets;
- you own directly, indirectly or by attribution less than 10% of our outstanding share capital or voting stock;
- you are fully eligible for benefits under the Limitation on Benefits article of the Agreement Between the Government of the Republic of Turkey and the Government of the United States of America for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, signed March 28, 1996, and the protocol thereto, (the Treaty); and
- you are not also a resident of Turkey for Turkish tax purposes.





The Treaty benefits discussed below generally are not available to holders who hold shares in connection with the conduct of business through a permanent establishment, or the performance of personal services through a fixed base, in Turkey.

If a partnership (including for this purpose any entity treated as a partnership for US federal income tax purposes) holds shares, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner in a partnership that holds shares is urged to consult its own tax advisor regarding the specific tax consequences of owning and disposing of its shares.

The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular holder, including tax considerations that arise from rules of general application or that are generally assumed to be known by US holders. This summary is based on provisions of the Internal Revenue Code of 1986, as amended (the Code), existing and proposed US Treasury Regulations, rulings, administrative pronouncements, judicial decisions and the Treaty, all in effect as of the date of this prospectus supplement. All of these authorities are subject to change, possibly with retroactive effect, and to differing interpretations. In addition, this summary does not discuss all aspects of US federal income taxation that may be applicable to investors in light of their particular circumstances or to US holders who are subject to special treatment under US federal income tax law, including insurance companies, US expatriates, dealers in stocks or securities, banks or financial institutions, tax-exempt organizations, regulated investment companies, retirement plans, traders in securities who elect to apply a mark-to-market method of accounting, persons who acquired their shares pursuant to the exercise of employee stock options or otherwise as compensation, persons holding shares as part of a straddle, hedging or conversion transaction, persons subject to the alternative minimum tax, and persons having a functional currency other than the US dollar.

**US holders are urged to consult with their own tax advisors regarding the tax consequences of the ownership or disposition of shares, including the effects of federal, state, local, foreign and other tax laws with respect to their particular circumstances.**

#### *Dividends*

If we make distributions to you (other than certain distributions of Turkcell shares), you generally will be required to include in gross income as dividend income the amount of the distributions paid on the shares (including the amount of any Turkish taxes withheld in respect of such dividend as described above in Taxation Republic of Turkey Taxation). Dividends paid by us will not be eligible for the dividends-received deduction applicable in some cases to US corporations.

The gross amount of any dividend paid in New Turkish Lira, including the amount of any Turkish taxes withheld therefrom, will be includible in your gross income in an amount equal to the US dollar value of the New Turkish Lira calculated by reference to the spot rate of exchange in effect on the date the dividend is received by you, regardless of whether the New Turkish Lira are converted into US dollars at that time. If you do not convert any such New Turkish Lira that are received by you into US dollars on the date you receive them, you generally will have a tax basis in the New Turkish Lira equal to its US dollar value on the date of receipt. Any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend is includible in your gross income to the date such payment is converted into US dollars will be treated as US source ordinary income or loss.

If you are an accrual method taxpayer, you may elect to translate Turkish taxes into US dollars using the exchange rate in effect at the time the taxes were paid. Any such election will apply for the taxable year in which it is made and all subsequent years, unless revoked with the consent of the Internal Revenue Service (the IRS).

Any dividends paid by us to you with respect to shares will be treated as foreign-source income and will be categorized as passive income or, in the case of certain US holders, financial services income

for US foreign tax credit purposes. For taxable years beginning after December 31, 2006, dividend income generally will constitute passive category income or, in the case of certain US holders, general category income. Subject to limitations, you may elect to claim a foreign tax credit against your US federal income tax liability for Turkish income tax withheld from dividends received in respect of shares at the lower rate applicable to you. If you do not elect to claim a foreign tax credit, you may instead claim a deduction for Turkish income tax withheld, but only for a year in which you elect to do so with respect to all foreign income taxes. A deduction does not reduce tax on a dollar-for-dollar basis like a credit, but the deduction for foreign taxes is not subject to the same limitations applicable to foreign tax credits. You should consult your own tax advisor to determine whether and to what extent you would be entitled to the credit.

Certain non-corporate US holders (including individuals and some trust and estates) are eligible for reduced rates of US federal income tax (at a maximum rate of 15%) in respect of qualified dividend income received in taxable years beginning before January 1, 2011. For this purpose, qualified dividend income generally includes dividends paid by a non-US corporation if, amongst other things, the US holders meet certain minimum holding periods and the non-US corporation satisfies certain requirements, including that either (i) the shares with respect to which the dividend income has been paid are readily tradable on an established securities market in the United States or (ii) the non-US corporation is eligible for the benefits of a comprehensive US income tax treaty (such as the Treaty) which provides for the exchange of information. We currently believe that dividends paid with respect to our shares should constitute qualified dividend income for US federal income tax purposes; however, this is a factual matter and subject to change. We anticipate that our dividends will be reported as qualified dividends on Forms 1099-DIV delivered to US holders. Each US holder of shares is urged to consult its own tax advisor regarding the availability to it of the reduced dividend tax rate in light of its own particular situation and regarding the computations of its foreign tax credit limitation with respect to any qualified dividend income paid by us, as applicable.

#### *Sale, Exchange or other Disposition of Shares*

Upon the sale, exchange or other disposition of shares, you generally will recognize capital gain or loss equal to the difference between the amount realized on the disposition and your adjusted tax basis in your shares (each as determined in US dollars). Gain or loss upon the disposition of shares generally will be US-source gain or loss, and will be treated as long-term capital gain or loss if, at the time of the disposition, the holding period for the shares exceeds one year. If you are an individual, any capital gains generally will be subject to US federal income tax at preferential rates if specified minimum holding periods are met. The deductibility of capital losses is subject to significant limitations.

A US holder that receives foreign currency on the sale or other disposition of shares will realize an amount equal to the US dollar value of the foreign currency on the date of sale or other disposition (or in the case of cash basis and electing accrual basis taxpayers, the settlement date). A US holder will have a tax basis in the foreign currency received equal to the US dollar amount realized. Any gain or loss realized on a subsequent conversion of the foreign currency into US dollars will be US source ordinary income.

#### *Passive Foreign Investment Company Status*

We currently anticipate that we should not be classified as a passive foreign investment company (a PFIC) for the taxable year ending December 31, 2006, for US federal income tax purposes. However, this conclusion is a factual determination that must be made annually and thus may be subject to change. A non-US corporation will be classified as a PFIC for any taxable year if at least 75% of its gross income consists of passive income (such as dividends, interest, rents, royalties, or gains on the disposition of certain minority interests), or at least 50% of the average value of its assets consists of assets that produce, or are held for the production of, passive income. If we were characterized as a PFIC for any taxable year, you could suffer adverse tax consequences. These consequences may include having gains realized on the disposition of shares treated as ordinary income rather than capital gains, and being subject to punitive

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interest charges on certain excess distributions and on the proceeds of the sale or other disposition of the shares. Furthermore, dividends paid by a PFIC or a company that was a PFIC in the year preceding the dividends would not be qualified dividend income (as discussed above) and would be taxed at the higher rates applicable to other items of ordinary income. You should consult your own tax advisor regarding the potential application of the PFIC rules to us and to your ownership of our shares.

*US Information Reporting and Backup Withholding*

Dividend payments with respect to shares and proceeds from the sale, exchange, redemption or other disposition of shares may be subject to information reporting to the IRS and possible US backup withholding at a current rate of 28%. Certain exempt recipients (such as corporations) are not subject to these information reporting requirements. Backup withholding will not apply, however, to a holder who furnishes a correct taxpayer identification number or certificate of foreign status and makes any other required certification or who is otherwise exempt from backup withholding. US persons who are required to establish their exempt status generally must provide IRS Form W-9 (Request for Taxpayer Identification Number and Certification). Non-US holders generally will not be subject to US information reporting or backup withholding. However, such holders may be required to provide certification of non-US status (generally on IRS form W-8BEN) in connection with payments received in the United States or through certain US-related financial intermediaries.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a holder's US federal income tax liability, and a holder may obtain a refund of any excess amounts withheld by filing the appropriate claim for refund with the IRS and furnishing any required information.

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**UNDERWRITING**

We, Cukurova Holding A.S., Cukurova Investments N.V. (together with Cukurova Holding A.S., the Selling Shareholders ) and J.P. Morgan Securities Ltd. ( JPMorgan ) will enter into an underwriting agreement expected to be dated the date of the pricing of the offering with respect to the ordinary shares being offered by this prospectus. JPMorgan is acting as the sole global coordinator and bookrunner for this offering. Subject to the terms and conditions of the underwriting agreement, the Selling Shareholders have agreed to sell to JPMorgan and JPMorgan has agreed to purchase, at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus supplement, the number of ordinary shares indicated in the following table.

Underwriter	Number of Ordinary Shares
J.P. Morgan Securities Ltd.	129,393,196.537

JPMorgan is committed to purchase all of the ordinary shares offered by the Selling Shareholders if it purchases any shares. The underwriting agreement also provides that JPMorgan's obligations to purchase and pay for the ordinary shares offered by this prospectus are subject to certain conditions. JPMorgan is obligated to take and pay for all of the ordinary shares offered by this prospectus if any such ordinary shares are taken.

JPMorgan proposes to offer the ordinary shares directly to the public at the initial public offering price set forth on the cover page of this prospectus supplement. After the initial public offering, the offering price and other selling terms may be changed by the underwriters.

The underwriting fee is equal to the initial public offering price per ordinary share less the amount paid by JPMorgan to the Selling Shareholders per share of common stock. The underwriting fee is TRY per ordinary share. This represents 0.75% of the aggregate gross proceeds from the offering. In addition, the Selling Shareholders have agreed to pay JPMorgan a discretionary fee of up to TRY per ordinary share or 1.0% of the aggregate gross proceeds from the offering. The following table shows the per ordinary share and total underwriting discounts and commissions to be paid to JPMorgan by the Selling Shareholders.

Underwriter	Per Share	Total
J.P. Morgan Securities Ltd.	(1)	

(1) In addition, the Selling Shareholders have agreed to pay JPMorgan a discretionary fee of up to TRY per ordinary share or 1.0% of the aggregate gross proceeds from the offering.

We estimate that the total expenses for this offering, excluding underwriting discounts and commissions, will be approximately \$1,425,000. The Selling Shareholders have agreed to pay substantially all the expenses of the Company in connection with this offering subject to certain mutually agreed exceptions. Expenses incurred or to be incurred in connection with the offering include (1) registration fees of approximately \$75,000; (2) accounting fees of approximately \$150,000; (3) legal fees of approximately \$900,000; (4) printing costs of approximately \$50,000; and (5) other miscellaneous fees and expenses of approximately \$250,000. All amounts are estimates. The Selling Shareholders have agreed to reimburse a portion of the expenses of JPMorgan in the event this offering is terminated due to reasons not attributable to the underwriters (including adverse market conditions).

A prospectus in electronic format may be made available on the Internet web sites maintained by JPMorgan or any securities dealers.

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JPMorgan is expected to make offers and sales both inside and outside the United States through its selling agents. Any offers and sales in the United States will be conducted by brokers and dealers registered with the SEC. JPMorgan is expected to make offers and sales in the United States through its selling agent, J.P. Morgan Securities, Inc.

The Selling Shareholders have agreed with JPMorgan, subject to certain exceptions, not to offer, sell, contract to sell, hedge or otherwise dispose of any of our ordinary shares or ADSs or any securities convertible into or exchangeable for ordinary shares or ADSs during the period from the date of this prospectus continuing through the date 90 days after the date of this prospectus, except with JPMorgan's prior written consent. See *Shares Eligible for Future Sale* for a discussion of certain transfer restrictions.

We and the Selling Shareholders have agreed to indemnify JPMorgan and its controlling persons against certain liabilities including liabilities under the Securities Act of 1933. If such indemnification is unavailable to JPMorgan or insufficient to hold it harmless, then we or the Selling Shareholders have agreed to contribute to payments JPMorgan and its controlling persons may be required to make in respect of those liabilities.

Our ordinary shares are listed on the Istanbul Stock Exchange under the symbol TCELL. Our ADSs are listed on the New York Stock Exchange under the symbol TKC.

### **Selling Restrictions**

No action has been or will be taken in any jurisdiction other than the United States that would permit a public offering of the ordinary shares or the possession, circulation or distribution of this prospectus in any jurisdiction where action for that purpose is required. Accordingly, the ordinary shares may not be offered or sold, directly or indirectly, and neither this prospectus nor any other offering material or advertisements in connection with the ordinary shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

The ordinary shares subject to the offering will have been registered with the Turkish Capital Markets Board ( CMB ) under the provisions of Law No.2499, as amended of the Republic of Turkey relating to Capital Markets Law (the Capital Markets Law ). Such registration does not constitute a guarantee by the CMB or any other public authority with respect to the offer of our ordinary shares or our Company. The offering herein has not been and will not be registered with the CMB. Neither this offering circular nor any other offering material related to this offering may be utilized in connection with any general call to the public within the Republic of Turkey for the purpose of the sale of shares without the prior approval of the CMB.

#### *European Economic Area ( EEA )*

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a relevant member state ), with effect from and including the date on which the Prospectus Directive is implemented in that member state (the Relevant Implementation Date ), our ordinary shares may not be offered to the public in that relevant member state, except that, with effect from and including the Relevant Implementation Date, our ordinary shares may be offered to the public in that relevant member state under the following exemptions under the Prospectus Directive:

- (1) at any time to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (2) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year, (2) a total balance sheet of more than 43 million, and (3) an annual net turnover of more than 50 million, as shown in its last annual or consolidated accounts;

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We believe that Adjusted EBITDA, a measure commonly used in the telecommunications industry in Europe, can be

(3) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of JPMorgan for any such offer; or

(4) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of our ordinary shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the expression an offer of our ordinary shares to the public in relation to any of our ordinary shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and our ordinary shares to be offered so as to enable an investor to decide to purchase or subscribe for our ordinary shares, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

Each subscriber for or purchaser of our ordinary shares in any offer pursuant to this prospectus located within a member state of the European Economic Area will be deemed to have represented, acknowledged and agreed that it is a Qualified Investor within the meaning of Article 2(1)(e) of the Prospectus Directive. JPMorgan and its affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgment, and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified JPMorgan of such fact in writing may, with the consent of JPMorgan, be permitted to subscribe for or purchase our ordinary shares in any offer pursuant to this prospectus.

#### *United Kingdom*

In the United Kingdom, this prospectus is being distributed only to, and is directed only at, Qualified Investors (within the meaning of Article 2(1)(e) of the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the Order) and Qualified Investors who fall within Article 49(2)(a) to (d) of the Order and (ii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as relevant persons). This prospectus must not be acted on or relied on in the United Kingdom, by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to, in the United Kingdom, relevant person and will only be engaged in with such persons.

We expect the ordinary shares offered hereby to begin trading on the Istanbul Stock Exchange on the date on which the public offering price is determined. JPMorgan expects to deliver the ordinary shares through the book-entry transfer facilities of MKK on the third business day after the date on which the public offering price is determined.

JPMorgan or its affiliates may have, for their own accounts, entered into asset swaps, credit derivatives or other derivative transactions relating to the ordinary shares and/or ADSs in secondary market transactions. As a result of such transactions, JPMorgan may hold long or short positions in the ordinary shares or derivatives or in our ADSs. No disclosure will be made of any such positions. JPMorgan or its affiliates may have purchased ordinary shares and/or ADSs and been allocated the ordinary shares and/or ADSs for asset management and/or proprietary purposes and not with a view to distribution. Such purchases in aggregate accounted for less than 10% of the overall offering size.

JPMorgan and its affiliates have provided in the past to us and our affiliates and may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other services to us and such affiliates in the ordinary course of their business for which they have received and may continue to receive customary fees and commissions. In addition, from time to time, JPMorgan and its affiliates may effect transactions for its own account or the accounts of customers, and hold on behalf of

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themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future.

Purchasers of the ordinary shares offered hereby may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price set forth on the cover page of this prospectus.

This prospectus may be used by JPMorgan and any securities dealers in connection with offers and sales of the ordinary shares to persons located in the United States, including ordinary shares initially sold outside the United States.

We expect that delivery of the ordinary shares will be made against payment therefor on or about the date specified on the cover page of this prospectus, which will be the third business day following the date of pricing of the ordinary shares (this settlement cycle being referred to as T+3 ).

#### **LEGAL MATTERS**

Certain legal matters with respect to Turkish law will be passed upon for us by our Turkish counsel, Taboglu, Ates & Demirhan, for the underwriter by its Turkish counsel, Paksoy Ortak Avukat Burosu and for the Selling Shareholders by their Turkish counsel, Derman Ortak Avukat Burosu. Certain legal matters with respect to United States and New York law will be passed upon for us by Shearman & Sterling LLP, for the underwriter by Freshfields Bruckhaus Deringer and for the Selling Shareholders by White & Case LLP.

#### **EXPERTS**

Our consolidated financial statements as of December 31, 2005 and 2004, and for each of the years in the three-year period ended December 31, 2005, have been incorporated by reference herein in reliance upon the report of KPMG Cevdet Suner Denetim ve Yeminli Mali Musavirlik Anonim Sirket, independent registered public accounting firm, and the report of PricewaterhouseCoopers Accountants N.V., independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firms as experts in accounting and auditing.

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PROSPECTUS

## Turkcell Iletisim Hizmetleri A.S.

This prospectus offers:

Ordinary Shares, Nominal Value TRY 1.000, of Turkcell Iletisim Hizmetleri A.S.  
in the form of Ordinary Shares or American Depositary Shares  
Warrants to Purchase Ordinary Shares of Turkcell Iletisim Hizmetleri A.S.  
Rights to Purchase Ordinary Shares of Turkcell Iletisim Hizmetleri A.S.

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We will provide the specific terms of the securities that may be offered, and the manner in which they are being offered, in one or more supplements to this prospectus. Any supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement, together with the additional information described under the heading *Where You Can Find More Information*, before investing in our securities. The amount and price of the offered securities will be determined at the time of the offering.

Our American depositary shares, or ADSs, each of which represents two and one-half ordinary shares, are listed on the New York Stock Exchange under the symbol *TKC*. Our ordinary shares are listed on the Istanbul Stock Exchange under the symbol *TCELL*.

**Investing in these securities involves risks. See *3.D Risk Factors* starting on page 8 of our Form 20-F for the year ended December 31, 2005, incorporated by reference herein.**

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

The date of this Prospectus is November 8, 2006.

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## WHERE YOU CAN FIND MORE INFORMATION

We file annual and other reports with the United States Securities and Exchange Commission (the SEC). You may read and copy any document we file with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains a website (<http://www.sec.gov>) on which our annual and other reports are made available. You may also read and copy certain documents we submit to the New York Stock Exchange at its offices at 20 Broad Street, New York, New York 10005. We maintain a website at <http://www.turkcell.com.tr/>.

The SEC allows us to incorporate by reference the information we file with the SEC, which means that we can disclose important information to you by referring you to those documents that are considered part of this prospectus. Information that we file with the SEC in the future and incorporate by reference will automatically update and supersede the previously filed information. We incorporate by reference our annual report on Form 20-F for the year ended December 31, 2005 (our Form 20-F) filed on April 13, 2006 and amended on November 8, 2006, and two of our reports on Form 6-K filed on November 8, 2006, which contain (i) our consolidated financial statements for the nine months ended September 30, 2006, prepared in accordance with accounting principles generally accepted in the United States of America and (ii) our consolidated financial statements for the nine months ended September 30, 2006, prepared in accordance with International Financial Reporting Standards, respectively.

We incorporate by reference in this prospectus all subsequent annual reports filed with the SEC on Form 20-F under the Securities Exchange Act of 1934 and those of our reports submitted to the SEC on Form 6-K that we specifically identify in such form as being incorporated by reference in this prospectus after the date hereof and prior to the completion of an offering of securities under this prospectus. This prospectus is part of a registration statement filed with the SEC.

As you read the above documents, you may find inconsistencies in information from one document to another. If you find inconsistencies you should rely on the statements made in the most recent document. All information appearing in this prospectus is qualified in its entirety by the information and financial statements, including the notes thereto, contained in the documents we have incorporated by reference.

Upon written or oral request, we will provide to any person, including any beneficial owner, to whom a copy of this prospectus is delivered, at no cost to such person, a copy of any or all of the information that has been incorporated by reference in this prospectus but not delivered with this prospectus. You may make such a request by writing or telephoning us at the following mailing or e-mail addresses or telephone number:

Turkcell Iletisim Hizmetleri A.S.  
Attention: Investor Relations  
Turkcell Plaza  
Mesrutiyet Caddesi No: 153  
34430 Tepebasi  
Istanbul, Turkey

Telephone: +90 212 313 1888  
Fax: +90 212 292 9322  
E-mail: [investor.relations@turkcell.com.tr](mailto:investor.relations@turkcell.com.tr)

You should rely only on the information incorporated by reference or provided in this prospectus and in any prospectus supplement. We have not authorized anyone else to provide you with different information. This prospectus is an offer to sell or to buy only the securities referred to herein, but only under circumstances and in jurisdictions where it is lawful to do so. You should not assume that the

information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of those documents.

#### **FORWARD-LOOKING STATEMENTS**

This prospectus includes forward-looking statements. We have based these forward-looking statements on our current expectations and projections of future events. These forward-looking statements are subject to risks, uncertainties and assumptions about our business. You should consider any forward-looking statements in light of the risks and uncertainties described in the information contained or incorporated by reference in this prospectus. See *Where You Can Find More Information* . We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the future events described in this prospectus may not occur.

#### **ENFORCEABILITY OF CERTAIN CIVIL LIABILITIES**

We are a public company incorporated under the laws of the Republic of Turkey. All of our directors and officers, and the experts named herein, reside outside the United States. You may not be able, therefore, to effect service of process within the United States upon those directors and officers with respect to matters arising under the federal securities laws of the United States.

In addition, substantially all of our assets and the assets of our directors and officers are located outside the United States. As a result, you may not be able to enforce against us or our directors and officers judgments obtained in US courts predicated on the civil liability provisions of the federal securities laws of the United States.

We have been advised by Taboglu, Ates & Demirhan, our Turkish counsel, that the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey unless either:

- there is in effect a treaty between such country and Turkey providing for reciprocal enforcement of court judgments;
- there is de facto enforcement in such country of judgments rendered by Turkish courts; or
- there is a provision in the law of such country that provides for the enforcement of judgments of Turkish courts.

In addition, the courts of Turkey will not enforce any judgment obtained in a court established in a country other than Turkey if:

- the court rendering the judgment did not have jurisdiction to render such judgment;
- the defendant was not duly summoned or represented or the defendant's fundamental procedural rights were not observed;
- the judgment in question was rendered with respect to a matter within the exclusive jurisdiction of the courts of Turkey;
- the judgment is clearly against public policy rules of Turkey;
- the judgment is not final and binding and with no further recourse for appeal under the laws of the country where the judgment has been rendered; or
- the judgment is not of a civil nature.

## THE COMPANY

We are headquartered in Istanbul, Turkey and are the leading provider of mobile services in Turkey in terms of number of subscribers (based on our estimates and announcements made by other operators). We provide high-quality mobile voice and data services over our GSM network. We have developed one of the premier mobile brands in Turkey by differentiating ourselves from our competition in areas such as quality of service. As part of our focus on subscriber service and subscriber growth, we have introduced a wide range of mobile services for various subscriber needs in order to attract new customers and retain existing ones.

Through a state-of-the-art GSM network, we provide comprehensive coverage of an area that as of September 30, 2006, included 100% of the population living in cities of 10,000 or more, 99.96% of the population living in cities of 5,000 or more people and 99.93% of the population living in cities of 3,000 or more people. Coverage also includes substantially the entire Mediterranean and Aegean coastline of Turkey. As of October 27, 2006, we provided service to our subscribers in 193 countries through roaming agreements with 536 operators.

We operate under a 25-year GSM license, which we were granted in April 1998 upon payment of an upfront license fee of \$500 million. At this time we also entered into an interconnection agreement with Turk Telekom providing for the interconnection of our network with Turk Telekom's fixed-line network which was amended on September 20, 2003. Under our license, we pay the Turkish Treasury a monthly ongoing license fee equal to 15% of gross revenue. Of that monthly ongoing license fee, 10% goes to the Ministry of Transportation for the Universal Services Fund. Under the interconnection agreement between us and Turk Telekom, our network is interconnected to the Turk Telekom fixed-line network.

Turkcell Iletisim Hizmetleri A.S., or Turkcell, a joint stock company organized and existing under the laws of the Republic of Turkey, was formed in 1993 and commenced operations in 1994. Our principal shareholders are Sonera Holding (formerly known as Telecom Finland Ltd., and currently owned by TeliaSonera) the Cukurova Group and Alfa Group (through its Altimo subsidiary). The address of our principal office is Turkcell Iletisim Hizmetleri A.S., Turkcell Plaza, Mesrutiyet Caddesi, No. 153, 34430 Tepebasi, Istanbul, Turkey. Our telephone number is +90 (212) 313 10 00.

## USE OF PROCEEDS

Except as may be described otherwise in a prospectus supplement, we will add the net proceeds from any sale of the securities that we make under this prospectus to our general funds and will use them for funding any potential future acquisitions, working capital, project development, capital expenditures and general corporate purposes. In addition, we may apply the proceeds of such sale to the reduction of our short-term and other indebtedness as may be described in a prospectus supplement.

We may designate a specific allocation of the net proceeds of an offering of securities by us to a specific purpose, if any, at the time of the offering and will describe any allocation in the related prospectus supplement.

## PROSPECTUS SUPPLEMENT

Unless the context otherwise requires, we will refer to the ordinary shares, ADSs, warrants and rights as the "offered securities". Each time offered securities are sold, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add to, update or change information contained in this prospectus. Accordingly, to the extent inconsistent, information in this prospectus is superseded by the information in the prospectus supplement. You should read both this prospectus and any prospectus supplement together with the additional information described under the heading "Where You Can Find More Information".

The prospectus supplement to be attached to the front of this prospectus will describe the terms of the offering, including the amount and terms of offered securities, the initial public offering price, the price paid for the offered securities, net proceeds to us or a selling securityholder, the expenses of the offering, the terms of offers and sales outside of the United States, if any, our capitalization, the nature of the plan of distribution, the terms of any rights offering, including the subscription price for ordinary shares, record date, ex-rights date and exercise period, the other specific terms related to the offering, and any US federal income tax consequences and Turkish tax considerations applicable to the offered securities.

For more detail on the terms of the offered securities, you should read the registration statement on Form F-6 (File No. 333-120618) relating to the ADSs.

#### **PLAN OF DISTRIBUTION**

The offered securities may be sold, and underwriters may resell these offered securities, directly or through agents in one or more transactions, including negotiated transactions, at a fixed public offering price or prices, which may be changed, or at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices. The offered securities may be sold in portions outside the United States at an offering price and on terms specified in the prospectus supplement relating to a particular issue of these offered securities. Without limiting the generality of the foregoing, any one or more of the following methods may be used when selling the offered securities:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the securities as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales entered into after the date of this prospectus;
- sales in which broker-dealers agree with us or a selling securityholder to sell a specified number of securities at a stipulated price per security;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- by pledge to secure debts or other obligations;
- by an underwritten public offering;
- by an underwritten offering of debt instruments convertible into or exchangeable for ordinary shares on terms to be described in the applicable prospectus supplement;
- in a combination of any of the above; or
- any other method permitted pursuant to applicable law.

In addition, the offered securities may be sold by way of exercise of rights granted pro rata to our existing shareholders.

The offered securities may also be sold short and securities covered by this prospectus may be delivered to close out such short positions, or the securities may be loaned or pledged to broker-dealers that in turn may sell them. Options, swaps, derivatives or other transactions may be

We believe that Adjusted EBITDA, a measure commonly used in the telecommunications industry in Europe, can be

entered into with broker-dealers or other financial institutions which require the delivery to such broker-dealer or other

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financial institution of the offered securities and ordinary shares, respectively, which securities such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

Any underwriters or agents will be identified and their compensation described in the applicable prospectus supplement.

In connection with the sale of offered securities, the underwriters or agents may receive compensation from us, a selling securityholder or from purchasers of the offered securities for whom they may act as agents. The underwriters may sell offered securities to or through dealers, who may also receive compensation from the underwriters or from purchasers of the offered securities for whom they may act as agents. Compensation may be in the form of discounts, concessions or commissions. Underwriters, dealers and agents that participate in the distribution of the offered securities may be deemed to be underwriters as defined in the Securities Act of 1933, as amended (the Securities Act), and any discounts or commissions received by them from us or a selling securityholder and any profit on the resale of the offered securities by them may be treated as underwriting discounts and commissions under the Securities Act.

We or a selling securityholder may enter into agreements that will entitle the underwriters, dealers and agents to indemnification by us or a selling securityholder against and contribution toward certain liabilities, including liabilities under the Securities Act.

Certain underwriters, dealers and agents and their associates may be customers of, engage in transactions with or perform services for a selling securityholder or us, including our subsidiaries, in the ordinary course of their business.

If so indicated in the prospectus supplement relating to a particular issue of offered securities, the underwriters, dealers or agents will be authorized to solicit offers by certain institutions to purchase the offered securities under delayed delivery contracts providing for payment and delivery at a future date. These contracts will be subject only to those conditions set forth in the prospectus supplement, and the prospectus supplement will set forth the commission payable for solicitation of these contracts.

We will advise any selling securityholder that while it is engaged in a distribution of the offered securities, it is required to comply with Regulation M promulgated under the Securities Exchange Act of 1934. With limited exceptions, Regulation M precludes a selling securityholder, any affiliated purchasers and any broker-dealer or other person who participates in the distribution from bidding for or purchasing, or attempting to induce any person to bid for or purchase, any security which is the subject of the distribution until the entire distribution is complete. All of the foregoing might affect the marketability of the offered securities.

## **TAXATION**

The material Turkish and U.S. federal income tax consequences relating to the purchase, ownership and disposition of any of the securities offered by this prospectus will be set forth in the prospectus supplement offering such securities.

## **LEGAL MATTERS**

Certain legal matters with respect to Turkish law will be passed upon for us by our Turkish counsel, Taboglu, Ates & Demirhan. Certain legal matters with respect to United States and New York law will be passed upon for us by Shearman & Sterling LLP, who may rely, without independent investigation, on Taboglu, Ates & Demirhan regarding certain Turkish legal matters.

**EXPERTS**

Our consolidated financial statements as of December 31, 2005 and 2004, and for each of the years in the three-year period ended December 31, 2005, have been incorporated by reference herein in reliance upon the report of KPMG Cevdet Suner Denetim ve Yeminli Mali Musavirlik Anonim Sirketi, independent registered public accounting firm, and the report of PricewaterhouseCoopers Accountants N.V., independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firms as experts in accounting and auditing.

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**CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2005 AND 2006  
AND AS AT DECEMBER 31, 2005 AND SEPTEMBER 30, 2006**

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**TURKCELL ILETISIM HIZMETLERI ANONIM SIRKETI  
AND ITS SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**  
**AT DECEMBER 31, 2005 AND SEPTEMBER 30, 2006 (Unaudited)**  
**(In thousands, except share data)**

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	December 31, 2005	September 30, 2006 (Unaudited)
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 795,091	985,071
Available for sale securities	12,948	60,920
Held to maturity securities	10,191	6,273
Trade receivables and accrued income, net (Note 5)	324,611	372,719
Due from related parties (Note 6)	67,327	64,305
Inventories	9,198	9,406
Prepaid expenses	38,029	78,508
Other current assets, includes \$34,105 and \$101,337 of restricted cash as of December 31, 2005 and September 30, 2006, respectively (Note 7)	106,453	217,062
Deferred tax assets (Note 17)	192,731	59,480
Total current assets	1,556,579	1,853,744
DUE FROM RELATED PARTIES (Note 8)	80,906	73,298
PREPAID EXPENSES	13,879	11,032
INVESTMENTS (Note 9)	266,198	472,968
FIXED ASSETS, net (Note 10)	1,224,543	1,238,726
CONSTRUCTION IN PROGRESS (Note 11)	389,375	281,657
INTANGIBLES, net (Note 12)	871,362	785,680
OTHER LONG TERM ASSETS	2,440	3,471
DEFERRED TAX ASSETS (Note 17)	306	1,365
	\$ 4,405,588	4,721,941
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Short term borrowings (Note 13)	\$ 564,503	585,513
Trade payables (Note 14)	137,775	191,455
Due to related parties (Note 15)	5,774	6,550
Taxes payable (Note 17)	60,864	227,907
Provision for income taxes (Note 17)		5,611
Deferred tax liabilities (Note 17)		1,310
Other current liabilities and accrued expenses (Note 16)	564,188	465,997
Total current liabilities	1,333,104	1,484,343
LONG TERM BORROWINGS (Note 18)	82,848	102,541
RETIREMENT PAY LIABILITY	16,707	15,883
DEFERRED TAX LIABILITIES (Note 17)	185,297	107,710
MINORITY INTEREST	62,427	68,145
OTHER LONG TERM LIABILITIES	7,632	10,261
<b>SHAREHOLDERS EQUITY</b>		
Common stock		
Par value 1 TRY; authorized, issued and outstanding 2,200,000,000 shares in 2005 and 2006 (Note 19)	636,116	833,354
Additional paid in capital	178	178
Legal reserves	92,414	136,201
Accumulated other comprehensive income / (loss) (Note 3)	5,549	(107,939 )
Retained earnings	1,983,316	2,071,264
Total shareholders equity	2,717,573	2,933,058
COMMITMENTS AND CONTINGENCIES (Note 20)		
	\$ 4,405,588	4,721,941

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

**TURKCELL ILETISIM HIZMETLERI ANONIM SIRKETI  
AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME  
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2005 AND 2006 (Unaudited)  
(In thousands, except share data)**

	Nine Months Ended September 2005 (Unaudited)	2006
Revenues	\$ 3,193,121	3,308,720
Direct cost of revenues	(1,750,529 )	(1,785,752 )
Gross profit	1,442,592	1,522,968
General and administrative expenses	(107,869 )	(125,729 )
Selling and marketing expenses	(348,628 )	(422,341 )
Operating income	986,095	974,898
Financial income	101,745	119,271
Financial expense	(130,162 )	(70,505 )
Other income, net	6,238	2,200
Equity in net income of unconsolidated investees (Note 9)	45,334	62,495
Minority interest in income of consolidated subsidiaries	6,019	38,174
Translation loss	(8,402 )	
Income before taxes	1,006,867	1,126,533
Income tax expense (Note 17)	(337,342 )	(455,394 )
Net income	\$ 669,525	671,139
Basic and diluted earnings per common share (Note 19) (in full US Dollars)	\$ 0.304330	0.305063
Weighted average number of common shares outstanding (Note 19)	2,200,000,000	2,200,000,000

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

**TURKCELL ILETISIM HIZMETLERI ANONIM SIRKETI  
AND ITS SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2005 AND 2006 (Unaudited)  
(In thousands)**

	September 30, 2005 (Unaudited)	September 30, 2006 (Unaudited)
<b>Operating Activities:</b>		
Net income	\$ 669,525	671,139
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	340,011	382,186
Provision for retirement pay liability	2,630	909
Provision for inventories	(665 )	(276 )
Provision for doubtful receivables	15,409	17,711
Accrued income	27,831	30,984
Accrued expense	(189,913 )	8,655
Equity in net income of unconsolidated investees	(45,334 )	(68,939 )
Foreign exchange gain / (loss)	600	12,764
Minority interest in income of consolidated subsidiaries	14,088	29,724
Provision for income taxes	31,853	5,611
Deferred taxes	225,311	219,017
Net gain/(loss) on remeasurement of investments		(2,579 )
Comprehensive loss		(32,863 )
Changes in assets and liabilities:		
Trade receivables	(103,922 )	(126,387 )
Due from related parties	34,031	25,244
Inventories	4,473	(1,162 )
Prepaid expenses	(52,603 )	(43,020 )
Other current assets	197,139	(79,077 )
Held for trading securities	(1,788 )	
Taxes payable	(18,237 )	173,356
Other long term assets	(606 )	(1,328 )
Due to related parties	(2,384 )	1,375
Trade payables	(413,128 )	61,585
Other current liabilities	160,769	(40,806 )
Other long term liabilities	(251 )	2,635
Net cash provided by operating activities	894,839	1,246,458
<b>Investing Activities:</b>		
Additions to fixed assets	(502,133 )	(291,207 )
Additions to intangibles	(70,765 )	(102,876 )
Investments in investees		(152,466 )
Acquisition of minority shares		(17,529 )
Increase in investments in held to maturity securities		(6,015 )
Decrease in investments in held to maturity securities	45,431	9,218
Increase in investments in available for sale securities	(12,667 )	(52,617 )
Decrease in investments in available for sale securities		6,712
Net cash used for investing activities	(540,134 )	(606,780 )
<b>Financing Activities:</b>		
Proceeds from issuance of long and short term debt	245,816	847,690
Payment on long and short term debt	(529,860 )	(811,475 )
Net (increase) / decrease in debt issuance expenses	2,573	(37,976 )
Payment on lease obligations	(12,991 )	(2,534 )
Dividend paid	(182,176 )	(342,166 )
Net cash provided by financing activities	(476,638 )	(346,461 )
Effects of foreign exchange rate fluctuations on balance sheet items		(90,473 )
Net (decrease) / increase in cash and cash equivalents	(121,933 )	202,744
Effects of exchange rate fluctuations on cash and cash equivalents		(12,764 )
Cash and cash equivalents at the beginning of period	763,821	795,091
Cash and cash equivalents at the end of period	\$ 641,888	985,071
<b>Supplemental cash flow information:</b>		
Interest paid	\$ 82,587	44,265
Interest received	80,236	109,383
Income taxes paid	99,921	62,755
Non-cash investing activities		

We believe that Adjusted EBITDA, a measure commonly used in the telecommunications industry in Europe, can be

Capital lease obligations

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

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**TURKCELL ILETISIM HIZMETLERI ANONIM SIRKETI  
AND ITS SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY AND COMPREHENSIVE INCOME  
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2006 (Unaudited)  
(In thousands, except share data)**

	Common stock Shares (Note 19)	Amount	Additional paid in capital	Legal reserves	Comprehensive income	Retained earnings	Accumulated other comprehensive income/(loss)	Total shareholders equity
<b>Balances at December 31, 2005</b>	<b>2,200,000,000</b>	<b>\$ 636,116</b>	<b>178</b>	<b>92,414</b>		<b>1,983,316</b>	<b>5,549</b>	<b>2,717,573</b>
Deferred taxes associated with temporary differences from translation and indexation effects							175,681	175,681
<b>Balances at January 1, 2006</b>	<b>2,200,000,000</b>	<b>636,116</b>	<b>178</b>	<b>92,414</b>		<b>1,983,316</b>	<b>181,230</b>	<b>2,893,254</b>
Increase in capital		197,238				(197,238 )		
Comprehensive income:								
Net income					671,139	671,139		<b>671,139</b>
Other comprehensive income:								
Translation adjustment					(289,645 )		(289,645 )	<b>(289,645 )</b>
Net unrealized capital gain on available-for-sale securities					476		476	<b>476</b>
Comprehensive income					<b>381,970</b>			
Transfer to legal reserves				43,787		(43,787 )		
Dividend paid						(342,166 )		<b>(342,166 )</b>
<b>Balances at September 30, 2006</b>	<b>2,200,000,000</b>	<b>\$ 833,354</b>	<b>178</b>	<b>136,201</b>		<b>2,071,264</b>	<b>(107,939 )</b>	<b>2,933,058</b>

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



**Turkcell Iletisim Hizmetleri Anonim Sirketi and Its Subsidiaries**

**Notes to Consolidated Financial Statements**

**As of December 31, 2005 and September 30, 2006 (Unaudited) and  
for the Nine Month Periods Ended September 30, 2005 and 2006 (Unaudited)**

**(Amounts in thousands of US Dollar unless otherwise stated except share amounts)**

**(1) Business**

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

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

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

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

Two significant founding shareholders, Sonera Holding BV and the Cukurova Group own approximately 37.1% and 27.1%, respectively, of the Company s share capital, and are ultimate counterparties to a number of transactions that are discussed in the related party footnote. On November 28, 2005, upon completion of a series of transactions, Alfa Group acquired 13.2% indirect ownership in the Company through its Altimo subsidiary, one of Russia s leading private telecommunications investors.

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

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

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

GSM1800 license through its then 99% owned subsidiary, LLC Astelit ( Astelit ). On February 1, 2005, Astelit commenced its operations with its GSM 1800 technology. In addition, Astelit acquired the GSM 900 license on November 10, 2005 and Astelit has the right to use this license starting from January 1, 2006. On April 4, 2006, Astelit announced the merger of DCC with Astelit in order to optimize the internal business processes of both companies. The decision for the merger of DCC with Astelit was approved during the Shareholders Meeting which took place on April 3, 2006 in Kiev. On August 1, 2006 the merger transaction was completed. The Company has a 55% interest in consolidated subsidiaries, Euroasia, DCC and Astelit as of September 30, 2006.

Turkcell and Ericsson Telekomunikasyon AS ( Ericsson Turkey ) have established a company named East Asian Consortium BV ( Eastasia ), with a share capital of EUR 91,000, to invest in the Iranian GSM business. However, as of September 30, 2006, the Company has no operations in Iran. On February 22, 2006, Turkcell purchased Eastasia shares held by Ericsson Turkey and Turkcell ownership in Eastasia has increased to 100%.

On March 22, 2006, Board of Directors of Turkcell decided to accept the proposal of Cukurova Group to purchase 50% of A-Tel Pazarlama ve Servis Hizmetleri A.S. ( A-Tel ) shares for a consideration of \$150,000 based on the findings of the due diligence conducted at A-Tel. Following the completion of tax, legal and financial due diligence review and following approval of the Competition Board of share transfer on August 1, 2006, the related payment was made on August 9, 2006 and the transaction has been finalized. Accordingly, as of September 30, 2006 the Company holds 50% interest in A-Tel and A-Tel is accounted for under the equity method (Note 9).

In addition, as of September 30, 2006, the Company was involved in various activities, including call centers and database management, directory assistance, operating a central betting system, fixed line long distance call services and internet services through various consolidated subsidiaries: Global Bilgi Pazarlama Danisma ve Cagri Servisi Hizmetleri AS ( Global ), Corbuss Kurumsal Telekom Servis Hizmetleri AS ( Corbuss ), Turktell Bilisim Servisleri AS ( Turktell ), Turkcell Kurumsal Satış ve Dağıtım Hizmetleri AS ( Turkcell Kurumsal ) (December 31, 2005: Hayat Boyu Egitim ve İletişim Hizmetleri AS ), İyi Eglenceler Eglence ve Turizm AS ( İyi Eglenceler ), Interaktif Çocuk Programlari Yapimciligi ve Yayınciligi AS ( Digikids ), Mapco Internet ve İletisim Hizmetleri Pazarlama AS ( Mapco ), Inteltek Internet Teknoloji Yatirim ve Danismanlik Ticaret AS ( Inteltek ), Bilyoner Interaktif Hizmetleri A.Ş. ( Bilyoner ) (December 31, 2005: Libero Interaktif Hizmetler AS ( Libero )), Tellcom İletisim Hizmetleri AS ( Tellcom ) and Turktell Uluslararası Yatirim Holding AS ( Turktell Uluslararası ). The subsidiaries are owned 100%, 99%, 100%, 100%, 100%, 100%, 100%, 55%, 55%, 100% and 100%, respectively, by Turkcell or its subsidiaries (together referred to as the Group ).

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

The Group maintains its books of account and prepare its statutory financial statements in its local currencies and in accordance with local commercial practice and tax regulations applicable in its respective countries of residence. The accompanying consolidated financial statements are based on these statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with accounting principles generally accepted in the United States of America ( US GAAP ). The unaudited consolidated interim financial statements of the Company as of September 30, 2006 and for the nine month periods ended September 30, 2005 and 2006 in the opinion of the management of the Company, include all the adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results of such unaudited interim periods.

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with US GAAP. Actual amounts could differ from those estimates.

Significant estimates and assumptions include the depreciable/amortizable lives of fixed assets and intangibles, amounts reflected as allowances for doubtful receivables, valuation allowances on deferred tax assets and amounts reflected as provisions for liabilities arising from legal proceedings.

The FASB staff believes the determination of a hyperinflationary economy must begin by calculating the cumulative inflation rate for the three years that precede the beginning of the reporting period, including interim reporting periods. If that calculation results in a cumulative inflation rate in excess of 100%, the economy should be considered highly inflationary in all instances. However, if that calculation results in the cumulative rate being less than 100%, the FASB staff believes that historical inflation rate trends (increasing or decreasing) and other pertinent economic factors should be considered to determine whether such information suggests that classification of the economy as highly inflationary is appropriate. The AICPA SEC Regulations Committee's International Practices Task Force ( IPTF ) concluded at its November 24, 2004 meeting that Turkey would continue to be highly inflationary in 2005. Accordingly, as of December 31, 2005 the financial statements of Turkcell and subsidiaries located in Turkey and Northern Cyprus prepared in accordance with US GAAP are translated into US dollars, the reporting currency, in accordance with the relevant provisions of SFAS No. 52 Foreign Currency Translation , as applied to entities in highly inflationary economies.

On November 22, 2005, IPTF concluded that Turkey ceased to be a highly inflationary country starting from January 1, 2006. As a result, TRY is treated as a more stable currency and as of September 30, 2006 financial statements of Turkcell and those of its subsidiaries located in Turkey and Northern Cyprus prepared in accordance with US GAAP are translated into US Dollars in accordance with SFAS No. 52 and the resulting cumulative translation adjustment is recognized in shareholder's equity.

These unaudited interim financial statements should be read in conjunction with the Company's Annual Report on Form 20-F.

### (3) Comprehensive Income

Comprehensive income generally encompasses all changes in shareholder's equity (except those arising from transactions with owners) and includes net income, net unrealized capital gains on available for sale securities and translation adjustments. The Company's comprehensive income differs from net income applicable to common shareholders only by the amount of the translation adjustment deferred tax effect of the change in functional currency and unrealized capital gains/(losses) on available for sale securities charged to shareholder's equity. Comprehensive income for the nine month periods ended September 30, 2005 and 2006 was \$670,802 and \$381,970 respectively.

### (4) New Accounting Standards Issued

In February 2006, the Financial Accounting Standards Board ( FASB ) issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments-an amendment of FASB Statements No. 133 and 140 . SFAS No.155, resolves issues addressed in Statement 133 Implementation Issue No. D1, Application of Statement 133 to Beneficial Interests in Securitized Financial Assets. SFAS No.155, permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133, establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives and amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a

derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument.

SFAS No.155, is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. Earlier adoption is permitted as of the beginning of an entity's fiscal year, provided the entity has not yet issued financial statements, including financial statements for any interim period for that fiscal year. Provisions of this Statement may be applied to instruments that an entity holds at the date of adoption on an instrument-by-instrument basis. The adoption of SFAS No. 155 is not expected to have a material effect on the Company's consolidated financial statements.

In April 2006, the FASB issued FSP No. 46(R)-6, Determining the Variability to be Considered in Applying FASB Interpretation No. 46(R). The FSP addresses how a reporting enterprise should determine the variability to be considered in applying FIN 46(R). The variability that is considered in applying FIN 46(R) affects the determination of (a) whether an entity is a VIE, (b) which interests are variable interests in the entity, and (c) which party, if any, is the primary beneficiary of the VIE. That variability affects any calculation of expected losses and expected residual returns, if such a calculation is necessary. FSP No. 46(R)-6 must be applied prospectively to all entities (including newly created entities) and to all entities previously required to be analyzed under FIN 46(R) when a reconsideration event has occurred, in the first reporting period beginning after June 15, 2006. The Company will evaluate the impact of this FSP at the time any such reconsideration event occurs and for any new entities created.

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109. FIN 48, clarifies the criteria for recognizing tax benefits under FASB Statement No. 109, Accounting for Income Taxes. FIN 48, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48, also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. Earlier application of the provisions of this Interpretation is encouraged if the enterprise has not yet issued financial statements, including interim financial statements, in the period FIN 48 is adopted. The adoption of FIN 48 is not expected to have a material effect on the Company's consolidated financial statements.

In June 2006, FASB issued EITF No. 06-3 How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation). EITF No. 06-3 would permit companies to elect to present on either a gross or net basis sales and other taxes that are imposed on and concurrent with individual revenue-producing transactions between a seller and a customer. The gross basis includes the taxes in revenues and costs; the net basis excludes the taxes from revenues. The Consensus would not apply to tax systems that are based on gross receipts or total revenues. Companies would disclose their policy for presenting the taxes and would disclose any amounts presented on a gross basis. Companies would not be required by the Consensus to change their policies for presenting taxes. A change would be permitted only if the new policy is considered preferable. Assuming ratification, the disclosures required by the Consensus will have to be presented for interim and annual financial periods beginning after December 15, 2006. The Company will evaluate to elect to present taxes collected from customers and governmental authorities either gross or net basis and this may reveal a material effect on the Company's consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. SFAS No. 157, defines fair value, establishes a framework for measuring fair value in GAAP, and enhances disclosures about fair value measurements. SFAS No. 157 applies when other accounting pronouncements that require or permit fair value measurements. Accordingly, SFAS No. 157 does not require new fair value measurements. However, for some entities, the application of SFAS No. 157 will change current practice.

The transition adjustment, measured as the difference between the carrying amounts and the fair values of those financial instruments at the date this Statement is initially applied, should be recognized as a cumulative-effect adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for the fiscal year in which this Statement is initially applied. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those years. Earlier application is encouraged, provided the entity has not yet issued financial statements for any interim period for that fiscal year. The adoption of SFAS No. 157 is not expected to have a material effect on the Company's consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* an amendment of FASB Statements No. 87, 88, 106, and 132 (R) (SFAS 158). SFAS 158 requires an employer to recognize the over-funded or under-funded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. SFAS 158 also requires the measurement of defined benefit plan assets and obligations as of the date of the employer's fiscal year-end statement of financial position (with limited exceptions). Under SFAS 158, the Company will be required to recognize the funded status of its defined benefit postretirement plan to provide the required disclosures in its financial statements as of December 31, 2006. The Company does not anticipate that the adoption of SFAS 158 will have a material effect on the Company's results of operations or financial condition.

In September 2006, the SEC issued Staff Accounting Bulletin 108 (SAB 108). SAB 108 establishes an approach requiring the quantification of financial statement errors based on the effects of the error on each of an entity's financial statements and the related financial statement disclosures. This model is commonly referred to as a dual approach because it essentially requires quantification of errors under both of the widely-recognized methods for quantifying the effects of financial statement errors: the roll-over method and the iron-curtain method. SAB 108 permits existing public companies to record the cumulative effect of initially applying the dual approach in the first year ending after November 15, 2006 by recording the necessary correcting adjustments to the carrying values of assets and liabilities as of the beginning of that year with the offsetting adjustment recorded to the opening balance of retained earnings. The Company does not anticipate that the adoption of SAB 108 will have a material effect on its financial statements or results of operations.

In September 2006, FASB issued EITF No. 06-1 *Accounting for Consideration Given by a Service Provider to Manufacturers or Resellers of Equipment Necessary for an End-Customer to Receive Service from the Service Provider*. The EITF reached a Consensus on how providers of services that depend on specialized equipment should account for payments they make to the manufacturers or resellers of the specialized equipment. The service provider's objective is to stimulate demand for its services by facilitating equipment sales to potential customers. TV, radio, and security services are among those that might depend on specialized equipment often sold by unrelated manufacturers, and the payments could be in the form of cash, equity instruments, tooling, technological know-how, or key components of the specialized equipment. The Consensus would require a service provider to characterize the consideration based on the form of the benefit the service provider's customer receives from the manufacturer or reseller. If the benefit is other than cash (such as a discount on the price of the equipment) or the service provider does not control the form of benefit given by the manufacturer or equipment seller to the customer, the consideration would be treated as a cost rather than as a reduction of revenue. If the contractual provisions dictate that the service provider's customer receives cash consideration, such as a cash rebate, the amount would be reported as a reduction of revenue. If the Consensus is ratified, its requirements will have to be adopted through retrospective application to all prior periods as of the beginning of the first annual reporting period beginning after June 15, 2007, unless retrospective

application is impracticable. Earlier adoption will be permitted for financial statements that have not yet been issued. The adoption of EITF No. 06-1 is not expected to have a material effect on the Company's consolidated financial statements.

(5) Trade Receivables and Accrued Income, net

At December 31, 2005 and September 30, 2006, the breakdown of trade receivables and accrued income is as follows:

	December 31, 2005	September 30, 2006 (Unaudited)
Receivables from subscribers	\$ 294,418	349,986
Accounts and checks receivable	79,709	109,033
Receivables from Turk Telekom A.S. ( Turk Telekom )	16,518	19,535
	390,645	478,554
Accrued service income	83,175	45,608
Allowance for doubtful receivables	(149,209 )	(151,443 )
	\$ 324,611	372,719

Receivables from Turk Telekom as of September 30, 2006 represent net amounts that are due from Turk Telekom under the Interconnection Agreement. The Interconnection Agreement provides that Turk Telekom will pay Turkcell for Turk Telekom's fixed-line subscribers' calls to GSM subscribers.

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

Letter of guarantees received with respect to the accounts and cheques receivable are amounting to \$48,066 and \$28,605 as of December 31, 2005 and September 30, 2006, respectively.

Movements in the allowance for doubtful receivables are as follows:

	December 31, 2005	September 30, 2006 (Unaudited)
Beginning balance	\$ 133,915	149,209
Provision for doubtful receivables	24,379	22,217
Write offs	(9,122 )	(3,484 )
Effect of change in exchange rate	37	(16,499 )
Ending balance	\$ 149,209	151,443

**(6) Due from Related Parties**

As of December 31, 2005 and September 30, 2006, the balance comprised:

	December 31, 2005	September 30, 2006 (Unaudited)
A-Tel	\$ 7,055	17,025
KVK Teknoloji Urunleri AS ( KVK Teknoloji )	31,128	15,672
Baytur Insaat Taahhut AS ( Baytur )	5,892	10,229
Digital Platform Iletisim Hizmetleri AS ( Digital Platform )	10,316	6,412
ADD Production Medya AS ( ADD )	7,066	6,376
Genel Yasam Sigorta AS ( Genel Yasam )	353	1,601
Other	5,517	6,990
	\$ 67,327	64,305

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

Due from A-Tel, a 50-50 joint venture of the Company and Savings Deposit Insurance Fund ( SDIF ), mainly resulted from dividends receivable from A-Tel (Note 9). In addition to that the Company has receivables resulted from simcard and prepaid card sales to this company and payables in relation to dealer activation fees and simcard subsidies for the sale of prepaid cards.

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

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

Due from Digital Platform, a company whose majority shares are owned by Cukurova Group, mainly resulted from receivables from call center revenues, financial support for borrowing repayments and advances given for current and planned sponsorships (Note 8).

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

Due from Genel Yasam, a company whose majority shares are owned by Cukurova Group, mainly resulted from prepaid expenses for health and life insurances made by the Company for its employees.

## (7) Other Current Assets

At December 31, 2005 and September 30, 2006, the balance comprised:

	December 31, 2005	September 30, 2006 (Unaudited)
Restricted cash	\$ 34,105	101,337
Deferred financing costs	5,289	43,286
Value added tax ( VAT ) receivable	28,165	36,319
Advances to suppliers	7,571	11,153
Options contracts		9,132
Prepayment for subscriber acquisition cost	2,203	7,435
Income Accrual	13,392	4,123
Other	15,728	4,277
	\$ 106,453	217,062

As of September 30, 2006, restricted cash represents amounts deposited at banks as guarantees in connection with the loans used by the Group which will be released on June 28, 2008.

Certain financing costs associated with the borrowings of funds are deferred. These assets are amortized over the terms of the related borrowings as an adjustment to interest expense in the accompanying consolidated statements of income.

Subscriber acquisition costs are subsidies to the subscribers for the handsets, under which Astelit can enforce the minimum customer contract period and can determine revenues that can be linked to individual contracts.

## (8) Due from Related Parties Long Term

	December 31, 2005	September 30, 2006 (Unaudited)
Digital Platform	\$ 78,275	73,298
Other	2,631	
	\$ 80,906	73,298

On December 23, 2005, a Restructuring Framework Agreement was signed between Digital Platform and the Company. The agreement includes the restructuring of the Group's receivables from Digital Platform amounting to \$79,710 as of September 30, 2006 in exchange for sponsorship and the advertisement services that the Company will receive on Digital Platform's infrastructure. Under the agreement, Digital Platform commits to pay amounts due to the Group through July 15, 2011 along with the interest in cash and advertisement services. \$79,710 represents present value of future cash flows and services discounted using an imputed interest rate. As of September 30, 2006, \$73,298 of the balance is classified as long term due from related parties in accordance with the revised repayment schedule. The Company paid \$6,195 to Digital Platform within the scope of the agreement with respect to services received, during the first nine months of 2006.



## (9) Investments

At December 31, 2005 and September 30, 2006, investments in associated companies were as follows:

	December 31, 2005	September 30, 2006 (Unaudited)
Fintur	\$ 243,579	314,959
A-Tel		131,132
Aks Televizyon Reklamcilik ve Filmcilik Sanayi ve Ticaret AS ( Aks TV )	15,750	18,917
T Medya Yatirim Sanayi ve Ticaret AS ( T-Medya )	6,869	7,960
	\$ 266,198	472,968

At December 31, 2005 and September 30, 2006, the Company's ownership interest in Fintur is 41.45%. Fintur is accounted for under the equity method.

Board of Directors of the Company decided to purchase 50% shares of A-Tel for a consideration of \$150,000, based on the findings of the due diligence report. Following the approval of the Competition Board of share transfer on August 1, 2006, the related payment was made on August 9, 2006 and the results of A-Tel's operations have been included in the consolidated financial statements since that date.

A-Tel is involved in the marketing, selling and distribution of Turkcell's prepaid service. A-Tel acts as the only dealer of the Company for Muhabbet Kart (a prepaid card), and receives dealer activation fees and simcard subsidies for the sale of Muhabbet Kart. In addition to the sales of simcards and scratch cards through an extensive network of newspaper kiosks located throughout Turkey, the Company has entered into several agreements with A-Tel for sale of campaigns and for subscriber activations. Since 1999, the business cooperation between the Company and A-Tel has provided important support to the Company's sales and marketing activities. With the brand name Muhabbet Kart, A-Tel has proved success in a competitive environment through well structured campaigns. With the acquisition of 50% stake in A-Tel, management believes that the Company will be better positioned in the changing competitive environment and achieve increased benefits by optimizing sales and marketing efforts. A-Tel is a joint venture and its remaining 50% shares are held by Turkey's Savings and Deposit Insurance Fund. (the SDIF)

As of September 30, 2006 management has not yet completed the evaluation of the fair value of identifiable assets and liabilities of A-Tel and its allocation of the purchase price. The Company has a period up to one year to complete purchase price allocation effective from August 2006 which is the date of acquisition. Therefore, final purchase accounting adjustments may differ from the Company's initial estimates and the allocation of purchase price is subject to refinement.

A-Tel is accounted for under the equity method and results of its operations for the two month period ended September 30, 2006 are included in the accompanying consolidated financial statements using ownership rate of 50% as of and for the nine months ended September 30, 2006.

Besides, during September 2006, A-Tel's General Assembly decided to distribute dividends and accordingly the Company reduced the carrying value of its investment in A-Tel by the dividends received of TRY 30,300 (equivalent to \$20,239 at September 30, 2006). On October 16, 2006, such dividend is collected by the Company.

In 2003, the Group acquired a 6.24% interest in Aks TV and a 8.23% interest in T-Medya, media companies owned by the Cukurova Group.

On April 21, 2006, at Aks TV's Ordinary General Assembly Meeting, it has been decided to increase the share capital of Aks TV through cash injection by shareholders. Iyi Eglenceler paid TRY 7,188

(equivalent to \$4,801 at September 30, 2006) in cash representing its proportion in share capital of Aks TV.

On June 24, 2005, at T-Medya's General Assembly Meeting, it has been decided to increase the share capital of T-Medya. However, the Group did not participate in the capital contribution, accordingly the ownership of the Group in T-Medya decreased to 5.91%. Subsequent to the first share capital increase, the Group decided to participate in the second share capital increase and on January 2, 2006, the Group paid TRY 2,700 (equivalent to \$1,803 at September 30, 2006) in cash as capital contribution to T-Medya and the Group's ownership interest in T-Medya increased back to 8.23%.

Aggregate summarized information of Fintur as of December 31, 2005 and September 30, 2006 and for the nine month periods ended September 30, 2005 and 2006 is as follows:

	<b>December 31, 2005</b>	<b>September 30, 2006 (Unaudited)</b>
Current assets	\$ 250,718	316,377
Non-current assets	858,209	1,062,042
	<b>\$ 1,108,927</b>	<b>1,378,419</b>
Current liabilities	\$ 261,384	285,422
Non-current liabilities	376,799	449,875
Shareholders' equity	470,744	643,122
	<b>\$ 1,108,927</b>	<b>1,378,419</b>

	<b>9 months ended September 30, 2005 (Unaudited)</b>	<b>9 months ended September 30, 2006 (Unaudited)</b>
Revenues	\$ 601,261	837,598
Direct cost of revenues	(257,772 )	(342,372 )
Income before taxes	147,707	243,573
Net income	109,371	153,413

Summary financial information of A-Tel as of September 30, 2006 and for the two months ended September 30, 2006 is as follows:

	<b>September 30, 2006 (Unaudited)</b>
Current assets	\$ 119,679
Non-current assets	251
	<b>119,930</b>
Current liabilities	47,183
Non-current liabilities	228
Shareholders' equity	72,519
	<b>119,930</b>

	<b>Two months ended September 30, 2006 (Unaudited)</b>
Revenues	\$ 12,472
Direct cost of revenues	(36 )
Income before taxes	15,116
Net income	10,698



**(10) Fixed Assets, net**

As of December 31, 2005 and September 30, 2006, the analysis of fixed assets is as follows:

	Useful Lives	December 31, 2005	September 30, 2006 (Unaudited)
<b>Operational fixed assets:</b>			
Base terminal stations	6-8 years	\$ 1,197,797	1,301,359
Mobile switching center/Base station controller	6-8 years	906,119	924,384
Minilinks	6-8 years	365,665	357,435
GSM services equipment	6-8 years	97,583	95,660
Supplementary system	6-8 years	42,610	34,829
Call center equipment	5-8 years	22,677	20,556
Betting equipment	7-8 years	14,636	13,404
Other	5-8 years	4,147	6,816
		2,651,234	2,754,443
Accumulated depreciation		(1,598,146 )	(1,652,506 )
Operational fixed assets, net		1,053,088	1,101,937
<b>Non-operational fixed assets:</b>			
Land		677	683
Buildings	25-50 years	182,736	132,065
Furniture, fixture and equipment	4-5 years	180,483	177,456
Motor vehicles	4-5 years	9,905	8,733
Leasehold improvements	5 years	58,428	86,962
		432,229	405,899
Accumulated depreciation		(260,774 )	(269,110 )
Non-operational fixed assets, net		171,455	136,789
		\$ 1,224,543	1,238,726

At December 31, 2005 and September 30, 2006, total fixed assets acquired under finance leases amounted to \$82,465 and \$72,377, respectively. Depreciation of these assets under finance leases amounted to \$3,428 and \$3,208 for the nine month periods ended September 30, 2005 and 2006, respectively, and is included in depreciation expense.

Depreciation expenses for the nine month periods ended September 30, 2005 and 2006 are \$235,802 and \$265,419 respectively.

As of September 30, 2006, fixed assets of the Company amounting to \$1,336 are pledged as collateral to the banks that have loans to the Company.

**(11) Construction in Progress**

At December 31, 2005 and September 30, 2006, construction in progress consisted of expenditures in GSM and non-operational items and is as follows:

	<b>December 31, 2005</b>	<b>September 30, 2006 (Unaudited)</b>
Turkcell-GSM network	\$ 319,802	204,760
Astelit-GSM network	43,589	49,266
Turkcell-Other projects	13,821	17,875
Non-operational items	10,070	6,003
Kibris Telekom-GSM network	2,093	3,753
	<b>\$ 389,375</b>	<b>281,657</b>

**(12) Intangibles, net**

As of December 31, 2005 and September 30, 2006, intangibles consisted of the following:

	<b>Useful Lives</b>	<b>December 31, 2005</b>	<b>September 30, 2006 (Unaudited)</b>
Computer software	3-8 years	\$ 980,864	986,901
GSM and other telecommunications licenses	4-25 years	582,483	532,832
Transmission lines	10 years	19,891	19,021
Central betting system operating rights	4-5 years	2,912	2,799
Customer base	2 years	1,193	1,214
		1,587,343	1,542,767
Accumulated amortization		(715,981 )	(757,087 )
		<b>\$ 871,362</b>	<b>785,680</b>

As of September 30, 2006 amortized intangible assets and related amortization are as follows:

	<b>September 30, 2006 Gross carrying Amount</b>	<b>Accumulated Amortization</b>
Computer software	\$ 986,901	561,734
GSM and other telecommunications licenses	532,832	181,394
Transmission lines	19,021	11,022
Central betting system operating rights	2,799	1,723
Customer base	1,214	1,214
	1,542,767	757,087

Amortization expense for the nine month periods ended September 30, 2005 and 2006 are \$104,209 and \$116,767, respectively.

**(13) Short Term Borrowings**

As of December 31, 2005 and September 30, 2006, short-term borrowings comprised the following:

	<b>December 31, 2005</b>	<b>September 30, 2006 (Unaudited)</b>
Current portion of secured long term borrowings (Note 18)	\$277,033	368,818
Current portion of unsecured long term borrowings (Note 18)	180,322	216,695
Unsecured short term borrowings	51,548	
Secured short term borrowings	55,600	
	<b>\$ 564,503</b>	<b>585,513</b>

**(14) Trade Payables**

The breakdown of trade payables as of December 31, 2005 and September 30, 2006 is as follows:

	<b>December 31, 2005</b>	<b>September 30, 2006 (Unaudited)</b>
Payables to interconnection suppliers	\$ 18,768	67,649
Payables to Ericsson companies	37,142	57,588
Other	81,865	66,218
	<b>\$ 137,775</b>	<b>191,455</b>

Payables to interconnection suppliers arise from voice and SMS termination services rendered by other GSM operators.

Payables to Ericsson Turkey, Ericsson Sweden and Ericsson AB arise from fixed asset purchases, site preparation and other services.

**(15) Due to Related Parties**

As of December 31, 2005 and September 30, 2006, due to related parties comprised:

	<b>December 31, 2005</b>	<b>September 30, 2006 (Unaudited)</b>
Hobim Bilgi Islem Hizmetleri AS ( Hobim )	\$ 2,127	2,475
Betting Organization Operation and Promotion Company SA ( Betting SA )	1,266	1,034
Telia Sonera International Carrier AB ( Telia AB )	1,326	751
Other	1,055	2,290
	<b>\$ 5,774</b>	<b>6,550</b>

Due to Hobim, a company whose majority shares are owned by Cukurova Group, resulted from the invoice printing services rendered by this company.

Due to Betting SA, whose majority shares are owned by one of the shareholders of Inteltek, resulted from the consultancy services received for the operations of Inteltek.

Due to Telia AB, whose majority shares are owned by one of the shareholders of the Company, resulted from services terminated in the network of Telia AB.

We believe that Adjusted EBITDA, a measure commonly used in the telecommunications industry in Europe, can e

**(16) Other Current Liabilities and Accrued Expenses**

At December 31, 2005 and September 30, 2006, the balance comprised:

	<b>December 31, 2005</b>	<b>September 30, 2006 (Unaudited)</b>
Taxes and withholdings	\$ 170,613	164,029
Deferred income	123,613	112,130
Selling and marketing expense accruals	31,078	50,742
License fee accrual the Turkish Treasury	109,764	42,027
Personnel bonus accrual	18,458	15,658
Telecommunications Authority share accrual	12,968	12,001
Roaming expense accrual	12,580	9,503
Transmission fee accrual	16,729	9,235
Payout payables to fixed odds betting players	7,596	5,967
Interconnection Accrual	14,886	5,453
Maintenance expense accrual	305	4,750
Forward contracts		4,212
Lease obligations short term portion	2,896	365
Other liabilities and expense accruals	42,702	29,925
	<b>\$ 564,188</b>	<b>465,997</b>

Taxes and withholdings include VAT payable, special communications tax, frequency usage fees payable to Telecommunications Authority and personnel income taxes.

Deferred income mainly results from the counters sold but not used by prepaid subscribers as of December 31, 2005 and September 30, 2006. Selling and marketing expense accruals are mainly result from services received from third parties related to marketing activities of the Company which are not yet invoiced.

In accordance with the license agreement, Turkcell pays 90% of the ongoing license fee, which equals to the 15% of its gross revenue, to the Turkish Treasury and 10% as universal service fund to the Ministry of Transportation and Communications of Turkey. Based on the new gross revenue definition, which is effective from March 10, 2006, interest charges for late collections from subscribers and indirect taxes, such as Value Added Taxes (VAT), and other expenses are excluded from the gross revenue calculation.

**(17) Taxes on Income**

The income tax expense is attributable to income from continuing operations and consists of:

	<b>9 Month Ended September 30, 2005 (Unaudited)</b>	<b>2006</b>
Current tax expense	\$ (113,531 )	(247,017 )
Deferred tax expense	(223,811 )	(208,377 )
Income tax expense	<b>\$ (337,342 )</b>	<b>(455,394 )</b>



Income tax expense attributable to income from continuing operations was \$337,342 and \$455,394 for the nine month periods ended September 30, 2005 and 2006, respectively. These amounts are different from the amount computed by applying the Turkish income tax rate of 20% (2005: 30%) to pretax income from continuing operations as a result of the following:

	<b>9 Month Ended September 30, 2005 (Unaudited)</b>	<b>2006</b>
Computed expected tax expense	\$ (304,317 )	(217,168 )
Effect of change in tax rate		(248,277 )
Change in valuation allowance	(328 )	(32,401 )
Non-taxable items		(7,318 )
Investment tax credit	2,911	19,951
Reversal of non taxable translation and indexation effect in cumulative translation adjustment		15,068
Non taxable translation gain	(16,297 )	
Other	(19,311 )	14,751
	\$ (337,342 )	(455,394 )

For the nine month periods ended September 30, 2005 and 2006 substantially all income from continuing operations other than Euroasia's loss from continuing operations was domestic. For the nine month periods ended September 30, 2005 and 2006 Euroasia with statutory tax rate of 25% (established in Netherlands and has operations in Ukraine) has loss from continuing operations before taxes amounting to \$53,708 and \$168,580 and related tax benefit of \$9,569 and nil, respectively.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at September 30, 2005 and 2006 are presented below:

	<b>December 31, 2005</b>	<b>September 30, 2006 (Unaudited)</b>
<b>Deferred tax assets:</b>		
Accrued expenses	\$ 76,418	49,237
Other, principally accounts and other receivables (principally due to allowance for doubtful accounts)	17,805	7,587
Net operating loss carry forwards	29,368	40,846
Tax credit carry forwards (Investment tax credit)	294,301	4,098
Gross deferred tax assets	417,892	101,768
Less: Valuation allowances	(16,960 )	(49,361 )
Deferred tax assets	400,932	52,407
<b>Deferred tax liabilities:</b>		
Fixed assets and intangibles, principally due to financial leases, differences in depreciation and amortization, and capitalization of interest and foreign exchange loss for tax purposes	(366,231 )	(84,081 )
Investment	(26,961 )	(16,501 )
Total deferred tax liabilities	(393,192 )	(100,582 )
Net deferred tax assets / (liabilities)	\$ 7,740	(48,175 )

At September 30, 2006, net operating loss carry forwards are as follows:

Year	Amount	Expiration Date
2001	\$ 1,200	2006
2002	543	2007
2003	5,886	2008
2004	9,745	2009
2005	1,803	2010
2006	1,536	2011 thereafter

As at September 30, 2006, net operating loss carry forwards which will be carried indefinitely are as follows:

Year	Amount
2004	\$ 21,404
2005	55,650
2006	70,516

Until December 31, 2005, translation gain (loss) resulting from translation of TRY denominated non-monetary assets and liabilities to the US Dollar, the functional and reporting currency, in accordance with the relevant provisions of SFAS No. 52 as applied to entities in highly inflationary economies and indexing differences for tax purposes were not giving raise to temporary deferred tax differences, in accordance with relevant provisions of SFAS No. 109, Accounting for Income Taxes .

Such differences that were not recognized during prior years have been recognized at January 1, 2006 as temporary difference in accordance with EITF 92-8 Accounting for the Income Tax Effects under FASB Statement No. 109 of a Change in Functional Currency When an Economy Ceases to be Considered Highly Inflationary .

Deferred taxes associated with temporary differences that arise from translation and indexation effects amounting to \$143,133 as at September 30, 2006 reflected as an adjustment to the cumulative translation adjustment component of shareholders' equity since the Turkish economy ceased to be considered highly inflationary as of January 1, 2006. The balance of those adjustments will continue to be reported in a separate component of shareholders' equity until sale, depreciation or amortization of the related assets. For the nine month period ended September 30, 2006, \$15,068 of translation and indexation effects released from cumulative translation adjustment with respect to the sale, depreciation and amortization of related assets. Tax effects caused by change in enacted income tax rate from 30% as at December 31, 2005 to 20% effective from January 1, 2006 amounting to \$47,060 with respect to deferred taxes associated with temporary differences that arise from translation and indexation effects are included in consolidated interim statements of income for the nine month period ended September 30, 2006. Residual tax effects in cumulative translation adjustment released into income tax expense by specific identification approach based on the tax rate at which related assets were originally recorded in other comprehensive income.

The Turkish Treasury approved investment incentive certificates for a program of capital expenditures by Turkcell and its subsidiaries in GSM and call center operations. Such incentives entitle the Company to a 100% exemption from customs duty on imported machinery and equipment and an investment tax benefit of 100% on qualifying expenditures. The investment tax benefit takes the form of deductions for corporation tax purposes, but such deductions are subject to withholding tax at the rate of 19.8% (for expenditures made after April 24, 2003, the investment tax benefit equals 40% of qualifying expenditures but it is not subject to any withholding tax). However, on April 8, 2006, in line with the changes in

corporate tax law, amendments were made to regulations governing investment incentives. Accordingly, tax payers have been granted an option to use the tax benefits of investment incentive certificates given that they file tax returns at 30% corporate tax rate; or file tax returns at 20% corporate tax rate (which is the new corporate tax rate effective from January 1, 2006) without using the tax benefits of investment incentive certificates. The Company preferred to use the tax benefit of investment incentive certificates which provides 0.2% net benefit on corporate taxes. As of September 30, 2006, investment incentive certificates provide for tax benefits on cumulative purchases of up to approximately \$4,789,799 (December 31, 2005: \$4,460,633) in qualifying expenditures, as defined in the certificates. As of September 30, 2006, the Company had incurred cumulative qualifying expenditures of approximately \$1,514,854 (December 31, 2005: \$2,874,780), resulting in tax credit carryforwards under the certificates of approximately \$4,098 (December 31, 2005: \$294,301) which can be carried forward until December 31, 2008. Approximately \$475,208 of qualifying expenditures through September 30, 2006 (December 31, 2005: \$505,203) under such certificates are indexed against future inflation.

Turkish tax legislation does not allow companies to file tax returns on a consolidated basis. Therefore, management believes a valuation allowance should continue to be provided on a portion of the deferred tax assets, resulting from certain consolidated subsidiaries where the likelihood of realizing these deferred tax assets is not more likely than not. Accordingly, a valuation allowance of approximately \$49,361 is recorded as of September 30, 2006 (December 31, 2005: \$16,960) for such amounts.

For balance sheet presentation purposes, the valuation allowance at December 31, 2005 and September 30, 2006 has been allocated between current and non-current deferred tax assets on a pro-rata basis in accordance with the provisions of SFAS No. 109.

Further, in accordance with the Law No. 5024, effective from January 1, 2004, taxable income is determined based on the financial statements restated for the effects of inflation if the cumulative three-year inflation rate exceeds 100% and annual inflation rate in the current period exceeds 10%. Accordingly, taxable income for the period ended December 31, 2004 has been determined based on such restated financial statements. However on April 19, 2005, the Ministry of Finance declared that since the cumulative inflation three-year inflation rate does not exceed 100% and the annual inflation rate in the current period does not exceed 10%, financial statements as of and for the three month period ended March 31, 2005 would not be subject to the restatement for the determination of taxable income. Financial statements as of September 30, 2006 are not subject to the restatement for the determination of taxable income.

According to the article 32 of New Corporate Tax Law No. 5520 enacted in June 2006, the corporate tax rate has been reduced from 30% to 20%. In this respect, corporate income of the companies is subject to corporate tax at the rate of 20%, effective from January 1, 2006 onwards. It has been also stated that the advance corporate tax that was calculated and collected on the rate of 30% for the advance corporate tax periods after January 1, 2006 that is in excess of the amount calculated by the new rate for the same periods will be offset against the advance corporate tax for the following advance tax periods.

According to the Income Tax Law which was published in Official Gazette on April 8, 2006, the investment allowance application has been abolished effective from January 1, 2006. However, the respective law allows the taxpayers to utilize their investment allowance rights obtained under the scope of the previous provisions only from their income generated in the years 2006, 2007 and 2008.

**(18) Long Term Borrowings**

At December 31, 2005 and September 30, 2006, long-term borrowings comprised the following:

			<b>December 31, 2005</b>	<b>September 30, 2006 (Unaudited)</b>
	<b>Currency</b>	<b>Year of maturity</b>	<b>Carrying amount</b>	<b>Carrying amount</b>
Secured bank borrowings	USD	2011		368,818
Secured bank borrowings	USD	2006	129,144	
Secured bank borrowings	EUR	2008		102,541
Secured bank borrowings	EUR	2006	147,889	
Unsecured bank borrowings	USD	2006-2007	225,875	84,438
Unsecured bank borrowings	USD	2012		132,257
Unsecured bank borrowings	TRY	2008	37,295	
			540,203	688,054
Current portion of long term bank borrowings			(457,355 )	(585,513 )
Long term bank borrowings			82,848	102,541

The effective interest rates of long term secured bank borrowings denominated in EUR and USD are 4.4% and 11.1% respectively (December 31, 2005: 8.0% and 9.3%). As of September 30, 2006, all unsecured long term bank borrowings are denominated in USD with an effective interest rate of 7.6% (As of December 31, 2005 unsecured long term bank borrowings denominated in USD and TRY had effective interest rates of 7.6% and 15.9% respectively). On December 30, 2005, Astelit, together with ING Bank N.V. ( ING Bank ) and Standard Bank London Ltd. ( Standard Bank ), finalized a syndicated long term project financing of \$390,000. As at 30 September 2006, \$368,732 of that facility has been utilized and \$21,268 was undrawn.

These financing agreements contain a number of restrictive debt covenants applicable to Astelit and Euroasia, which may be summarized as follows:

- Astelit has to comply with certain financial ratios during the period of financing;
- Astelit may not pledge any of its assets (including its rights under the supply contracts and its rights under the material insurance contracts);
- Euroasia may not pledge shares owned in Astelit to other parties;
- Euroasia may not pledge any loans issued to Astelit;
- There are restrictions on disposal of assets by Astelit;
- Astelit can not attract financing from parties other than Euroasia and Lenders, without the consent of the Lenders;
- There are restrictions on finance leasing and supplier financing arrangements;
- Astelit may not conduct any other business apart from the operation of telecommunications services, and business ancillary thereto;
- Astelit may not merge with other companies (DCC merger is out of coverage of this clause as per waiver letter dated May 9, 2006);
- There are restrictions on acquisitions of subsidiaries;

We believe that Adjusted EBITDA, a measure commonly used in the telecommunications industry in Europe, can be

- There are restrictions on issuance of guarantees by Astelit;

- Astelit can not issue any shares for purposes other than receiving financial support from current shareholders;
- Payment of dividends may only occur once Astelit complies with certain financial ratios.

Besides, as part of the project financing package, a long term junior facility up to \$150,000 (including interest amounting to \$24,000) was also finalized with Turkiye Garanti Bankasi AS Luxemburg Branch and Akbank TAS Malta Branch. The junior facility is fully guaranteed by the Company. This facility has been fully utilized as at September 30, 2006.

Based on Astelit's interim financial statements as at and for the three months ended March 31, 2006 and six months ended June 30, 2006, Astelit was in breach of certain of its covenants under the Syndicated Loan, including the covenant to deliver its consolidated financial statements for the fiscal year ending December 31, 2005, to the facility agent within 180 days by the end of the 2005 fiscal year. During May, July and August, Astelit granted waivers of its breach of its consolidated EBITDA covenant for the first and second quarter of 2006 and a waiver of the covenant that required Astelit to deliver its 2005 annual consolidated financial statements to the facility agent. Based on Astelit's interim financial statements as of September 30, 2006, Astelit was again in breach of its covenants contained in its syndicated long term project financing. The breach of a covenant is an event of default and the lenders in the syndicated long term project may demand immediate repayment of the outstanding amounts which would also trigger the cross-default to and acceleration upon notice of, substantially all of the Astelit's borrowings. The breach of the EBITDA covenant is an event of default and therefore, Astelit reclassified its total long term debt amounting \$501,064 (including its junior loan) as short term debt payable as of September 30, 2006. Astelit requested the facility agent, the senior creditors and the Export Credit Agency (ECA) to waive this event of default under the syndicated long term financing. On October 31, 2006, Astelit has obtained the waiver letter from the facility agent and the dead-line granted to make the Restructuring Amendments has been extended to November 30, 2006.

On August 24, 2005, TRY 50,000 loan was obtained from West LB A.G., London Branch with a term of 3 years. The facility was aimed to reduce the currency risk on the Company's balance sheet. On August 29, 2006, the Company early extinguished the loan due to financial market volatility leading an increase in costs.

#### **(19) Common Stock**

At September 30, 2006, common stock represented 2,200,000,000 (December 31, 2005: 2,200,000,000) authorized, issued and fully paid shares with a par value of TRY 1 each. In accordance with the Law No 5083 with respect to the TRY, on May 9, 2005, par value of each share is registered to be one TRY.

In connection with the redenomination of the Turkish Lira and as per the related amendments of Turkish Commercial Code, in order to increase the nominal value of the shares to TRY 1, 1,000 units of shares, each having a nominal value of TRY 0.001 shall be merged and each unit of share having a nominal value of TRY 1 shall be issued to represent such shares. The Company is still in the process of merging 1,000 existing ordinary shares, each having a nominal value of TRY 0.001 to one ordinary share having a nominal value of TRY 1 each. After the share merger which appears as a provisional article in the Articles of Association to convert the value of each share with a nominal value of TRY 0.001 to TRY 1, all shares will have a value of TRY 1. Although the merger process has not been finalized, the practical application is to state each share having a nominal value of TRY 1 which is consented by Capital Markets Board of Turkey (CMB). Basic and diluted weighted average number of shares and net income per share as of September 30, 2005 are retrospectively changed to reflect each share having a nominal value of TRY 1.

The following table sets forth the computation of basic and diluted earnings per share:

	<b>Nine Months Ended, September 30, 2005 (Unaudited)</b>	<b>2006</b>
<b>Numerator:</b>		
Net income	669,525	671,139
<b>Denominator:</b>		
Basic and diluted weighted average shares	2,200,000,000	2,200,000,000
Basic and diluted net income per share	0.304330	0.305063

On March 22, 2006, the Board of Directors of the Company decided to make a proposal to the General Assembly for distribution of a total net cash dividend of TRY 509,075 (equivalent to \$340,041 and \$342,166 at September 30, 2006 and May 22, 2006, respectively) (which constitutes 50% of distributable income per statutory accounts) and dividend in the form of bonus issue amounting of TRY 345,113 (equivalent to \$230,521 and \$231,962 at September 30, 2006 and May 22, 2006, respectively) for the year ended December 31, 2005. The distribution of dividends was approved at the General Assembly Meeting held on May 22, 2006 and cash dividend distribution was started on May 29, 2006.

All share amounts and per share figures reflected in the Company's historical financial statements have been retroactively restated for the stock splits discussed above.

The total effects of restatements in number of shares are as follows:

	<b>December 31, 2005</b>	<b>September 30, 2006</b>
Historical number of shares	500,000,000	500,000,000
After bonus share distribution statutory capital inflation adjustment 2003,2004,2005	1,554,298,916	1,554,298,916
After bonus share distribution dividend for the year 2003,2004,2005	2,200,000,000	2,200,000,000

The net distributable income, after deducting legal reserves, amounts to TRY 1,018,150 (equivalent to \$680,081 at September 30, 2006). Accordingly, the dividend distribution was as follows:

	<b>Amount per share (TRY in full)</b>	<b>Total (TRY)</b>	<b>USD equivalent September 30, 2006</b>
Dividend cash	0.274450	509,075	340,041
Bonus issue		345,113	230,521

Accordingly, the rate of bonus issue certificate issued for each share having a nominal value of TRY 1 is as 18.605586%

**(20) Commitment and Contingencies**

As of December 31, 2005 and September 30, 2006, commitments and contingent liabilities comprised the following:

	December 31, 2005	September 30, 2006 (Unaudited)
Bank Letters of Guarantee	\$ 41,319	47,487
Guarantees		
Digital Platform	5,419	
<i>BNP Brussels (Buyer Credit)</i>	4,015	
<i>BNP Hungary (Buyer Credit)</i>	1,404	
Purchase Commitments	175,553	103,857
Digital Platform	99,785	87,033
Baytur	21,100	11,605
Ericsson AB	48,732	5,219
Sysdate	5,936	

**Guarantees**

As of September 30, 2006, the Group is contingently liable in respect of bank letters of guarantee obtained from banks given to customs authorities, private companies and other public organizations amounting to TRY 71,093 (equivalent to \$47,487 at September 30, 2006) (December 31, 2005: \$41,319).

As explained in Note 18, the Company has fully guaranteed the long term junior facility of Astelit.

Guarantees on behalf of Digital Platform were related to loans for set-top boxes, head-end and uplink imports and working capital financing used from the respective banks. In February 2006, all related loans have been repaid by Digital Platform and the corporate guarantees have been released.

**Purchase Commitments**

According to the Sponsorship and Advertising Agreements signed in the context and as an integral part of the Restructuring Framework Agreement, the Group committed to purchase sponsorship and advertisement from Digital Platform. Outstanding purchase obligation with respect to these agreements as of September 30, 2006 is amounting to \$87,033 (December 31, 2005: \$99,785) excluding VAT.

The principal shareholder of Baytur Insaat Taahhut AS ( Baytur ), a construction company, is the Cukurova Group. Baytur committed to complete construction of 484 apartments within the scope of an agreement signed among the Company, Baytur and the land owner, which is a governmental organization, on October 19, 2004. The contract amount is \$39,650 and the project is planned to be completed in 2008. The Company paid \$28,045 to Baytur within the scope of this agreement as at September 30, 2006 (December 31, 2005: \$18,550).

Purchase obligations in relation to GSM equipment arise from GSM equipment supply and service contracts signed by Astelit with Ericsson AB. As of September 30, 2006 Astelit's purchase commitment is \$5,219.



## **Legal Proceedings**

The Group is involved in various claims and legal actions arising in the ordinary course of business described below.

### ***Dispute on VAT on Ongoing License Fee***

Starting from June 2003, the Company has begun to make payments for VAT on ongoing license fees with reservations and commenced a lawsuit against the Tax Office for the related period. On December 31, 2003, the Tax Court decided that the Company would not have to pay VAT on ongoing license fee from February 2004 onwards. The Tax Office has appealed this decision. On March 28, 2006, Danistay decided in line with the local court. Based on the management and legal counsel's opinion, the Company has not provided any accrual related with this dispute in its consolidated interim financial statements as at and for the nine months ended September 30, 2006.

### ***Dispute on Turk Telekom Transmission Lines Leases***

Effective from July 1, 2000, Turk Telekom annulled the discount of 60% that it provided to the Company based on its regular ratio, which had been provided for several years, and, at the same time, Turk Telekom started to provide a discount of 25% being subject to certain conditions. The Company filed a lawsuit against Turk Telekom for the application of the agreed 60% discount. However, on July 30, 2001, the Company had been notified that the court of appeal upheld the decision made by the commercial court allowing Turk Telekom to terminate the 60% discount. Accordingly, the Company paid and continues to pay transmission fees to Turk Telekom based on the 25% discount. Although Turk Telekom did not charge any interest on late payments at the time of such payments, the Company recorded an accrual amounting to a nominal amount of TRY 3,023 (\$2,019 as at September 30, 2006) for possible interest charges as at December 31, 2000. On May 9, 2002, Turk Telekom requested an interest amounting to a nominal amount of TRY 30,068 (equivalent to \$20,084 as at September 30, 2006).

The Company did not agree with the Turk Telekom's interest calculation and, accordingly, obtained an injunction from the commercial court to prevent Turk Telekom from collecting any amounts relating to this interest charge. Also, the Company initiated a lawsuit against Turk Telekom on the legality of such interest. The case is still pending. As at September 30, 2006, the Company recorded a provision of nominal amount of TRY 13,296 (equivalent to \$8,881 as at September 30, 2006) because its management and legal counsel believe that this is the most likely outcome in accordance with the relevant provisions of the Interconnection Agreement.

### ***Dispute on National Roaming Agreement***

During the third quarter of 2001, the Company was approached by Is-Tim to negotiate a national roaming agreement. These negotiations did not result in a mutual agreement. Therefore, the discussions continuing under the supervision of the Telecommunications Authority has been subject to several lawsuits. The cases are still pending.

In a letter dated March 14, 2002, the Telecommunications Authority subjected Is-Tim's request for national roaming to the condition that it be reasonable, economically proportional and technically possible. Nevertheless the Telecommunications Authority declared that Turkcell is under an obligation to enter a national roaming agreement with Is-Tim within a 30 day period. The Company initiated a lawsuit against Telecommunications Authority. On March 14, 2006, Danistay decided to cancel the process dated March 14, 2002 but rejected the Company's request for cancellation of the regulation on procedures and policies with respect to national roaming. Telecommunications Authority appealed the decision.

On June 9, 2003, the Turkish Competition Board (the "Competition Board") decided that the Company abused its dominant position by refusing to enter into a national roaming agreement with Is-Tim, and fined the Company by nominal amount of approximately TRY 21,822 (equivalent to \$14,576 at September 30, 2006). On March 28, 2006, Danistay cancelled the Competition Board's decision. Both parties have not appealed the decision and accordingly Danistay decision was finalized.

On December 10, 2004, Tax Office requested nominal amount of approximately TRY 21,822 (equivalent to \$14,576 at September 30, 2006) regarding the Competition Board decision. On November 25, 2005, the Administrative Court decided the cancellation of the aforementioned payment order. Both the Competition Board and Tax Office have appealed the decision. Based on its management and legal counsel's opinion, the Company has not recorded any accrual for Competition Board's decision.

Additionally, the Telecommunications Authority decided that the Company has not complied with its responsibility under Turkish regulations to provide national roaming and fined the Company by nominal amount of approximately TRY 21,822 (equivalent to \$14,576 at September 30, 2006). On April 7, 2004, the Company made the related payment. On January 3, 2005, Telecommunications Authority paid back nominal amount of TRY 21,822 (equivalent to \$14,576 at September 30, 2006). On December 13, 2005, Danistay decided the cancellation of the administrative fine but rejected the Company's request for cancellation of the regulation on procedures and policies with respect to national roaming. Telecommunications Authority appealed the decision. The case is still pending. Based on its management and legal counsel's opinion, the Company has not recorded any accrual as at September 30, 2006.

If the Company is forced to enter a national roaming agreement on terms and conditions that do not provide an adequate return on its investment in its GSM network, its financial position, results of operations and cash flows could be adversely affected.

#### ***Investigation of the Turkish Competition Board***

The Competition Board commenced an investigation of business dealings between the Company and the mobile phone distributors, in October 1999. The Competition Board decided that the Company disrupted the competitive environment through an abuse of dominant position in the Turkish mobile market and infringements of certain provisions of the Law on the Protection of Competition. As a result, the Company was fined by nominal amount of approximately TRY 6,973 (equivalent to \$4,658 as at September 30, 2006) and was enjoined to cease these infringements. The Company initiated a lawsuit before Danistay for the injunction and cancellation of the decision. On November 15, 2005, Danistay cancelled the Competition Board's decision on the ground that Competition Board infringed the procedural rules governing the investigation process.

After the cancellation of the Competition Board's decision, the Competition Board has given the same decision again on December 29, 2005. Based on this decision, Ankara Tax Office requested the Company to pay TRY 6,973 (equivalent to \$4,658 as at September 30, 2006) through the payment order dated August 4, 2006. On September 25, 2006, the Company made the related payment and initiated a lawsuit for the injunction and cancellation of this payment order.

On March 10, 2006, the Company initiated a lawsuit before Danistay for the injunction and cancellation of the Competition Board's decision dated December 29, 2005. Danistay rejected the injunction request of the Company. The company has objected to this rejection decision. The case is still pending. The Company ceased to accrue for TRY 6,973 (equivalent to \$4,658 as at September 30, 2006) on its consolidated interim financial statements as at September 30, 2006 due to the aforesaid payment on September 25, 2006.

***Dispute on Collection of Frequency Usage Fees***

On May 21, 1998, the Company entered into a protocol with the Wireless Communications General Directorate (the Directorate) regarding the application of the governing provisions of the Wireless Law No. 2813 to the administration of its GSM mobile phone network. Under this protocol, the Company is to collect frequency usage fees, which are calculated by the Directorate, from the taxpayers using mobile phones on behalf of the Directorate, and to pay the levied tax to the Directorate. In 2001, the Directorate's power, including all of its rights and obligations, was transferred to the Telecommunications Authority.

On March 22, 2002, as a consequence of the impossibility in fact and at law of collecting such tax from its prepaid subscribers, the Company filed a lawsuit requesting cancellation of the protocols obligating it to collect the frequency usage fees from the prepaid subscribers and to pay it to the Telecommunications Authority. After respective legal procedures, on April 20, 2004, the Company paid nominal amount of TRY 145,644 (equivalent to \$97,284 at September 30, 2006) for the frequency usage fees of 2002 including interest through that date with reservation. The court rejected the Company's request and decided that there should be no further judgment on this issue since the frequency usage fees of 2002 are paid. Both the Company and Telecommunications Authority appealed this decision. On June 29, 2006, Supreme Court rejected both appeals and approved the local court's judgment. Both the Company and Telecommunications Authority have applied for the correction of this decision.

***Investigation of the Telecommunications Authority on International Voice Traffic***

In May 2003, the Company was informed that the Telecommunications Authority had initiated an investigation against the Company claiming that the Company has violated Turkish laws by carrying some of its international voice traffic through an operator other than Turk Telekom. The Company is disputing whether Turk Telekom should be the sole carrier of international voice traffic. On March 5, 2004, the Telecommunications Authority fined the Company by nominal amount of approximately TRY 31,731 (equivalent to \$21,195 at September 30, 2006). On April 9, 2004, the Company made the respective payment. With respect to the Danistay's injunction on November 5, 2004, Telecommunications Authority paid back the nominal amount. Telecommunications Authority appealed this decision. General Assembly of Administrative Courts of Danistay rejected the appeal request of Telecommunications Authority. Case is still pending. Based on its management and legal counsel's opinion, the Company has recorded income amounting to nominal amount of TRY 31,731 (equivalent to \$21,195 at September 30, 2006) in the consolidated financial statements as at and for the year ended December 31, 2004.

On March 2, 2005, Turk Telekom notified the Company that, the Company has damaged Turk Telekom because of the interconnection agreement signed with Milleni.com. Accordingly, Turk Telekom requested the Company to pay nominal amount of TRY 219,148 (equivalent to \$146,382 as at September 30, 2006) of principal and nominal amount of TRY 178,364 (equivalent to \$119,140 at September 30, 2006) of interest, which make a sum of nominal amount of TRY 397,512 (equivalent to \$265,522 at September 30, 2006) until March 7, 2005. In addition, Turk Telekom initiated a lawsuit against the Company with respect to the same issue requesting an amount of TRY 450,931 (equivalent to \$301,203 at September 30, 2006) of which TRY 219,149 (equivalent to \$146,382 at September 30, 2006) is principal and TRY 231,782 (equivalent to \$154,821 at September 30, 2006) is interest charged until June 30, 2005. Related case is still pending. However, on December 13, 2005, Danistay rejected the request of Turk Telekom regarding the cancellation of the interconnection agreement between Milleni.com and the Company. Management and legal counsel believe that the aforementioned request has no legal basis. At this point, regarding this litigation it is premature to estimate its potential outcome, if any.

Based on its management and legal counsel's opinion, the Company has not provided any accruals with respect to this matter in its consolidated interim financial statements as at September 30, 2006.

***Investigation of the Telecommunications Authority on Frequency Fee Payments***

On October 23, 2003, the Telecommunications Authority fined the Company, claiming that the Company has made inadequate annual frequency usage fee payments by notifying its subscriber numbers less than the actual. The Telecommunications Authority requested nominal amount of TRY 16,005 (equivalent to \$10,691 as at September 30, 2006) for principal, an interest charge of nominal amount of TRY 10,761 (equivalent to \$7,188 as at September 30, 2006) and a penalty of nominal amount of TRY 63,463 (equivalent to \$42,391 as at September 30, 2006). Management and legal counsel believe that the Telecommunications Authority's decision is due to a misinterpretation of the applicable regulations. On February 20, 2004, the Company initiated legal proceedings for the annulment of the decision. On November 26, 2004, the administrative court rejected the request of the Company. The Company appealed the decision. On October 12, 2005, the Tax Office sent a payment order amounting to nominal amount of TRY 63,463 (equivalent to \$42,391 as at September 30, 2006) which was paid by the Company previously. On November 8, 2005, the Company initiated another lawsuit before the administrative court against the Tax Office requesting an injunction and cancellation of the payment order. On March 31, 2006, the court rejected the injunction request and the Company appealed the decision and on June 19, 2006, the Court accepted the Company's appeal.

On April 16, 2004, the Company paid nominal amount of TRY 103,740 (equivalent to \$69,294 as at September 30, 2006) including interest through that date regarding the Telecommunication Authority's claim. On May 3, 2006, Danistay cancelled the portion of the Court's judgment relating to wireless usage fee and interest accrued on such fee. However, Danistay has approved the other portions of the aforesaid judgment, by rejecting the Company's appeal request. The Company has requested the correction of judgment against Council of State's above mentioned decision. However, the Company management believes that decision of the next case will not be in favor of the Company since the reason behind the appeal is the payment of requested amount including interest previously.

***Dispute on Special Transaction Taxation Regarding Prepaid Card Sales***

On September 18, 2003, the Ministry of Finance issued a report stating that by applying discounts for prepaid card sales for the period between June-December 2002, the Company calculated the special transaction tax on post-discounted amount. Pursuant to this report, the Tax Office delivered to the Company a notice, asserting deficiencies in special transaction tax declarations and requesting a special transaction tax payment amounting to nominal amount of TRY 6,993 (equivalent to \$4,671 at September 30, 2006) and a tax penalty of nominal amount of TRY 9,875 (equivalent to \$6,596 at September 30, 2006). The case is still pending. Management and legal counsel believe that the Company will prevail in this matter. Accordingly, the Company has not provided any accruals with respect to this matter in its consolidated interim financial statements as at September 30, 2006.

***Disputes on annulment of fixed odds betting tender related to establishment and operation of risk management center head agency***

Reklam Departmanı Basın Yayın Proje Yapım Danışmanlık ve Ticaret Limited Şirketi ( Reklam Departmanı ) commenced a lawsuit against the Gençlik ve Spor Genel Müdürlüğü ( GSGM ) in the Ankara 4th Administrative Court. In the lawsuit, Reklam Departmanı claimed for the annulment of fixed odds betting tender related to the establishment and operation of risk management center and acting as head agency. Inteltek's operations may be affected by the court's decision. Inteltek, requested from the court to participate to the case as an intervener; the court has not decided on this request. On February 21, 2005, the Court rejected the case. Reklam Departmanı appealed this rejection. Danistay accepted the appeal request of Reklam Departmanı. On February 17, 2006, GSGM has applied for the correction of this decision. Danistay rejected the correction of decision request of GSGM. The case is directed to local court. Reklam Departmanı claimed suspension of execution and cancellation of Fixed Odds Betting ( FOB )

tender. Local Court rejected Reklam Departmanı' s suspension of execution claim on August 18, 2006. Management and legal council believe that it is not practicable to issue an opinion on the conclusion of the case at the current stage. The Company has not set any accruals with respect to this matter in its interim financial statements as at September 30, 2006.

With respect to the same tender Gtech Avrasya Teknik Hizmet ve Musavirlik AS ( Gtech ) commenced a lawsuit against Public Tender Authority and GSGM. Since Inteltek' s operations may be affected by the court' s decision, the Company has participated to the case as an intervener. On February 21, 2006, the court rejected the case. Both Gtech and Public Tender Authority appealed the decision. Danistay accepted the request of appeal. Inteltek has applied for the correction of decision on February 9, 2006. On July 9, 2006, Danistay rejected Inteltek. On July 18, 2006 the court issued a preliminary injunction which stopped the effectiveness of Public Tender Authorities decision concerning that there is no ground to give a decision regarding the cancellation of the aforementioned tender and rejected the request concerning the injunction of fixed odds betting tender related to the establishment and operation of risk management center and acting as head agency. This decision has been contested by the defendants Public Tender Authority, GSGM and Inteltek. Ankara District Administrative Court, which examined these contestations, on August 22, 2006, has accepted the defendants' contestations and upheld the preliminary injunction decision issued by the local court; and dismissed the applicant' s request for a preliminary injunction. Gtech repeated claim of cancellation of FOB tender.

On the other hand GSGM submitted October 9, 2006 dated petition to court and indicated that case was not filed within legal period of time (60 days) . Spor Toto also requested from Local court to dismiss Gtech' s case and required hearing.

Gtech commenced another lawsuit against GSGM for the cancellation of the fixed odds betting contract signed in the same tender. Ankara 4th Administrative Court dismissed the case for a lack of jurisdiction Gtech appealed this decision. The cases are still pending.

For the reason that, those requests of annulment of tender relate to the Fixed Odds Betting Agreement Relating to the Establishment and Operation of Risk Management Center and Acting as Head Agency , an annulment decision that would be rendered in those lawsuits shall invalidate the said agreement and therefore it shall be impossible for Inteltek to carry out its activities as per the said agreement

Legal counsel believes that it is not practicable to issue an opinion on the conclusion of these cases. Based on its management and legal counsel' s opinion The Company has not provided any accruals with respect to these matters in its consolidated interim financial statements as at September 30, 2006.

#### ***Dispute with Spor Toto Teskilat Mudurlugu***

On November 9, 2005, Spor Toto Teskilat Mudurlugu sent a notification letter to Inteltek that Inteltek is obliged to pay nominal amount of TRY 3,292 (equivalent to \$2,199 at September 30, 2006) due to the difference in the reconciliation methods. Spor Toto Teskilat Mudurlugu claims that the reconciliation periods should be six-month independent periods whereas Inteltek management believes that those periods should be cumulative as stated in the agreement. Inteltek did not pay the requested amount.

A lawsuit for determination of evidence has been initiated against Inteltek by Spor Toto Teskilat Mudurlugu on behalf of GSGM. In this lawsuit, Spor Toto Teskilat Mudurlugu has requested from the Court to determine that Inteltek was responsible for the revenue which was not transferred to the Spor Toto Teskilat Mudurlugu' s accounts in due time, and collection risk belonged to Inteltek, Inteltek was responsible for the revenue in the amount of TRY 1,527 (equivalent to \$1,020 at September 30, 2006) which was not paid and not collected until the date of the lawsuit and final accounts should be resolved

after every period of six-months for settlement, by accepting the periods of six-months for settlement as periods independent from each other. The case is still pending.

Based on its management and legal counsel's opinion Inteltek accrued nominal amount of TRY 3,292 (equivalent to \$2,199 at September 30, 2006) for this amount in the accompanying consolidated interim financial statements as at September 30, 2006 due to the probability of negative outcome of the declaratory action.

***Dispute on call termination fee***

Telsim has initiated a lawsuit claiming that, the Company has not applied the reference interconnection rates determined by the Telecommunications Authority, and has charged interconnection fees exceeding the ceiling rates approved by Telecommunications Authority and requested an injunction to be applicable starting from August 1, 2005, to cease this practice and requested a payment of its damages totalling to nominal amount of TRY 26,108 (equivalent to \$17,439 as at September 30, 2006) including principal, interest and penalty on late payment. On April 6, 2006, the case was rejected. Telsim appealed the decision. As it is stated in the existing Interconnection Agreement with Telsim, Telsim referred the matter to the Telecommunications Authority. The resolution procedure was finalized and Telecommunication Authority set the call termination charges which are effective from March 1, 2006. According to the Telecommunications Authority decision, these charges have been applied between Turkcell and Telsim from March 1, 2006 to May 24, 2006. The management and legal counsel of the Company believe that it is premature to estimate the legal outcome with respect to Telsim's request of its damages at this point. Therefore, the Company has not recorded any accrual with respect to this matter in its consolidated interim financial statements as at September 30, 2006.

***Invalidity of the Board Resolution***

On June 23, 2005, the Board of Directors of the Company has decided to allow Alfa Group to conduct a due diligence in the Company and to entitle the management. On July 1, 2005, Sonera filed a suit with an injunction request against the Company for the purpose of determination of the invalidity of the resolution dated June 23, 2005. On December 28, 2005, the court rejected the injunction request of Sonera. Sonera has appealed this decision on February 24, 2006.

***Dispute with Iranian Ministry in connection with the GSM tender process***

The Company believes the Iranian Ministry has not properly implemented the laws and regulations passed by the Iranian Parliament in connection with the GSM tender process, which was won by the Consortium. As a result, the Company has brought a claim in Iranian courts seeking to compel the Ministry to implement the laws and regulations passed by the Iranian Parliament in connection with the GSM tender process. Such injunction order was rejected in April 2006.

***Dispute with the Telecommunications Authority with respect to temporary set call termination fees***

The interconnection agreement with Turk Telekom provided for a renegotiation of pricing terms on call termination fees after December 31, 2004, and in the event that the parties could not agree on new terms by February 28, 2005, for referral to the Telecommunications Authority for resolution. As the parties were unable to agree on new terms, Turk Telekom referred the matter to the Telecommunications Authority, which has set temporary call termination fees for calls terminating on each operator's network starting from August 10, 2005.

On October 7, 2005, the Company filed a lawsuit against the Telecommunications Authority for the injunction and cancellation of this decision, which has set temporary call termination fees for calls terminating on each operator's network starting from August 10, 2005 and the court rejected the Company's request. The Company has appealed this decision. Besides, on June 1, 2006, Telecommunications Authority issued reference call termination fees for the Company and Turk Telekom. In addition, on July 26, 2006, Telecommunications Authority issued final reference call termination fees for the Company and Turk Telekom. On July 10, 2006 and August 14, 2006, the Company filed two lawsuits on Ankara Administrative Court for the injunction and cancellation of reference call termination fees set as TRY 0.14/minute for calls terminating on Turk Telekom and the Company's network through the decisions of Telecommunications Authority dated June 1, 2006 and July 26, 2006. On August 18, 2006, the Court has decided to combine these two lawsuits.

As mentioned above, Telecommunications Authority has set temporary call termination fees for calls terminating on each operator's network starting from August 10, 2005. However, Turk Telekom does not apply these termination fees for the international calls. Therefore, on December 22, 2005, the Company filed a lawsuit against Turk Telekom to cease this practice and requested collection of its damages totaling to nominal amount of TRY 11,970 (equivalent to \$7,995 at September 30, 2006) including principal, interest and penalty on late payment covering the period from August 2005 until October 2005. The case is still pending.

In addition, call termination fees between the Company and Vodafone and the Company and Avea are set through Reconciliation procedure and Call termination fees issued on June 1, 2006 by Telecommunications Authority. These call termination fees are effective from March 2006, May 2006 and July 2006 for Telsim, Vodafone and Avea, respectively. On August 14, 2006, the Company filed a lawsuit on Ankara Administrative Court for the injunction and cancellation of call termination fees between Turkcell and Avea which have been set as TRY 0.14/minute for calls terminating on the Company's network. Additionally, on August 23, 2006, the Company also filed a lawsuit on Ankara Administrative Court for the injunction and cancellation of call and SMS termination fees between Turkcell and Vodafone (Telsim for the period between March 1, - May 24, 2006) which have been set as TRY 0.14/minute for calls terminating and TRY 0.297/unit for SMS terminating on the Company's network. The Ankara Administrative Court dismissed the case on August 29, 2006, deciding that it does not have jurisdiction over the case. The file was sent to Council of State. The case is still pending.

#### *Dispute with Avea*

On February 28, 2006, Avea has initiated a lawsuit against the Company claiming that although there is an agreement between the Company and Avea stating that both parties would not charge any SMS interconnection termination fees, the Company has charged SMS interconnection fees for the messages terminating on its own network and also assumed liabilities for the messages terminating in Avea's network and made interconnection payments to Avea after deducting the net balance of those SMS charges and accruals. Avea requested provisions of Interconnection Agreement regarding SMS pricing to be applied and requested collection of its losses amounting to nominal amount of TRY 12,275 (equivalent to \$8,199 at September 30, 2006) for the period between February 2005 and December 2005 with its accrued interest till payment.

On October 10, 2006, the Court decided that charging SMS interconnection termination fees violates the agreement between the Company and Avea and the Company should pay Avea's losses amounting to nominal amount of TRY 12,275 (equivalent to \$8,199 at September 30, 2006) for the period between February 2005 and December 2005 with its accrued interest till payment. In line with the court decision, neither SMS interconnection revenue nor SMS interconnection expense has been recognized with respect to the February 2005 to June 2006 and interest has been accrued till October 27, 2006 amounting to nominal amount of TRY 3,043 (equivalent to \$2,033 at September 30, 2006) for Avea's losses in the

interim financial statements as at and for the nine months ended September 30, 2006. The Company made the principal and interest payment for the period between February 2005 and December 2005 on November 6, 2006.

The Company has also applied to the Telecommunications Authority to set SMS interconnection prices between the Company and Avea.

***Dispute on value added taxation with respect to roaming services***

Tax Office claimed that the Company should have paid VAT on the invoices issued by foreign GSM operators for the international calls originated by the Company's subscribers and terminating on those foreign GSM operators' networks during the year 2000. It has been notified that, based on the calculation made by the Tax Office, the Company should pay nominal amount of TRY 19,791 (equivalent to \$13,220 at September 30, 2006) for VAT and penalty fee. Moreover, Tax Office also claimed that the Company should have paid VAT on the invoices issued by foreign GSM operators for the international calls originated by the Company's subscribers and terminating on those foreign GSM operators' networks during the years 2001 and 2002 amounting to nominal amount of TRY 15,972 (equivalent to \$10,669 at September 30, 2006) and TRY 23,863 (equivalent to \$15,940 at September 30, 2006) respectively, for VAT and penalty fee. Management decided not to pay such amounts and initiated judicial processes on April 6, 2006 for VAT and penalty fee for the year 2000 and on July 13, 2006 for VAT and penalty fees for the years 2001 and 2002. Management and legal counsel believe that the Company will prevail in this matter. Accordingly, the Company has not provided any accruals with respect to this matter in its consolidated interim financial statements as at September 30, 2006.

***Dispute on ongoing license fee and universal service fund payment based on the amended license agreement***

Based on the law enacted on July 3, 2005 with respect to the regulation of privatization, gross revenue description used for the calculation of ongoing license fee and universal service fund has been changed. According to this new regulation, accrued interest charges for the late payments, taxes such as indirect taxes, and accrued revenues are excluded from the description of gross revenue. Calculation of gross revenue for ongoing license fee and universal service fund according to the new regulation is valid after Danistay's approval on March 10, 2006. In the meanwhile, the Company realized the payments including above-mentioned items between July 21, 2005 and March 10, 2006, when the amendment in license agreement was effective. On April 21, 2006, the Company initiated a lawsuit against Turkish Treasury for the difference between the payments that were realized started from July 21, 2005 until March 10, 2006 totalling TRY 111,316 (equivalent to \$74,354 at September 30, 2006) including interest of TRY 8,667 (equivalent to \$5,789 at September 30, 2006).

The above-mentioned enacted law dated July 3, 2005 also assigned Telecommunications Authority for the revision of license agreement according to new regulation. However, Telecommunications Authority did not finalize such revision in a timely manner. Therefore, on May 5, 2006, the Company has initiated a lawsuit against the Telecommunications Authority for the delay of the revision in license agreement preventing the new regulation to become effective until March 10, 2006. By this lawsuit, the Company has requested payment totalling TRY 112,317 (equivalent to \$75,023 at September 30, 2006) including interest of TRY 9,668 (equivalent to \$6,458 at September 30, 2006). The Company has decided to give up the request regarding the interest of TRY 9,668 (equivalent to \$6,458 at September 30, 2006).

***Dispute on Telecommunications Authority fee payment based on the amended license agreement***

Based on the 9th article of the new license agreement dated March 10, 2006, the Company has been obliged to pay 0.35% of its yearly gross revenue once in a year as Telecommunications Authority Fee. However in the previous license agreement, the Company was obliged to pay 0.35% of its yearly gross



revenue after deducting ongoing license fee, universal service fund and other indirect taxes from the calculation base whereas in the new agreement, these aforementioned payments are not deducted from the base of the calculation. Therefore, on April 12, 2006, the Company has initiated a lawsuit for the cancellation of the 9th article of the new license agreement. However, the Court rejected the Company's injunction request. The Company objected to the Court's decision.

On June 21, 2006, Telecommunications Authority notified the Company that the Telecommunication Authority Fee for the year 2005 which had been already paid in April 2006 should have been calculated according to the new license agreement dated March 10, 2006 instead of the previous license agreement which was effective in the year 2005. Therefore, Telecommunications Authority requested the Company to pay additional TRY 4,011 (equivalent to \$2,679 at September 30, 2006). The Company made the payment and initiated a lawsuit for the injunction and cancellation of the aforesaid decision of Telecommunications Authority.

***Dispute on receivables from Avea regarding call termination fees***

Based on the 21th article of the Access and Interconnection Regulation, the operators may retroactively apply the final call termination fees determined by Telecommunications Authority under the reconciliation procedure. Therefore, on August 29, 2006, the Company has initiated a lawsuit against Avea for the collection of its damages totaling to nominal amount of TRY 32,334 (equivalent to \$21,598 at September 30, 2006) including principal, interest and penalty on late payment covering the period from June 30, 2004 until July 7, 2006 which is the announcement date of the reference call termination fees issued by Telecommunications Authority on June 2006. The case is still pending.

***Dispute on validity of the General Assembly Meeting***

On August 21, 2006, Sonera filed a lawsuit with an injunction request for the purpose of determination of the invalidity of our General Assembly Meeting with an ordinary agenda including dividend distribution and appointment of members of the Board of Directors, held on May 22, 2006 and the invalidity of all resolutions taken in this meeting.

**(21) Subsequent event**

On November 8, 2006, Board of Directors of the Company adopted a resolution for the blank endorsement of a portion of the Company's shares owned by Cukurova Investment N.V. and Cukurova Holding A.S with nominal amounts of TRY 63,591.8 (equivalent to \$42,477 at September 30, 2006) and TRY 64,720.5 (equivalent to \$43,231 at September 30, 2006), respectively. The shares may be sold through an offering in the form of ordinary shares ( Secondary Offering ). A Registration Statement relating to these shares has been or will be filed with the SEC. The Company will not be receiving any proceeds from this offering.

FORM 20-F FOR THE YEAR ENDED DECEMBER 31, 2005, AS AMENDED

B-1

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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM 20-F/A

Amendment No. 1

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

For the Fiscal Year Ended December 31, 2005

Commission File Number: 1-15092

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## TURKCELL ILETISIM HIZMETLERI A.S.

(Exact name of Registrant as specified in its charter)

**TURKCELL**

(Translation of Registrant's name into English)

**Republic of Turkey**

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

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

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

\* Not for trading on the New York Stock Exchange, but only in connection with the registration of American Depositary Shares representing such ordinary shares pursuant to the requirements of the Securities and Exchange Commission.

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

**None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

**None**

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

<b>Ordinary Shares, Nominal Value TRY 1.000</b>	<b>1,854,887,341</b>
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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. **Yes** x **No** o

We believe that Adjusted EBITDA, a measure commonly used in the telecommunications industry in Europe, can be

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

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

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

**Large Accelerated Filer** x

**Accelerated Filer** o

**Non-Accelerated Filer** o

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

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

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## INTRODUCTION

This is the annual report for 2005 for Turkcell Iletisim Hizmetleri A.S., a joint stock company organized and existing under the laws of the Republic of Turkey. The terms we, us, our and similar terms refer to Turkcell, its predecessors and its consolidated subsidiaries except as the context otherwise requires.

Our financial information included in this annual report has been prepared and is presented on a consolidated basis in accordance with US GAAP in US dollars. We have presented this information in accordance with US GAAP, even though we have maintained our books of account and prepared our statutory financial statements in New Turkish Lira in accordance with Turkish Accounting Principles promulgated under the Turkish Commercial Code and Turkish tax legislation, because US and international investors are generally unfamiliar with Turkish Accounting Principles. The consolidated financial statements as of December 31, 2004 and 2005, and for each of the years in the three-year period ended December 31, 2005, included herein have been audited by KPMG Cevdet Suner Denetim ve Yeminli Mali Musavirlik A.S., or KPMG, our independent accountants in Turkey.

Beginning from the 2006 fiscal year, we will prepare our interim and annual consolidated financial statements in accordance with International Financial Reporting Standards ( IFRS ). Our interim and annual consolidated financial statements will include comparable data for 2005. Our first annual report on Form of 20-F filed containing financial information prepared in accordance with IFRS (with a reconciliation to US GAAP) will be that for the fiscal year ending December 31, 2006. The implementation of IFRS may result in material differences in accounting and/or balances of several items in our annual consolidated financial statements, which may include without limitation:

- Revenue,
- Sales and marketing expenses,
- Depreciation and amortization,
- EBITDA margin,
- Net income, and
- Fixed assets, investments, intangibles.

Certain figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly, and figures shown as totals in certain tables may not total exactly. In this annual report, references to TL and Turkish Lira are to Turkish Lira, references to TRY and New Turkish Lira are to the New Turkish Lira and references to and US dollars are to US dollars. Except as otherwise noted, all interest rates are on a per annum basis. In this annual report, references to Turkey or the Republic are to the Republic of Turkey.

## FORWARD LOOKING STATEMENTS

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

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

While we believe that the expectations reflected in these and other forward looking statements are reasonable, actual results may differ materially from the expectations reflected in those statements due to a variety of factors, including, among others, the following:

- competition in our home market;
- economic developments in Turkey and the global economy;
- political developments in Turkey and its neighboring countries;
- failure of the Turkish mobile telecommunications market to continue to develop;
- legal and regulatory restrictions, including those imposed by the Telecommunications Authority of Turkey (the Telecommunications Authority );
- enactment of the draft Electronic Communications Law in Turkey;
- adverse effects on our competitiveness due to our designation by the Telecommunications Authority as an operator holding significant market power in the mobile call termination services market and as an operator holding significant market power in access to GSM mobile networks and the call origination market ;
- our disputes with other GSM operators and Turk Telekom over call termination charges;
- failure to abide by the requirements of our license or applicable regulations;
- legal actions and claims to which we are a party;
- foreign exchange rate risks;
- interest rate risk;
- the influence of our controlling shareholders;
- exposure to certain risks through our interests in associated companies;
- our ability to deal with spectrum limitations;
- rapid and significant change in the communications industry that may reduce the appeal of our services or require us to increase our capital expenditures;
- failure by our business partners to carry out their obligations under our agreements;
- potential liability and possible reduced usage of mobile phones as a result of alleged health risks related to base transmitter stations and the use of handsets;
- our dependence on certain suppliers for network equipment and the provision of data services;

We believe that Adjusted EBITDA, a measure commonly used in the telecommunications industry in Europe, can be



- our ability to retain key personnel; and
- financial risks in the event that our majority owned subsidiaries fail to meet some of their obligations set forth in the agreements related to their financing arrangements.

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

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not Applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not Applicable.

**ITEM 3. KEY INFORMATION**

**3.A Selected Financial Data**

The financial information included in this annual report has been prepared and is presented on a consolidated basis in accordance with US GAAP in US dollars. We have presented this information in accordance with US GAAP, even though we maintain our books of account and prepare our statutory financial statements in Turkish Lira (New Turkish Lira starting from January 1, 2005 onwards) in accordance with Turkish Accounting Principles promulgated under the Turkish Commercial Code and Turkish tax legislation, because US and international investors are generally unfamiliar with Turkish Accounting Principles. Our financial statements and those of our subsidiaries located in Turkey and Northern Cyprus have been translated into US Dollars, our reporting currency, in accordance with the relevant provisions of SFAS No. 52, "Foreign Currency Translation" as applied to entities in highly inflationary economies. Beginning from the 2006 fiscal year, we will prepare our interim and annual consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). Please see Item 5.A. Operating Results for further information on our transition to reporting our consolidated financial statements in accordance with IFRS.

The following table presents our selected financial data as of and for each of the years in the five-year period ended December 31, 2005. We have derived the selected consolidated financial data set forth below as of and for each of the years in the five-year period ended December 31, 2005, from our audited consolidated financial statements and the notes thereto, which were prepared in accordance with US GAAP and audited by KPMG, our independent accountants in Turkey.

You should read the following information in conjunction with Item 5. Operating and Financial Review and Prospects, our consolidated financial statements as of December 31, 2004 and 2005 and for each of the years in the three-year period ended December 31, 2005, the related notes and the independent auditors' report appearing elsewhere in this annual report. Our consolidated financial statements as of and for the years ended December 31, 2002 and 2001 are not included in this annual report.

The information appearing under the captions "Other Financial Data" and "Operating Results" is not derived from the audited financial statements.

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	2001(1)	2002	2003	2004	2005
	(in millions, except number of shares, per share and margin data)				
<b>Consolidated Statement of Operations Data</b>					
Revenues					
Communication fees	\$ 1,598.2	\$ 1,911.0	\$ 2,143.6	\$ 3,088.1	\$ 4,056.5
Commission fees on betting business				20.3	108.0
Monthly fixed fees	83.8	40.9	41.1	51.9	54.3
SIM card sales	12.0	13.3	24.4	28.3	32.6
Call center revenues	7.7	7.9	7.4	8.2	10.1
Other	0.5	0.8	2.7	4.0	7.0
Total revenues	1,702.2	1,973.9	2,219.2	3,200.8	4,268.5
Direct cost of revenues(2)	(1,173.7)	(1,366.9)	(1,613.2)	(2,001.2)	(2,391.0)
Gross profit	528.5	607.0	606.0	1,199.6	1,877.5
General and administrative expenses	(130.7)	(104.5)	(137.2)	(137.3)	(152.0)
Selling and marketing expenses	(180.5)	(223.5)	(294.6)	(349.2)	(488.7)
Income from operations	217.3	278.9	174.2	713.1	1,236.8
Income (loss) from related parties, net	2.5	(0.2)	3.7	1.9	1.1
Interest income (expense), net	(207.8)	(206.8)	(366.3)	31.3	(8.4)
Other income (expense), net	(5.2)	13.6	6.2	7.1	5.2
Equity in net income (loss) of unconsolidated investees(3)	(51.3)	(20.4)	18.9	43.6	67.6
Minority interest in income (loss) of consolidated subsidiaries	0.4	0.3	3.6	7.5	24.3
Translation loss	(151.5)	(18.0)	(102.4)	(11.3)	(8.3)
Income (loss) before taxes	(195.6)	47.4	(262.1)	793.2	1,318.3
Income tax benefit (expense)	8.8		477.3	(281.4)	(407.4)
Net income (loss)	(186.8)	47.4	215.2	511.8	910.9
Net income (loss) per share(4)(10)	(0.106941)	0.025554	0.116018	0.275920	0.491081
<b>Other Financial Data</b>					
Dividends declared or proposed(5)			78.1	182.2	379.2
Dividends per share (declared or proposed)(6)(10)			0.042105	0.098227	0.204433
Gross margin(7)	31.0	% 30.8	% 27.3	% 37.5	% 44.0
EBITDA(8)	503.4	761.3	643.0	1,338.8	1,933.3
Capital expenditures	108.3	71.2	172.9	486.7	778.7
<b>Consolidated Balance Sheet Data (at period end)</b>					
Cash and cash equivalents	243.1	394.1	582.7	763.8	795.1
Total assets	3,536.0	3,233.5	3,867.3	4,361.5	4,405.6
Long term debt(9)	1,246.0	925.0	522.2	269.7	82.9
Total debt	1,637.8	1,308.2	630.2	832.6	650.3
Total liabilities	2,250.8	1,903.0	2,320.0	2,376.0	1,688.0
Capital stock	636.1	636.1	636.1	636.1	636.1
Total shareholders' equity/net assets	1,285.2	1,330.5	1,547.3	1,985.5	2,717.6
Weighted Average Number of shares(10)	1,744,887,763	1,854,887,341	1,854,887,341	1,854,887,341	1,854,887,341
<b>Consolidated Cash Flow Information</b>					
Net cash provided by operating activities	288.7	608.8	1,041.3	603.9	1,143.1
Net cash used for investing activities	(159.9)	(141.9)	(198.9)	(542.3)	(745.4)
Net cash provided by (used for) financing activities	(249.0)	(315.9)	(653.8)	119.5	(366.5)

(1) We adopted EITF 01-09 "Accounting for Consideration Given to a Customer or a Retailer of the Vendor's Products" on January 1, 2002. As a result of applying the provisions of EITF 01-09, our revenues, gross profit, and selling and marketing expenses were reduced by \$84.7 million for the year ended December 31, 2001. The adoption of EITF 01-09 had no impact on operating income, net income (loss) or earnings (loss) per share. As a result of the application of EITF 01-09 to prior periods, certain figures provided in this annual report will differ from figures provided previously.

(2) Direct cost of revenues includes ongoing license fee payments, transmission fees, base station rents, billing costs, depreciation and amortization charges, technical, repair and maintenance expenses, roaming charges, interconnection fees, wages, salaries and personnel expenses for technical personnel.

We believe that Adjusted EBITDA, a measure commonly used in the telecommunications industry in Europe, can be



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(3) Equity in net income (loss) of unconsolidated investees includes primarily the income (loss) from Fintur Holdings B.V. ( Fintur ) of which we own 41.45%. Fintur currently holds all of our International GSM investments other than our Northern Cyprus and Ukraine operations. During 2002, Fintur restructured its two business divisions, the international GSM businesses and the technology businesses. As part of the restructuring, we acquired 16.45% of Fintur s international GSM businesses from the Cukurova Group, increasing our ownership interest in that business to 41.45% and Fintur sold its entire interest in its technology businesses to the Cukurova Group. See Item 4B. Business Overview International Operations Fintur.

(4) Net income (loss) per share figures have been restated to reflect the effect of certain stock splits as explained in note 22 to the consolidated financial statements.

(5) The US\$ equivalent of the cash dividends declared for the year ending December 31, 2005, which amount to TRY509,075,181, was computed by using the Central Bank of Turkey s TRY/US\$ exchange rate on March 22, 2006, which is the date our board of directors decided to make a proposal at our General Assembly meeting for distribution of dividends. Distribution of dividends is subject to approval at our General Assembly meeting which will be held on April 28, 2006.

(6) In 2004 we paid dividends of \$78.1 million for the year ended December 31, 2003, when 500,000,000 of our shares were outstanding. In 2005 we declared dividends of \$182.2 million for the year ended December 31, 2004, when 1,854,887,341 of our shares were outstanding. In 2006, our Board of Directors have proposed a dividend payment of \$379.2 million for the period ended December 31, 2005, when 1,854,887,341 of our shares were outstanding. The decision of the Board of Directors is subject to approval of the General Assembly which will be held on April 28, 2006. Dividends per share for the year ending December 31, 2003 is computed over 1,854,887,341 shares in order to reflect the effect of certain stock splits as explained in note 22 to the consolidated financial statements.

(7) Gross margin has been calculated as gross profit divided by total revenues.

(8) EBITDA equals net income (loss) before interest expense, income tax benefit (expense), depreciation and amortization. EBITDA is not a measurement of financial performance under US GAAP and should not be construed as a substitute for net earnings (loss) as a measure of performance or cash flow from operations as a measure of liquidity. It is used in this annual report because it is a common and useful measure of performance of a mobile operator. See below for a reconciliation of EBITDA to the most directly comparable US GAAP measure.

(9) Consists of long-term debt and long-term lease obligations.

(10) In connection with the redenomination of the Turkish Lira and as per the related amendments of Turkish Commercial Code, in order to increase the nominal value of the shares to TRY 1, 1,000 units of shares, each having a nominal value of TRY 0.001 shall be consolidated and each unit of share having a nominal value of TRY 1 shall be issued to represent such shares. Turkcell is currently in the process of merging 1,000 existing ordinary shares, each having a nominal value of TRY 0.001 to one ordinary share having a nominal value of TRY 1. After the share consolidation which appears as a provisional article in the Articles of Association to convert the value of each share with a nominal value of TRY 0.001 to TRY 1, all shares will have a value of TRY 1. Although the consolidation process has not been finalized, the practical application is to state each share having a nominal value of TRY 1 which is consented by Capital Market Board of Turkey ( CMB ). Basic and deleted weighted average number of shares and net income per share as of December 31, 2001, 2002, 2003 and 2004 are retrospectively changed to reflect each share having a nominal value of TRY 1.

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

	Year ended December 31,				
	2001	2002	2003	2004	2005
	(in millions)				
<b>EBITDA</b>	<b>\$ 503.4</b>	<b>\$ 761.3</b>	<b>\$ 643.0</b>	<b>\$ 1,338.8</b>	<b>\$ 1,933.3</b>
Minority interest in income of consolidated subsidiaries	0.4	0.3	3.6	7.5	24.3
Equity in net income (loss) of unconsolidated investees	(51.3 )	(20.4 )	18.9	43.6	67.6
Interest expense	(305.1 )	(302.3 )	(483.6 )	(121.5 )	(147.3 )
Net increase (decrease) in assets and liabilities	39.5	129.7	904.4	(562.3 )	(551.0 )
<b>Net cash provided by operating activities</b>	<b>288.7</b>	<b>608.8</b>	<b>1,041.3</b>	<b>603.9</b>	<b>1,143.1</b>

We believe that EBITDA, a measure commonly used in the telecommunications industry in Europe, can enhance the understanding of our operating results.

**Operating Results**

**Year ended December 31,  
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