TURKCELL ILETISIM HIZMETLERI A S
Form 20-F
April 08, 2013

As filed with the Securities and Exchange Commission on April 8, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

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

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2012

OR

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

OR

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

Commission File Number: 1-15092

TURKCELL ILETISIM HIZMETLERI A.S.

(Exact Name of Registrant as Specified in Its Charter)

TURKCELL

(Translation of Registrant s Name into English)

Republic of Turkey

(Jurisdiction of Incorporation or Organization)

Turkcell Plaza

Mesrutiyet Caddesi No: 71

34430 Tepebasi

Istanbul, Turkey

(Address of Principal Executive Offices)

Mr. Nihat Narin

Telephone: +90 212 313 1244

Facsimile: +90 212 292 9322

Turkcell Plaza

Mesrutiyet Caddesi No: 71

34430 Tepebasi

Istanbul, Turkey

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

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

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

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

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

None

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

None

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

Ordinary Shares, Nominal Value TRY 1.000 **2,200,000,000**

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 ¨

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

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

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

Large Accelerated Filer x Accelerated Filer ¨ Non-Accelerated Filer ¨

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

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

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

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

INTRODUCTION

This is the 2012 annual report for Turkcell Iletisim Hizmetleri A.S. (Turkcell), a joint stock company organized and existing under the laws of the Republic of Turkey. The terms Company, we , us , our , and similar ones refer to Turkcell, its predecessors, and its consolidated subsidiaries, except as the context otherwise requires.

Our audited consolidated financial statements as of December 31, 2012 and 2011 and for each of the years in the three-year period ended December 31, 2012 included in this annual report have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

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

Statements regarding our market share and total market size are based on the Information and Communication Technologies Authority s (ICTA) or operators announcements, and statements regarding penetration are based on the Turkish Statistical Institute s (TUIK) announcements pertaining to the Turkish population. Furthermore, statements regarding our 2G coverage are based on the ICTA s specifications as well as the TUIK s announcements, and statements regarding our 3G coverage are based on the ICTA s 3G coverage calculation specifications issued on April 25, 2012.

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

FORWARD-LOOKING STATEMENTS

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

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

- competition in our main market;
- increased competition and/or the entrance of new direct and indirect competitors in the market due to regulatory changes in Turkey with respect to certain technologies;
- failure to successfully integrate and manage the opportunities we pursue, particularly related to our current mobile communications business and new 3G business, new business models, new technologies and international activities;
- regulatory decisions and changes in the regulatory environment, in particular the ICTA s March 13, 2013 decision;
- failure to abide by the requirements of our licenses or applicable regulations;
- economic and political developments in Turkey and internationally;
- exposure to certain risks through our interests in associated companies;
- foreign exchange rate risks;
- reduction in cash generated from operations and increased capital needs, which may increase our borrowing requirements, and consequently, our finance costs and exposure to the risks associated with borrowing;
- our ability to deal with spectrum limitations;
- zoning limitations related to our Base Transceiver Stations (BTS);
- potential liability and possible reduced usage of mobile phones as a result of alleged health risks related to BTSs and the use of handsets;
- our dependence on certain suppliers for network equipment and the provision of data services;
- Turkcell s complex ownership structure and ongoing disagreements among our main shareholders;
- our dependence on certain systems and suppliers for IT services and our exposure to potential natural disasters, regular or severe IT and network failures, human error, hacking and IT migration risk;

- technological changes in the telecommunications market;

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

- our ability to retain key personnel and distributors;

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

- effective internal control over financial reporting.

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

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION

3.A Selected Financial Data

Our audited consolidated financial statements as of December 31, 2012 and 2011 and for each of the years in the three-year period ended December 31, 2012 included in this annual report have been prepared in accordance with IFRS as issued by the IASB.

The following information should be read in conjunction with Item 5. Operating and Financial Review and Prospects , our audited consolidated financial statements as of December 31, 2012 and 2011 and for each of the years in the three-year period ended December 31, 2012, and the related notes appearing elsewhere in this annual report.

The following table presents our selected consolidated statements of operations, balance sheet and cash flow data as of and for each of the years in the five-year period ended December 31, 2012, presented in accordance with IFRS as issued by the IASB which have been derived from our audited consolidated financial statements as of and for the years ended December 31, 2012, 2011, 2010, 2009 and 2008. The information appearing under the caption Other Financial Data is not derived from the audited financial statements.

	2012	2011	2010	2009	2008
	(Million $, except share data and certain other data)				
Selected Financial Data Prepared in Accordance with IFRS as Issued by the IASB					
Consolidated Statement of Operations Data					
Revenues					
Communication fees	5,374.0	5,225.4	5,670.2	5,557.3	6,576.9
Commission fees on betting business	47.1	39.1	31.2	42.7	176.2
Monthly fixed fees	50.6	63.0	75.4	42.5	65.1
Revenue from betting business	41.9	12.3			
Simcard sales	18.3	21.2	22.9	22.9	28.2
Call center revenues	44.9	38.1	25.2	17.4	16.6
Other revenues	289.0	210.6	157.2	107.2	107.4
Total revenues	5,865.8	5,609.7	5,982.1	5,790.0	6,970.4
Direct cost of revenues(1)	(3,622.3)	(3,528.9)	(3,349.0)	(3,097.1)	(3,409.0)
Gross profit	2,243.5	2,080.8	2,633.1	2,692.9	3,561.4
Other income	18.1	32.6	14.7	0.9	14.1
Administrative expenses	(270.5)	(246.5)	(347.3)	(273.1)	(309.3)
Selling and marketing expenses	(953.2)	(1,010.6)	(1,085.8)	(1,085.1)	(1,351.7)
Other expenses	(76.9)	(161.3)	(64.2)	(111.2)	(18.0)
Results from operating activities	961.0	695.0	1,150.5	1,224.4	1,896.5
Finance income	386.1	330.3	277.1	329.6	442.1
Finance costs	(125.5)	(289.7)	(102.6)	(187.5)	(136.8)
Net finance income/(costs)	260.6	40.6	174.5	142.1	305.3
Monetary gain(2)	95.3	144.8			
Share of profit of equity accounted investees(3)	121.7	136.9	122.8	78.4	103.0
Profit before income taxes	1,438.6	1,017.3	1,447.8	1,444.9	2,304.8
Income tax expense	(291.5)	(292.2)	(320.8)	(340.1)	(549.8)
Profit for the period	1,147.1	725.1	1,127.0	1,104.8	1,755.0
Attributable to:					
Equity holders of the Company	1,158.8	751.7	1,170.2	1,094.0	1,836.8
Non-controlling interest	(11.7)	(26.6)	(43.2)	10.8	(81.8)
Profit for the period	1,147.1	725.1	1,127.0	1,104.8	1,755.0
Basic and diluted earnings per share	0.53	0.34	0.53	0.50	0.83
Consolidated Balance Sheet Data (at period end)					
Cash and cash equivalents	3,926.2	2,508.5	3,302.2	3,095.5	3,259.8
Total assets	10,483.2	9,098.8	9,794.6	9,320.8	8,067.9
Long-term debt(4)	619.2	1,057.4	1,407.3	821.2	130.0
Total debt(5)	1,705.2	1,868.1	1,837.5	1,512.0	785.9
Total liabilities	3,323.1	3,367.2	3,561.0	3,424.6	2,624.3
Share capital	1,636.2	1,636.2	1,636.2	1,636.2	1,636.2
Total equity/net assets	7,160.1	5,731.6	6,233.6	5,896.2	5,443.6
Weighted average number of shares	2,200,000,000	2,200,000,000	2,200,000,000	2,200,000,000	2,200,000,000
Consolidated Cash Flow Data					
Net cash from operating activities	1,188.3	925.8	1,262.6	1,316.6	1,746.3
Net cash provided/(used in) investing activities	304.6	(1,410.5)	(704.9)	(1,485.0)	(695.2)
Net cash from (used) for financing activities	(171.2)	31.6	(303.7)	(5.4)	(353.6)
Other Financial Data					
Dividends declared or proposed(6)(7)			745.4	573.5	713.3
Dividends per share (declared or proposed)(7)(8)			0.34	0.26	0.32
Gross margin(9)	38%	37%	44%	47%	51%
Adjusted EBITDA(10)	1,808.4	1,748.1	1,957.4	1,925.4	2,580.3
Capital expenditures	975.5	866.0	1,078.6	1,769.3	808.2

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(1) Direct cost of revenues includes payments for our treasury share (the amount paid to the government under our license) and universal service fund, transmission fees, base station rents, billing costs, depreciation and amortization charges, technical, repair and maintenance expenses, roaming charges, interconnection fees, costs of simcards sold, handset costs offered as part of our loyalty programs and personnel expenses related to our technicians.

(2) See Note 2 (Basis of Preparation) to our consolidated financial statements in this Form 20-F for information regarding monetary gain.

(3) Share of profit of equity accounted investees primarily includes the income related to our stake in Fintur Holdings B.V. (Fintur) and A-Tel Pazarlama ve Servis Hizmetleri A.S. (A-Tel), which is 41.45% and 50.00%, respectively. Fintur currently holds all of our international mobile communications investments other than those related to our operations in Northern Cyprus, Ukraine, Belarus and Germany.

(4) Long-term debt consists of long-term loans and borrowings as well as long-term lease obligations.

(5) Total debt consists of long-term and short-term loans and borrowings as well as lease obligations excluding option contracts.

(6) On March 23, 2011, the Company s Board of Directors proposed a dividend distribution for the year ended December 31, 2010 amounting to TRY 1,328.7 million ($745.4 million computed using the Central Bank of the Republic of Turkey s (CBRT) TRY/U.S. Dollar exchange rate on December 31, 2012), which corresponds to 75% of our distributable net income for the year. This dividend proposal was discussed but not approved at the General Assembly Meetings held in 2011. There were no Board of Directors resolutions for the dividend distribution for the year 2011. The General Assembly on June 29, 2012 could not be held since the quorum required had not been reached and the dividend payment could not be discussed.

(7) The U.S. Dollar equivalent of the dividend for the year ended December 31, 2010 was computed by using the CBRT s TRY/USD exchange rate on December 31, 2012, whereas the U.S. Dollar equivalents of the dividend for the years ended December 31, 2009 and 2008 were computed by using the CBRT s TRY/USD exchange rate on the dates that the General Assembly of Shareholders approved the dividend distribution.

(8) Dividends per share for the years ended December 31, 2010, 2009 and 2008 were computed over 2,200,000,000 shares. For the years ended December 31, 2010, 2009 and 2008, the dividend per share in TRY was TRY 0.60, TRY 0.39, and TRY 0.50, respectively.

(9) Gross margin is calculated as gross profit divided by total revenues.

(10) Adjusted EBITDA is a non-GAAP financial measure that equals profit for the period attributable to the equity holders of the Company before finance income, finance costs, income tax expense, other income, other expense, monetary gain, share of profit of equity accounted investees and depreciation and amortization.

Adjusted EBITDA is a non-GAAP financial measure that equals profit for the period attributable to the equity holders of the Company before finance income, finance costs, income tax expense, other income, other expense, monetary gain, share of profit of equity accounted investees and depreciation and amortization. Our management reviews Adjusted EBITDA as a key indicator each month to monitor our cash generation ability and liquidity position. Net income is generally considered by our management as the main indicator for our operating performance. Adjusted EBITDA is not a measurement of liquidity under IFRS as issued by the IASB and should not be construed as a substitute for profit for the period as a measure of performance or cash flow from operations as a measure of liquidity.

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

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

Some of these limitations are:

- it does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- it does not reflect changes in, or cash requirements for, our working capital needs;
- it does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- it is not adjusted for all non-cash income or expense items that are reflected in our consolidated statement of cash flows; and
- other companies in our industry may calculate this measure differently than we do, which may limit its usefulness as a comparative measure.

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

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

	Year ended December 31,				
	2012	**2011**	**2010**	**2009**	**2008**
			(Million $)		
Adjusted EBITDA	1,808.4	1,748.1	1,957.4	1,925.4	2,580.3
Income tax expense	(291.5)	(292.2)	(320.8)	(340.1)	(549.8)
Other operating income/(expense)	17.5	(57.9)	(49.4)	(85.2)	(15.6)
Finance income	5.0	29.0	0.5	1.0	11.2
Finance costs	(125.3)	(81.5)	(100.4)	(188.3)	(80.2)
Net (decrease)/increase in assets and liabilities(1)	(225.8)	(419.7)	(224.7)	3.8	(199.6)
Net cash from operating activities	1,188.3	925.8	1,262.6	1,316.6	1,746.3

The following table presents selected operational data:

Operating Results

	Year ended December 31,		
	2012	2011	2010
Industry Data			
Population of Turkey (in millions)(1)	75.6	74.7	73.7
Turkcell Data			
Number of postpaid subscribers at end of period (in millions)(2)	13.2	11.7	10.1
Number of prepaid subscribers at end of period (in millions)(2)	21.9	22.9	23.3
Total subscribers at end of period (in millions)(2)	35.1	34.5	33.5
Average monthly revenue per user (in $)(3)	11.6	11.9	13.0
Postpaid	21.0	23.1	26.6
Prepaid	6.4	6.6	7.6
Average monthly minutes of use per subscriber(4)	243.3	213.8	179.1
Churn(5)	27.1%	27.9%	33.9%
Number of Turkcell employees at end of period	3,585	3,071	2,789
Number of employees of consolidated subsidiaries at end of period(6)	9,829	9,763	8,083

(1) The population of Turkey for 2012, 2011 and 2010 is based on TUIK s announcements.

(2) Subscriber numbers do not include subscribers in Ukraine, Belarus, Northern Cyprus and Germany or those of Fintur subsidiaries.

(3) We calculate average revenue per user (ARPU) using the weighted average number of our subscribers during the period. ARPU does not include the results of our operations in Ukraine, Belarus, Northern Cyprus and Germany or those of Fintur subsidiaries.

(4) Average monthly minutes of use per subscriber is calculated by dividing the total number of incoming and outgoing airtime minutes of use by the average monthly sum of postpaid and prepaid subscribers for the year divided by twelve. Our Minutes of Usage (MoU) calculation does not include our operations in Ukraine, Belarus, Northern Cyprus and Germany or those of Fintur subsidiaries.

(5) Churn rate is the percentage calculated by dividing the total number of subscriber disconnections during a certain period by the average number of subscribers for the same period. For these purposes, we define average number of subscribers as the number of subscribers at the beginning of the period plus one half of the total number of gross subscribers acquired during the period. Churn refers to subscribers that are both voluntarily and involuntarily disconnected from our network. Our churn calculations do not include our operations in Ukraine, Belarus, Northern Cyprus and Germany or those of Fintur subsidiaries. For the ICTA s definition concerning active and passive subscriptions, see Item 4.B. Business Overview Regulation of the Turkish Telecommunications Industry .

(6) See Item 6.D. Employees for information concerning our consolidated subsidiaries.

Exchange Rate Data

The Federal Reserve Bank of New York does not report, and historically has not reported, a noon buying rate for the Turkish Lira, which was previously called the New Turkish Lira from 2005 through 2008. For the convenience of the reader, this annual report presents translations of certain Turkish Lira amounts into U.S. Dollars at the relevant Turkish Lira exchange rate for purchases of U.S. Dollars at the $/TRY exchange rate announced by the CBRT. As of January 1, 2006, any balance sheet data (monetary or non-monetary), except for equity items in U.S. Dollars derived from our consolidated financial statements, are translated from Turkish Lira into U.S. Dollars at exchange rates at the balance sheet date. Income and expenses for each income statement except foreign operations in hyperinflationary economies (including comparatives) are translated to U.S. Dollars at monthly average exchange rates.

The income and expenses of foreign operations in hyperinflationary economies are translated into USD at the exchange rate as of the reporting date. Prior to translating the financial statements of foreign operations in hyperinflationary economies (Republic of Belarus), their financial statements for the current period are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the reporting date. Unless otherwise indicated, the $/TRY exchange rate used in this annual report is the $/TRY exchange rate in respect of the date of the financial information being referred to. As stated in the annual monetary and exchange rate policy announcements of the CBRT, which have been published since 2002, the foreign exchange rate is not a policy tool or target; it is determined by the supply and demand conditions in the market. Along with inflation targeting, the CBRT announced that it will continue the implementation of the floating exchange rate regime in 2013.

The following table sets forth, for the periods and the dates indicated, the CBRT s buying rates for U.S. Dollars. These rates may differ from the actual rates used in preparation of our consolidated financial statements and other information appearing herein. The $/TRY exchange rate on March 15, 2013 was TRY 1.8129 = $1.00.

	2013(2)(3)	**2012(2)**	**2011(2)**	**2010(2)**	**2009(2)**	**2008(2)**
High	1.813	1.889	1.907	1.598	1.796	1.696
Low	1.746	1.734	1.496	1.388	1.437	1.145
Average(1)	1.774	1.793	1.670	1.500	1.547	1.293
Period End	1.813	1.783	1.889	1.546	1.506	1.512

Source: CBRT

(1) Calculated based on the average of the daily exchange rates of each month during the relevant period.
(2) These columns set forth the CBRT s buying rates for U.S. Dollars expressed in Turkish Lira.
(3) Through March 15, 2013.

	March 2013	**February 2013**	**January 2013**	**December 2012**	**November 2012**	**October 2012**
High	1.8129	1.8069	1.7800	1.7893	1.7968	1.8082
Low	1.7914	1.7459	1.7496	1.7706	1.7681	1.7843

Source: CBRT

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

3.B Capitalization and Indebtedness

Not applicable.

3.C Reasons for the Offer and Use of Proceeds

Not applicable.

3.D Risk Factors

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

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The majority of our revenue comes from our operations in Turkey. Competition in this market may adversely affect the growth of our business and our financial condition.

The majority of our revenue comes from our operations in Turkey and, thus, the growth and development of our business is mainly dependent on the development of the Turkish mobile telecommunications market. In this market, we currently face intensifying competition from two other mobile operators, Vodafone Telekomunikasyon A.S. (Vodafone) and Avea Iletisim Hizmetleri A.S. (Avea), and from the incumbent fixed line telecommunications operator, Turk Telekomunikasyon A.S. (Turk Telekom). Continued price and higher incentive driven competition has, and will continue to, put pressure on our prices, market shares and profitability, as well as our liquidity. If the competition further intensifies, or the market slows or develops in unexpected ways, this could harm our business and financial condition.

Actions by Turkey s principal telecommunications regulator, the ICTA, have interfered, and may continue to interfere, with our ability to price our services and respond to competitive pressures. Regulatory actions such as the introduction of mobile number portability in 2008, the ICTA s regulation of our retail pricing and the ICTA s ongoing pressure on interconnection rates and maximum prices have also been, and will likely continue to be, a significant factor in shaping the development of the Turkish market and in our ability to respond to changes in the market. In addition, regulatory interventions, which have often favored the competitors, have increased the competition. Moreover, sub-brand initiatives of the existing mobile operators, and new licenses and authorizations issued by the regulator such as Fixed Telephony Service (FTS) and Mobile Virtual Network Operator (MVNO) licenses have made it easier and/or more attractive for new direct and indirect competitors to enter the market.

In addition, the development in Turkey of applications which make use of the internet as a substitute for some of our more traditional services, such as messaging and voice, and competition from new technologies such as Internet Protocol Television (IPTV), wi-fi, and converged offers could erode our revenues. Reduced demand for our core services of voice, messaging and data could significantly impact our profitability.

With respect to terminals, there is a greater emphasis on terminal bundled offers, and device subsidies have been used at times in the Turkish mobile market. Increased incentives and subsidies in the market may lead us to increase the incentives we provide our customers and may increase bad debt expenses, thus impacting our profitability. Potential changes in consumer behavior due to new business models, usage trends, changes in taxation, increasing penetration of terminal bundled offers and macroeconomic and regulatory changes may adversely affect our revenues and may increase our bad debt expenses. In addition, we are dependent on certain distributors for products, such as terminals, and the failure of any of our distributors to supply products to our distribution channel, and at the level of quality we require, may adversely affect our business and financial condition.

Our growth strategy is partly dependent on new investment opportunities, which could affect our business and financial condition, and the return on our investments cannot be guaranteed.

In addition to growing our existing business as a leading communications and technology company, our strategy for growth involves selectively seeking and evaluating new investment opportunities and participating in those meeting our criteria. We may consider launching greenfield operations, as well as forming alliances, which may include management service agreements, and conducting mergers and/or acquisitions, both inside and outside of Turkey. These opportunities may be in the area of mobile or fixed telecommunications and services, convergence and in other areas, such as providing mobile voice and data services as an MVNO. In addition, we may consider business opportunities outside of the scope of our core business such as the games of chance business . In the context of our evaluation of potential investment opportunities within the regions we target for international expansion, Turkcell has, from time to time, considered opportunities in countries in Eastern Europe, the Balkans, and the Middle East and Africa (MEA), and may consider such opportunities in the future.

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

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

Regulatory decisions and changes in the regulatory environment could adversely affect our business and financial condition.

We operate in an industry that is subject to extensive regulation, in Turkey and the other countries in which we operate. Compliance with new and existing laws and regulations has had and is likely to continue to have a significant impact on the ways in which we do business. This may include but is not limited to the impact on our ability to set our pricing and offer new and existing services, on customer use of our services, the way we handle and store customer data, the terms of our subscriber contracts and the way we can communicate with customers. Furthermore, the laws, regulations, regulatory orders and licenses under which we operate are subject to interpretation and enforcement by regulators with which we are not always in agreement. Complying with regulations may be costly, and failure to comply may lead to significant penalties, adverse publicity and the loss of licenses and could adversely affect our business and financial condition. For more information on regulation and how it may impact our business, see Item 4.B. Business Overview Regulation of the Turkish Telecommunications Industry .

Pricing is one of the key areas in which we are subject to regulation. The actions of the ICTA and the Ministry of Transport, Maritime Affairs and Communications in our voice, SMS, data, roaming and interconnection pricing have, and will continue to, negatively affect our pricing and our ability to design and launch campaigns and offers and, consequently, have and will continue to adversely affect our business and financial condition. For instance, on March 13, 2013, the ICTA decided to increase the minimum tariff to be applied by Turkcell and to set the minimum price for SMS, which is likely to adversely affect our competitive position, and thus, our financial condition and outlook for 2013. For more information, see Item 4.B. Business Overview Regulation of the Turkish Telecommunications Industry .

In addition, recent regulations regarding quality of service, the sharing of our infrastructure, the protection of personal data and electronic commerce are among those regulations which may have an adverse effect on various aspects of our business. The regulation on quality of service has introduced important obligations with respect to call center operation service quality, call service quality, and quality of service reporting requirements. The regulation on quality of service may also lead to tighter coverage requirements than those specified in our license agreements and brings new definitions such as metropolitan area coverage. Moreover, the new Metropolitan Law, introduced in December 2012, also increased the number of metropolitan municipalities and extends some of those borders, which has led to increased coverage obligations. In addition, we may be required to share some of our infrastructure, such as antennas, with our competitors, and to offer national roaming to their subscribers, which could adversely affect our ability to maintain a competitive edge.

Any downturn in the economy and instability in the political environment in Turkey and internationally may have an adverse effect on our business and our financial condition.

With a substantial portion of our revenues, assets and business derived from and located in Turkey, and denominated in Turkish Lira, adverse developments in the Turkish market are likely to have a material adverse effect on our business and financial condition.

In our view, the biggest threats to the global economy, including Turkey, in 2013, are the sustainability of global economic growth, high debt levels in developed countries, U.S. fiscal uncertainty, continued Eurozone recession, political breakdown in the Eurozone, geopolitical risks in the Middle East region and unwinding accommodative policy by major central banks.

The Turkish economy grew by 2.2% in 2012. Given its large external financing needs, Turkey seems to be more vulnerable than most of its peers to adverse external shocks and sudden drops in capital inflows. The medium term risks for the Turkish economy relate to the high current account deficit, lack of long-term, quality financing and further acceleration in credit growth.

As the Syrian conflict continues with no immediate solution on the horizon, Turkey remains vulnerable to geopolitical risks. Clashes in the southeast, unrest near the southern border (Syria) and tension in the Middle East region are the most important political risks in Turkey. In 2013, the preparation of a new constitution will likely be the main local political focus. Moreover, Turkey will enter an extended electoral period, with municipal elections in 2013, presidential elections in 2014, and parliamentary elections in 2015.

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

Our investments in subsidiaries and associated companies within Turkey and internationally could expose us to economic, political, social, financial, regulatory and legal risks. The Turkcell Group has investments in Azerbaijan, Georgia, Kazakhstan, Moldova, the Turkish Republic of Northern Cyprus, Ukraine, Belarus and Germany and has operations or business activities that involve other emerging markets. Furthermore, through our subsidiaries in Turkey and internationally, we engage in businesses outside of the scope of our core mobile business. These other businesses are subject to risks that are in some respects different from those of our mobile business.

In addition to entering into new business areas in Turkey, we have also entered into and are exploring new investment opportunities, primarily in emerging markets. This includes countries in which we establish or operate mobile communications networks, as well as those through which we route cables or that we otherwise rely on for the transfer of data. Their legal systems, including telecommunications regulations, and economies are relatively underdeveloped and their respective institutions and commercial practices are weaker and less developed. Some of these countries also suffer from relatively high rates of fraud and corruption. For example, allegations have been made regarding improper payments relating to the operations of KCell, a mobile operator in Kazakhstan and 51% subsidiary of Fintur Holdings B.V., in which we hold a 41.45% stake, while TeliaSonera holds the remainder. The allegations were discussed by Turkcell s Board of Directors, which requested an independent investigation of the allegations made. TeliaSonera initiated an independent investigation as agreed by the Fintur Board. The Turkcell Board has been informed that to date such allegations have not been substantiated and the Fintur Board informs us that it has completed its own investigation. Since no assurance can be given that there will not be further requests for investigation, we remain vigilant on this matter.

The continuity and viability of our operations in these countries and their value in our financial statements may be affected by a number of factors, including political, economic or legal developments and changes to the telecommunications market. For instance, in Ukraine, there is a currency devaluation risk as the country has a large current account deficit and high external funding needs. Although downside economic risks have been reduced, macroeconomic stability is also still fragile in Belarus. The country remains vulnerable to global shocks which may trigger renewed weakness on the external account and BYR depreciation.

In addition, in some countries, we hold our stake in our subsidiary with another shareholder and sometimes we are a minority shareholder. Should there be a disagreement between us and other shareholders in the future, the ability of our subsidiary s management to move forward with its business plan may be affected. If issues arise with respect to a subsidiary, no assurance can be given that it will be able to take the course of action we believe is appropriate.

Furthermore, some of the countries in which we have businesses or would consider investing, and the companies and individuals that we come into contact with, may be the target of U.S. and international sanctions. There can be no assurance that political, legal, economic, social or other actions or developments in these countries or involving such companies and individuals will not have an adverse impact on our investments and businesses in these countries.

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

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

We are exposed to foreign exchange rate risks because our income, expenses, assets and liabilities are denominated in a number of different currencies, primarily Turkish Lira, U.S. Dollars, Euros, Ukrainian Hryvnia, Belarusian Rubles and Azerbaijani Manat. In particular, a substantial majority of our debt obligations and equipment expenses are currently, and are expected to continue to be, denominated in U.S. Dollars, while the revenues generated by our activities are denominated in other currencies, in particular the Turkish Lira, Ukrainian Hryvnia, Belarusian Ruble, Azerbaijani Manat and Euro. Sudden increases in inflation or the devaluation of these currencies or other currencies in which we generate revenue, have had, and may continue to have, an adverse effect on our consolidated financial condition or liquidity. In the current economic environment and also considering the fragile economic conditions in Ukraine and Belarus, there is a possibility of devaluation. There are no tools to hedge foreign exchange rate risks effectively due to restricted and undeveloped financial markets in these countries.

Fluctuations between Turkish Lira, Ukrainian Hryvnia, Belarusian Rubles and Azerbaijani Manat, on the one hand, and U.S. Dollars and Euros, on the other, have had and may have an unfavorable impact on us. We may enter into derivative transactions to manage the risk; however, these transactions have a cost and do not fully cover all of our risks. As of December 31, 2012, our consolidated debt was $1,705.2 million and around 94% of this amount was in foreign currency. To mitigate foreign currency risk in group companies operating in Turkey we increased the local currency (TRY) borrowing weight in 2012 and we may increase it further in 2013.

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

Reduction in cash generated from operations and increased capital needs may increase our borrowing requirements, which may increase our financing costs and our exposure to the risks associated with borrowing.

We continue to experience difficult macroeconomic, regulatory and competitive conditions in our markets that may reduce cash generated from operations, and we may continue to face increased capital needs to finance our technological and geographic expansion. These pressures have in the past reduced, and may continue to reduce, our liquidity. Reduced liquidity may lead to an increase in our borrowing requirements. Borrowing by Turkcell group companies exposes us to interest rate risk and possibly increases interest expense, obligates us to meet certain covenants and exposes us to financial risks if covenants are not satisfied or if additional financing is required, each of which could have a material adverse effect on our consolidated financial condition and results of operations. Furthermore, no assurance can be given that we will continue to have access to financing on terms that are satisfactory to us.

As of December 31, 2012, our consolidated debt was $1,705.2 million. $733.1 million of our debt portfolio consisted of financing obligations paying interest at fixed rates. The remainder of our debt portfolio pays interest at floating rates, which has been favorable in the current interest rate environment, but would expose us to increased costs if rates increase further.

In 2012, we closely monitored various hedging alternatives to hedge our interest rate risk with a minimum cost. In June 2011, we engaged in a forward start collar agreement for the half of our debt which is due in 2015 and exposed to interest rate risk. The collar hedges variable interest rate risk for the period between 2013 and 2015.

Some of the borrowing agreements entered into or guaranteed by Turkcell have financial covenants that the borrower is required to observe. Although we are not presently concerned with Turkcell s ability to meet its financial covenants, no assurance can be given that the covenants in borrowings entered into or guaranteed by Turkcell will at all times be met. Furthermore some of our borrowing agreements contain cross default clauses under which a default by a group company could constitute an event of default under certain of our borrowings.

Some companies in our Group have defaulted, and may in the future default on their financial covenants and payment obligations. For example, since June 2011, Astelit has not met certain payment obligations, which were waived until February 1, 2012. Since that date, our Board of Directors has not acted to approve or reached a consensus for the extension of repayment dates. As a result, Astelit was unable to meet its repayment obligations to its parent company, Euroasia Telecommunications Holdings BV (Euroasia) (55% owned by Turkcell) and Financell BV (100% owned by Turkcell) totaling $323 million and defaulted on its loan agreements (As of December 31, 2012, Astelit s unmet obligations under its loans to Financell and Euroasia reached a total of $489 million).

As a consequence of Astelit s default, cross default clauses have been triggered on five loan agreements totaling $554 million (currently decreased to $304 million, following the Company s $150 million guarantee payment and other principal payment) and waivers were obtained for the aforementioned loans before December 31, 2012. In the same vein, Euroasia, a Group company that is a 100% shareholder of Astelit, which had previously borrowed $150 million to finance Astelit, also defaulted on its loan on March 30, 2012. As a guarantor, the Company paid $150 million to related banks on April 6, 2012. As a consequence of Euroasia s default, cross default clauses have been triggered on four loan agreements (the same ones referenced above) currently totaling $304 million and waivers have also been obtained for the aforementioned loans.

There can be no assurance that we will not have to make similar payments in the future, which could adversely affect our business and results of operation. Furthermore, if Astelit cannot obtain new financing and if our Board or shareholders fail to achieve consensus on Astelit related issues, Astelit s and our own financial results and condition would be adversely affected.

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

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

The number of subscribers that can be accommodated on a mobile network is constrained by the limited amount of spectrum allocated to the operator of the network and is also affected by subscriber usage patterns and network infrastructure. We have 2x11 MHz of FDD spectrum in 900 MHz band for GSM and 2x20 MHz from 2100 MHz FDD band for UMTS services. The spectrum is a continuous range of frequencies within which the waves have certain specific characteristics. As our subscriber base and their demand for mobile services such as voice and data grow and we offer a greater number of services, we will require additional capacity. We may face overcapacity problems, which may in turn lead to deterioration in our network s quality and may negatively impact our operational results.

In addition, if we fail to obtain additional frequencies, the competitive coverage advantage of our Company may be adversely impacted. In July 2011, the ICTA proposed to the Ministry of Transport, Maritime Affairs and Communications, on the subject of GSM frequencies to be permitted to serve 3G services and the spectrum award of 2x8.6 MHz E-GSM band to the operator that has less than 10 MHz spectrum in 900 MHz and 2x15 MHz of 1800 MHz to each operator that does not have the spectrum. The ICTA decision implies that only Avea will be eligible for the E-GSM auction, while Vodafone and Turkcell will be eligible for the 1800 auction, which may enable Avea to be the sole beneficiary of the E-GSM band. In that case, Avea would be able to begin UMTS900 services immediately from the E-GSM band, whereas Turkcell and Vodafone would only begin after extensive technical works regarding spectrum clearance are done. Consequently, the competitive coverage advantage of Turkcell may be adversely impacted.

Consistent with the nature of terminal technology development, traffic on the 2G network is expected to shift to the 3G network. However, 3G terminal penetration is the key factor in providing the expected shift in traffic from 2G to 3G. Penetration may stay low or our subscribers may choose to stay on the 2G network for reasons such as the 2G network s lower battery power consumption. In addition, 3G coverage depends on the deployment of the 3G network, which will certainly take time to achieve, compared to the coverage level of the 2G network. As a result, Turkcell may have difficulties in releasing 900 MHz band for future technologies.

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

We are aware of allegations that there may be health risks associated with the effects of electromagnetic signals from BTS and from mobile handsets. While we believe that there is currently no substantiated link between exposure to electromagnetic signals at the level transmitted by our BTS and mobile handsets and long term damage to health, the actual or perceived health risks of mobile communications devices could adversely affect us through a reduction in subscribers, reduced usage per subscriber, increased difficulty in obtaining sites for base stations and exposure to potential liability. Furthermore, we may not be able to obtain insurance with respect to such liability on commercially reasonable terms.

In recent years, legal proceedings have been brought against mobile operators seeking the removal of base station sites for health reasons. In addition, the Turkish Supreme Court overruled the decisions of some local courts, finding that a base station in question could have negative effects on human health over the long term. If the number of those cases increases or if new regulations were to result, these could have a material adverse effect on our operations and financial results. Such legal proceedings may make it more difficult for us to establish and maintain such sites. Furthermore, there are conflicting and confusing reports in the media about the health effects of BTS. These reports have even caused local residents in certain regions to form large protests in strong objection to the BTS sites. Such obstacles have made it increasingly difficult to build new BTS sites and maintain our existing sites.

Furthermore, there are zoning limitations related to our BTS that require operators to obtain construction permits and certificates, which may be costly and may have an adverse effect on our operating results. Any difficulty in building BTS due to health concerns and our inability to obtain the required permission and certificates, may negatively impact the quality of our network, including our ability to expand and upgrade it, and affect our operational performance.

In addition, with the new Metropolitan law that was introduced in December 2012, municipalities have the right to regulate the choice of operators base station locations. Related regulatory actions in the future are likely to increase our costs and affect results of operations, in many cases, adversely.

We are dependent on certain suppliers for network equipment and for the provision of data and services. The failure of any of our suppliers to supply equipment to us, and at the level of quality we require, may have an adverse effect on our business and financial condition.

Like all operators, we purchase our mobile communications network equipment, from a limited number of major suppliers. There can be no assurance that we will be able to obtain equipment from one or more alternative suppliers on a timely basis in the event that any current supplier for any reason, including that the technological requirements for our increasingly advanced infrastructure are too complex, is unable or unwilling to satisfy our demands. This could also affect our competitive position, if our suppliers stay behind technological developments compared to the suppliers of our competitors.

Adverse economic conditions have negatively affected and may continue to affect our domestic and international suppliers, leading to a contraction in their business, which in turn may lead to a decrease in the quality of the services that they render to us and adversely affect timely delivery of such services, negatively impacting our business and operations. In addition, our existing and new licence agreements or new regulations may require us to purchase network equipment from specified suppliers or bring certain specifications regarding our existing suppliers. Equipment from these suppliers may not always be compatible with our existing equipment or the supplier may fail to integrate it, and our employees may not be familiar with the technical specifications and maintenance requirements of equipment from these suppliers. Furthermore, if our suppliers fail to meet the requirements, we may end up violating the terms of our license agreements. These factors could also have a material adverse effect on our business and financial condition.

Turkcell s complex ownership structure and ongoing disagreements among our main shareholders have adversely impacted and may continue to impact decision-making on important matters. These ongoing disputes may lead to further regulatory or legal actions, and affect the ownership and control of our shares.

Our principal shareholders are Sonera Holding B.V. and Turkcell Holding A.S., which hold 13.07% (does not include additional shares totaling approximately 0.94% that TeliaSonera has informed us they own) and 51.00%, respectively, of Turkcell s shares. Turkcell Holding A.S. is 52.91% owned by Cukurova Telecom Holdings Limited and 47.09% by Sonera Holding B.V. Cukurova Telecom Holdings Limited is 51% owned by Cukurova Finance International Limited and 49% by Alfa Telecom Turkey Limited. Additionally, according to public filings (a Schedule 13D filed in November 2009), Alfa Telecom and TeliaSonera entered into an agreement regarding a possible consolidation of their holdings in Turkcell in a new company. According to the information available to the general public, we understand that the agreement expired in May 2012. It should be noted, however, that the agreement contains provisions allowing its prolongation. Our Company is unable to assess if the agreement was indeed prolonged or not and cannot predict whether the parties will go forward with this consolidation or the form that it might take.

Disputes have from time to time arisen and are ongoing among our main shareholders. For example, Cukurova and Alfa have been involved in a long running dispute regarding, in summary, amounts due by Cukurova to Alfa and Alfa s claim to take ownership of Cukurova s indirect 13.8% interest in our Company in settlement of such amounts. Such disputes have effectively blocked shareholder decision-making on important corporate matters, and could have an adverse effect on the ability of our management to execute business decisions and take other actions. We cannot predict when and how these disputes will be resolved and whether our shareholders and Board will be able to achieve agreement on matters regarding the operation of our Company.

The shareholding structure and the ongoing disputes have adversely affected our company in a number of ways and present a number of risks, including in particular:

Our Articles of Association contain quorum and majority requirements, at various levels, for shareholder meetings and decisions. Failure to achieve a quorum or the required majority vote can block decisions that require shareholder approval. We have had difficulty convening shareholder meetings and numerous items submitted to our shareholders have not been approved, including the distribution of dividends, the release of directors for actions taken and the approval of financial statements for 2010 and 2011. In 2012, due to lack of quorum, the annual general assembly could not convene and none has been called yet in 2013.

A number of new corporate governance requirements have been enacted under Turkish regulations by the Capital Markets Board of Turkey (the CMB) on December 30, 2011 with mandatory effect from June 30, 2012. We were unable to comply with some of these requirements because of a lack of consensus among our main shareholders, including a requirement that one third of our Board members and all of our Audit Committee members be independent .

Under the new Capital Markets Law that entered into force on December 30, 2012, and related Communiqués, the CMB may, on its own initiative, act to cure non-compliance with corporate governance requirements. More generally, the CMB has the power to take action against the Company, our Board members and our main shareholders in respect of the various governance issues that have arisen.

Due to failure of our Company to comply with the new corporate governance requirements as of June 30, 2012, the CMB exercised this power with its resolution dated March 11, 2013 by removing three directors from our Board (one representative of each main shareholder) and directly appointing three new independent directors. Those members terms of office will last until the new appointments are made in accordance with the legislation. No assurance may be given regarding the effectiveness and strategy of our new Board, or regarding the impact of future CMB action on the overall company strategy, convening general assembly or the distribution of dividend.

In general, compliance with our home country governance rules is an important element of our compliance with the listing requirements of the New York Stock Exchange (NYSE). Failure to comply with such rules could jeopardize the continued listing and trading of our ADRs on the NYSE.

Under the new Turkish Commercial Code, the terms of the current members of the Board of Directors, excluding the ones appointed by the CMB, will expire on April 29, 2013, as they were each elected for three years. Under Turkish law, a board of directors may convene a general assembly although their term of office has expired within the specified deadlines as detailed in the CMB s Communiqué dated April 6, 2013. If a general assembly cannot be called or if neither the Board nor the shareholders succeed in curing related non-compliance within the specified deadlines, the CMB can directly appoint the minimum number of Board members that meet independency criteria, until the new ones are duly elected, to achieve the necessary quorum and can amend the Articles of Association without general assembly approval (see Item 16.G. Corporate Governance). No assurance may be given about the impact of this issue, any future CMB action or any future legal actions on our Company.

Under the new Turkish Commercial Code, an independent auditor for our Company should have been approved by the general assembly by March 31, 2013. This action has not yet been taken although our Board has agreed to present DRT Bagimsiz Denetim ve Serbest Muhasebeci Mali Musavirlik A.S. (Deloitte) for approval of the general assembly. Since we were not able to comply with this requirement, an auditor may be appointed for us by court order upon request of any shareholder.

Our main shareholders, the Chairman of our Board of Directors and our Company have been involved in various lawsuits against each other relating to our governance, including a lawsuit initiated by TeliaSonera against our Chairman challenging his independence in March 2011 (to the best of our knowledge dismissed by the court), a lawsuit initiated by our Chairman against the Company contesting his release issue noted above (still pending) and a lawsuit initiated by Cukurova Holding A.S. seeking to annul the appointment of statutory auditors at our August 11, 2011 shareholders meeting (since dismissed by the court). No assurance can be given about the outcome of these and any future legal actions, and the effect that they will have on the relations between the parties and on our Company.

For so long as our main shareholders are in dispute and unable to achieve consensus, we are likely to continue to experience difficulties obtaining corporate decisions, including with respect to the matters discussed above, and we may have difficulty obtaining decisions regarding our business and operations. This situation may also lead to further regulatory and legal actions being taken in respect of our Company, the nature and effects of which we cannot predict. Ongoing disputes among the shareholders may affect the ownership and control of our shares, the demand for our shares and our ability to manage our business, and no assurance can be given that the interests of these shareholders will be aligned with those of our other shareholders.

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

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

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

2G and 3G networks are migrating towards IP technology to transport information. These networks open up the possibility for IP based services. However, once these services are introduced into the IP domain, the mobile network may be harmed by potential attacks. The threats on the mobile network can originate from external sources, such as public internet, or internal sources, such as terminals connected to our mobile network. Despite our efforts in taking security issues very seriously, we could encounter attacks on our infrastructure, which could have an effect on our operations.

Although we closely follow general technological trends in communications and technology, we may be unable to adapt to technological changes in the communications market which could result in higher capital expenditures and a greater possibility of commercial failure.

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

The operation of our business depends in part upon the successful deployment of continually evolving mobile communications technologies, which requires significant capital expenditures. There can be no assurance that such technologies will be developed according to anticipated schedules, that they will perform according to expectations or that they will achieve commercial acceptance.

The effects of technological changes on our business cannot be predicted. In addition, it is impossible to predict with any certainty whether the technology selected by us will be the most economical, efficient or capable of attracting customer usage. Although we are following general technological trends in communications and technology, there can be no assurance that we will be able to develop new products and services that will enable us to compete efficiently.

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

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

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

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

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

We are currently involved in various claims and legal actions with governmental authorities in Turkey, including the Competition Board, the ICTA, tax authorities and certain other parties. We have set aside provisions for ongoing disputes based on applicable accounting standards. However, no assurance can be given that the provisions we set aside will be sufficient to cover our actual losses under these matters, and that new disputes will not arise under which we would face additional liabilities and reputational risk. For a more detailed discussion of all of our significant disputes, see Item 8. Financial Information and Note 33 to our audited consolidated financial statements included in Item 18. Financial Statements of this annual report on Form 20-F.

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

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

ITEM 4. INFORMATION ON THE COMPANY

4.A History and Development of the Company

Turkcell Iletisim Hizmetleri A.S. (Turkcell), a joint stock company organized and existing under the laws of the Republic of Turkey, was formed in 1993 and commenced operations in 1994. Our principal shareholders are Sonera Holding B.V. and Turkcell Holding A.S., which hold 13.07% (does not include additional shares totaling approximately 0.94% that TeliaSonera has informed us they own) and 51.00%, respectively, of Turkcell s shares. Turkcell Holding A.S. is 52.91% owned by Cukurova Telecom Holdings Limited and 47.09% by Sonera Holding B.V. Cukurova Telecom Holdings Limited is 51% owned by Cukurova Finance International Limited and 49% by Alfa Telecom Turkey Limited. The address of our principal office is Turkcell Iletisim Hizmetleri A.S., Turkcell Plaza, Mesrutiyet Caddesi, No. 71, 34430 Tepebasi, Istanbul, Turkey. Our telephone number is +90 (212) 313 10 00. Our website address is www.turkcell.com.tr. In July 2000, we completed our initial public offering with the listing of our ordinary shares on the Istanbul Stock Exchange and our ADSs on NYSE.

We operate under a 25-year GSM license, which we were granted in April 1998 upon payment of an upfront license fee of $500 million. Under our license, we pay the Undersecretariat of the Treasury (the Turkish Treasury) a monthly treasury share equal to 15% of our gross revenue. Of such fee, 10% is paid to the Ministry of Transport, Maritime Affairs and Communications of Turkey (Turkish Ministry) for a universal service fund. We also operate under interconnection agreements with other operators that allow us to connect our networks with those operators to enable the transmission of calls to and from our GSM system.

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

In 2013, we won an auction held by the Ministry of Transport, Maritime Affairs and Communications related to universal service, which will require installing sufficient infrastructure to uncovered areas with a population of 500 or less.

Our subscriber base has grown substantially since we began operations in 1994. At year-end 1994, we had 63,500 subscribers. By year-end 2012, that number had grown to 69.2 million.

In 2012, we had total revenues of $5,865.8 million, our adjusted EBITDA totaled $1,808.4 million and we reported a net income attributable to the owners of Turkcell amounting to $1,158.8 million.

For the year ended December 31, 2012, we spent approximately $975.5 million on capital expenditures, compared to $866.0 million and $1,078.6 million in 2011 and 2010, respectively.

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

4.B Business Overview

Based on operator announcements, we are the leading provider of mobile services in Turkey in terms of the number of subscribers, with 52% of the Turkish subscriber market as of December 31, 2012. We provide high-quality mobile voice, internet and other services over our mobile communications network and have developed the premier mobile brand in Turkey by differentiating ourselves from our competitors with our value offers, which include: superior and innovative technologies, more advantages, outstanding and extensive service quality, and being a leader in social responsibility. We maintain our strong position in the market due to our customer-oriented approach and our ability to provide quick and differentiated solutions to meet customers needs through lifestyle segments. We are in compliance with all of our license requirements in all material respects.

Industry

Overview

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

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

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

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

The Turkish Mobile Market

According to a TUIK announcement, the Turkish population is young, with an estimated median age of 30, which is lower than elsewhere in Western Europe, and the majority of the population lives in urban areas. In addition, there were 75.6 million people living in Turkey as of December 31, 2012.

Penetration level increased to 90% in 2012 (based on the ICTA s announcement). There is good potential for growth opportunities in the Turkish mobile communications market in the areas of broadband and 3G services, as well as from Turkey s youth segment due to the aforementioned demographics. According to the ICTA s announcements, there are currently three mobile communication operators in Turkey Turkcell, Vodafone and Avea with a total of 67.7 million GSM lines as of December 31, 2012. Vodafone entered the Turkish GSM market by acquiring Telsim on May 24, 2006. Telsim, which had received a 25-year license at the same time as us and on what we believe to be identical terms, including the $500 million upfront license fee, had been put up for sale by the Savings Deposit Insurance Fund (SDIF) in August 2005. The auction for Telsim was held on December 13, 2005, with Vodafone submitting the winning bid of $4.55 billion. Avea is an operator majority-owned by Turk Telekom. Turk Telekom is 55% owned by Oger Telecom, a multinational GSM operator owned 35% by Saudi Telecom Company. In September 2006, Turk Telekom acquired Telecom Italia SpA s shares of 40.6% in Avea for $500 million. Turk Telekom now holds 89.99% of the shares in Avea. The remaining 10.01% belongs to Is Bankasi.

Strategy

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

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

- Deliver superior customer experience;
- Grow voice revenues;
- Grow our mobile internet business;
- Drive adoption of mobile services;
- Drive operations excellence and productivity; and
- Invest in future growth businesses.

New Lifestyle Segments & Services

New Lifestyle Segments

Through our increased focus on customers and new customer segments, all loyalty actions are designed in line with the targeted segments lifestyles, needs, priorities, and expectations.

The aims of the new segmentation are:

- to increase the loyalty of current Turkcell customers;
- to ensure behavioral and emotional brand loyalty; and
- to ensure a seamless series of positive brand experiences throughout all customer touch points, as well as to attract new customers.

We focus on new segments , which are youth, professionals, households and premium segments with differentiated GSM and non-GSM offers, as well as campaigns and co-branded activities with selected companies from other sectors to create added values to targeted segments.

The youth segment management includes the loyalty program called gnctrkcll which is the largest youth club in Turkey, and ensures customer retention by presenting campaigns and advantages that fit the trends of young people. Gnctrkcll aims to reinforce Turkcell s brand recognition as a young, dynamic, popular and intimate brand.

We diversified the offers and packages for our prepaid customers, which include monthly fee-based packages that include voice, SMS, MMS and data advantages. We launched such packages to increase the retention of prepaid subscribers and the revenue generated from them.

Services

We currently provide high quality mobile voice, broadband and other services to subscribers throughout Turkey. Subscribers can choose between our postpaid and prepaid services. Currently, postpaid subscribers sign a subscription contract and receive monthly bills for services. Prepaid subscribers must purchase a starter pack, which consists of a simcard with airtime of TRY 5 or TRY 20, while the top-up cards can be purchased in amounts ranging from TRY 12 to TRY 180.

As of December 31, 2012, we had approximately 21.9 million prepaid subscribers and 13.2 million postpaid subscribers, compared to approximately 22.9 million prepaid subscribers and 11.7 million postpaid subscribers as of December 31, 2011.

Voice Services

Voice services are the main services that we provide to our customers. Voice services consist of high quality GSM services on a prepaid and postpaid basis. Throughout 2012, we simplified our tariff structure so that it is easy to use and can be tailored to our customers needs.

Mobile Broadband

We commercially launched 3G simultaneously in 81 province centers and major cities in Turkey at the end of July 2009 and reached 84.02% population coverage by December 31, 2012. There are approximately 25.4 million registered 3G subscribers and 11.1 million 3G-enabled handsets in our network.

A wide variety of data offers are made available as part of our voice and terminal bundled offers to increase 3G device penetration, create a unique terminal experience and enhance the mobile internet experience. Terminal offers contain a variety of 3G enabled terminal devices such as feature phones, smartphones, 3G modems, tablets, notebooks and netbooks.

Throughout 2012, we sustained our position as leader of handset offerings through our dealer channel and we delivered attractive campaigns with top of the class models of brands in high demand such as Apple, Nokia, Samsung and HTC.

Turkcell launched its first Turkcell-branded handset, T10, the affordable Android smartphone, to widen access to mobile internet in 2010. An updated version, T20, was launched in 2011. T11 and Turkcell Maxi Series were launched in 2012. Turkcell branded smartphones reached over 750,000 sales units in total as at the end of February 2013. Our Turkcell branded smartphones will continue to grow as we add new models. In February 2013, we also launched our own branded Turkcell Tablet, bringing dynamism to the tablet market with its thin and light design, as well as attractive performance with TV, music, and magazine content.

In addition to constant communication emphasizing 3G s coverage, penetration and speed, and increasing smartphone penetration, aiming to increase mobile internet usage, Turkcell has launched many offers and applications.

Other Mobile Services

By providing a wide range of services, Turkcell enables users to remain connected wherever they are, via their mobile devices. From basic telecommunications services to social community services, Turkcell responds to the diverse needs of subscribers to help them connect to life.

Consumer Products and Services

Consumer Product Management is focused on developing and managing products and services to address the diverse needs of both consumers and corporate customers, thereby enriching their lives. Turkcell seeks to differentiate itself by providing innovative and pioneering solutions in collaboration with its strong solution providers and various partnerships. Consumer Product Management offers various products and services categorized under major concepts.

Credit Balance. The services in this category include: Fatura Cepte , Kredi Transfer and Odemeli Arama . Fatura Cepte informs subscribers abou their bill payments and date via SMS. Kredi Transfer enables our customers to transfer credit to their peers via SMS. Odemeli Ara enables our customers to originate a call even when they have insufficient credit in their account.

Call Management. The services in this category include: Kim Aramis , which informs subscribers who is calling them and how many times when they are not connected to the network, and Cep Acik , which alerts subscribes when a number they were attempting to reach has been reconnected to the network.

Purchase. Turkcell mobile payment enables our subscribers to make their purchases and payments via SMS.

Security. The services in this category cover a wide range of areas, including children, automobile and personal security.

Information. We provide various information packages, including those relating to weather, astrology and health.

Socialization. We enable our customers to maintain continuous connections to worldwide social networks via services such as Facebook SMS , Twitter SMS and other chat services.

Government. We co-operate with the government in an attempt to allow our subscribers to make government-related transactions via mobile. Our Veli Bilgilendirme service was launched with the Ministry of Education and aims to provide parents with information on their children s educational status such as exam results, dates and class attendance. Adalet Bakanligi UYAP was launched with the Ministry of Justice and aims to provide information on justice and court issues.

Finance. The service in this category includes: Turkcell Cuzdan (Turkcell Wallet), which provides a channel for subscribers with or without bank accounts to do financial transactions via their mobiles. The service allows our subscribers to top up, shop online, transfer money, pay bills and use coupons and NFC.

Entertainment. We provide a wide range of entertainment services including sport, music, game, TV and other visual services. Through its partnership with a major national TV provider, Turkcell provides a sports service, GollerCepte , allowing subscribers to instantly send videos of the goals made by their favorite football teams. With Turkcell Music service (turkcellmuzik.com), Turkcell provides its customers with the possibility of accessing music anytime and anywhere, into a rich experience with multi-user web, wap and mobile applications (iPhone/iPad and Android). Additionally, we provide interactive games, TV packages and other visual services to enrich our customers lives.

Mobile Applications

As of December 31, 2012, Turkcell has 33 Turkcell-branded mobile applications that have been developed in-house. Turkcell T-Market is a localized application store for users to download both free and paid mobile applications to their supported handsets. It enables people to download more than 5,000 applications including Turkcell-branded applications and third party applications such as news, games, sports, health and fun. Turkcell-branded applications such as Turkcell Pusula, GollerCepte, Muzik and Yol Bilgisi were downloaded over 3.5 million times in 2012. Twenty-seven million applications were downloaded from Turkcell T Market in 2012. Customers do not pay any connection fee while visiting Turkcell T Market and downloading applications.

Mobile Marketing Business

Turkcell utilizes mobile marketing and advertising channels to create additional value for its customers. This value is ensured by its huge opt-in database, a variety of products and channels, and high response rates in comparison to traditional media.

Turkcell currently has one of the largest opt-in databases in Europe, both in terms of the number of subscribers and the diversity of data available, geared towards mobile marketing and advertising activities, and integrated with more than 10 advertising channels. Through this permission database, advertisers can concentrate on their target market, segment their target groups and send specific messages to their recent and potential customers via different advertising channels including SMS, MMS, Video, IVR, Service Booster, E-Mail and Wappush.

Corporate Products and Services

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

Turkcell Partner Services

The Turkcell Partner Ecosystem, which expands across international markets such as Ukraine, the United Kingdom, United Arab Emirates and China, comprises more than 200 registered business partners functioning as application service providers, content providers, service provider system integrators, independent service vendors, and OEM business partners, as well as many other establishments or individuals, which have the potential to develop innovative mobile services and products. In its broadest sense, Turkcell Partner Program is a versatile business, including a toolset used by this Ecosystem to define, regulate and operate partnership schemes and business models.

Since 2002, Turkcell has been developing new products and services with its partners. Since 2004, these partnerships have been executed through the Turkcell Partner Program. More than 5,000 partner applications exist in T-Market as of 2012. Turkcell Partner Ecosystem comprises a business network of over 10,000 professionals recruited by our partners and their distribution channels.

Turkcellpartner.com serves as a primary digital communication channel for the Turkcell Partner Program and comprises various interactive components: portal, blog, wiki, newsletters, RSS, and social media feeds. The portal also acts as a virtual professional networking platform, wherein partners and individual professionals can expose their skill sets and areas of interest, follow and message each other, and blog about the trends of mobile technologies.

Turkcell Smart Enablers Services

Turkcell Smart Enablers (Turkcell Akilli Yetenekler) is a network of mobile-based and innovative technological services that offers companies the opportunity to know their customers better, reach the right customer in the right place, and increase security measures. These services are provided via a web service that is easy to integrate into companies own systems. Fifteen services have been launched within this service group.

Authentication Services

Mobile Signature, which was launched in February 2007, enables mobile subscribers to sign electronic documents and transactions with a legally accepted digital signature using GSM SIM cards. Mobile signature subscribers can easily verify their personal identity in a digital environment and complete transactions remotely, without needing to be physically present. There are currently 70 application providers in the market, representing industries as diverse as banking, e-government, insurance, healthcare and e-commerce. With Turkish companies and government agencies offering more and more online services at all times, there is a growing need for customers to have secure ways to authenticate themselves in order to use these services. New regulations also encourage people to use electronic signature solutions and in some cases, make use of the electronic signature mandatory.

One Time Password is widely used by corporate customers for two level authentication controls on transactions. The service allows corporate customers to send a single use password via SMS to consumers when providing authentication on transactions. It is widely used for online banking processes and login transactions.

Location-Based Services

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

By using Turkcell Smart Enablers Nearest Where service, customers who visit a company s website from their mobile phones can learn about the closest ATMs, stores, campaigns and technical services from their location with a single click or an SMS.

Machine to Machine (M2M) Communications

Since 2009, Turkcell has focused on its M2M business, whose principal markets in Turkey are car telematics, team tracking, fleet management, POS terminals, security alarms, smart metering, mobile health management, smart agriculture and sales force automation applications. Turkcell launched Turkey s first M2M Platform in March 2012. With the M2M Platform, customers can manage their devices more effectively. As of December 31, 2012, the number of M2M subscribers reached 1.1 million.

Turkcell s Smart Fleet offers logistics companies new opportunities in many aspects of their work, ensuring increased productivity. Also, the system greatly contributes to the environment by preventing wasteful fuel consumption.

Turkcell also offers telemetry solutions to its corporate customers. In partnership with specialized third parties, Turkcell telemetry solutions allow customers to remotely access and collect metering data without utilizing a field force. Some examples of where telemetry services may be used include alarm systems, gauge metering, reactive energy, transformer stations, pipeline metering controls, and meteorology stations, among others.

Turkcell Smart Health Solution effectively enables patients with chronic diseases, such as diabetes, hypertension, asthma and heart arrhythmia, to automatically record and send their test results to hospitals in a secure way, providing a reliable remote healthcare monitoring solution. This project was developed in collaboration with Istanbul University.

New Technology Businesses

We are looking beyond our current value-added offerings and focusing our efforts on continuously developing innovative products, services and solutions to meet our consumer and corporate customer needs and expectations. We have built a strong innovation partner network consisting of both internal and external innovation resources to provide advanced customer experience with unique value propositions delivered through cutting-edge technology. We are connected to leading global innovation hubs, such as Silicon Valley and Boston in the U.S. and the Far East, to closely follow global market trends and identify new business opportunities. We also have a strong local partner ecosystem. We are partnering with various adjacent industry players and startup companies in verticals such as Finance, Media and Travel to launch competitive offerings and build new businesses that will both differentiate us in the marketplace and contribute to our growth.

Turkcell Mobile Payment

Turkcell Mobil Odeme is a SMS-based operator billing service, which was launched in 2009. In 2012, more than 1.9 million subscribers paid over TRY 87 million via Turkcell Mobile Payment for online gaming, social networks, membership payments, ticketing, digital and physical goods/services.

After introducing two new mobile financial services in 2011, Turkcell formed a new strategy in order to increase the penetration of financial services and launched Turkcell Wallet in October 2012. Turkcell combined its NFC-based mobile wallet service Cep-T Cuzdan and its SIM banking platform Cep-T Para under a single platform (Turkcell Wallet).

Turkcell Wallet has all the functions of the existing Cep-T Para and Cep-T Cuzdan services; however, it also has new features, including remote payment, data package purchase and offers and coupons. Turkcell aims to meet the basic financial needs of its customers, including those who do not have bank accounts.

The basic principle behind the service, which operates in co-operation with Mastercard, is to link debit, credit or prepaid card numbers with the customer s GSM number, so that customers can use their GSM numbers in order to make financial transactions with their cards.

The features of Turkcell Wallet include:

- simple, secure, and fast payment using a mobile, such as e-commerce payments (by simply using a mobile phone number during online shopping with participating websites through cards on Turkcell Wallet), contactless payment (via NFC-enabled handsets at contactless acceptance points), face-to-face payments (it will soon be possible for customers to simply enter mobile phone numbers on a POS device at participating stores to complete payments through cards on Turkcell Wallet);

- mobile banking, such as money transfers (enabling cash transfers to any person s mobile number 24/7 without requiring a bank account), air-time top-up to any Turkcell prepaid account within seconds, purchasing package options (easy purchase of voice, SMS, data or bundle packages), utility payments (it will soon be possible to pay Turkcell invoices, utility bills and those of other participating institutions); and

- mobile loyalty program, such as offers and coupons (the offers tailored to the personal needs and location-based services of various shopping and daily offer websites can be viewed and purchased simultaneously).

Turkcell Wallet is a platform open to all banks operating in Turkey. The customers of these banks can benefit from Turkcell Wallet with their existing bank or credit cards, while other Turkcell customers can start using Turkcell Wallet with prepaid card solutions presented by Turkcell in cooperation with Akbank and Garanti. Since January 2013, five major Turkish banks have participated in Turkcell Wallet (Akbank, Denizbank, Garanti Bank, Is Bank and Yapi Kredi) with varying levels of integration; some of the banks support the NFC-function, while others support NFC, as well as other functions. We expect more banks to join the Turkcell Wallet platform in 2013.

As of February 2013, Turkcell Wallet has almost 1.2 million customers: 425 thousand of these customers had activated their wallet by linking at least one card. Fifty of the top 100 e-commerce merchants in Turkey accept payment with Turkcell Wallet, and each day thousands of financial transactions are processed using Turkcell Wallet.

Digital Media Services

TV & Video Services

By streaming technology at 3G speed, Turkcell introduced MobilTV service in 2009 which enabled Turkcell subscribers to watch live television channels and on-demand video content on their mobile phones.

On April 18, 2012, Turkcell re-launched MobilTV service and introduced Turkcell TV with an enhanced multiscreen personal user experience and a rich content library. With Turkcell TV, Turkcell and Turkcell Superonline, subscribers can access all of the content from their phones, tablets, computers and connected TVs with both 3G and broadband internet connections. Turkcell TV also introduced an on-demand content library, which includes a large selection of movies, popular TV series and programs. Turkcell TV allows users to watch 57 live channels, combining the experience on their phones, tablets, computers and connected TVs. Subscribers also enjoy social connectivity, sharing, personalization and content discovery in real time with Facebook and Twitter integration. With the social TV feature, subscribers can share what they watch, as well as their thoughts on a particular program or film. They can also pause the program or film they are watching and continue watching from the same moment that they paused using another device.

Turkcell Dergilik & Turkcell Kitaplik

Turkcell Dergilik (Turkcell Magazine Kiosk) is an application that gives users free access to the highest quality magazines published in Turkey on their iOS/Android tablets and smartphones. The magazines available through the Dergilik application are enriched with additional videos, photographs and music and provide a unique experience to users with 3D animations. The application allows users to access both the current and past issues of magazines, providing its users with diverse content. The Text Only feature available on iPhone and Android smartphones allows for comfortable reading on a small screen. We have registered 168 thousand users on the Turkcell Dergilik platform since its launch and over 1 million magazines were downloaded in 2012.

Turkcell Kitaplik is an e-book platform that has over 4,000 e-books. After choosing and purchasing e-books from the Turkcell Kitaplik website, users may immediately begin reading using Turkcell Kitaplik iOS/Android applications. Users can synchronize the last page they have read across their Turkcell Kitaplik applications so they can continue where they left off and can also access their bookmarks or notes. In addition, users can share e-book titles on social media with friends. We have registered 20 thousand users on the Turkcell Kitaplik platform since its launch and over 55 thousand e-books were downloaded in 2012.

Internet Ventures

Bavul.com is an internet-based flight, bus ticket and hotel search site. In addition to the website, www.bavul.com has Android, iPhone and Java applications. Users can search all airline tickets and over 100,000 hotels on bavul.com. They can search, filter, book or purchase tickets via bavul.com. Bavul.com users are always informed with SMS service about the weather, local time and exchange rates of their arrival destinations. Users can easily find all the information they need about a specific city, such as must-see places, where to shop, and where to visit. We have over 220 thousand registered users on www.bavul.com and its applications were downloaded over 607 thousand times in 2012.

Turkcell Group company Fizy.com is another example of our internet focus. Fizy is the most popular online music search engine in Turkey with over 25 million unique visitors annually. The site enables users to search and stream from a large music library, create playlists and enjoy several recommendation services such as artist radios, online radio stations, and mixes both on web and mobile platforms. Fizy was designated by Mashable Awards as the best music search engine in 2011.

Innovation Channels & Entrepreneurship

Turkcell uses internal and external innovation channels to develop new products, services and business areas. To further strengthen our partner ecosystem that we have been developing since 2002, we tap into the entrepreneurial community. We have been investing in the local entrepreneurial community, partnering with key stakeholders such as entrepreneurs, angel investors, institutional investors, universities, technopolises, business incubation and acceleration centers and non-governmental organizations as well as public institutions. We have built local and international innovation networks with key innovation hubs in the U.S., Europe and the Far East, to be connected to innovation resources. We are now one of the main local stakeholders for organizations such as Endeavor and the U.S. State Department-lead Global Entrepreneurship Program (GEP). Turkcell has been differentiating itself from competitors with its sustainable focus on innovation and entrepreneurship through its continuous support of initiatives such as acceleration program partnerships, business plan competitions, and events like the Global Entrepreneurship Weekend, university roadshows, seminars and many others.

Other Services

International Roaming

Our coverage extends to many countries in the world. As of December 31, 2012, we have further enhanced our position as the leading mobile operator of international roaming services by expanding our partnership in 205 destinations throughout the world, pursuant to commercial roaming agreements with 678 operators.

Since July 2002, we have provided roaming services for prepaid subscribers of foreign mobile operators visiting Turkey. We were the first operator to provide such a service in Turkey. This service, called Passive Customized Applications for Mobile Network Enhanced Logic (passive CAMEL), can only be enabled if both operators have installed the CAMEL system on their networks. As of December 31, 2012, we offered prepaid roaming to the prepaid subscribers of 305 operators in 125 destinations.

Since October 2004, we have offered roaming services for Turkcell prepaid subscribers traveling abroad. This service, called Active Customized Applications for Mobile Network Enhanced Logic (active CAMEL), can only be enabled if both operators have installed the CAMEL system on their networks. As of December 31, 2012, we offered prepaid roaming to Turkcell prepaid subscribers through 355 operators in 144 destinations.

Since October 2002, we have offered GPRS roaming. As of December 31, 2012, we allowed our subscribers to access the internet and reach their email accounts while traveling, through 522 GPRS roaming partners across 171 destinations.

In order to balance international SMS traffic, we began signing international SMS Interworking Agreements with other mobile operators in April 2002 and as of December 31, 2012, we had signed 152 International SMS Interworking Agreements. As of December 31, 2012, our subscribers can send SMS to more than 678 mobile operators located in 205 destinations, including North America and China.

Since December 2005, our subscribers have been able to send and receive MMS to and from subscribers of foreign operators. As of December 31, 2012, our subscribers were able to send MMS to 147 mobile operators in 76 destinations.

On July 30, 2009, we became the first operator to launch 3G Roaming services in many different locations around the world. As of December 31, 2012, our subscribers enjoyed high speed mobile internet connections with 314 operators in 128 destinations.

We have entered into direct international roaming agreements with GSM operators around the world, including in Cuba, Iran, Sudan, Libya and Syria. These arrangements have been entered into in the ordinary course of business and on arm s-length terms that we believe to be in line with industry standards. Under the roaming arrangements in the listed countries, our net revenues for roaming on our Turkish network totaled less than $3 million and our net expense for our subscribers roaming on the networks of operators in the listed countries was less than $2 million. In financial terms, we do not believe that our roaming arrangements with operators in Cuba, Iran, Sudan, Libya and Syria are material.

Tariffs

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

Industry and Trade for Turkey minus 3% of the Turkish Consumer Price Index announced by the Ministry of Industry and Trade. For the maximum tariffs established in U.S. Dollars, the same method is applied to the USA Consumer Price All Item Index Numbers.

Although the Concession Agreement includes a provision regarding the increase of the maximum tariffs, the ICTA has decreased the maximum tariff since 2007, which has negatively affected our tariff structure. The Company initiated lawsuits for the annulment of such decisions. Some of the lawsuits were rejected by the courts and we appealed these decisions. The other lawsuits are pending.

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

There are various voice tariffs based on the subscriber segment (postpaid or prepaid, corporate or individual).

Main Tariffs

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

With the introduction of our new tariff structure in the first quarter of 2012, we have all inclusive, flat and individual packages at different price levels and we offer yearly discounted and fixed price versions of our postpaid price plans to acquire new customers and to retain our current customer base.

Consumer Data and Terminal Offers

We have different tariff bundled terminal offers in which minutes, SMS and data services can be bundled with handsets, which could lead to the use of 3G services and mobile internet.

We also have many mobile Internet data bundled offers based on different customer needs according to their usage patterns, such as lifestyle segments, data amount, usage hours, and seasonal usage. Examples include shared data packages, throttling data packages, short-term contracted Vinn (dongle) offers, Kamu Vinn, Need-based Vinn offers, monthly Facebook, and Twitter packages.

Corporate Tariffs and Loyalty Programs

We offer a variety of voice packages to our corporate customers to meet their communication needs. These packages include company, on-net and/or flat minutes. We also offer bundled versions of these packages including data and flat SMS.

For small and micro businesses, we have dedicated voice and non-voice offers and provide different benefits for craftsmen, sole traders and professionals such as doctors and lawyers.

We also address and provide solutions to our corporate customers different telecommunication needs with the Total Telecom Solutions Provider (TTSP) approach. We collaborate with our subsidiary, Superonline Iletisim Hizmetleri A.S. (Turkcell Superonline), to serve TTSP products like data center, cloud, VOIP, MPLS/VPN, mobile and fixed bundle offers to our customers from a single source.

We launched our B2B (business to business) loyalty program, IsteKazan, in March 2010, for Turkcell corporate customers. IsteKazan is the first loyalty program focused on the B2B segment, where we have worked with more than 40 different brands around the country.

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

Roaming Tariffs

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

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

Churn

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

Despite the intense competition in the market, we managed to decrease the churn rate to 27.1% in 2012 with effective retention and churn campaigns. We have what we believe to be an adequate allowance for doubtful receivables in our consolidated financial statements for non-payments and disconnections amounting to $392.9 million and $327.4 million as of December 31, 2012 and 2011, respectively.

Seasonality

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

Mobile Network

Coverage

Statements regarding our 2G coverage are based on the ICTA s specifications as well as TUIK s announcements regarding the population, and statements regarding our 3G coverage are based on the ICTA s 3G coverage calculation specifications issued on April 25, 2012. Our mobile communications network is designed to provide high-quality coverage to the majority of Turkey s population throughout the areas in which they live, work and travel. As of December 31, 2012, Turkcell covered 88.35% of Turkey and 99.17% of its population, including 100% of cities with a population of 1,000 or more. Coverage also includes a substantial part of the Mediterranean and Aegean coastline and during 2012, we enhanced coverage in low populated areas (populations of less than 1,000 people) as well. We have significantly exceeded the minimum coverage requirements of our license.

We have also expanded our mobile communications network to add capacity to existing service areas and to offer service to new areas, including the improvement of existing urban, suburban and intercity road coverage. During 2013, we will continue to expand our coverage in settlements with a population of 500 or more, intercity roads and railways, in addition to further enhancing coverage and capacity in populated areas. During 2013, Turkcell will also start to provide coverage to 1,799 settlements of populations of less than 500 (total population is 258,000) within the scope of the Ministry of Transport, Maritime Affairs and Communications Rural Coverage Project as part of universal services.

We commercially launched 3G simultaneously in 81 province centers and major cities in Turkey in July 2009. As of December 31, 2012, we had covered 84.02% of Turkey s population and more than 99.5% of all Metropolitan Municipalities Population. With the advantage of higher quality communications provided by the widest spectrum in 3G, Turkcell will continue to offer seamless communications services to its customers with by far the most extensive coverage amongst its peers.

Quality of Service

The ICTA published a Regulation on Quality of Service in the Electronic Communication Sector on September 12, 2010, to be effective as of December 31, 2012 (see Regulation of the Turkish Telecommunications Industry for further details). Turkcell Network is currently above the standards set by the statement. As usual, Call Drop was one of the major Quality of Service figures that we focused on during 2012.

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

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

Network Evolution

Access Network

In 2012, we continued to develop and improve the quality and capacity of our network. In urban areas, we increased coverage and capacity by placing network infrastructure in commercial sites such as shopping malls, business complexes and entertainment centers. We began using Pico BTS solutions to further enhance our coverage at some places where signal penetration problems may exist due to thick concrete walls, coated glass windows, basement floors, etc. We also focused on Special Distributed Antenna Solutions and Customization of parameter settings in major stadiums to maximize the capacity of our 2G/3G Access Network and further enhance the customer experience. We believe that we have sufficient bandwidth to serve our current and projected short-term subscriber base and that we currently meet the capacity requirements of both our 2G and 3G licenses. Starting from 2009, we have created 3G/HSPA+ coverage to support 3G multimedia services and fast throughput for mobile data traffic, while achieving greater network capacity through improved spectral efficiency.

We have achieved a speed of 43.2 Mbps in 3G through dual carrier technology across the whole country. We have also implemented EDGE technology in our entire network, as EDGE is a complementary technology to UMTS. EDGE is an evolution of the GSM technology which allows consumers to use cellular handsets, PC cards and other wireless devices at faster data rates up to 300 Kbps, three times the data capacity of GSM/GPRS. Today, all of our base stations are supporting EDGE technology. To enhance our 2G network capacity where congestion is a possibility, we intend to construct additional network sub-infrastructure, or implement technological advances that will permit bandwidths to be used more efficiently.

Transmission Network

Turkcell is one of the first operators in Turkey to start deploying IP technologies throughout its network. We are not only expanding our 3G network as IP but also migrating legacy GSM sites to IP through the deployment of Abis over IP technologies. Thus, we currently have an All-IP Mobile Backhaul of more than 17,000 BTS and Node-Bs that provides resiliency, ease of operation and operational expense advantages. In addition to this, we have also invested in topology redundancy projects thanks to IP/MPLS backhaul for better service availability. Backhaul bandwidth capacity increased for hot spot cell sites for 42 Mbps dual-carrier applications and Microwave R/L network modernization for Native Ethernet and Adaptive Modulation support to increase availability and reduce outages due to severe rain conditions. Usage of Fiber connectivity is moving deeper from High RAN aggregation points towards Low RAN aggregation points. Also Fiber to the Site applications have been started for LTE readiness of sites with very high traffic. Application of xDSL technologies and solutions are also preferred for small cell sites that are not suitable for microwave access.

Core Network

The whole Turkcell Core Network is currently composed of new layered structure Next Generation Network (NGN) nodes. By using MIP structure, we get (i) full redundant MSC-Ss, (ii) redundant physical interfaces to MGWs, (iii) CAPEX efficiency, and (iv) improvement in radio network KPIs.

In 2012, new SGSN/GGSN equipment came into service in four additional Operation and Maintenance Centers (OMCs), after the PCRF (Policy and Charging Rules Function) was implemented as an intelligent central GPRS node by the end of 2011. Safe Internet service was introduced via PCRF. Another PCRF service called Webforward (Redirection) was provided to Turkcell subscribers in 2012 for Bill Shock Prevention. Gy Online Charging (Gy) was another important project for the Turkcell GPRS Network. The GPRS network has gained a 3GPP Standard Online Charging structure with Gy. Gy has brought advantages such as more flexibility in GPRS charging, real time charging for postpaid and corporate subscribers, service-based charging capabilities, and an increased variety in GPRS tariffs and campaigns. Additionally, due to global IPv4 address exhaustion, NAT44 technology was applied in 4 GPRS sites to improve the IPv4 address exhaustion, and NAT44 technology was applied in 4 GPRS sites to improve the IPv4 resource efficiency and service continuity.

Services and Platforms

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

Network Operations

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

Network Maintenance

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

We have regional operation units with qualified Turkcell staff that operate and maintain our network in 16 main regions. In addition, the Turkcell Network Control Center located in Istanbul monitors our entire network 24 hours a day, 365 days a year, and ensures that necessary maintenance is performed in response to any problems.

Site Leasing

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

Business Continuity Management (BCM)

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

The effectiveness of the BCM plans is practiced with scenarios that include mission-critical processes, services, and building evacuations. In 2012, 44 practices were executed and nearly 4,000 people were involved in the practices.

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

To this end, we established a Crisis Management Team, a Business Continuity Team and several Emergency Response Teams. The Crisis Management Team is comprised of senior management who are responsible for managing all facets of the potential crisis. The Business Continuity Team and Emergency Response Teams are located at the Business Recovery Centers in Ankara and Istanbul as well as in several other locations throughout Turkey, including Izmir and Adana. If necessary, these regions are ready to aid and assist various teams in 16 other regions. In the event that Turkcell s operations are interrupted, in accordance with the area in which the crisis offers, a chain alert call convenes the teams.

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

Sales and Marketing

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

Turkcell Sales Efforts

Our nationwide distribution channel is an important asset that helps us differentiate ourselves from our competitors and achieve our sales targets. Our strong and extensive distribution network consists of distributors, Turkcell Distribution Centers (TDC), Corporate Solution Centers, non-exclusive dealers, Turkcell Communication Centers (TIMs), Turkcell Stores and Consumer Electronic Chains, as well as points of sale for scratch cards and prepaid airtime, including digital channels, ATMs, POSs, web, call centers, supermarkets, gas stations and kiosks. We sell postpaid and prepaid services to subscribers through our distribution network. The number of exclusive and non-exclusive dealers totaled approximately 17,000 sales points as of December 31, 2012.

Our exclusive retail network consists of powerful retail dealers with good locations, modern designs and superior after-sales service. TIMs lead the market with their user friendly atmosphere, new products and services and dedicated employees. In 2009, TIMs were relaunched with the motto We aim to ease your life with technology in order to enhance our customer service oriented image under the TIM brand. As of December 31, 2012, Turkcell had 1,225 exclusive sales points. Every year, 18 million customers are served by our specialized sales force, which consists of 8,600 people in TIMs. In addition, the four flagship Turkcell Stores fully operated by Turkcell continue to enhance Turkcell s brand image in the retail world by providing what we believe to be the best customer experience and introducing top-of-the-line new products and services to our customers. Moreover, we have 330 Technology Specialists in TIMs who coach the entire sales force, help customers experience technology and spread the latest technological information.

Our non-exclusive dealer network provides us with a high penetration of Turkcell products and services in Turkey. Our 44 TDCs are aimed at enhancing our distribution effectiveness in the non-exclusive channel and ensure the timely and efficient distribution of Turkcell products and merchandising materials. They also facilitate the Turkcell brand and offer awareness in this competitive channel.

Our alternative sales channels provide targeted and 24/7 sales assistance for existing and potential customers. The Turkcell online store (www.turkcellmagaza.com) is the first and only e-commerce store in Turkey which belongs to a mobile network operator and that has the capability to offer contracted terminal sales.

In total, we have more than 98,000 sales points for prepaid airtime including digital channels, ATMs, POSs, kiosks, Call Centers, internet, WAP, retail chains, SMS, Digital TV and USSD.

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

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

We address strategic enterprises, large enterprises and medium businesses through three channels, which are account managers and small businesses with indirect sales channels, corporate focused dealer organizations and Telesales operations. With the objective of coordinating all sales processes, working closely with more customers and improving effectiveness and efficiency, corporate customers are managed directly by these sales channels. The main aim of this activity is to provide mobile services to large and medium enterprises and SMBs in order to meet their communication requirements and also to support these solutions with retention and acquisition programs and tariffs. We work closely with solution partners and application providers to integrate mobility into companies operations through tailor-made total solutions packages.

Advertising

We have continued to bring innovations in the mobile communications world to Turkey, and thus, we believe we have improved the lives of our subscribers with time-saving solutions and products that ease and enrich their lives.

Our goal is to become the strongest brand in Turkey. Being one of Turkey s most beloved brands, we are helping our customers share anything anywhere at anytime by providing them with innovative technology solutions. Having tailored our communications strategy to the concept of Life is beautiful when shared at the end of 2011, we reinforced this concept in 2012 with our value offers: superior coverage, 3G speed and mobile technologies, more advantages, outstanding and extensive service quality, and leadership in social responsibility. With our renewed vision, we lend our power to our customers by enabling them to be more connected to life with simple communications solutions ready at their fingertips.

In 2012, we adopted and promoted our new brand strategy in order to create a more powerful Turkcell brand. All product and service communications are aligned with the main Turkcell strategy. Turkcell group companies branding principles were also reviewed in order to build a clearer link with Turkcell and to create a more powerful, unified Turkcell brand. Turkcell brand communications continued to be harmonized in different forms of media, such as television, internet, outdoor events, etc., in order to deliver more consistent messages. In 2013, our goal is to have the highest level of brand awareness and to maintain our image as the leader among competitors, as we did in 2011 and 2012.

Customer Services

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

We mainly work with two companies, Global Bilgi Pazarlama Danisma ve Cagri Servisi Hizmetleri A.S. (Turkcell Global Bilgi) and Hobim Bilgi Islem Hizmetleri A.S. (Hobim). Hobim handles printing services of scratch cards and invoices as well as archives subscription documents for us. Turkcell Global Bilgi offers 24 hours-a-day, 7 days-a-week contact center services at several sites and manages more than 200 million contracts annually. Turkcell s customer service strategies for contact centers are implemented by Turkcell Global Bilgi and we ensure that customer services and customer satisfaction programs, which are also provided by Turkcell Global Bilgi, are executed in line with Turkcell s strategies. Turkcell Global Bilgi s success has been verified by a number of domestic and international awards in 2012. Among these were The Gold Medal winner for Best Outsourcing Partnership both in the world and the EMEA region and The Silver Medal for Best use of

Self-service Technology both in the world and the EMEA region at the 2012 Top Ranking Performance Awards of ContactCenterWorld.com, which is the largest international organization in the contact center industry. With regard to Turkcell s customer satisfaction, we are proud to say that we received The Customer Satisfaction Sustainability Award at the National Quality Awards organized by the Turkish Quality Association (KalDer) for sustaining our number one ranking in the Turkish Customer Satisfaction Index for the past 6 years.

We also offer customer service at face-to-face centers. Our centers are established all around Turkey in order to meet our customers technological needs and demands.

Furthermore, meeting the service needs of our customers online is crucial for us. We have a self-service application for customer service called Online Islemler, which is available on web, mobile and smartphone platforms. We also respond to customer requests on social platforms, both proactively and reactively. Services through web chat, e-mail and SMS chat were recently launched for specific customer segments, according to their servicing needs.

For corporate customers, account managers are assigned for exclusive service. An account manager is the single point of contact and provides proper solutions in response to customer needs.

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

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

International and Domestic Subsidiaries

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

While continued improvement of our current operations is a key priority, we may further expand and increase our presence in key emerging markets in the region, such as the C.I.S. region, Eastern Europe, the Middle East, Africa and the Balkans, in addition to our current investments in Ukraine and Belarus. Through such investments, we intend not only to transfer our technological know-how and marketing expertise, but also to maximize economies of scale and group synergy.

In line with our business strategy, we signed a wholesale traffic purchase agreement to provide voice and data services in Germany targeting the local Turkish population and other mobile users with close ties to Turkey. Through similar cooperative business models, we intend to carry the Turkcell Europe brand to other Western European countries in which a sizeable Turkish community resides.

Our international and domestic endeavors will continue in 2013. We will continue to selectively seek and evaluate new investment opportunities both in our main and adjacent communication and technology business areas as well as the businesses outside the scope of our core business.

Ukraine Life:)

We acquired our interest in our subsidiary Astelit on April 2, 2004, by purchasing the entire share capital of Astelit s parent, CJSC Digital Cellular Communications (DCC), from its shareholders. Astelit, 99% owned by

DCC, held a nationwide GSM1800 license. On April 4, 2006, Astelit announced a merger of DCC and Astelit, which was completed on August 1, 2006. Our interest in Astelit is held through our wholly-owned subsidiary, Turktell Uluslararasi Yatirim Holding A.S. (Turktell Uluslararasi), which holds 55% of Euroasia, which is the 100% owner of Astelit.

Astelit began its operations in the Ukrainian market in February 2005 with its new brand life:) . As of December 31, 2012, Astelit had 11.1 million subscribers, a 14.4% annual increase from 9.7 million subscribers as of December 31, 2011. The majority of subscribers are prepaid subscribers as of December 31, 2012. During the third quarter of 2010, the definition of active subscriber was modified to churn out any subscriber whose only activity was the receipt of bulk SMSs or call forwarding.

The life:) brand has become one of the best known in the country and reached 99% recognition in the market due to its strong differentiation from existing mobile brands and focus on innovation, transparency and youthful spirit. The company has been known in the market as one of the most dynamic and innovative ever since life:) was the first to introduce a number of new technologies and products that had previously been unavailable to Ukrainian subscribers. The company is highly targeted to keep its innovation leadership in marketing and sales. In 2011, Astelit adopted its new regional strategy, which divides the country into three major regions and focuses on each region with tailored marketing and sales activities. As a result, Astelit expands and improves its sales network to bring its products and services to the most remote parts of the country. By the end of 2012, Astelit had 41,590 non-exclusive sales points throughout Ukraine, 198 life:) exclusive sales points, 227 branded life:) partners sales points and 64 customer service centers operating in 48 cities in the country. As of December 2012, Astelit provided roaming opportunities in 181 countries via 596 roaming partners.

As of December 31, 2012, Astelit operated in 100% of the cities of Ukraine with a population of more than 10,000 inhabitants and more than 29,775 settlements, and all principal intercity highways and roads, which corresponds to coverage of approximately 98.2% of the whole population of Ukraine or 93.2% geographical coverage with more than 10,238 base stations. Cumulative capital expenditure for the development of Astelit s coverage amounted to $1,435 million as of December 31, 2012. In 2013, Astelit will continue investing to increase capacity of its network.

Astelit is strongly dedicated to further developing innovations in the market and if a 3G and/or LTE license were to be made available, we would consider submitting a bid, but no timetable has been announced. If successful, the associated costs would increase our Ukrainian financing needs, which could in turn require us to consider new sources of funding or the extension of existing sources. If we are not successful in the pursuit of such a license, because, for example, the cost is prohibitive and/or the number of licenses available is limited, we could find ourselves at a competitive disadvantage in this market. Currently, there is only one 3G license (UMTS/WCDMA) that has been granted in Ukraine. This license has been granted, without tender, to the state-owned company, Ukrtelecom, which was privatized in 2011. Ukrtelecom had completed the spin-off procedure of its mobile communication division and established a separate legal entity, Three-Mob LLC . Currently, Ukrtelecom has transferred its 3G license (30 MHz in each region), network infrastructure and subscribers base to Three-Mob LLC .

The Ukrainian telecommunications market is regulated by the Cabinet of Ministers of Ukraine (main state policy), the State Service of Special Communication Administration (technical policy aspects) and by the National Commission for the State Regulation of Communications and Informatization (NCRCI) controlled by the President of Ukraine and which carries out general telecommunication market regulation and inspection.

The technical specifications for the MNP call routing model have been adopted by the State Service of Special Communication Administration and came into force on December 7, 2012. In accordance with the NCRCI Regulation Plan for 2013, the Regulations on MNP customer s service standards are scheduled for adoption by NCRCI at the end of 2013.

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

As of February 1, 2012, Astelit had debt repayments due to Euroasia in the amount of $150 million and to Financell in the amount of $173 million. Since June 2011, Astelit has not met the payment obligations, which were waived until February 1, 2012. Since that date, our Board of Directors has not acted to approve or reached a consensus for the extension of repayment dates. As a result, Astelit was unable to meet its repayment obligations to Euroasia and Financell totaling $323 million and defaulted on its loan agreements. (As of December 31, 2012, Astelit s unmet obligations under its loan to Financell and Euroasia reached a total of $489 million.) As a consequence of Astelit s default, cross default clauses have been triggered on five loan agreements totaling $554 million (currently decreased to $304 million, following our $150 million guarantee payment and other principal payment) and waivers were obtained for the aforementioned loans before December 31, 2012. In the context of guarantees, Financell has pledges on shares and all assets of Astelit including bank accounts. Additionally, Financell has a second priority pledge on Euroasia shares held by System Capital Management Limited (SCM) together with a guarantee and indemnity given by SCM. Financell has rights to commence enforcement of pledges and guarantee under certain conditions.

In the same vein, Euroasia, which had previously borrowed $150 million to finance Astelit, also defaulted on its loan on March 30, 2012. As a guarantor, we paid $150 million to related banks on April 6, 2012. In relation to the guarantee agreement, a first priority pledge on Euroasia shares held by SCM has been established in favor of Turkcell. Upon payment of the guaranteed amount, Turkcell has the right to commence enforcement of this pledge on the Euroasia shares under certain conditions. As a consequence of Euroasia s default, cross default clauses have been triggered on four loan agreements (the same ones referenced above) totaling $304 million and waivers have also been obtained for the aforementioned loans.

With respect to the amounts due to Financell, our Board of Directors decided to extend a guarantee to Financell in order for it to perform its obligations with respect to the loans granted by the banks for providing Group financing. The guarantee will be up to $410.7 million principal amount plus the sum of interest, any other costs, expenses and fees that may accrue in connection with the credit line agreements. This guarantee includes the debt repayments of $173 million due under the loan agreements signed between Astelit and Financell, and of the loans that Financell granted to Astelit which have not yet fallen due. Astelit s debts are denominated in foreign currencies which expose Astelit to foreign exchange and convertibility risks.

Belarusian Telecom

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

At December 31, 2012, Belarusian Telecom had 1.1 million subscribers, the majority of whom were prepaid, and operated through 117 exclusive and 957 non-exclusive sales points. During the third quarter of 2010, the definition of active subscriber was modified to churn out those who had not refilled their account in more than six months.

At December 31, 2012, Belarusian Telecom operated 2G services in all, and 3G services in 83.13%, of the cities with a population of more than 10,000, and provided 2G services on 99.4% of all principal intercity highways and roads of Republic of Belarus (total length of all Belarus highways and roads is 15,476 km), which corresponds to coverage of approximately 99.97% of the entire population of Belarus, or 97.8% of the geographical coverage.

As of February 1, 2012, mobile number portability was launched with a donor initiated mechanism. Subscribers who want to port their numbers have to apply to their existing operator, which is in favor of the dominant market players.

Kibris Telekom

Kibris Mobile Telekomunikasyon Limited Sirketi, or Kuzey Kibris Turkcell (Kibris Telekom), a 100% owned subsidiary of Turkcell, was established in 1999. As of December 31, 2012, Kibris Telekom had 0.4 million subscribers.

On April 27, 2007, Kibris Telekom signed a license agreement for installation and operation of a digital, cellular and mobile telecommunication system with the Ministry of Communications and Public Works of the Turkish Republic of Northern Cyprus. The license agreement became effective on August 1, 2007 and replaced the previous GSM-Mobile Telephony System Agreement dated March 25, 1999, which was based on revenue-sharing terms. The new license agreement granted a GSM 900, GSM 1800 and IMT 2000/UMTS license, for GSM 900 and GSM 1800 frequencies, while the usage of IMT 2000/UMTS frequency bands is subject to the fulfillment of certain conditions. The license agreement is valid for 18 years from the date of signing. The license fee was set at $30 million including VAT. The license fee was financed by Kibris Telekom through internal and external funds.

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

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

On October 1, 2012, Kibris Telekom was authorized by National Regulatory Authority as Internet Service Provider and Infrastructure Provider for establishment and maintenance.

Turkcell Europe

Turkcell Europe was founded by Turkcell in 2010 as a mobile virtual network provider (MVNO) providing service over the T-Mobile network. Headquartered in Cologne, Germany, Turkcell Europe commenced activity in March 2011.

Turkcell Europe offers Turkcell s service quality across both Germany and Turkey not only to the people of Turkish origin living in Germany but also those who have close commercial contact with Turkey.

Besides providing advantageous offers to those who call Turkey from Germany, Turkcell Europe, which offers the advantages of using Turkcell also in Turkey, aims to provide its customers in Turkey and Germany with a unique user experience. Furthermore, Turkcell Europe subscribers can access the products and services offered exclusively to Turkcell users via T-Mobile (Deutsche Telekom AG), Germany s premier mobile communications network operator.

With its extensive distribution network, Turkcell Europe offers services to its customers at over 4,800 locations spread across Germany, with a membership base of around 0.35 million subscribers as of December 31, 2012.

Financell

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

Turkcell Global Bilgi

On October 1, 1999, we established Turkcell Global Bilgi in order to provide telemarketing, telesales, and call center services, particularly for us. In 2005, Turkcell Global Bilgi completed its transition from call center to contact center as Turkcell Global Bilgi started to manage customer contacts at every channel except face-to-face interaction. In November 2006, the face-to-face interaction channel was also transferred to Turkcell Global Bilgi. As of December 31, 2012, Turkcell Global Bilgi employed 6,071 employees, of which approximately 58% provide us with customer care and retention services, around 35% serve customers of other clients while the remainder work as administrative personnel. We own 100% of Turkcell Global Bilgi.

Turkcell Global Bilgi owns a 100% share of Global-Bilgi LLC since 2008, which operates in Ukraine and provides telemarketing, telesales and call center services; and owns a 99% share of Global-Bilgi FLLC since 2009, which operates in Belarus to provide call center services. Global Bilgi LLC is in the process of establishing a branch office in Russia in the second quarter of 2013.

Inteltek

Inteltek Internet Teknoloji Yatirim ve Danismanlik Ticaret A.S. (Inteltek) operates fixed-odds betting and pool games on sports games. Currently, Turkcell holds 55% of Inteltek through its wholly owned subsidiary Turktell Bilisim Servisleri A.S. (Turktell), while Intralot, a Greek gaming company, holds 20% and Intralot Iberia Holding, a Spanish company, holds 25%.

Inteltek s business is currently operated under a contract entered into on August 29, 2008 with Spor Toto Teskilati A.S. (Spor Toto). The current contract is based on specific Turkish legislation relating to gaming enacted in 2008 and was entered into following numerous legal challenges to prior contracts. Under the current contract, Inteltek runs the sport betting business, iddaa, for a period of 10 years, effective as of March 1, 2009 and superseding a prior agreement. Under this contract, Inteltek guaranteed TRY 1,500 million (equivalent to $827 million as of March 15, 2013) turnover for the first year of the contract and has given similar guarantees for future years. The guaranteed turnover for the following years will be computed using producer price indices. Inteltek shall pay the guaranteed turnover difference (after deducting commission income) to Spor Toto if actual turnover is below guaranteed turnover. To date, actual turnover has exceeded that amount. In addition to the foregoing, Inteltek signed a mobile betting dealer agreement with Spor Toto on January 12, 2010, which gives it the right to operate 1,000 mobile terminals.

In the context of evaluating investment opportunities in neighboring countries, Azerinteltek Closed Joint Stock Company (Azerinteltek) was incorporated on January 19, 2010 in Azerbaijan and is 51% owned by Inteltek. Azerinteltek received authorization from the Ministry of Youth and Sport of the Republic of Azerbaijan and signed the Agreement with Azeridmanservis Limited Liability Company set under the Ministry of Youth and Sport of the Republic of Azerbaijan to organize, operate, manage and develop the fixed-odds and parimutuel sports betting business in Azerbaijan for a period of 10 years. Azerinteltek started its operations, with the brand name Topaz , on January 18, 2011 and reached 456 agents as of December 31, 2012.

Inteltek is the domestic market leader and is ranked among the most prominent operators in the international gaming sector. Inteltek intends to continue to explore business opportunities both in Turkey and abroad in betting or adjacent businesses.

Turkcell Superonline

Turkcell Superonline has a Fixed Telephone Services right, which allows the company to provide call origination and termination for consumers and corporations, as well as wholesale voice carrying services. It also has authorization to provide satellite communication services, infrastructure operating services, internet services and wired broadcasting services, mobile virtual network operating services. Currently, the company carries the majority of Turkcell s traffic, previously carried by Turk Telekom (the incumbent operator). Turkcell Superonline was created in 2009 through the merger of our subsidiary Tellcom with the Superonline business acquired from the Cukurova Group.

Established to be an innovative telecom service operator, Turkcell Superonline offers its international and national clients wholesale voice carrying, international lease data lines (for corporate clients) and internet access service with international connectivity. Furthermore, Turkcell Superonline is in the retail broadband market, bringing fiber optics to residences. Turkcell Superonline provides fast communication technology with its own fiber optic infrastructure in Turkey and provides telecommunication solutions to individuals and corporations in the areas of voice, data and videos.

We believe that Turkcell Superonline differentiates itself through its steadfast commitment to the quality of after-sale services. Turkcell Superonline supplies corporations with industry-leading service level agreements utilizing its professional technical support personnel and highly qualified team of consultants. Turkcell Superonline has been awarded the ISO 9001:2000 Quality Management System Certificate. Turkcell Superonline aims to become one of the leading innovative telecommunications operators in Turkey and it intends to continue to seize opportunities in the internet and telecommunications markets.

In December 2009, Turkcell Superonline won a tender worth EUR 20.9 million to lease the fiber optic infrastructure network of BOTAS, Turkey s State-owned pipeline company, for 15 years. The project was completed in the first quarter of 2012.

In 2010, Turkcell Superonline, together with Etisalat (UAE), Mobily (Saudi Arabia), Jordan Telecom, Mada-Zain Consortium (Jordan), and Syria Telecommunications Establishment (Syria), signed an agreement that will initiate the Regional Cable Network (RCN) Project. Starting from Fujairah (United Arab Emirates) and passing through Riyadh (Saudi Arabia), Amman (Jordan), Tartous (Syria) and reaching Istanbul (Turkey), the RCN Project s fiber optic cable line is expected to cover the entire Gulf region in the Middle East for the first time. Although we had planned for the project to be operating in 2012, current developments in Syria are hindering its completion.

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

Turkcell Superonline also began to provide 1000 Mbps service to homes in May 2011 for the first time in Turkey in line with the Turkcell Group s strategy to provide state-of-the-art technology for its customers with top quality service. Turkcell Superonline has rendered Turkey one of the first five countries in the world where a 1000 Mbps connection is provided to homes thanks to this service option.

On August 12, 2011, Turkcell Superonline signed a Share Purchase Agreement to acquire a 100% stake in Global Iletisim, which is specialized in providing internet and telecommunications services. In November 2011, the control over Global Iletisim was acquired from Yildiz Holding AS for a consideration of $(0.5) million. Turkcell Superonline and Global Iletisim merged on March 30, 2012.

On March 7, 2013, Turkcell Superonline signed a share purchase agreement to acquire a 100% stake in Deksarnet Telekomunikasyon A.S. (Deksarnet) which is an affiliate of Vestel Elektronik San. ve Tic. A.S. Group. The enterprise value is determined as USD 1,750,000 based on the studies undertaken by our Company. The transfer of shares should take place following the approvals received from related authorities. As per the share purchase agreement, the purchase price would be determined based on the balance sheet at the closing day and payment will be made in 12 equal installments. Deksarnet provides all types of telecommunication services and builds and operates related infrastructures. Turkcell Superonline aims to further strengthen its fixed broadband network with satellite communication infrastructure through this acquisition.

In 2012, Turkcell Superonline continued to invest in its transmission network by expanding the intercity and in-city fiber optic backbone along with establishing new fiber-based access points in selected residential and industrial areas for end-users and commercial account-holders. As of December 31, 2012, Turkcell Superonline s installed backbone was approximately 31,000 km long and its services reached 12 cities, including Istanbul, Ankara, Izmir, Bursa, Kocaeli, Adana, Gaziantep, Antalya, Mersin, Samsun, Trabzon and Kayseri in Turkey.

Turkcell Superonline aims to turn Istanbul into an internet hub, lifting the boundaries between countries and initiating the internet without a visa era through direct access agreements. Turkcell Superonline has nine international gateways, which enable fast and seamless internet access via connections with Europe s most important internet traffic exchange points in Sofia, London, and Amsterdam, as well as through the Frankfurt POP in Germany. It also raises internet access speed and quality in residential, corporate, and wholesale segments via peering connections. In 2012, collaborating with Tier-1 telecom operators such as Tata Communications, Deutsche Telekom, Inteliquent, KPN, Turkcell Superonline enabled access to globally renowned networks directly from Istanbul, adding value not only for its business and partners, but also for the Turkish economy. Turkcell Superonline plays a major role in delivering transit data traffic and telecommunications services between Europe, CIS, Asia and the Middle East. It provides internet access in Iran, Iraq, Georgia, and Northern Cyprus.

Turkey was named among the most successful countries in the Strategies of Leading FTTx Operators report published by IDATE, with Turkcell Superonline s fiber internet applications. IDATE underlines that Turkcell Superonline is an important player in the field of FTTH, one that has proven to be a leading player not only in Europe, but also worldwide. In the half year report, IDATE also states that Turkcell Superonline with more than 70,000 new fiber internet subscribers in the last 6 months of 2012 became the 3rd place in Europe.

Turkcell Superonline aims to continue to invest in and expand its own fiber optic network and further utilize the group synergy created with Turkcell. The Company intends to continue to take advantage of business opportunities within the broadband industry in 2013.

Global Tower

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

Having begun operations in 2006 with the vision of spreading communication everywhere , Global Tower is serving mobile operators, TV and radio broadcasters and corporations that provide wireless communication, with approximately 7,500 ready wireless and broadcast tower infrastructure installations. Global Tower has positioned its vision as leader infrastructure operator of Turkey. Accordingly, in 2009 it began operations in Ukraine under the brand name of UkrTower. Global Tower, with higher quality, efficient and persistent infrastructure services, will assist to expand operators communication that makes life easier to further horizons.

Turkcell Teknoloji

Turkcell Teknoloji, a wholly owned subsidiary of Turkcell, commenced operations in 2007 in the TUBITAK Marmara Research Center Technological Free Zone in Kocaeli, Turkey. Turkcell Teknoloji s growing team of experts develops a wide range of convenient and reliable solutions with innovative roadmaps. Through integrated intelligence and high performance capabilities, Turkcell Teknoloji s comprehensive portfolio addresses the following domains: SIM asset and services management, mobile marketing, roaming, terminal and terminal applications, value-added services, mobile internet and mobile financial services.

To ensure a permanent competitive edge and value for its solutions, Turkcell Teknoloji cooperates with a wide network of national and international R&D companies, universities and research centers and plays an active role in international R&D programs. With the goal of being Turkey s leading R&D and innovation base, Turkcell Teknoloji demonstrates the value it attaches to innovation with its increasing number of patents each year.

As part of the success story of ever-increasing patent applications year over year, Turkcell Teknoloji placed in total 208 national and 31 international applications, of which 66 have been granted to date.

Equity Accounted Investments

Fintur

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

Azercell

Fintur indirectly owns 51.3% of Azercell Telekom B.M. (Azercell), which offers GSM services on both a prepaid and a postpaid basis in Azerbaijan. As of December 31, 2012, Azercell had approximately 4.4 million subscribers, of which approximately 0.4 million were postpaid and approximately 4.1 million were prepaid.

The agreement for the privatization of the Republic of Azerbaijan s 35.7% ownership in Azercell was signed in February 2008 and Azertel A.S., the parent company of Azercell, acquired the Republic of Azerbaijan s entire stake. Azertel s ownership in Azercell increased to 100%; however, Fintur s effective ownership in Azercell remains at 51.3%. Azercell was granted a 3G license in the fourth quarter of 2011.

Geocell

At December 31, 2012, Fintur indirectly owned 100% of Geocell Ltd. (Geocell), which operates a GSM network and offers mobile telephony services in Georgia. As of December 31, 2012, Geocell had approximately 2.1 million subscribers, of which approximately 0.03 million were postpaid, approximately 0.32 million were paid-in-advance subscribers that had postpaid services but paid-in-advance and approximately 1.72 million were prepaid.

Kcell

Kcell is 51% owned by Fintur. In 2012, the remaining 49% was acquired by TeliaSonera from Kazakhtelecom JSC, the Kazakh incumbent fixed line telecom provider. TeliaSonera sold 25% of the shares minus one share in KCell in an Initial Public Offering (IPO) on the London and Kazakhstan Stock Exchanges, which was completed in December 2012. Fintur Holdings B.V. is owned by TeliaSonera (58.55%) and Turkcell (41.45%). Following the completion of the IPO, TeliaSonera s effective ownership in Kcell is 61.74%. Kcell offers mobile telephony services in Kazakhstan and had approximately 13.5 million subscribers as of December 31, 2012, of which approximately 0.2 million were postpaid, approximately 1.6 million were paid-in-advance subscribers and approximately 11.7 million were prepaid.

Moldcell

At December 31, 2012, Fintur directly and indirectly owned 100% of Moldcell S.A. (Moldcell), which offers GSM services in Moldova. As of December 31, 2012, Moldcell had 1.3 million subscribers, of which approximately 0.1 million were postpaid, approximately 0.3 million were paid-in-advance subscribers and approximately 0.9 million were prepaid.

A-Tel

On August 9, 2006, Turkcell acquired 50% of A-Tel s shares. A-Tel is a joint venture and its remaining 50% shares are held by SDIF. A-Tel is involved in marketing, selling and distributing our prepaid systems. It acts as our only dealer for Muhabbet Kart (a prepaid card), and receives dealer activation fees and simcard subsidies for the sale of Muhabbet Kart. In addition to the sales of simcards and scratch cards through an extensive network of newspaper kiosks located throughout Turkey, we have entered into several agreements with A-Tel for the sale of campaigns and for subscriber activations. Since 1999, the business cooperation between us and A-Tel has provided important support to our sales and marketing activities. However, the service provider and distribution agreement with A-Tel was annulled through a notification dated January 31, 2012, effective August 1, 2012.

Potential Investments

Our efforts to selectively seek and evaluate new investment opportunities continue. These opportunities may include the purchase of new licenses and the acquisition of existing companies as well as alternative business models such as management contracts or other forms of cooperation in markets outside Turkey in which we currently do not operate, focusing on communications, technology and adjacent and new business opportunities. Our international expansion strategy focuses on key emerging markets, mainly in Eastern Europe, the Balkans, the Middle East and Africa.

As part of its ongoing evaluation and analysis of investment opportunities in various countries, Turkcell has provided a non-binding indicative offer for a 100% stake in Cosmote Bulgaria Mobile EAD (Globul), the second largest mobile operator in Bulgaria.

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

Furthermore, following the launch of Turkcell Europe in Germany, we will evaluate expanding into other Western European countries where there is a sizeable Turkish community through wholesale partnerships or alternative cooperative business models.

Disclosure Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 (ITRA)

Certain of our business activities in Iran in 2012, and the business activities of certain of our affiliates, are subject to disclosure pursuant to ITRA Section 219. During the year ended December 31, 2012, Turkcell and Astelit provided direct international roaming services in Iran through agreements with the following GSM operators: TCI-Mobile Company of Iran, Telecommunication Kish Co., MTN Irancell, and Taliya-Rajsanjan Industrial Complex. Gross revenues and net profits during the year ended December 31, 2012, attributable to these agreements were TRY 1.6 million (equivalent to $0.88 million as of March 15, 2013) and TRY 0.1 million (equivalent to $0.06 million as of March 15, 2013) respectively.

In addition, Turkcell Superonline provided Transit-IP and leased line services through network interface agreements with Telecom Infrastructure Company of Iran (TIC). During the year ended December 31, 2012, gross revenues and net profits attributable to these agreements were TRY 3.9 million (equivalent to $2.15 million as of March 15, 2013) and TRY 1.3 million (equivalent to $0.72 million as of March 15, 2013), respectively. Through the network interface with TIC, Turkcell Superonline provided leased line services to Press TV. During the year ended December 31, 2012, gross revenues and net profits attributable to the agreement with Press TV were TRY 0.3 million (equivalent to $0.17 million as of March 15, 2013) and TRY 0.2 million (equivalent to $0.11 million as of March 15, 2013), respectively. We understand that Press TV is affiliated with Islamic Republic of Iran Broadcasting.

Although it is difficult to do with a reasonable degree of certainty, we have concluded that our Iranian business partners described in this section may be owned or controlled indirectly by the Government of Iran. However, to our knowledge, none of the services provided by Turkcell and our affiliates in Iran described in this section have been used by the Government of Iran to commit serious human rights abuses against the people of Iran. Furthermore, we understand that the U.S. Department of the Treasury s Office of Foreign Assets Control has issued a general license authorizing U.S. persons to engage in certain of the activities described in this section. We, and our affiliates, intend to continue the activities described in this section in 2013.

Regulation of the Turkish Telecommunications Industry

Overview

All telecommunications activity in Turkey is regulated by the ICTA. Electronic Communications Law No. 5809 (the Electronic Communications Law), which came into force on November 10, 2008, is the principal law governing telecommunications activity in Turkey. The Electronic Communications Law was published to correspond to the rapidly evolving Turkish telecommunications industry, and all secondary regulations have been updated to be in accordance with this law. The duties of the ICTA, which may be exercised in a manner that is adverse to our operations and our financial results, include those described below.

ICTA

The ICTA has the authority to grant licenses and set fees in the electronic telecommunications industry.

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

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

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

The Electronic Communications Law establishes legal principles and broad policy lines that the ICTA must follow, some of which are stated below:

- Creation and protection of a free and efficient competitive environment.

- Protection of consumer rights and interests.

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

Promotion of implementations that ensure that everyone can benefit from electronic communications networks and services.

Ensuring non-discrimination among subscribers, users and operators under fair conditions.

Ensuring the conformity of electronic communications systems to international norms.

Protection of information safety and communication confidentiality.

The Electronic Communications Law also specifies general rules and principles relating to interconnection between operators. Agreements for interconnection are publicly available, but precautions are taken by the ICTA to protect commercial secrets of the parties.

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

The legislation designates the following as universal services:

Fixed-line telephony services;

Public pay telephones;

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

Emergency calls services;

Internet services;

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

Sea communication and sailing safety communication services.

This law mandates that designated operators must provide universal services and the General Directorate of Communication can demand that operators provide universal services on a national and/or geographical basis. Turk Telekomunikasyon A.S. and the GSM operators are currently designated as universal services providers.

The Cabinet of Ministers Decision No. 27984 and dated July 4, 2011, allowed the use of the universal service fund to extend the mobile GSM network coverage listed in the annex of the decision to uncovered areas with a population of 500 or less. On January 10, 2012, Turkcell, Avea and Vodafone signed contracts with the Ministry of Transport, Maritime Affairs and Communications to determine the scope of work for the locations. According to this contract, Turkcell has to install sufficient infrastructure to cover the mentioned locations. On January 17, 2013, an auction was held by the Ministry of Transport, Maritime Affairs and Communications related to universal service. Our Company submitted the lowest bid (TRY 312.77 million excluding VAT) at the tender to provide mobile network coverage to Turkey s 1,799 rural locations with a population of less than 500 and its operation for 3 years. The investment and the operating expenses to be made will be compensated by the universal service fund of the Ministry within the context of the tender amount. The network infrastructure to be deployed would also be used by other operators subscribers and this would be limited to those locations defined under the tender conditions. We were notified on February 13, 2013 that as a result of the tender, our Company has been appointed as universal service provider. Accordingly, the related contract was signed on February 20, 2013.

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

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

(1) The tariff may be determined as one or more subscription fees, fixed fees, call charges, line rentals, and similar fee items.

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

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

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

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

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

According to this regulation, the ICTA may intervene in the structure of our tariffs or may impose certain criteria relating to the revision of our tariffs. Pursuant to its decision dated December 8, 2009, the ICTA determined Turkcell, individually, to be an operator holding a significant market power in the Access to Mobile Networks and Call Originating Markets and, together with Avea and Vodafone, to be an operator holding significant market power in the Mobile Call Termination Market . As a result of the significant market power designation in the Access to GSM Mobile Networks and Call Originating Markets , our Company may be required to provide access and call origination services to other operators such as MVNOs and Directory Services Operators on a cost-based basis, while operators not designated as operators holding significant market power can set their prices more freely. Being designated as an operator holding significant market power in the Access to GSM Mobile Networks and Call Originating Markets is likely to have the effect of reducing the rates we can charge other operators, such as MVNOs, which would have a material adverse effect on our business and results of operations. The ICTA recently completed the new market analysis for the 2012-2015 term. Turkcell has been recognized as the only operator holding significant power in Access to GSM Mobile Networks and Call Originating Markets .

Regulation on Quality of Service in the Electronic Communication Sector

The ICTA abolished The Regulation On Quality of Service (issued in 2005), and published a new Regulation On Quality of Service in the Electronic Communications Sector on September 12, 2010, effective as of December 31, 2011, which sets out the procedures and principles to control the conformity of the services of operators. According to the regulation, new and important obligations with respect to call centers are applicable to all operators that provide service to end users. Furthermore, mobile telephone operators are required to meet new service quality requirements and submit a report based on these requirements every three months to the ICTA. With this new regulation, additional requirements for service quality must be fulfilled. If the operators fail to reach these requirements more than once, this may result in the imposition of penalties. The results of quality measurements can also be publicly available.

Regulation on Data Privacy in the Electronic Communication Sector

The ICTA published the Regulation on Processing Personal Information and Protecting Confidentiality in the Telecommunications Industry on February 6, 2004. This Regulation establishes general principles to secure personal information and protect confidentiality. The ICTA abolished the Regulation on Processing Personal Information and Protecting Confidentiality and published a new Regulation on Data Privacy in Electronic Communications Sector which will come into force on July 24, 2013. The purpose of this regulation is to define the procedures and principles that the operators and legal entities/individuals that provide/receive services in the electronic communications sector may employ in an effort to process, store and protect personal information. Compliance with this regulation will involve operational expenses and may affect the communication of new tariffs and services with customers. Furthermore, non-compliance with this regulation may result in the imposition of monetary fines, which could have a negative impact on our reputation.

Regulation on Administrative Fines, Sanctions and Precautions in the Electronic Communication Sector

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

Regulation on Authorization regarding the Electronic Communication Sector

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

Wireless Interoperability for Microwave Access (WIMAX) License

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

Fixed Line Telephone Services

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

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

Regulation on Mobile Number Portability (MNP)

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

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

Turkish Competition Law and the Competition Authority

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

Powers and Functions of the Competition Board

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

Any person or legal entity may file a complaint with the Competition Board. Upon determination of any violation, the Competition Board can take necessary measures to prevent the violation and may impose fines on those who are liable for such prohibited practices. According to the Competition Law, the Competition Board may impose fines up to 10% of the annual gross income of the operators, which is constituted by the end of the previous financial year and determined by the Competition Board. In September 2002, the ICTA and the Competition Board entered into a Protocol on Cooperation. The Protocol establishes a framework whereby the ICTA and the Competition Board can cooperate on legal actions and policies regarding measures, detections, regulations and inspections that affect competition conditions and the extension of competition in the telecommunications sector. In November 2011, the ICTA and the Competition Board entered into a new Protocol on Cooperation. The Protocol regulates the mechanisms to improve cooperation which are currently implemented between the Authorities and the efficiency of which will be increased in the future cooperation, in particular among them Information exchange , Requesting opinion , and Coordination and cooperation .

Regulation on Waste Electrical and Electronic Equipment

In May 2012, regulation related to Waste Electrical and Electronic Equipment was published in the Official Gazette and became effective. Waste Electrical and Electronic Equipment regulations may impose some obligations on our Company and increase our operational costs.

GSM Licensing in Turkey

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

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

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

Our License Agreement

General

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

Terms

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

We paid a license fee of $500 million to the Turkish Treasury upon effectiveness of our license. On an ongoing basis, we must pay 15% of our gross revenue, defined as of March 2006 to exclude interest charges for late collections from subscribers and indirect taxes such as 18% VAT as well as other expenses and the accrued amounts that are recorded for reporting purposes to the Turkish Treasury.

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

Furthermore, under the Regulation on Authorization regarding the Electronic Communication Sector, all kinds of share transfers, acquisitions and actions of the operators which are authorized by a Concession Agreement must be communicated to the ICTA, and such share transfers, acquisitions and actions shall be made with the written approval of the ICTA if they result in a change of control component of such operators. The control component is defined as the rights that allow for applying a decisive effect on an enterprise, either separately or jointly, de facto or legally .

License Conditions

Our license subjects us to a number of conditions. The license agreement provides that our license may be revoked in the event that we fail to meet any of these conditions.

Coverage

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

Service Offerings

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

Service Quality

Generally, we must meet all the technical standards of the GSM Association as determined and updated by the European Telecommunications Standards Institute and Secretariat of the GSM Association. See Regulation On Quality of Service in the Electronic Communication Sector above for a description of the regulation governing quality of service.

Tariffs

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

The maximum tariffs set by the ICTA constitute the highest rates we may charge for the services included in these customized service packages. Generally, the maximum tariffs set by the ICTA for particular services are set higher than the standard tariffs determined by the ICTA for those services. Although the Concession Agreement includes a provision regarding only the increase of the maximum tariffs, the ICTA has decreased the maximum tariff since 2007, which has negatively affected our tariff structure. In 2011, the maximum tariff on SMS decreased by 48% and the maximum tariff on mobile voice increased by 4%. In 2013, the maximum tariff on mobile voice increased by approximately 6% while the maximum tariff on SMS remained flat.

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

We believe that, pursuant to our license agreement, we can determine our tariffs freely, provided that they remain within the framework of the applicable maximum price limit. However, under Article 13 of the Electronic Communications Law, in the event of determination of the significant market power of the operator, the ICTA may determine the lower and upper limit of the tariffs and principles and procedures of the application of the same. Based on such Article, the ICTA may take a similar decision which will have an effect on our future tariffs. With respect to our retail tariffs, in the fourth quarter of 2007, the ICTA intervened in our retail prices. Although we challenged that action on the basis that it exceeded the ICTA s authority under then-applicable law, such action nonetheless had an adverse effect on our operational flexibility and our results of operations. With the ICTA board resolution dated March 25, 2009, the ICTA set a lower limit for solely Turkcell s on-net retail tariffs, and decreased the price cap level for all mobile operators. The lower limit applies to each of Turkcell s retail tariff packages by mandating that the weighted average of the on-net price of a tariff package not be less than Turkcell s weighted average call termination rate. The board resolution also reduced the current price cap from 0.80 TRY/min (equivalent to $0.44 as of March 15, 2013) (including VAT and SCT), pertaining to general subscription packages, to 0.64 TRY/min (equivalent to $0.35 as of March 15, 2013). The resolution also set such price as an upper limit for special subscription packages. The ICTA, with its board resolution dated September 16, 2009, set the maximum price of TRY 0.65 (equivalent to $0.36 as of March 15, 2013) (including VAT and SCT) for GSM to GSM calls under general subscription packages. The ICTA, with its board resolution dated February 10, 2010, further reduced the current price cap to TRY 0.40 (equivalent to $0.22 as of March 15, 2013) (including VAT and SCT) for GSM to PSTN as well as GSM to GSM. The same resolution set the current price cap of Turk Telekom to TRY 0.37 (equivalent to $0.20 as of March 15, 2013) (including VAT and SCT) for PSTN to GSM. Finally, with its board resolution dated March 24, 2011, the ICTA set the current price cap as TRY 0.415 (including VAT and SCT) for GSM to PSTN and GSM to GSM (equivalent to $0.23 as of March 15, 2013). With the same board resolution, the ICTA made a distinction between national and international SMS rates. The national SMS rate was set as TRY 0.415 (equivalent to $0.23 as of March 15, 2013), and the international SMS rate was set as TRY 0.83 (equivalent to $0.46 as of March 15, 2013). With the board resolution dated November 4, 2011 and November 10, 2012, the price caps have been left the same as those set on March 24, 2011. In 2013, the maximum tariff on mobile voice increased approximately 6% to TRY 0.439 (equivalent to $0.242 as of March 15, 2013), while the maximum tariff on SMS remained flat. We initiated lawsuits for the annulment and suspension of the execution of some of the aforementioned decisions.

In addition, the ICTA with its Board decision dated April 25, 2012 decided on the lower limit to be applied on our campaigns (specified offers and packages provided to specific customers for a limited time period) as well as on our tariffs, which further impacted our ability to price our services and respond to competitive pressures. In addition to this, with a board resolution dated March 13, 2013, the ICTA raised the lower limit to be applied on our tariffs to 0.0535 TRY/min (equivalent to $0.03 as of March 15, 2013) from 0.0313 TRY/min (equivalent to $0.02 as of March 15, 2013). Simultaneously, the ICTA also decided that a lower limit on our SMS tariffs should be applicable over a rate of 0.0291 TRY/SMS (equivalent to $0.02 as of March 15, 2013). On the other hand, the ICTA excluded the campaigns from the scope of this decree, which was added in its decision dated April 25, 2012. The amendment related to voice will be effective from July 2013 onwards while the amendment related to SMS was effective as of March 25, 2013.

In addition, the ICTA has in the past intervened and may again intervene with the charging period, impacting the prices we charge for our tariffs. For example, effective September 1, 2010, the ICTA requires all operators to apply the maximum price cap during the first minute of all calls. The usage behavior and our financial results will be adversely affected if the ICTA intervenes on charging periods.

Relationship with the ICTA

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

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

License Suspension and Termination

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

Our license may be terminated under our license agreement:

- upon a bankruptcy ruling against us by a competent court or a bankruptcy compromise decision, which is an agreement between creditors and a debtor to reschedule the debt of the debtor, if such ruling or compromise is not reversed or dismissed within 90 days after notice;
- upon our failure to perform our obligations under the license agreement if such failure is not cured within 90 days after notice;
- if we operate outside the allocated frequency ranges and fail to terminate such operations within 90 days after notice; or
- if we fail to pay our treasury fee.

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

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

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

Applicable Law and Dispute Resolution

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

Authorization of 3G Licenses

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

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

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

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

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

In addition to the foregoing, our indirectly owned subsidiary Astelit, majority-owned subsidiary Belarusian Telecom, and wholly owned subsidiary Kibris Telekom hold GSM licenses in Ukraine, Belarus and the Turkish Republic of Northern Cyprus, respectively, and some of them have obtained or may bid for 3G licenses. If Astelit, Belarusian Telecom and Kibris Telekom fail to comply with the terms and conditions of their license agreements, they may incur significant penalties, which could have a material adverse effect on our strategy for international expansion and our business and results of operations. In addition, our subsidiaries Global Tower, Turkcell Superonline, Inteltek and Azerinteltek have licenses to perform their business. Failure to comply with the terms of such licenses may lead to significant penalties and adversely affect their, as well as our, results of operations.

Ukraine License Agreement

Astelit owns two GSM activity licenses, one for GSM-900 and one for DCS-1800. At December 31, 2012, Astelit owned twenty-five GSM-900, DCS-1800, CDMA and microwave Radiorelay frequency use licenses, which are regional and national. In addition to the GSM licenses, Astelit owns two licenses for fixed local phone connections and wireless access using the D-AMPS standard. According to the licenses, Astelit must adhere to state sanitary regulations to ensure that the equipment used is not hazardous to the population and does not emit harmful electro-magnetic emissions. Licenses require Astelit to inform authorities of the start/end of operations within three months and changes in the incorporation address within 30 days. Also, Astelit must present all the required documents for inspection by the Ukrainian Telecommunications Authority at their request. The Ukrainian Telecommunications Authority may suspend the operations of Astelit for a limited or an unlimited period if necessary due to the expiration of the licenses, upon mutual consent, or in the case of a violation of the terms regarding the use of radio frequencies. If such a violation is determined, the Ukrainian Telecommunications Authority will notify Astelit of the violations and will set the deadline for recovery. If the deadline is not met, the licenses may be terminated.

One of Astelit s D-AMPS licenses expired on January 1, 2013; two other D-AMPS licenses have been annulled as of February 28, 2013 upon Astelit s request (they expire in 2016 and 2017, respectively) due to the absence of radio frequencies for D-AMPS standard, which were transferred to CDMA-800 technology. According to legislation, licenses may be voluntarily annulled only upon operator s request. As a result of the annulment, Astelit no longer owns the licenses for the local fixed line phone connection with wireless access using the D-AMPS standard. In addition, the NCRCI has not agreed to prolong the acting license of Astelit for the activity on providing international and inter-city telecommunication services, which is valid until June 17, 2013.

Belarus License Agreement

Belarusian Telecom owns a license, issued on August 28, 2008, that is valid for 10 years. In addition, the license shall be extended for an additional ten years. The State Property Committee of the Republic of Belarus, as the Seller, has fulfilled its obligations stated in the Sale and Purchase Agreement and submitted the related official documents on December 18, 2009. According to the current legislation of the Republic of Belarus, a license extension is made upon the expiration of its period of validity. Consequently, Belarusian Telecom will apply for such an extension to the Ministry of Communications and Information in August 2018. Under the terms of its license, Belarusian Telecom is required to gradually increase its geographical coverage through 2018. However, Belarusian Telecom s period of execution with regard to coverage requirements has been extended for three years starting from the acquisition date.

Access and Interconnection Regulation

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

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

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

In accordance with Article 7 of the aforementioned Electronic Communications Law, the ICTA may determine the operators that have significant market power in the relevant market as a result of market analysis. After determination of the operators who have significant market power, the ICTA may impose additional liabilities for such operators in order to protect the competitive environment. On December 15, 2005, the ICTA designated Turkcell, Vodafone, and Avea as operators holding significant market power in the GSM Mobile Call Termination Services Market and designated Turkcell individually as an operator holding significant market power in the Access to GSM Mobile Networks and Call Originating Markets . According to the new regulation published in the Official Gazette dated September 1, 2009 and numbered 27336, unless otherwise agreed, any decisions taken by the ICTA in the years 2005 and 2006 relating to market analysis were valid and effective until the end of calendar year 2009. Pursuant to its decision dated December 8, 2009, the ICTA designated Turkcell individually as an operator holding significant market power in the Access to Mobile Networks and Call Originating Markets and designated Turkcell, Vodafone and Avea as operators holding significant market power in the Mobile Call Termination Market . The ICTA recently completed the new market analysis for the 2012-2015 term. All three operators were declared as operators holding significant market power in the Mobile Call Termination Market and Turkcell is recognized as the only operator holding significant power in Access to GSM Mobile Networks and Call Originating Markets .

As a result of the significant market power designation in the GSM Mobile Call Termination Services Market , our company, as well as Avea and Vodafone, is required to provide interconnection services on a cost-based basis. Consequently, according to the Electronic Telecommunications Law, the ICTA may oblige such operators to provide access and to submit their reference offers for access and interconnection to the ICTA for review, and may require amendments to the offers. Operators are obliged to make the amendments requested by the ICTA in a prescribed manner and within a prescribed period. In addition, the operators are obliged to publish their reference offers for access and interconnection, which have been approved by the ICTA, and to provide access under the conditions specified in their reference offers and interconnection, which have been approved by the ICTA. On February 10, 2010, the ICTA published Interconnection Tariffs for Turk Telekom and GSM operators, which became effective on April 1, 2010. The Interconnection Tariffs have been approved as the tariffs to be determined in the reference access offers. According to the Interconnection Tariffs, the revised rate for Turkcell is TRY 0.0313 (equivalent to $0.02 as of March 15, 2013). In September 2011, the ICTA decided that national and international mobile terminating call rates should be differentiated. As a result of this, the ICTA decided that operators could start to set their own rates liberally for international mobile terminating calls. As of August 2012, Turkcell has started to set its own mobile termination rates for international calls.

All access and interconnection contracts must be submitted to the ICTA within fifteen days of execution. Except where otherwise specified by the ICTA, reference interconnection proposals will be renewed every year.

The Company submitted its final reference access proposal regarding 2012 to the ICTA in the first quarter of 2012. The intervention of the ICTA in the prices that operators charge for reference access and interconnection services, along with our designation as an operator holding significant market power in certain markets, has had the effect of reducing the rates we are able to charge for interconnection services, which has had and will continue to have a material adverse effect on our revenues, business and results of operations.

Regulation on Co-Location and Facility Sharing

The ICTA has required operators to share certain facilities with other operators under certain conditions specified in the Electronic Communications Law and to provide co-location on their premises for the equipment of other operators at a reasonable price.

Under the Regulation, operators holding significant market power are required to provide access and services to all operators on equal terms. Operators with significant market power are also required to perform unbundling of their services, which means that they have to provide separate service of, and access to, transmission, switching, and operation interfaces. Furthermore, the ICTA may establish rules applicable to the division of the costs of facilities among parties.

The ICTA published a Communiqué concerning Co-Location and Facility Sharing on December 2, 2010 (which abolished the regulation published on December 31, 2003). According to the new Communiqué, the ICTA should determine operators to be co-location incumbent if operators do not enable co-location or there s a dispute against competition or end-users. Similarly, the ICTA could set tariffs if the tariffs for Co-Layout are not determined on a cost basis.

The Communiqué defines the criteria for operators who are incumbents for facility sharing and also states the items which must be considered for determining the Facility Sharing prices.

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

The ICTA published a Communiqué concerning Cellular System Antenna Facility Design, Set Up and Sharing on March 18, 2011 (which abolished the regulation published on April 16, 2008). The Communiqué frames antenna facilities design, set up and sharing to enable antenna usage by multiple operators. The emission points will not be determined by operators, therefore operators will have to work cellular planning together. Operators must share every antenna facility regardless of tower or building top distinction. Antenna facilities must be set up in certain capacity that at least one more operator can benefit. Finally, when antenna facility set up and sharing requests are evaluated, if the owner of the facility refuses the request, the requesting operator will be informed of the reason for the refusal. This way, negotiation between parties is supported and the ICTA involvement is kept at minimum levels.

Regulation on Spectrum in the Electronic Communication Sector

The ICTA proposed a strategy to Ministry of Transport, Maritime Affairs and Communications by a Board Decision dated July 27, 2011. Due to the fact that the decision-making authority of matters such as politics of authorization, start of service, authorization period, and the number of operators to provide service, lies with Ministry of Transport, Maritime Affairs and Communications, the ICTA has decided that:

1. Frequencies allocated for GSM services should also be used for 3G services (within the allocation time period).

2. Before the proposed GSM/3G usage, 2x8.6 MHz frequency (as 1 pack) in E-GSM band to be auctioned for GSM bidders who have less than 10MHz frequency in 900MHz band, 2 packs of 2x15MHz frequency each in 1800MHz band to be auctioned for GSM bidders who do not have any frequency in 1800MHz.

The second part of the Board Decision implies that only Avea will be eligible for the E-GSM auction and Vodafone & Turkcell for the 1800 auction.

Regulation on Consumer Rights in the Electronic Communication Sector

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

- the process and timing of churn steps;
- the obligation of the operators to keep subscribers informed of services, including, but not limited to:
- services with special contents;
- informing customers about amendments of the campaigns and tariffs;
- the consumer complaints solution mechanism;
- billing processes;
- safe internet;
- conditions we set for customers to suspend or limit services;
- visually-impaired subscribers;
- the definition of personal data; and
- spam messages and emails.

In addition, the ICTA may restrict the conditions under which certain mobile internet and services are provided by third parties. Moreover, the ICTA published a Board Decision regarding Safe Internet on August 22, 2011, and the service has begun to be offered to subscribers free of charge. Operators have been obliged to provide Safe Internet Service to subscribers, who request this service, as two separate profiles, the child profile and the family profile, each of which can restrict subscribers from accessing certain internet addresses and content. The subscribers can change their profiles or opt out from the Safe Internet Service easily.

The ICTA s regulation of these activities could have an adverse effect on our mobile telecommunications business and we may be fined if we do not comply. Furthermore, our compliance with the ICTA s regulations may increase the costs of our doing business and could negatively impact our financial results.

Registered Email Service Regulation

Registered Electronic Mail Service was started in July 2012. Mobile operators cannot provide registered electronic mail service; however, the service may create a new mobile business area with new bundled mobile products, which are able to service our subscribers.

Turk Telekom, Vodafone and Avea Interconnection Agreements

General

We have interconnection agreements with Turk Telekom, Vodafone, Avea and Fixed Telephony Service Operators whereby they allow us to connect our networks with theirs to enable the transmission of calls to and from our mobile communications system.

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

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

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

- set forth agreements between the parties relating to the location of exchanges;
- create obligations regarding network alterations;
- establish routing principles to govern how call traffic will be routed within a network and between the networks of the parties, including interconnection routing rules;
- provide for arrangements concerning capacity and expansion of capacity through new points of interconnection;
- mandate arrangements concerning the use of numbering to transmit calls in accordance with national and international practices;
- provide for periodic technical review meetings between the parties;
- permit each party to engage in testing of interconnection exchanges;
- address the consequences of transmission failures;
- create an obligation to cooperate in order to maximize overall quality of transmission of calls in accordance with international standards;
- deal with emergency calls, calling line identification and malicious call identification;
- assure the ability of a party to have access to the other party s premises where relevant equipment may be located (subject to appropriate protections);
- establish procedures to deal with network faults; and

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

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

We have ongoing disputes with Turk Telekom, Vodafone and Avea over these agreements and with the ICTA regarding its decision related to these agreements. See Item 8.A. Consolidated Statements and Other Financial Information Legal Proceedings .

Interconnection Rates Turkcell, Vodafone, Avea and Turk Telekom

In accordance with the relevant articles of the Electronic Communications Law and subsequent Access and Interconnection Ordinance, the ICTA regulated both fixed and mobile interconnection rates. In previous years, the interconnection rates have substantially decreased with the interventions of the ICTA.

Current interconnection rates are based on the ICTA s decision on the Interconnection Tariffs issued on February 10, 2010. The evolution of interconnection rates for voice calls between Turkcell, Vodafone, Avea, Turk Telecom and Alternative Fixed Line Operators is summarized in the table below.

	VOICE (Kurus)						
				TURK TELECOM			Alternative Fixed Line
	TURKCELL	**VODAFONE**	**AVEA**	**Local**	**Single**	**Double**	**Operators**
01/10/2004	15.60	15.60	15.60		4.10	5.90	
01/01/2005	14.80	14.80	14.80		3.40	5.10	
01/10/2005	14.00	14.00	14.00		2.00	3.70	
01/01/2007	14.00	15.20	17.50		2.00	3.70	
01/03/2007	13.60	14.50	16.70		1.89	3.00	
01/04/2008	9.10	9.50	11.20		1.71	2.70	
01/05/2009	6.55	6.75	7.75	1.39	1.71	2.70	
01/04/2010	3.13	3.23	3.70	1.39	1.71	2.24	3.2

* *In September 2011, the ICTA amended its regulation on mobile termination rates by removing the restriction on the rates applicable to calls originating from international operators. After reaching commercial agreements with Turk Telekom and alternative fixed-line carriers, we began to charge higher termination rates for international calls effective August 01, 2012.*

Effective July 2009, Turkcell is paid TRY 0.0170 per SMS (approximately $0.01 as of March 15, 2013) for SMS termination in its network. Respective rates for Vodafone are TRY 0.0173 per SMS (approximately $0.01 as of March 15, 2013) and for Avea 0.0187 (approximately $0.01 as of March 15, 2013).

Agreements Concluded with the Fixed Telecommunication Services Operators

Interconnection/Call Termination Agreements

Turkcell, as an operator holding significant market power , entered into interconnection/call termination agreements with fixed telecommunication service operators that applied to Turkcell for an agreement. Interconnection rates are regulated by the ICTA. Turkcell pays fixed-line operators TRY 0.0320 per minute (approximately $0.02 as of March 15, 2013) and fixed line operators pay Turkcell TRY 0.0313 per minute (approximately $0.02 as of March 15, 2013) for national voice call traffic.

International Transit Traffic Services Agreements

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

SMS Termination Agreements

During 2011, Turkcell entered into SMS Termination Agreements with operators who applied to Turkcell for an agreement. In accordance with the ICTA regulations on SMS Termination Rates in Turkcell s network, Fixed Telephony Service Operators pay Turkcell TRY 0.0170 per SMS (approximately $0.01 as of March 15, 2013).

MVNO Services

The ICTA has designated Turkcell as the operator having significant market power in the mobile access and call origination markets, which has implications such as mandatory MVNO access and cost-oriented call origination and termination rates. In its decision regarding the Reference Access Offer of Turkcell, dated February 5, 2013, the ICTA determined the call origination and termination fees for voice as TRY 0.0313 per minute (approximately $0.02 as of March 15, 2013), wholesale on-net voice call fee as TRY 0.0535 per minute (approximately $0.03 as of March 15, 2013), origination and termination fees for SMS as TRY 0.0170 per SMS (approximately $0.01 as of March 15, 2013) and wholesale on-net SMS fee as TRY 0.0291 (approximately $0.02 as of March 15, 2013) per SMS to be applied to the MVNOs.

Highly competitive market conditions and heavy tax burdens have discouraged potential MVNOs from entering the market for years. Nevertheless, commercial negotiations with some MVNO candidates are in progress and we expect to see some MVNO presence in the market in the coming years.

Agreements Concluded with Directory Service Providers

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

Agreements Concluded with Operators Licensed to Provide Satellite Services

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

Prospective Legislation and Regulations

The Electronic Communications Law provides that current telecommunications legislation shall be revised and amended. The revision and amending processes are still ongoing. However, during this period, all regulations and communiqués that were effective prior to the publication of the Electronic Communications Law will still be valid and binding, on the condition that they are not contrary to the provisions of the Electronic Communications Law.

4.C Organizational Structure

The following chart lists each of our key subsidiaries (including our ownership interest in Fintur) and our proportionate direct and indirect ownership interest as of March 15, 2013:

Notes:

(1) KCell is 51% owned by Fintur and 24% owned by TeliaSonera. The remaining shares are publicly traded.
(2) It was decided at the Board of Directors meeting held on October 31, 2012, to liquidate SurTur BV. The liquidation is in progress as of the date of this document.

For information on the country of incorporation of our key subsidiaries, see Item 4.B. Business Overview .

4.D Property, Plant and Equipment

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

The Group owns buildings in Istanbul Beyoglu (headquarters), Istanbul Maltepe, Istanbul Kartal, Istanbul Davutpasa, Istanbul Mahmutbey, Ankara Cinnah, Ankara Sogutozu, Ankara Baskent, Adana, Diyarbakir, Samsun, Izmir, Antalya, Trabzon, Bursa, Academy, Sisli, Van, Kayseri and Gaziantep.

In addition to the foregoing properties, we maintain one rented warehouse in Corlu.

Core Network Infrastructure

Our core network consists of standalone Home Location Registers (HLR), a combined Number Portability Switch Relay Function (SRF) and Number Portability Database and Signal Transfer Point (STP), Base

Station Controllers (BSC), Radio Network Controllers (RNC). The Core Network common for 2G and 3G radio networks and carries voice over IP, with combined Mobile Switch Centers/Visitor Location Registers (MSC/VLR), Media Gateways (MGW), Charging Control Node (CCN). Our core packet switching network consists of SGSNs (Serving GPRS Support Node) and GGSNs (Gateway GPRS Support Node) providing GPRS/EDGE, and HSPA/HSPA+ (High Speed Packet Access) capability for mobile packet traffic.

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

In addition, we own switch buildings in different cities in Turkey, such as Mahmutbey (Istanbul), Aydin, Balikesir, Denizli, Mugla, Bodrum, Izmit, Konya and Erzurum. Switch buildings are where the network switching equipment such as (MSCs), (MGW), (BSC) and (RNC) is locate

Access Network Infrastructure

Our Access Network consists of BTS and Node Bs located on rooftops or towers. BTSs are the fixed transmitter and receiver equipment in each cell, or coverage area of a single antenna, of a mobile communications network that communicates by radio signal with mobile telephones in the cell. In the same manner, Node Bs are radio signal transmitter and receiver equipment in each 3G cell, connected to and controlled by RNC in order to realize 3G and HSPA+ coverage for 3G /HSPA equipped mobile phones.

At the end of December 2012, we owned over 32,000 base stations and leased the land underlying such base stations.

In 2009, the ICTA resolved that operators may transfer the right of use of their towers to third parties. In accordance with this resolution, we transferred the right of use of 2,914 towers to Global Tower, including the towers that are determined as suitable for right of use transfer, to be used by Global Tower for the provision of its services to the wireless broadcast and communications industry in Turkey, 265 of which were removed from the network up until the end of 2012. As of December 31, 2012, Global Tower provided services to the industry with 2,822 masts and towers built by Global Tower and 2,334 towers transferred from Turkcell located throughout Turkey.

Transmission Network Infrastructure

Each BTS is connected to a BSC via our transmission network. Turkcell s Mobile Backhaul utilizes various transport technologies to provide for an efficient, resilient and cost effective transmission network. Connectivity between sites is provided using Microwave Radio Links and leased lines carried over Synchronous Digital Hierarchy (SDH) and Ethernet over Dense Wavelength Division Multiplexing (DWDM) where appropriate. Cell sites with site connectivity are mostly served by point-to-point microwave radio links owned and managed by Turkcell, make up more than 90% of our network. Interconnections with other Public Land Mobile Networks (PLMN), Public Switched Telephone Networks (PSTN), Long Distance Telephony Services (LDTS) and small operator companies are realized through leased lines connections. More than 80% of our Leased Line network connectivity is currently provided by our subsidiary Turkcell Superonline . The rest of the Leased Lines are provided by the incumbent Telekom operator Turk Telekom . With the growth of data usage and in preparation for LTE , fiber optic connectivity to cell cites has also become a part of our network topology. As a result the overall infrastructure capacity usage is fully optimized and a high grade of availability is achieved through topology resiliency and packet base IP Mobile Backhaul network infrastructure.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis of our management with regard to our financial condition and the results of our operations should be read together with the consolidated financial statements included in this annual report. In addition to historical information, the following discussion contains forward-looking statements based on current expectations that involve risks and uncertainties. Actual results and the timing of certain events may differ significantly from those projected in such forward-looking statements due to a number of factors, including those set forth in Item 3.D. Risk Factors and elsewhere in this annual report.

Overview of the Turkish Economy

2012 was a challenging year for global markets. Global growth has bottomed out in 2012 and the world is headed for a slow recovery. However, aggressive central bank actions and policy makers in the world have reduced financial stress and tail risks. The slowdown in Turkey s growth in 2012 is viewed positively, as Turkey has improved its external balances significantly and avoided a recession at the same time. Against this slowdown, Turkish economy grew uninterruptedly for twelve quarters in a row and grew by 2.2% in 2012. The GDP growth is expected to be at around 4.5% in 2013, driven by domestic demand.

The economic backdrop to 2013 is more favorable than it was a year ago. 2013 is likely to be another year of modest global growth, with sizeable divergences between regions and countries. The International Monetary Fund (IMF) expects that overall global growth will strengthen gradually from 3.2% in 2012 to 3.5% in 2013 and about 4.1% in 2014, a little below the long run average. 2013 will still be another challenging year, as developed countries continue to battle high debt levels and austerity. Although the fears of a Eurozone break-up have receded, a slow acceleration of U.S. economic activity, U.S. fiscal uncertainty, continued Eurozone recession, economic slowdown in the Indian and Chinese economies and political instability in the Middle East and North Africa (MENA) region make the global growth sluggish despite the support of emerging markets (EM). On the U.S. side, the Federal Reserve (FED) may signal and even commence its exit strategy in the second half of the year. Stronger economic data, especially from unemployment, may stop asset purchases known as Quantitative Easing (QE). In Europe, there are certainly more steps to be taken but the political commitment seems relatively solid for a much more tightly integrated Euro area. EM continue to be the key driving force for global economic growth.

The medium-term risks for the Turkish economy relate to the high current account deficit, lack of long-term quality financing and high credit growth. The policy framework, implemented by the Central Bank of the Republic of Turkey (CBRT), has helped dampen domestic demand and rebalance the economy. The current account deficit has narrowed significantly to an estimated 6.0% of GDP in 2012 from 9.9% in 2011. The current account deficit is expected to widen to a limited extent in 2013. However, a second investment grade rating (possibly from Moody s) should keep capital inflows abundant. If Turkey s strong growth is to be sustainable over the long term, high quality financing will be required.

2012 was not only a year of rebalancing but also a period of important achievements on the disinflation front. Inflation followed a downward path throughout the year and, at the end of the year, came down to the lowest level recorded in the last 44 years. Inflation ended in 2012 at 6.2% led by a decline in food prices. The latest CBRT expectation survey indicates that consumer inflation is expected to be 6.5% at the end of 2013. Excise tax hikes in early 2013 and the recovery in domestic demand are the main upside risks to the inflation outlook.

Since the end of 2010, the CBRT has designed and implemented a new policy framework which takes into account macro financial risks. Under the new strategy, monetary policy put special emphasis on containing the potential excessive volatility in domestic credit and exchange rates caused by capital flows. In this respect, credit growth was slowed down and the exchange rate was aligned closer with economic fundamentals since the end of 2010. Data releases throughout 2012 have revealed that the implemented policy mix has been effective. The composition of growth has displayed a healthier outlook, while the rebalancing process became more significant.

As the Syrian conflict continues with no immediate solution on the horizon, Turkey remains vulnerable to geopolitical risks. There is a risk that Syria s civil war could spiral beyond the country s borders. In 2013, the preparation of a new constitution will likely be the main local political focus. However, growing attacks by terrorists could slow the process of making the new constitution. Clashes in the southeast, unrest near the southern border (Syria) and tension in the Middle East region are the most important political risks in Turkey. Moreover, Turkey will enter an extended electoral period, with municipal elections in 2013, presidential elections in 2014 and parliamentary elections in 2015.

2012 proved to be a modest year for EM currencies, as developed market central banks continued accommodative monetary policies. On average, EM currencies appreciated in 2012, compared to losses in 2011. TRY had outperformed among most of the EM currencies in 2012, driven partly by the CBRT s tight liquidity policy and Fitch s investment grade credit rating. TRY appreciated about 5.6% against the USD in 2012. 2013 is likely to be another year of developed market central bank activism that could provide positive tailwinds for EM currency. However, the CBRT remains focused on financial stability and aims to dampen the appreciation pressure on the TRY to ensure the ongoing balanced economic growth.

Taxation Issues in the Telecommunications Sector

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

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

Special Communications Tax

The Turkish government imposed a special 25% communications tax on mobile telephone services as part of a series of new taxes levied to finance public works required to respond to the earthquakes that struck Turkey s Marmara region in 1999. This tax is paid by mobile users and collected by GSM operators.

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

Under Law No. 6322, effective July 1, 2012, new subscriptions for Machine to Machine (M2M) simcards is not subject to the special communication tax levied upon new subscriptions.

The special communications tax on new subscriptions was TRY 37 (equivalent to $20.4 as of March 15, 2013) and TRY 34.0 (equivalent to $18.8 as of March 15, 2013) in 2012 and 2011, respectively. As of January 1, 2013, the special communications tax on new subscriptions levied is TRY 39 (equivalent to $21.5 as of March 15, 2013). The tax has had a correlative negative impact on mobile usage.

Value Added Tax (VAT)

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

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

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

License and Annual Utilization Fees

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

The license fee is paid once on the subscription per subscriber. As of January 1, 2012, the license fee was TRY 14.56 (equivalent to $8.03 as of March 15, 2013). The license fee is paid to the government in equal installments, which is divided into the number of months remaining in the year. However, it is collected in 12 equal monthly installments. As of January 1, 2013, the license fee is TRY 15.68 (equivalent to $8.65 as of March 15, 2013).

The payment of the annual utilization fee to the government depends on whether a subscriber is postpaid or prepaid. For postpaid subscribers, the monthly utilization fee is TRY 1.31 (equivalent to $0.72 as of March 15, 2013), and is charged to subscribers monthly. For prepaid subscribers, the annual utilization fee is calculated by multiplying the number of registered prepaid subscribers at the previous year-end by the annual utilization fee and the calculated bulk annual utilization fee is paid by the GSM operators the following year on the last business day in February. We decided to collect utilization fees from some of our prepaid subscribers starting from June 2011.

Special Consumption Tax

The Special Consumption Tax (SCT) is a tax on prescribed goods, which includes mobile phones. The SCT is charged on mobile phones either when they are imported or when they are sold by Turkish manufacturers. The SCT rate on mobile phones (mobile phones are legally defined as transmitter/receiver cellular phones) was 20% prior to October 13, 2011, and the SCT calculated in accordance with the 20% rate must not fall below TRY 40 (equivalent to $22.1 as of March 15, 2013) per cellular phone device (Temporary Article 6 of Special Consumption Tax Code).

The SCT rates were raised on some motor vehicles, mobile phones, alcoholic beverages and tobacco products by a Decision of the Board of Ministers, which was published in the Official Gazette on October 13, 2011. The SCT rate over cellular phones was increased from 20% to 25% and the minimum SCT amount to be calculated was increased to TRY 100 (equivalent to $55.2 as of March 15, 2013) (previously the minimum SCT amount was TRY 40 (equivalent to $22.1 as of March 15, 2013)) effective from October 13, 2011.

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

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with IFRS as issued by the IASB. The preparation of these financial statements requires us to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements and for the period then ended. On an ongoing basis, we evaluate the estimates used. We base our estimates on historical experience, actuarial estimates, current conditions and various other assumptions that we believe to be reasonable under the circumstances. These estimates form the basis for making judgments about the carrying values of assets and liabilities and are not readily apparent from other sources. Actual results may differ from these estimates. Our critical accounting policies are disclosed in Note 3 (Significant Accounting Policies) to our consolidated financial statements in this Form 20 F.

5.A Operating Results

Our audited consolidated financial statements as of December 31, 2012 and December 31, 2011 and for each of the years in the three-year period ended December 31, 2012 included in this annual report have been prepared in accordance with IFRS as issued by the IASB.

Overview of Business

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

Under our 2G License, we pay the Undersecretariat of the Treasury (the Turkish Treasury) a monthly treasury share equal to 15% of our gross revenue. Of such fee, 10% is paid to the Ministry of Transport, Maritime Affairs and Communications of Turkey (Turkish Ministry) for the universal service fund. Based on a law enacted on July 3, 2005 concerning the regulation of privatization, the gross revenue description used for the calculation of the treasury share and universal service fund was changed. According to such regulation, accrued interest charged for late collections, indirect taxes such as VAT, and other expenses are excluded from the description of gross revenue. In light of such changes, we applied to the ICTA to revise the related articles of the amended agreement and completed certain necessary procedures. The Council of State, the highest administrative court, approved the agreement on March 10, 2006. The resulting definition of gross revenue for the treasury share has been effective since March 10, 2006.

We believe that the build-out of our network in Turkey is substantially completed. As of December 31, 2012, our network covered 100% of Turkish cities with a population of 1,000 or more and the majority of Turkey s tourist areas and principal intercity highways (according to the Turkish Statistical Institute 2010 Census). We currently meet the coverage requirements of our 2G license in all material respects.

In accordance with our 3G license agreement, we are required to cover the population within the borders of all metropolitan municipalities and within the borders of all cities and municipalities in three and six years, respectively. Moreover, we are required to cover the population in all settlement areas with a population higher than 5,000 and 1,000 in eight and ten years, respectively, following the date of the agreement. As of December 31, 2012, we had reached 84.02% population coverage (based on the decision of the ICTA numbered 2012/DK-12/180 and dated April 25, 2012).

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

Our subscriber base has grown substantially since we began operations in 1994. At year-end 1994, we had 63,500 subscribers. By year-end 2012, that number had grown to 69.2 million.

According to the ICTA s announcements, there were 67.7 million GSM lines in the Turkish GSM market as of December 31, 2012. In addition, the penetration rate in such market was 90% as of December 31, 2012. Despite the increasingly competitive environment, we sustained our leading market position with a market share of 52% for the year ended December 31, 2012, according to the ICTA s announcements. We increased our postpaid subscriber base from 34% in 2011 to 38% in 2012 due to our focus on value. On the channel front, we made revisions to our existing subdealer network and the commission structure to increase the availability of the Turkcell brand. As of December 31, 2012, we had 21.9 million prepaid and 13.2 million postpaid subscribers in our Turkish GSM network. We recorded the highest usage levels since 2001. Our average MoU in Turkey increased 14% to 243.3 minutes in 2012 from 213.8 minutes in 2011, as a result of our successful campaigns. Our average revenue per user in Turkey decreased to $11.6 in 2012 from $11.9 in 2011 mainly arising from the depreciation of the TRY against the USD. In TRY terms, ARPU increased to TRY 20.9 in 2012 compared to TRY 19.8 in 2011. Despite the intensifying challenges in the macroeconomic, competitive and regulatory environment, we have increased our average revenue per user metric in Turkey mainly due to higher voice and mobile internet usage and an increase in the postpaid subscriber base.

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

Churn rate is the percentage calculated by dividing the total number of subscriber disconnections during a period by the average number of subscribers for the same period. For these purposes, we define average number of subscribers as the number of subscribers at the beginning of the period plus one half of the total number of gross subscribers acquired during the period. Churn refers to subscribers that are both voluntarily and involuntarily disconnected from our network. Our churn rate for operations in Turkey was 27.1% for the year ended December 31, 2012, compared to 27.9% for the year ended December 31, 2011. Our churn rate decreased 0.8 percentage points.

We have an allowance for doubtful receivables in our consolidated financial statements for non-payments and disconnections that amounted to $392.9 million and $327.4 million as of December 31, 2012 and 2011 respectively, which we believe is adequate. The main reason for the increase in allowance for doubtful receivables is an increase in the postpaid subscriber base and increased handset bundled offers. The allowance for doubtful receivable in USD terms also increased with the appreciation of TRY against the USD. In TRY terms, allowance for doubtful receivables increased by 13.2%.

International and Other Domestic Operations

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

Revenues

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

In previous periods, disagreements existed between us and the other mobile communications operators regarding the revision of the pricing terms of the interconnection agreements. In addition, there is a disagreement with Turk Telekom about international calls. See Item 8.A. Consolidated Statements and Other Financial Information Legal Proceedings and Note 33 to our Consolidated Financial Statements in this Form 20-F.

Operating Costs

Direct Cost of Revenues

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

Administrative Expenses

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

Selling and Marketing

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

Results of Operations

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

	For the years ended December 31,		
	2012	**2011**	**2010**
(in $ millions)			
Revenues	5,865.8	5,609.7	5,982.1
Direct cost of revenues	(3,622.3)	(3,528.9)	(3,349.0)
Gross Profit	**2,243.5**	**2,080.8**	**2,633.1**
Administrative expenses	(270.5)	(246.5)	(347.3)
Selling and marketing expenses	(953.2)	(1,010.6)	(1,085.8)
Other income/(expense)	(58.8)	(128.7)	(49.5)
Results from operating activities	**961.0**	**695.0**	**1,150.5**
Finance costs	(125.5)	(289.7)	(102.6)
Finance income	386.1	330.3	277.1
Net finance income/(costs)	**260.6**	**40.6**	**174.5**
Monetary gain	95.3	144.8	
Share of profit of equity accounted investees	121.7	136.9	122.8
Profit before income taxes	**1,438.6**	**1,017.3**	**1,447.8**
Income tax expense	(291.5)	(292.2)	(320.8)
Profit for the year	**1,147.1**	**725.1**	**1,127.0**
Attributable to:			
Equity holders of the Company	1,158.8	751.7	1,170.2
Non-controlling interest	(11.7)	(26.6)	(43.2)
Profit for the year	**1,147.1**	**725.1**	**1,127.0**

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

	For the years ended December 31, 2012	2011	2010
Statement of Operations Data (% of revenue)			
Revenues			
Communication fees	91.6	93.2	94.8
Commission fees and revenue on betting business	1.5	0.9	0.5
Other revenue	6.9	5.9	4.7
Total revenue	100.0	100.0	100.0
Direct cost of revenues	(61.8)	(62.9)	(56.0)
Gross margin	38.2	37.1	44.0
Administrative expense	(4.6)	(4.4)	(5.8)
Selling and marketing expenses	(16.3)	(18.0)	(18.2)
Other operating income/(expense)	(1.0)	(2.3)	(0.8)
Results from operating activities	16.4	12.4	19.2

Segment Overview

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

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

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

(in $ million)	Turkcell 2012	Euroasia 2012	Belarusian Telecom 2012	Other 2012	Total 2012
Total external revenues	4,844.9	402.2	62.2	556.6	5,865.8
Intersegment revenue	24.8	3.3	0.1	402.5	430.6
Reportable segment adjusted EBITDA	1,511.5	114.4	(5.4)	213.7	1,834.3
Finance income	369.2	2.5	0.6	57.6	429.8
Finance cost	(55.7)	(56.7)	(66.2)	(36.6)	(215.1)
Monetary gain			95.3	0.0	95.3
Depreciation and amortization	(506.2)	(116.9)	(46.3)	(137.4)	(806.8)
Share of profit of equity accounted investees				121.7	121.7
Other material non-cash items:					
Bad debt expense	55.9	0.2	1.8	4.5	62.4
Impairment on equity accounted investees				40.3	40.3

(in $ million)	Turkcell 2011	Euroasia 2011	Belarusian Telecom 2011	Other 2011	Total 2011
Total external revenues	4,805.5	364.5	47.9	391.8	5,609.7
Intersegment revenue	13.0	4.3	0.1	414.3	431.7
Reportable segment adjusted EBITDA	1,507.8	94.2	(12.2)	190.9	1,780.7
Finance income	283.0	0.7	15.5	59.0	358.2
Finance cost	108.9	(56.3)	(283.9)	(160.0)	(391.3)
Monetary gain/(loss)			144.8		144.8
Depreciation and amortization	(485.8)	(116.5)	(224.5)	(111.3)	(938.1)
Share of profit of equity accounted investees				136.9	136.9
Other material non-cash items:					
Impairment on goodwill			53.0		53.0
Bad debt expense	28.4	0.4	1.0	1.6	31.4
Impairment on equity accounted investees				15.8	15.8

(in $ million)	Turkcell 2010	Euroasia 2010	Belarusian Telecom 2010	Other 2010	Total 2010
Total external revenues	5,294.1	334.0	48.9	305.1	5,982.1
Intersegment revenue	14.7	5.3	0.1	386.3	406.4
Reportable segment adjusted EBITDA	1,751.1	64.5	(32.6)	213.6	1,996.6
Finance income	255.4	0.8	0.8	60.1	317.1
Finance cost	(34.6)	(44.0)	(28.5)	(66.1)	(173.2)
Depreciation and amortization	(474.7)	(120.4)	(80.8)	(92.1)	(768.0)
Share of profit of equity accounted investees				122.8	122.8
Other material non-cash items:					
Impairment on goodwill			23.5		23.5
Bad debt expense	122.7	(1.3)	0.4	4.5	126.3

Turkcell

2012 compared to 2011

Total revenues generated by Turkcell slightly increased 1.1%, to $4,869.7 million in 2012 from $4,818.5 million in 2011, mainly due to an increase in voice revenues and mobile broadband and services revenues partially netted off with the 7.3% depreciation, on average, of the TRY against the USD. On a TRY basis, total revenues increased 8.6% mainly due to 6% growth in voice revenues and 17% growth in mobile broadband and services revenues. For a more detailed discussion of the factors affecting our revenues, please See Item 4.B. Business Overview Regulation of the Turkish Telecommunications Industry and Item 5.D. Trend Information .

Turkcell s EBITDA slightly increased 0.2% to $1,511.5 million in 2012 from $1,507.8 million in 2011. On a TRY basis, EBITDA increased 7.8%, primarily due to an increase in revenues and a decrease in selling and marketing expense, which was partially offset by an increase in direct cost of revenues and administrative expenses. The decrease in selling and marketing expense mainly resulted from a decrease in prepaid frequency usage fee and selling expenses. The increase in the direct cost of revenues mainly resulted from an increase in interconnect costs arising from an increase in off-net airtime; together with higher fixed network costs and wages and salaries expenses. The increase in administrative expenses mainly resulted from an increase in bad debt expenses.

Net finance income decreased 20.0% from $391.9 million in 2011 to $313.5 million in 2012. On a TRY basis, net finance income also decreased 15.6% mainly due to a change in foreign exchange gain/(loss), which was partially offset by an increase in interest income. 5.6% appreciation of the TRY against the USD in 2012, as opposed to the 22.2% depreciation of the TRY against the USD in 2011, has a negative impact on net finance income since Turkcell has a long position. Interest income on time deposits increased due to an increase in the cash balance and an increase in interest rates.

Depreciation expense increased 4.2% from $485.8 million in 2011 to $506.2 million in 2012. On a TRY basis, depreciation expense also increased by 11.8%.

2011 compared to 2010

Total revenues generated by Turkcell decreased 9.2%, to $4,818.5 million in 2011 from $5,308.8 million in 2010, mainly due to the 11.0% depreciation, on average, of the TRY against the USD. However, on a TRY basis, total revenues slightly increased 0.5% mainly due to growth in mobile internet and services revenues and interconnect revenues due to increased incoming minutes which were offset by a decrease in outgoing voice revenues due to the negative impact of regulatory changes effective from April 1, 2010 and declining prices in the Turkish mobile market. For a more detailed discussion of the factors affecting our revenues, please See Item 4.B. Business Overview Regulation of the Turkish Telecommunications Industry and Item 5.D. Trend Information .

Turkcell s EBITDA deteriorated 13.9%, to $1,507.8 million in 2011 from $1,751.1 million in 2010. On a TRY basis, EBITDA deteriorated 6.2%, primarily due to an increase in the direct cost of revenues which was partially offset by a decrease in administrative expenses. The increase in the direct cost of revenues mainly resulted from an increase in interconnect costs arising from an increase in off-net airtime, together with higher fixed network costs and wages and salaries expenses.

Net finance income increased 77.5%, from $220.8 million in 2010 to $391.9 million in 2011. On a TRY basis, net finance income also increased 99.5% mainly due to an increase in interest income resulting primarily from increased interest income on time deposits due to an increase in the cash balance including time deposits with maturity of more than 3 months. Change in foreign exchange gain/(loss) due to the 22.2% depreciation of the TRY against the USD in 2011, as opposed to the 2.7% depreciation of the TRY against the USD in 2010, also has a positive impact on improvement of net finance income since Turkcell has a long position.

Depreciation expense increased 2.3% from $474.7 million in 2010 to $485.8 million in 2011. On a TRY basis, depreciation expense also increased by 13.6%.

Euroasia

2012 compared to 2011

Astelit, in which we hold a 55.0% stake through Euroasia, has operated in Ukraine since February 2005 under the brand life:) . Since its inception in February 2005, Astelit has worked on establishing network coverage to provide high quality services in Ukraine. Astelit s subscriber base increased 14.4% from 9.7 million at the end of December 31, 2011 to 11.1 million at the end of December 31, 2012. Euroasia s segment revenue increased 9.9%, from $368.8 million in 2011 to $405.4 million in 2012. Euroasia s segment revenue increased by 10.2% on an original currency basis mainly stemming from the subscriber base expansion and higher mobile internet and other value-added service revenues.

Euroasia s EBITDA increased 21.4% to reach $114.4 million in 2012 from $94.2 million in 2011. As a percentage of revenues, EBITDA increased 2.7 percentage points to 28.2% in 2012 from 25.5% in 2011. Improvement in EBITDA mainly resulted from an efficient approach to marketing expenses, as well as other cost-control initiatives conducted by Euroasia which resulted in lower marketing and general administrative expenses both in nominal terms and as a percentage of revenues on an original currency basis.

Net finance cost decreased 2.5%, from a $55.6 million loss in 2011 to a $54.2 million loss in 2012, mainly due to an increase in interest income and a decrease in foreign exchange loss as a result of almost no change in Ukrainian Hryvnia against the U.S. Dollar in 2012, as opposed to 0.4% depreciation of the local currency against the U.S. Dollar in 2011, since Euroasia has a short position.

2011 compared to 2010

Astelit s subscriber base increased 6.6% from 9.1 million at the end of December 31, 2010 to 9.7 million at the end of December 31, 2011. Euroasia s segment revenue increased 8.7%, from $339.3 million in 2010 to $368.8 million in 2011. Euroasia s segment revenue increased by 9.2% on an original currency basis mainly stemming from the growth in the subscriber base as well as growth in mobile internet usage and roaming revenues.

Euroasia s EBITDA increased 46.0% to reach $94.2 million in 2011 from $64.5 million in 2010. As a percentage of revenues, EBITDA increased 6.5 percentage points to 25.5% in 2011 from 19.0% in 2010. Improvement in EBITDA mainly resulted from an efficient approach to marketing and selling expenses, as well as other cost-control initiatives conducted by Euroasia which resulted in lower selling and marketing expenses both in nominal terms and as a percentage of revenues on an original currency basis.

Net finance cost increased 28.7%, from a $43.2 million loss in 2010 to a $55.6 million loss in 2011, mainly due to higher loan interest expenses and deterioration in foreign exchange gain/loss as a result of the 0.4% depreciation of the Ukrainian Hryvnia against the U.S. Dollar in 2011, as opposed to 0.3% appreciation of the local currency against the U.S. Dollar in 2010, since Euroasia has a short position.

Belarusian Telecom

2012 compared to 2011

In 2012, Belarusian Telecom s subscriber base decreased 38.9% from 1.8 million in 2011 to 1.1 million people in line with Belarusian Telecom s churn policy and value focus approach. Belarusian Telecom s segment revenues increased 29.6% from $48.0 million in 2011 to $62.2 million in 2012. Belarusian Telecom s segment revenues increased by 33.1% on an original currency basis.

Belarusian Telecom s EBITDA improved 55.7% from a $12.2 million loss in 2011 to a $5.4 million loss in 2012. On an original currency basis, Belarusian Telecom s EBITDA improved as well due to an increase in revenues partially netted off with an increase in direct cost of revenues and selling and marketing expenses.

Net finance cost decreased 75.6% to a $65.6 million loss in 2012 from a $268.4 million loss in 2011, mainly due to a decrease in foreign exchange loss as a result of the devaluation of the Belarusian Ruble against the U.S. Dollar in 2011 by 178.3%, while the Belarusian Ruble only depreciated 2.6% in 2012.

As at December 31, 2012, an impairment test was performed for Belarusian Telecom and an after tax impairment in the amount of $5.1 million was calculated for the cash-generating unit, allocated to the fixed assets of the cash-generating unit on a pro-rata basis based on the carrying amount of each asset in the cash-generating unit and included in the depreciation expense. The tax effect of the long-lived asset impairment of $1.7 million is included in the deferred taxation benefit.

2011 compared to 2010

In 2011, Belarusian Telecom s subscriber base grew 20%, reaching 1.8 million people, compared to 1.5 million in 2010, and as a result, Belarusian Telecom s segment revenue increased on a constant U.S. dollar basis. However, Belarusian Telecom s segment revenues decreased 2.1% from $49.0 million in 2010 to $48.0 million in 2010 due to the 69.1% devaluation of Belarusian Ruble in 2011, on average.

Belarusian Telecom s EBITDA improved 62.6% from a $32.6 million loss in 2010 to a $12.2 million loss in 2011. On an original currency basis, Belarusian Telecom s EBITDA improved as well due to a decrease in direct cost of revenues, general administrative expenses and selling and marketing expenses as a percentage of revenues which resulted from a higher increase in revenues when compared with the increase in these operational costs.

Net finance cost increased 869.0% to a $268.4 million loss in 2011 from a $27.7 million loss in 2010, mainly due to deterioration in foreign exchange loss as a result of the devaluation of the Belarusian Ruble against the U.S. Dollar in 2011 by 178.3%, while the Belarusian Ruble only depreciated 4.8% in 2010.

As at December 31, 2011, an impairment test was performed for Belarusian Telecom and an after-tax impairment in the amount of $206.0 million was calculated for the cash-generating unit, mainly due to adverse performance against previous plans resulting from the deteriorated economic environment in Belarus since the second quarter of 2011, and due to the increase in the carrying amount of Belarus operations resulting from inflation accounting, as Belarus was recognized as being a hyperinflationary economy within the context of IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29), as per the decision taken in the fourth quarter of 2011. The aggregate carrying amount of goodwill arising from the acquisition of Belarusian Telecom was impaired by $53.0 million and is included in other expenses. The remaining impairment amounting to $169.3 million was allocated to the fixed assets of the cash-generating unit on a pro-rata basis based on the carrying amount of each asset in the cash-generating unit and is included in the depreciation expense. The tax effect of the long-lived asset impairment of $16.3 million is included in the deferred taxation benefit.

Year Ended December 31, 2012 Compared to the Year Ended December 31, 2011

We had 35.1 million GSM subscribers in Turkey, including 21.9 million prepaid subscribers, as of December 31, 2012, compared to 34.5 million GSM subscribers in Turkey, with 22.9 million prepaid subscribers, as of December 31, 2011. During 2012, we recorded positive net additions of 0.6 million Turkish GSM subscribers.

In Ukraine, we had 11.1 million and 9.7 million subscribers as of December 31, 2012 and 2011, respectively. During 2012, we gained approximately 1.4 million new Ukrainian GSM subscribers. This was primarily due to positive returns on the regional growth strategy.

Revenues

Total revenues for the year ended December 31, 2012 increased 4.6% to $5,865.8 million, from $5,609.7 million in 2011. On a TRY basis, our revenues increased 12.1% compared to 2011, mainly due to a 6% growth in Turkcell Turkey s voice revenues and a 17% growth in Turkcell Turkey s mobile broadband and services revenues, as well as a higher contribution from our subsidiaries, particularly through Turkcell Superonline and Astelit.

Revenues from communication fees for the year ended December 31, 2012 increased 2.8% to $5,374.0 million, from $5,225.4 million in 2011. Our revenues from communication fees increased 10.3% on a TRY basis due to the growth in mobile internet and service revenues together with the increase in interconnect revenues due to the increase in incoming airtime and the increase in outgoing revenues due to an increase in outgoing airtime. Communication fees consist of revenues from postpaid and prepaid subscribers, interconnect revenues and roaming revenues. In Turkey, postpaid revenue increased significantly whereas prepaid revenue increased slightly compared to 2011. Postpaid subscriber usage is generally higher than prepaid subscriber. In Turkey, during 2012, we maintained our focus on the postpaid segment, with newly launched campaigns and offers, increased data lines, increased penetration of smartphones and promotions to switch customers from the prepaid to the postpaid segment. We focus on postpaid subscribers because there is, in general, higher average revenue per postpaid subscriber and a lower churn rate. In 2012, postpaid average revenue per user was TRY 37.7 whereas prepaid average revenue per user was TRY 11.5. These figures indicate that postpaid average revenue per user is approximately 3.3 times the prepaid average revenue per user. Therefore, the increase in the number of postpaid subscribers has a positive effect on blended average revenue per user.

Commission fees and revenue on betting business increased to $89.0 million for the year ended December 31, 2012, from $51.4 million for the year ended December 31, 2011. On a TRY basis, commission fees and revenue on betting business increased 83.9%. This increase was primarily due to the increase in betting turnover in Turkey and revenue on betting business generated in Azerbaijan.

Monthly fixed fees revenue decreased 19.7% to $50.6 million for the year ended December 31, 2012, compared to $63.0 million for the year ended December 31, 2011. On a TRY basis, monthly fixed fees revenue decreased 13.2% mainly due to the increased usage of packages which do not include monthly fixed fees.

Direct cost of revenues

Direct cost of revenues, including depreciation and amortization, increased 2.6% to $3,622.3 million in 2012 from $3,528.9 million for the year ended December 31, 2011. On a TRY basis, direct cost of revenues increased 9.0% compared to 2011, due to an increase in interconnect costs, network related expenses and wages and salaries.

Treasury shares and universal funds paid to the Turkish Treasury and Ministry of Transport, Maritime Affairs and Communications (Turkish Ministry) decreased 0.7%, from $772.4 million for the year ended December 31, 2011 to $767.0 million in 2012. However, they increased 6.6% on a TRY basis lower than the increase in revenues due to increased contribution of subsidiaries to revenues.

Depreciation and amortization charges (including impairment charges) decreased 14.7%, from $924.4 million for the year ended December 31, 2011 to $788.6 million in 2012, while on a TRY basis depreciation and amortization charges decreased 11.4%, mainly due to a significant decrease in the impact of inflation accounting in Belarus and the impairment impact recognized for Belarusian operations. The amortization expense for our GSM license and other telecommunication operating licenses was $57.5 million and $66.0 million for the years ended December 31, 2012 and 2011, respectively.

Interconnection and termination costs increased 21.6% to $768.1 million in 2012 from $631.7 million for the year ended December 31, 2011. They increased 29.9% on a TRY basis due to a significant increase in off-net traffic.

Transmission costs, site costs and maintenance costs decreased approximately 12.4%, from $148.0 million for the year ended December 31, 2011 to $129.7 million in 2012. On a TRY basis, these costs decreased 6.4%, mainly resulting from the decrease in the leased lines from Turk Telekom, partially netted off with the increase in Turk Telekom tariffs with the reduction in volume based discount rates effective January 1, 2012. Furthermore, uncapitalizable radio costs and expenses increased 9.4%, from $349.8 million for the year ended December 31, 2011 to $382.8 million in 2012. Radio costs increased 16.4% on a TRY basis mainly due to the increase in the number of radio base stations and increase in energy prices.

Wages, salaries and personnel expenses for technical personnel increased 14.4% to $315.4 million in 2012 from $275.8 million for the year ended December 31, 2011. They increased 22.6% on a TRY basis mainly due to the periodic increase in wages and salaries.

Roaming expenses remained almost stable at $47.5 million in 2012 compared to $47.9 million for the year ended December 31, 2011. On a TRY basis they increased 5.7% mainly due to an increase in roaming durations between international operators and Turkcell; partially netted off with the decrease in roaming tariffs.

As a percentage of revenues, direct cost of revenues decreased 1.1 percentage points to 61.8% in 2012, from 62.9% in 2011, mainly due to decreases in depreciation and amortization expenses 3.0 pp and other items 0.4 pp as opposed to an increase in interconnection and termination expenses 1.8 pp wages and salaries 0.5 pp as a percentage of revenues.

Gross profit margin increased 1.1 percentage points to 38.2% in 2012 from 37.1% in 2011.

Administrative expenses

General and administrative expenses increased 9.7%, to $270.5 million in 2012 from $246.5 million in 2011. On a TRY basis, these expenses increased 17.8%, mainly due to an increase in bad debt expenses resulting from the increase in the postpaid subscriber base and increased handset bundled offers, together with the increase in wages and salary expenses arising from periodic increases in such figures. As a percentage of revenues, general and administrative expenses increased to 4.6% for the year ended December 31, 2012, from 4.4% in 2011.

Wages, salaries and personnel expenses for non-technical and non-marketing employees increased 1.4%, to $99.5 million in 2012 from $98.1 million for the year ended December 31, 2011. On a TRY basis, they increased 8.2%, primarily due to periodic increases in wages.

Bad debt expenses increased 98.7% to $62.4 million in 2012 from $31.4 million for the year ended December 31, 2011. On a TRY basis, bad debt expense increased 118.4%, mainly due to an increase in the postpaid subscriber base and increased handset bundled offers. We provided an allowance of $392.9 million and $327.4 million for doubtful receivables for the years ended December 31, 2012 and 2011, respectively, depending on the likelihood of recoverability of trade and other receivables based on the aging of the balances, historical collection trends and general economic conditions.

Other administrative expenses, including collection and consulting expenses, decreased 7.2% to $108.6 million in 2012 from $117.0 million for the year ended December 31, 2011 mainly due to the 7.3% depreciation, on average, of the TRY against the USD. On a TRY basis, other administrative expenses remained almost stable.

Selling and marketing expenses

Selling and marketing expenses decreased 5.7% to $953.2 million in 2012 from $1,010.6 million for the year ended December 31, 2011. However, on a TRY basis, they increased 1.2%, primarily due to higher selling and marketing expenses together with higher wages and salary expenses partially netted off with a decrease in frequency usage fees paid for prepaid subscribers. As a percentage of revenues, selling and marketing expenses decreased from 18.0% for the year ended December 31, 2011 to 16.3% for the year ended December 31, 2012.

Selling expenses, which consist of distributor support, dealer support, and other selling expenses, decreased 1.5%, to $409.2 million for 2012 from $415.6 million for 2011. On a TRY basis, selling expenses increased 5.3%, mainly due to an increase in distributor supports resulting from an increase in dealer and distributor support.

Total marketing expenses, which consist of advertising, market research, sponsorships expenses and customer relations expenses, decreased 4.6%, to $264.9 million in 2012 from $277.6 million for the year ended December 31, 2011. On a TRY basis, marketing expenses increased 2.3% mainly due to an increase in mobile services revenues.

Prepaid subscribers frequency usage fee expenses decreased 39.8%, to $66.8 million in 2012 from $111.0 million for the year ended December 31, 2011. On a TRY basis, these expenses decreased 33.4%, mainly as a result of the positive impact of the frequency fee charged to some of the prepaid subscribers starting from June 2011 partially netted off with the increase in prepaid frequency usage fee paid arising from the increase in tariffs while the prepaid subscriber base decreased.

Wages, salaries and personnel expenses for selling and marketing employees increased 9.0%, to $154.5 million in 2012 from $141.7 million for the year ended December 31, 2011. On a TRY basis, these expenses increased 16.9%, due to an increase in the number of employees and periodic increase in wages and salaries.

Other operating income/(expense)

Other net operating expenses decreased to $58.8 million in 2012 from $128.7 million in 2011, mainly due to a decrease in impairment charges recognized on our investments together with the decrease in legal penalties incurred in 2012.

Other expenses for the year ended December 31, 2012 are mainly comprised of: an impairment charge recognized on our investments in A-Tel amounting to $40.3 million due to the annulment of the service provider and distribution agreement with A-Tel via notification dated January 31, 2012, which was effective August 1, 2012; the carrying amount of A-Tel in our consolidated financial statements is decreased to our share on the net assets of A-Tel as at December 31, 2012. Additionally, we accrued a provision before tax effect amounting to $19.3 million and recognized the provision in other expense as explained in Note 15 and 34 (Investments in equity accounted investees and Related parties) to our Consolidated Financial Statements in this Form 20-F. Other expenses also includes payments and provisions for the penalties imposed by the ICTA for not complying with the aforementioned and relevant regulations, as explained in Note 33 (Commitments and Contingencies, Legal Proceedings) to our Consolidated Financial Statements in this Form 20-F, amounting to $6.4 million.

Results from operating activities

Results from operating activities increased to $961.0 million in 2012 from $695.0 million for the year ended December 31, 2011. As a percentage of revenues, results from operating activities increased from 12.4% in 2011 to 16.4% in 2012 mainly due to a decrease in selling and marketing expenses, in the direct cost of revenues and other operating income/(expense) as a percentage of revenues.

Net financial income/(costs)

Net financial income increased $260.6 million in 2012 from $40.6 million in 2011, due to a decrease in financial expenses from $289.7 million in 2011 to $125.5 million in 2012, mainly arising from a lower foreign exchange loss and an increase in finance income from $330.3 million in 2011 to $386.1 million in 2012. On a TRY basis, net financial income increased to TRY 467.5 million in 2012 from TRY 17.3 million in 2011.

Finance income increased 16.9% to $386.1 million in 2012 from $330.3 million for the year ended December 31, 2011. On a TRY basis, it increased 26.8% due to an increase in interest income on time deposits resulting from the increase in cash balance including time deposits and an increase in interest rates.

Finance cost decreased 56.7% to $125.5 million in 2012 from $289.7 million for the year ended December 31, 2011. On a TRY basis, it decreased 57.6%, mainly due to lower foreign exchange loss, which decreased from a $202.7 million loss in 2011 to a $2.4 million loss in 2012 mainly due to the absence of devaluation recognized in the Belarusian Ruble against the U.S. Dollar in 2011. Foreign exchange losses in 2012 and 2011 are mainly attributable to our net foreign exchange position.

Monetary gain

Monetary gain which we recognize from our Belarusian operations decreased 2.6% in 2012, to $95.3 million from $144.8 million in 2011. The economic environment in Belarus deteriorated significantly starting from the second quarter of 2011. The cumulative inflation in the last three years exceeded 100%. As a result, Belarus was considered a hyperinflationary economy. As a consequence, the accounting rules for Reporting in hyperinflationary economies were applied to our Belarusian operations for the years ending December 31, 2012 and 2011. With respect to this, monetary gain is recorded as a result of the effect of general inflation and calculated as the difference resulting from the restatement of non-monetary assets, equity and statement of income items.

Share of profit of equity accounted investees

Our share of profit of equity accounted investees decreased 11.1% in 2012 to $121.7 million from $136.9 million for 2011, mainly due to a lower net income contribution from Fintur.

We have eliminated A-Tel s revenue that is generated from services rendered to us to the extent of our share in A-Tel, with corresponding elimination from selling and marketing expenses in our consolidated financial statements. This consolidation elimination had a negative impact on the share of profit of the equity accounted investees line.

Since the service provider and distribution agreement with A-Tel was annulled via notification dated January 31, 2012, which was effective August 1, 2012, the carrying amount of A-Tel in our consolidated financial statements is decreased to our share on the net assets of A-Tel as at December 31, 2012. Additionally, we accrued a provision before tax effect amounting to $19.3 million and recognized in other expenses explained in Note 15 and 34 (Investments in equity accounted investees and Related parties) to our Consolidated Financial Statements in this Form 20-F.

Furthermore SDIF, holding 50% of A-Tel, filed a lawsuit as detailed in Note 33 (Commitments and Contingencies, Dispute on termination of agreements with A-Tel) to our Consolidated Financial Statements in this Form 20-F. The lawsuit is pending.

Income tax expense

Income tax expense decreased 0.2% in 2012 to $291.5 million from $292.2 million in 2011. On a TRY basis, income tax expense increased 7.7%.

The effective tax rate was 20.3% and 28.7% for the years ended December 31, 2012 and 2011, respectively.

Our domestic tax rate is 20%. Differences between the effective tax rate and our domestic tax rate include, but are not limited to, the effect of allowance for deferred tax assets, tax rates in foreign jurisdictions, tax exempt income and non-deductible expenses.

Non-controlling interests

Non-controlling interests in the net profit of our consolidated subsidiaries is classified separately in the consolidated financial statements of operations under non-controlling interests . Non-controlling interests decreased to a $11.7 million gain for the year ended December 31, 2012, compared to a $26.6 million gain for 2011.

Non-controlling interest gain from Euroasia s net loss amounting to $56.1 million in 2012 is $25.2 million for the year ended December 31, 2012, whereas the non-controlling interest gain from Euroasia s net loss amounting to $75.8 million in 2011 is $34.1 million. In addition, net profit generated by Inteltek for the years ended December 31, 2012 and 2011 resulted in a loss from non-controlling interests of approximately $13.0 million and $9.6 million, respectively.

Profit for the year attributable to equity holders of the Company

Profit for the year attributable to equity holders of the Company increased from $751.7 million in 2011 to $1,158.8 million in 2012. Profit for the period attributable to equity holders of the Company also increased on a TRY basis by 76.5%. This was mostly due to improvement in operating profit arising from an increase in revenues which partially netted off with the increase in operational expenses, together with the improvement in net finance income and a decrease in impairment charges on our investments in Belarusian Telecom.

Year Ended December 31, 2011 Compared to the Year Ended December 31, 2010

We had 34.5 million GSM subscribers in Turkey, including 22.9 million prepaid subscribers, as of December 31, 2011, compared to 33.5 million GSM subscribers in Turkey, with 23.3 million prepaid subscribers, as of December 31, 2010. During 2011, we recorded positive net additions of 1.1 million Turkish GSM subscribers.

In Ukraine, we had 9.7 million and 9.1 million subscribers as of December 31, 2011 and 2010, respectively. During 2011, we gained approximately 0.6 million new Ukrainian GSM subscribers. This was primarily due to the positive returns on the regional growth strategy aimed at new acquisitions and expansion of the subscriber base.

Revenues

Total revenues for the year ended December 31, 2011 decreased 6.2% to $5,609.7 million, from $5,982.1 million in 2010, mainly due to the 11.0% depreciation, on average, of the TRY against the USD. On a TRY basis, our revenues increased 4.1% compared to 2010, mainly due to 20.1% growth in Turkcell s mobile internet and services revenues, as well as 32.3% higher contribution from our subsidiaries, particularly through Turkcell Superonline and Astelit. Additionally, in 2011, our interconnect revenues increased significantly, mainly due to the increase in incoming airtime, which led to an improvement in the percentage of interconnection revenues in our revenues, whereas our outgoing revenues decreased due to the negative impact of regulatory changes effective from April 1, 2010, and declining prices in the Turkish mobile market.

Revenues from communication fees for the year ended December 31, 2011 decreased 7.8% to $5,225.4 million, from $5,670.2 million in 2010, mainly due to the 11.0% depreciation, on average, of the TRY against the USD. However, our revenues from communication fees increased 2.2% on a TRY basis due to the growth in mobile internet and service revenues together with the increase in interconnect revenues due to the increase in incoming airtime partially netted off with the decrease in outgoing revenues. Communication fees consist of revenues from postpaid and prepaid subscribers, interconnect revenues and roaming revenues. In Turkey, postpaid revenue increased whereas prepaid revenue decreased compared to 2010. Although the total number of postpaid subscribers is significantly lower than the total number of prepaid subscribers, the contribution, in absolute terms, of postpaid revenues to total revenue growth is higher than the deterioration in prepaid revenues in Turkey. This is mainly due to higher average revenue per postpaid subscriber. Postpaid subscriber usage is generally higher than prepaid subscriber. In Turkey, during 2011, we maintained our focus on the postpaid segment, with newly launched campaigns and offers, increased data lines, increased penetration of smartphones and promotions to switch customers from the prepaid to the postpaid segment. We focus on postpaid subscribers because there is, in general, a higher average revenue per postpaid subscriber and a lower churn rate. In 2011, postpaid average revenue per user was $23.1 whereas prepaid average revenue per user was $6.6. These figures indicate that postpaid average revenue per user is approximately 3.5 times the prepaid average revenue per user. Therefore, the increase in the number of postpaid subscribers has a positive effect on blended average revenue per user on a TRY basis.

Commission fees and revenue on betting business increased to $51.4 million for the year ended December 31, 2011, from $31.2 million for the year ended December 31, 2010. On a TRY basis, commission fee revenues and revenue on betting business increased 85.2%. This increase was primarily due to the increase in betting turnover and the positive effect of betting operations started in Azerbaijan.

Monthly fixed fees revenue decreased 16.4% to $63.0 million for the year ended December 31, 2011, compared to $75.4 million for the year ended December 31, 2010. On a TRY basis, monthly fixed fees revenue decreased 7.9% mainly due to the increased usage of packages which do not include monthly fixed fees.

Direct cost of revenues

Direct cost of revenues, including depreciation and amortization, increased 5.4% to $3,528.9 million in 2011 from $3,349.0 million for the year ended December 31, 2010. On a TRY basis, direct cost of revenues increased

18.2% compared to 2010, due to an increase in depreciation and amortization expenses mainly resulting from the impact of inflation accounting in Belarus and the impairment impact recognized for Belarusian operations together with an increase in interconnect costs and network related expenses.

Treasury shares and universal funds paid to the Turkish Treasury and Ministry of Transport, Maritime Affairs and Communications (Turkish Ministry) decreased 6.6%, from $826.7 million for the year ended December 31, 2010 to $772.4 million in 2011, primarily due to the 11.0% depreciation, on average, of the TRY against the USD; however, they increased 3.6% on a TRY basis parallel to increases in revenues and therefore remained almost the same as a percentage of revenues.

Depreciation and amortization charges increased 22.0%, from $757.4 million for the year ended December 31, 2010 to $924.4 million in 2011, while on a TRY basis depreciation and amortization charges increased 39.8%, mainly due to the impact of inflation accounting in Belarus and the impairment impact recognized for Belarusian operations together with the impact of the fixed asset useful life revision. The amortization expense for our GSM license and other telecommunication operating licenses was $66.0 million and $70.8 million for the years ended December 31, 2011 and 2010, respectively.

Interconnection and termination costs increased 9.8% to $631.7 million in 2011 from $575.2 million for the year ended December 31, 2010. In addition, they increased 22.4% on a TRY basis due to a significant increase in off-net traffic.

Transmission costs, site costs and maintenance costs decreased approximately 18.4%, from $181.4 million for the year ended December 31, 2010 to $148.0 million in 2011. On a TRY basis, these costs decreased 9.0%, resulting from the significant decrease in the average unit rent of leased lines. Furthermore, uncapitalizable radio costs and expenses increased 6.1%, from $329.6 million for the year ended December 31, 2010 to $349.8 million in 2011. In addition, radio costs increased 18.7% on a TRY basis due to the increase in the number of radio base stations.

Wages, salaries and personnel expenses for technical personnel increased 4.2% to $275.8 million in 2011 from $264.7 million for the year ended December 31, 2010. They increased 15.7% on a TRY basis due to the increase in the number of employees and a periodic increase in wages and salaries.

Roaming expenses decreased 20.8% to $47.9 million in 2011, from $60.5 million for the year ended December 31, 2010. On a TRY basis they decreased 11.6% due to a decrease in GSM roaming tariffs between international operators and Turkcell, partially netted off by an increase in roaming durations.

Billing costs increased 2.3% to $54.5 million in 2011 from $53.3 million for the year ended December 31, 2010. On a TRY basis they increased 13.0%, primarily due to an increase in the number of postpaid subscribers.

As a percentage of revenues, direct cost of revenues increased 6.9 percentage points to 62.9% in 2011, from 56.0% in 2010, mainly due to increases in depreciation and amortization expenses 3.8 pp, interconnection expenses 1.6 pp, wages and salaries 0.5 pp, network related expenses 0.3 pp, and other items 0.7 pp as a percentage of revenues.

Gross profit margin decreased 6.9 percentage points to 37.1% in 2011 from 44.0% in 2010.

Administrative expenses

General and administrative expenses decreased 29.0%, to $246.5 million in 2011 from $347.3 million in 2010. On a TRY basis, these expenses decreased 21.3%, mainly due to decrease in bad debt expenses due to a change in bad debt policy and improved collection performance for the receivables from last year and earlier, which partially set off increased wages and salary expenses resulting from periodic increases in such figures and a higher number of personnel. As a percentage of revenues, general and administrative expenses decreased to 4.4% for the year ended December 31, 2011, from 5.8% in 2010.

Wages, salaries and personnel expenses for non-technical and non-marketing employees decreased 2.7%, to $98.1 million in 2011 from $100.8 million for the year ended December 31, 2010. On a TRY basis, they increased 8.6%, primarily due to periodic increases in wages and salaries and an increase in the number of personnel.

Bad debt expenses decreased 75.1% to $31.4 million in 2011 from $126.3 million for the year ended December 31, 2010. On a TRY basis, they decreased 72.9%, mainly due to a change in bad debt policy and improved collection performance for the receivables from last year and prior years. We provided an allowance of $327.4 million and $376.8 million for doubtful receivables for the years ended December 31, 2011 and 2010, respectively, depending on the likelihood of recoverability of trade and other receivables based on the aging of the balances, historical collection trends and general economic conditions.

Other expenses, including collection and consulting expenses, decreased 2.7% to $117.0 million in 2011 from $120.2 million for the year ended December 31, 2010. On a TRY basis, they increased 7.7% due to the increase in consultancy expenses.

Selling and marketing expenses

Selling and marketing expenses decreased 6.9% to $1,010.6 million in 2011 from $1,085.8 million for the year ended December 31, 2010. However, on a TRY basis, they increased 3.1%, primarily due to higher selling and marketing expenses together with higher wages and salary expenses partially netted off with a decrease in frequency usage fees paid for prepaid subscribers. As a percentage of revenues, selling and marketing expenses decreased from 18.2% for the year ended December 31, 2010 to 18.0% for the year ended December 31, 2011.

Selling expenses, which consist of distributor support, dealer support, and other selling expenses, decreased 1.1%, to $415.6 million for 2011 from $420.3 million for 2010. On a TRY basis, selling expenses increased 9.9%, mainly due to higher dealer support expenses in 2011 resulting from an increase in postpaid subscriber acquisitions.

Total marketing expenses, which consist of advertising, market research, sponsorships expenses and customer relations expenses, increased 4.9%, to $277.6 million in 2011 from $264.6 million for the year ended December 31, 2010. On a TRY basis, they increased 16.3%, mainly due to an increase in the volume of advertisements in 2011 compared to 2010.

Prepaid subscribers frequency usage fee expenses decreased 49.8%, to $111.0 million in 2011 from $221.1 million for the year ended December 31, 2010. On a TRY basis, these expenses decreased 46.0%, mainly as a result of the positive impact of the frequency fee charged to some of the prepaid subscribers starting from June 2011. Decline in the prepaid subscriber base also has an impact on the decrease in prepaid subscribers frequency usage fee expenses which is partially netted off with the increase in frequency usage fee tariff.

Wages, salaries and personnel expenses for selling and marketing employees increased 4.3%, to $141.7 million in 2011 from $135.8 million for the year ended December 31, 2010. On a TRY basis, these expenses increased 15.8%, due to an increase in the number of employees and a periodic increase in wages and salaries.

Other operating income/(expense)

Other operating expense increased to $128.7 million in 2011 from $49.5 million in 2010, mainly due to impairment charges recognized on our investments together with an increase in legal penalties incurred in 2011.

Other expenses for the years ended December 31, 2011 mainly comprise an impairment charge recognized on goodwill arising from the acquisition of Belarusian Telecom amounting to $53.0 million, and impairments recognized on our investments in A-Tel and Aks TV amounting to $15.8 million and $5.7 million, respectively. Besides, provisions set for the Special Communication Tax on the discounts applied to distributors for prepaid scratch card sales between January 2005 and January 2007, as explained in Note 33 (Commitments and Contingencies, Legal Proceedings) to our Consolidated Financial Statements in this Form 20-F, amounting to $31.2 million, and penalties imposed by the ICTA for not complying with the aforementioned and relevant regulations, as explained in Note 33 (Commitments and Contingencies, Legal Proceedings) to our Consolidated Financial Statements in this Form 20-F, amounting to $38.5 million.

Results from operating activities

Results from operating activities decreased to $695.0 million in 2011 from $1,150.5 million for the year ended December 31, 2010. As a percentage of revenues, results from operating activities decreased from 19.2% in 2010 to 12.4% in 2011 mainly due to an increase in the direct cost of revenues and other operating income/(expense) as a percentage of revenues.

Net financial income/(costs)

Net financial income decreased 76.7% in 2011 to $40.6 million from $174.5 million in 2010, due to an increase in financial expenses from $102.6 million in 2010 to $289.7 million in 2011, mainly arising from a higher foreign exchange loss, which was partially netted off by an increase in finance income from $277.1 million in 2010 to $330.3 million in 2011. On a TRY basis, net financial income decreased 93.4%.

Finance income increased 19.2% to $330.3 million in 2011 from $277.1 million for the year ended December 31, 2010. On a TRY basis, it increased 30.7% due to an increase in interest income on time deposits resulting from the increase in cash balance including time deposits with a maturity of more than 3 months.

Finance cost increased 182.4% to $289.7 million in 2011 from $102.6 million for the year ended December 31, 2010. On a TRY basis, it increased 244.4%, mainly due to higher foreign exchange losses, which increased from a $13.8 million loss in 2010 to a $202.7 million loss in 2011. Foreign exchange losses in 2011 and 2010 are mainly attributable to our net foreign exchange position.

Monetary gain

We recognize a monetary gain amounting to $144.8 million, which arose from our Belarusian operations. The economic environment in Belarus deteriorated significantly starting from the second quarter of 2011. The cumulative inflation in the last three years exceeded 100%. As a result, Belarus was considered a hyperinflationary economy. As a consequence, the accounting rules for Reporting in hyperinflationary economies were applied to our Belarusian operations for the year ending December 31, 2011. With respect to this, monetary gain is recorded as a result of the effect of general inflation and calculated as the difference resulting from the restatement of non-monetary assets, shareholders equity and statement of income items.

Share of profit of equity accounted investees

Our share of profit of equity accounted investees increased 11.5% in 2011 to $136.9 million from $122.8 million for 2010, mainly due to a higher net income contribution from Fintur, particularly from its operations in Kazakhstan.

We have eliminated A-Tel s revenue that is generated from services rendered to us to the extent of our share in A-Tel, with corresponding elimination from selling and marketing expenses in our consolidated financial statements. This consolidation elimination had a negative impact on the share of profit of the equity accounted investees line.

Income tax expense

Income tax expense decreased 8.9% in 2011 to $292.2 million from $320.8 million in 2010, mainly due to the 11.0% depreciation, on average, of the TRY against the USD. On a TRY basis, income tax expense increased 0.3%.

The effective tax rate was 28.7% and 22.2% for the years ended December 31, 2011 and 2010, respectively.

Our domestic tax rate is 20%. Differences between the effective tax rate and our domestic tax rate include, but are not limited to, the effect of allowance for deferred tax assets, tax rates in foreign jurisdictions, tax exempt income and non-deductible expenses.

Non-controlling interests

Non-controlling interests in the net profit of our consolidated subsidiaries are classified separately in the consolidated financial statements of operations under non-controlling interests . Non-controlling interests decreased to a $26.6 million gain for the year ended December 31, 2011, compared to a $43.2 million gain for 2010.

Non-controlling interest gain from Euroasia s net loss amounting to $75.8 million in 2011 is $34.1 million for the year ended December 31, 2011, whereas non-controlling interest gain from Euroasia s net loss amounting to $101.0 million in 2010 is $45.4 million. In addition, non-controlling interest gain recognized from our investment in Azerinteltek decreased to $1.6 million in 2011 from $2.7 million in 2010 and we recognized a non-controlling interest gain from Fizy amounting to $0.5 million for the first time in 2011. In addition, net profit generated by Inteltek for the years ended December 31, 2011 and 2010 resulted in a loss from non-controlling interests of approximately $9.6 million and $4.9 million, respectively.

Profit for the year attributable to equity holders of the Company

Profit for the year attributable to equity holders of the Company decreased from $1,170.2 million in 2010 to $751.7 million in 2011. Profit for the period attributable to equity holders of the Company also decreased on a TRY basis by 33.2%. This was mostly due to the increase in direct cost of revenues which primarily arose from an increase in depreciation expenses, together with deterioration in net finance income and other operating income/expense partially netted off with the positive impact of monetary gain/loss.

Effects of Inflation

The annual inflation rates in Turkey were 6.2%, 10.5% and 6.4% for the years ended December 31, 2012, 2011 and 2010, respectively, based on the Turkish consumer price index. While contracting domestic demand and much lower than expected food prices pulled inflation lower in 2012, the administrative price hikes and tax increases pushed it higher. The current inflation target set by the CBRT is 5.0%, with a confidence interval of between 3.0% and 7.0% for 2013. The most recent CBRT expectations survey indicates that consumer inflation will be around 6.5% by the end of 2013, which is above the CBRT s target. However, the strongly recovering domestic demand and the CBRT s preference to prevent real appreciation of TRY could put some pressure on inflation. For additional information, see Item 3.A. Selected Financial Data Exchange Rate Data and Item 3.D. Risk Factors .

Following the severe balance of payments crisis in 2011, the economic data indicates that the Belarusian economy stabilized in 2012. This reflected the authorities tightening of economic policies in late 2011 that was successful in reducing inflation and stabilizing the foreign exchange market. Inflation fell sharply from over 100% at the end of 2011 to approximately 22% in 2012. The National Bank of the Republic of Belarus (NBRB) has stabilized the foreign exchange market with the help of a managed float exchange policy. Although downside economic risks have been reduced, macroeconomic stability is still fragile. Belarus remains vulnerable to global developments, which could trigger renewed weakness on the external account, reserve pressure and BYR depreciation.

Ukraine consumer inflation came to a halt in 2012 as the Consumer Price Index (CPI) was down to -0.2% in 2012 from 4.6% in 2011. However, it is unlikely to remain low in 2013. Indeed, if the devaluation expectations materialize and the government increases gas tariffs, this could trigger a significant spike in inflation. These concerns are fuelling persistently high inflationary expectations in Ukraine.

Foreign Currency Fluctuations

We conduct our business in several currencies other than functional currencies of each of our locations. As a result of our exposure to foreign currency, exchange rate fluctuations have a significant impact, in the form of both translation and transaction risks, on our consolidated financial statements.

Exchange rate movements impact our assets and liabilities denominated in currencies other than TRY, Ukrainian Hryvnia (UAH), Belarusian Rubles, Euro and Azerbaijani Manat for our operations in Turkey, Ukraine, Belarus, Germany and Azerbaijan, respectively. We use forward exchange contracts and options to hedge our non-TRY denominated liabilities.

The foreign exchange risks in Turkey as the result of purchases and borrowings in U.S. Dollars and Euros have been manageable, as there is a developed market enabling the hedging of such risk; however, in Belarus and Ukraine, there are no tools to hedge foreign exchange rate risks effectively due to restricted and undeveloped financial markets. In Belarus, no international bank offers hedging instruments and local banks are too undercapitalized to be able to enter into transactions. In Ukraine, the only hedging tool seems to be non-deliverable forwards (NDF) which is a cash-settled product in USD, a short-term forward contract on a non-convertible foreign currency which could not be delivered offshore. The liquidity in the UAH NDF market is very thin and more expensive than the forward rates. In the current economic environment and considering the aforementioned fragile economic conditions, there is a possibility of further devaluations in Belarus. Also, Ukraine s high current account deficit and the record amount of external funding needs leave the country vulnerable to global shocks. Therefore, there is a possibility that UAH can be devalued. Any fluctuation in the NDF market can signal the market expectation on UAH devaluation.

Our foreign currency risk management policy is focused on hedging foreign currency exposure arising from non-TRY denominated liabilities and purchase commitments. See Item 11. Quantitative and Qualitative Disclosures about Market Risk . We hedge our currency risks with forward exchange contracts and options.

Interest Rate Hedging

Monitoring and examining financing opportunities to improve our financial flexibility and performance has been a continuous process for us. Depending on the availability in both domestic and international debt/capital markets, we continuously monitor new financing alternatives for contingency purposes as well as to fund potential new investments or acquisitions. We are exposed to interest rate risk as part of our total debt portfolio, which is based on a floating rate. We also closely monitor various hedging alternatives to hedge our interest rate risk with a minimum cost. In June 2011, we engaged in a forward start collar agreement for half of our debt which is due in 2015 and exposed to interest rate risk. The collars hedge variable interest rate risk for the period between 2013 and 2015.

New Accounting Standards Issued

See Note 3 (Significant Accounting Policies, New Standards and Interpretations) of our Consolidated Financial Statements in this Form 20-F.

5.B Liquidity and Capital Resources

Liquidity

We require significant liquidity to finance capital expenditures for the expansion and improvement of our mobile communications network, for operational capital expenditures, for working capital, and to service our debt obligations. A summary of our consolidated cash flows for the years ended December 31, 2012, 2011 and 2010, is as follows:

U.S. $ million	**2012**	**2011**	**2010**
Net cash provided by operating activities	1,188.3	925.8	1,262.6
Net cash provided by / (used) for investing activities	304.6	(1,410.5)	(704.9)
Net cash generated/(used) for financing activities	(171.2)	31.6	(303.7)
Net cash increase/(decrease) in cash and cash equivalents	1,321.6	(453.1)	254.0
Effects of foreign exchange rate fluctuations on cash and cash equivalents	97.2	(335.7)	(48.0)

Net cash provided by our operating activities for the years ended December 31, 2012 and 2011, amounted to $1,188.3 million and $925.8 million, respectively.

Net cash from operating activities increased in 2012, parallel to a $422.0 million increase in profit from operational activities compared to 2011. However, we consider the subtotal after the adjustments for profit for the period in order to analyze the increase in cash from operating activities. Since these lines are adjusting in nature, they are to be excluded from net cash from operating activities, as they either do not have any effect on net cash from operating activities or they have an offsetting effect on the changes in working capital. As a result, the trend in cash from operating activities should be correlated with the trend in results from operating activities and income tax expense. The corresponding subtotal, after adjustments, increased from $1,403.0 million in 2011 to $1,819.2 million in 2012. The positive impact of the increase in operational revenues, together with the increase in dividends received ($239.4 million in 2012 from $71.3 million in 2011), was partially netted off with the increase in income taxes paid ($307.3 million in 2012 from $276.2 million in 2011) and interest paid and resulted in a 28.4% increase in net cash provided by our operating activities.

Net cash generated by investing activities for the year ended December 31, 2012, amounted to $304.6, whereas net cash used in investing activities for the year ended December 31, 2011 amounted to $1,410.5. The increase in net cash generated by investing activities is mainly due to an increase in proceeds from the sale of financial assets by $885.9 million, a decrease in acquisitions of financial assets by $831.3 million and an increase in interest received partially offset by the increase in capital expenditures. For the year ended December 31, 2012, we spent approximately $975.5 million on capital expenditures compared to $866.0 million in 2011. Of the $975.5 million in capital expenditures, approximately $531.4 million was related to capital expenditures made by Turkcell, mainly for our mobile communications network in Turkey, whereas such amount was $473.5 million in 2011. Total capital expenditures of Euroasia increased from $65.1 million in 2011 to $77.8 million in 2012 and total capital expenditures of Turkcell Superonline increased from $207.9 million in 2011 to $253.4 million in 2012.

We have used net cash in our financing activities for the year 2012 amounting to $171.2 million, whereas we have $31.6 million of net cash generated for 2011. The change is mainly attributable to higher repayment of loans and borrowings partially netted with the increase in proceeds from the issuance of loans and borrowings. In 2012, proceeds from the issuance of loans and borrowings was $670.5 million, compared to $552.9 million in 2011. We repaid $833.6 million of our loans and borrowings in 2012, compared to $516.9 million in 2011.

Source of Liquidity

Our loans from financial institutions consist of local and international bank borrowings with either fixed or floating interest rates. A significant portion of our bank borrowings is utilized to finance our consolidated subsidiaries financing needs. All of our loans are denominated in U.S. Dollar, Belarusian Ruble (BYR), EUR or TRY. The floating interest rates vary from Libor + 1.35% to Libor + 3.75% for the loans denominated in U.S. Dollars, variable Euro rate is Libor + 3.465%. The fixed interest rates vary from 0.68% to 8.00% for the loans denominated in U.S. Dollars, from 8.75% to 10.24% for the loans denominated in TRY; from 12.00% to 16.00% for the loans denominated in BYR and fixed Euro rate is 3.35%. The loans are payable over the period from 2013 to 2024.

The ratio of our loans and borrowings to equity was 24% as of December 31, 2012, compared to 33% as of December 31, 2011. We have been able to maintain our leverage at a satisfactory level and well in line with our targets. For more information, see Note 25 to our Consolidated Financial Statements.

We are continuing our efforts to selectively seek out and evaluate new international investment opportunities. These opportunities could include the purchase of licenses and acquisitions in markets outside of Turkey in which we do not currently operate. In the future, we may reinitiate, as necessary, our efforts to create a financing arrangement, such as a term loan facility.

The financing structure for our Group Companies is based on Financell which is wholly owned by Turkcell. Financell utilizes loans from banks (with Turkcell acting as guarantor) and extends these loans to the relevant Group Companies.

In 2012, Astelit defaulted on its loan agreements. See Item 3.D. Risk Factors for more information.

Under the current assumptions and circumstances, we expect to generate adequate levels of cash to maintain a positive cash position in the future and to have positive cash flow related to our communications and technology activities in Turkey. According to our current business plan for the operations in Turkey, we believe that we will be able to finance our current operations, capital expenditures, and financing costs and maintain and enhance our network through our operating cash flow and our strong cash balance as of December 31, 2012. However, we continue to experience difficult pricing and competitive conditions in our markets, which we expect will continue. We are also facing increased capital needs to finance our technological and geographic expansion, which may increase our net cash used for investing activities. These pressures have reduced, and may continue to reduce, our liquidity and may lead to an increase in borrowing needs and net cash used by financing activities.

Our commitments through 2013 include possible dividend payments, quarterly corporate tax payments, and capital expenditures.

We expect that our total operational capital expenditures as a percentage of revenues in 2013 will be in line with 2012, reflecting in part continued outlays for 3G and new technology expenses. This is based on our current projects and activities, and does not include any new projects.

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

Important factors that may adversely affect our projections include general economic conditions, changes in the competitive environment, developments in the domestic and international capital markets, increased investments, changes in telecommunications regulations and mismatches between the currencies in which we generate revenue and hold liquid assets and the currencies in which we incur liquid obligations and debt. See Item 3.D. Risk Factors for a discussion of these and other factors that may affect our projections.

Capital Transactions

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

General Economic Conditions

The slowdown in Turkey s growth in 2012 is viewed positively, as Turkey has improved its external balances significantly and avoided a recession at the same time. Against this slowdown, Turkey s growth was 2.2% in 2012 and real economic growth for 2013 is expected to be around 4.5%, mainly driven by the domestic demand. However, high current account deficit and geopolitical risks result in concerns about the economic outlook of 2013.

Dividend Payments

For additional details regarding our dividend policy, see Item 8.A. Consolidated Statements and Other Financial Information Dividend Policy .

5.C Research and Development, Patents and Licenses, etc.

We own a number of patents, utility models, trademarks and industrial designs.

The activities of our technology center, which houses all of our R&D operations in a single location, include the following:

- Partnership software development, customization and/or integration of software products of suppliers through the service and product development processes;

- Developing network infrastructure strategies in a fast evolving information-communication technologies world; and

- Designing short and long-term technology road maps for our operations.

Internally developed software arising from our R&D partnership amounted to approximately $37.9 million, $27.0 million and $29.1 million in 2012, 2011 and 2010, respectively. Internally developed software does not include any costs relating to the research phase.

5.D Trend Information

Changing Subscriber Base

The proportion of postpaid subscribers in our subscriber base was 38%, 34% and 30% in 2012, 2011 and 2010, respectively, due to our value focus.

The majority of our subscriber base, however, consists of prepaid subscribers. Trends indicate that prepaid subscribers have more control over their usage patterns.

Regulations affecting our prices

The ICTA has on several occasions intervened to place caps on the tariffs that we charge in the Turkish market. The ICTA s intervention in our retail voice, SMS and mobile data prices, has, and will continue to, negatively affect our ability to design and launch campaigns and offers and, consequently, has had, and will continue to have, a negative impact on our business. The ICTA has also intervened to place caps on our interconnection rates.

In the fourth quarter of 2007, the ICTA intervened in the fixing of our retail prices. With the ICTA board resolution dated March 25, 2009, the ICTA set a lower limit for solely Turkcell s on-net retail tariffs, and decreased the price cap level for all mobile operators. The lower limit applies to each of Turkcell s retail tariff packages by mandating that the weighted average of the on-net price of a tariff package not be less than Turkcell s weighted average call termination rate. The board resolution also reduced the current price cap from 0.80 TRY/min (equivalent to $0.44 as of March 15, 2013) (including VAT and SCT), pertaining to general subscription packages, to 0.64 TRY/min (equivalent to $0.35 as of March 15, 2013). The resolution also set such price as an upper limit for special subscription packages.

The ICTA, with its board resolution dated September 16, 2009, set a maximum price of TRY 0.65 (equivalent to $0.36 as of March 15, 2013) (including VAT and SCT) for GSM to GSM calls under general subscription packages. The ICTA, with its board resolution dated February 10, 2010, further reduced the current price cap to TRY 0.40 (equivalent to $0.22 as of March 15, 2013) (including VAT and SCT) for GSM to PSTN as well as GSM to GSM. The same resolution set the current price cap of Turk Telekom to TRY 0.37 (equivalent to $0.20 as of March 15, 2013) (including VAT and SCT) for PSTN to GSM. As a result, we have adjusted the on-net and off-net prices of certain tariff packages, which has had, and will continue to have, adverse effects on our pricing ability. As of April 1, 2011, the ICTA increased the price caps for GSM to GSM calls to TRY 0.415 (equivalent to $0.23 as of March 15, 2013). Finally, as of March 13, 2013, the ICTA increased the price caps for GSM to GSM calls to TRY 0.439 (equivalent to $0.24 as of March 15, 2013) while the maximum tariff on SMS remained stable.

With a board resolution dated March 13, 2013, the ICTA has raised the lower limit to be applied on our tariffs to 0.0535 TRY/min (equivalent to $0.03 as of March 15, 2013) from 0.0313 TRY/min (equivalent to $0.02 as of March 15, 2013). Simultaneously, the ICTA also decided that a lower limit on our SMS tariffs should be applicable over a rate of 0.0291 TRY/SMS (equivalent to $0.02 as of March 15, 2013). The ICTA may take additional action with respect to our tariff prices. Any such actions may have a material adverse effect on our competitive position, our pricing and our results of operations.

With respect to the interconnection rates that we charge, after a 33% reduction for Turkcell in 2008, the interconnection rates issued by the ICTA on March 25, 2009 for all mobile operators in Turkey provided for a further 29% decrease, on average, among all operators. On February 10, 2010, there was an additional 52% reduction in Turkcell s interconnection rates. Further cuts will result in our having to redesign our tariffs and will impact our operational results, depending on pricing trends and marketing strategies in the Turkish mobile communications market. As of July 2012, average Mobile Termination Rates (MTRs) in the European Union are now up to 2.5 times above Turkcell s MTRs.

Given these factors, it is difficult to predict with any degree of certainty the growth and usage patterns of our subscribers and our ability to maintain or increase revenues or profitability. General economic conditions, competitive pressures and the trend in our retail and interconnection pricing have exerted, and will continue to exert, pressure on the level of our financial results.

Liquidity

Our activities have traditionally generated strong positive cash flow. According to our current business plan for the operations in Turkey, we believe that we will be able to finance our current operations, capital expenditures, and financing costs and maintain and enhance our network through our operating cash flow and our strong cash balance as of December 31, 2012. However, we continue to experience difficult pricing and competitive conditions in our markets, which we expect will continue. We are also facing increased capital needs to finance our technological and geographic expansion, which may increase our net cash used for investing activities. These pressures have reduced, and may continue to reduce, our liquidity and may lead to an increase in borrowing needs and net cash used by financing activities.

We expect that our total operational capital expenditures as a percentage of revenues in 2013 will be in line with 2012, reflecting in part continued outlays for 3G and new technology expenses. This is based on our current projects and activities, and does not include any new projects.

5.E Off-Balance Sheet Arrangements

Off-balance sheet arrangements refer to any transaction, agreement, or other contractual arrangement involving an unconsolidated entity (other than contingent liabilities arising from litigation, arbitration or regulatory actions) under which a company has:

- provided guarantee contracts;

retained or contingent interests in transferred assets;

any obligation under derivative instruments classified as equity; or

any obligation arising out of material variable interests in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the company, or that engages in leasing, hedging, or research and development arrangements with the company.

We routinely enter into operating leases for property in the normal course of business. The future minimum operating lease payments under non-cancellable leases amount to $115.9 million and $53.0 million as of December 31, 2012 and 2011, respectively.

Contingent Liabilities

The following table illustrates our major contingent liabilities as of December 31, 2012.

		Amount of contingent liability expiration per period		Remaining commitment			
U.S.$ million	**Total amount committed**	**At December 31, 2012**	**Indefinite***	**Less than one year**	**1 3 years**	**3 5 years**	**Over 5 years**
Bank Letters of Guarantee	237.9	237.9	43.9	38.9	12.2	0.3	142.6

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

As of December 31, 2012, we are contingently liable in respect of bank letters of guarantee obtained from banks and given to custom authorities, private companies and other public organizations amounting to $237.9 million.

See Item 5.B. Liquidity and Capital Resources Sources of Liquidity .

5.F Tabular Disclosure of Contractual Obligations

The following tables illustrate our major contractual and commercial obligations and commitments as of December 31, 2012.

		Payments due by period			
Contractual Obligations (U.S.$ million)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**After 5 years**
Loans and borrowings (*)	1,756.9	1,087.7	596.8	57.0	15.4
Finance lease obligations	24.7	3.6	6.4	1.9	12.8
Payable in relation to the acquisition of Belarusian Telecom	100.0				100.0
Total Contractual Cash Obligations	**1,881.6**	**1,091.3**	**603.2**	**58.9**	**128.2**

* Includes undiscounted interest.

		Amount of Commitment			
Other Commercial Commitments (U.S.$ million)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**After 5 years**
Purchase obligations	385.0	289.4	95.6		

As at December 31, 2012, outstanding purchase commitments with respect to the acquisition of property, plant and equipment, inventory and purchase of sponsorship and advertisement services amount to $385.0 million. Out of total purchase commitments, $113.9 million represents commitments with respect to property, plant and equipment and intangible assets.

5.G Safe Harbor

Not applicable.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES
6.A Directors and Senior Management

Board Members

Under the Turkish Commercial Code and our Articles of Association, the Board of Directors is responsible for our management. Our Articles of Association mandates a Board of Directors containing seven members.

Each member of our Board of Directors is appointed for a term of three years, except the ones appointed by the CMB on March 12, 2013. Our Articles of Association provide for a staggered Board of Directors. At our Annual General Assembly dated April 29, 2010, our prior Board of Directors was dismissed and the following individuals were appointed as members: Colin J. Williams; Karin Birgitta Eliasson; Mehmet Bulent Ergin; Tero Erkki Kivisaari; Alexey Evgenievich Khudyakov; Oleg Adolfovich Malis; and Gulsun Nazli Karamehmet Williams. The CMB with its resolution dated March 11, 2013, announced the replacement of Mehmet Bulent Ergin, Tero Erkki Kivisaari and Oleg Adolfovich Malis on our Board of Directors with three new members, Atilla Koc, Mehmet Hilmi Guler and Ahmet Akca, who serve as independent board members according to Art.17/2 of the Capital Market Law No. 6362, effective March 12, 2013.

As of April 8, 2013, our Board of Directors had the following members:

Name	**Date appointed to the Board of Directors(2)**
Colin J. Williams (Chairman)*(1)	April 29, 2010
Ahmet Akca	March 12, 2013
Karin B. Eliasson	April 29, 2010
Mehmet Hilmi Guler	March 12, 2013
Alexey E. Khudyakov	April 29, 2010
Atilla Koc	March 12, 2013
Gulsun Nazli Karamehmet Williams	April 29, 2010

* Following our April 29, 2010 General Assembly Meeting, the members of our Board of Directors elected Mr. Colin J. Williams as Chairman.

(1) Mr. Williams has filed a lawsuit requesting the cancellation of a decision taken at the Extraordinary General Assembly held on October 12, 2011, not to release him from his activities and operations during the fiscal year of 2010.

(2) As a new Turkish Commercial Code came into force on July 1, 2012, it mandated that the Board members who have been elected as a representative of a legal entity had been required to resign and the new Board members (as individual or being legal entity itself) were required to be appointed in their place until October 1, 2012 at the latest. Thus, on September 13, 2012, the Turkcell Board decided that six Board members representing Turkcell Holding A.S. at Turkcell s Board of Directors (Karin Birgitta Eliasson; Mehmet Bulent Ergin; Tero Erkki Kivisaari; Alexey Evgenievich Khudyakov; Oleg Adolfovich Malis and Gulsun Nazli Karamehmet Williams) would be re-appointed as individual Board members this time on different dates by keeping the necessary meeting and decision quorums. Necessary legal steps have been taken and the aforementioned Board members were registered as individual Board members in order to complete the remaining term of office, as opposed to being representatives of the legal entity (Turkcell Holding A.S.).

Executive Officers

We are managed on a day-to-day basis by the Corporate Executive Team with the guidance of the Board of Directors. Officers do not have fixed terms of office. The following table sets forth the name and office of each member of our Corporate Executive Team during the fiscal year 2012.

Name	Office
Sureyya Ciliv	Chief Executive Officer
Hulusi Acar	Chief Consumer Sales Officer
Umit Akin(1)	Chief Legal Affairs Officer
Cenk Bayrakdar(2)	Chief New Technology Business Officer
Tayfun Cataltepe	Chief Regulation Strategies & Wholesale Business Officer
Lale Saral Develioglu	Chief International Business Officer
Bulent Elonu(3)	Chief Network Operations Officer
Murat Doğan Erden	Acting Chief Financial Officer /Treasury & Risk Management Director
Selen Kocabas	Chief Corporate Business Officer
Yigit Kulabas(4)	Chief Corporate Marketing Officer
Ilker Kuruoz	Chief Information and Communication Technologies Officer
Meltem Kalender Ozturk	Chief Group Human Resources Officer
Koray Ozturkler	Chief Corporate Affairs Officer
Emre Sayin	Chief Consumer Business Officer
Burak Sevilengul	Chief Consumer Marketing Officer
Ilter Terzioglu(5)	Chief Special Projects Officer
Ekrem Yener	Chief International Expansion Officer

(1) Mr. Akin resigned from his position as Chief Legal Affairs Officer effective August 13, 2012.

(2) Mr. Bayrakdar resigned from his position as Chief New Technology Business Officer effective January 31, 2013.

(3) Mr. Elonu was appointed Chief Network Operations Officer on October 1, 2012.

(4) Mr. Kulabas was appointed as Chief Corporate Marketing Officer on March 11, 2013.

(5) Prior to being appointed Chief Strategic Projects Officer on October 1, 2012, Mr. Terzioglu was Chief Network Operations Officer.

Biographies

Board Members

Colin J. Williams, born in 1942, was appointed as the Chairman of the Board of Directors on February 25, 2010 and re-appointed on April 29, 2010. He also serves as a member of the Audit Committee of Turkcell s Board of Directors. He is Chairman of Clondalkin and Chair of the Audit and Remuneration Committees of Clondalkin, a consumer and industrial packaging company. From January 2001 to December 2004, Mr. Williams served as President of SCA, North America, which is active in the packaging sector, personal care and paper tissue products. He was a long-term board member and Vice Chairman of ICCA, the International Corrugated Packaging Institution, the European Federation of Packaging and the Federation of Paper Producers (CEPI). Mr. Williams is the founding President of Propak Europe and was a board member of the Greater Philadelphia Chamber of Commerce between 2002 and 2004. From 1988 to 2001, Mr. Williams was the President of SCA Packaging, prior to which he served as the Managing Director of Bowater, a corrugated packaging company, for four years. From 1978 to 1984, he was first the Sales Director and then the General Manager of Chicopee in the Netherlands, a non-woven fabrics company of Johnson & Johnson. Mr. Williams holds an MBA degree in finance from New York University, a M.Sc. degree in physical chemistry and an honorary doctorate from Lund University in Sweden.

Ahmet Akca, born in 1956, was appointed to the Board of Directors on March 12, 2013. He also serves as a member of the Audit Committee of Turkcell s Board of Directors. Mr. Akca served as Foreign Trade Manager between 1980 and 1988 in the glass and food industry. He became CEO of an International Trading House Company in 1988 and held this position until 1992. After that, he launched his own business and is still maintaining it. Mr. Akca is founder and Chairman of the Board of Akca Lojistik Hizmetleri ve Ticaret A.S., which operates in the logistics business. In addition, Mr. Akca joined the founding committee of trustees of Bezmialem Vakif University in January 2010 and has been the Chairman of the committee of trustees since November 2011. After studying mathematics in METU and sociology in Istanbul University, Mr. Akca graduated from the Department of Economics in Bursa Economical and Commercial Sciences Academy.

Karin Eliasson, born in 1961, was appointed as a member of the Board of Directors on April 29, 2010. Ms. Eliasson has been Senior Vice President, Head of Group Human Resources at TeliaSonera since 2008. Prior to joining TeliaSonera, Ms. Eliasson was Senior Vice President of Human Resources at Svenska Cellulosa Aktiebolaget, SCA. From 2000 until 2003 she served as the CEO of Novare Human Capital AB. Ms. Eliasson is a member of the Board of Directors of Proffice AB and Insurance company PRI Pensionsgaranti mutual. She holds a Bachelor of Science in Human Resources from Mid Sweden University.

Mehmet Hilmi Guler, born in 1949, was appointed to the Board of Directors on March 12, 2013. He also serves as a member of the Audit Committee of Turkcell s Board of Directors. He worked as a project engineer and group chairman at TUSAS Aerospace Industries. He served as Vice President and Board Member of the Scientific and Technological Research Council of Turkey (TUBITAK), Chairman and General Manager of Machines and Chemical Industries Board (MKEK), Chairman and Board Member of Etibank, Chief Advisor to the Prime Minister, Board Member and Managing Director at ERDEMIR and IGDAS. He served as the Ministry of Energy and Natural Resources at the 58, 59 and 60th Governments. Mr. Guler graduated from the Department of Metallurgy of Middle East Technical University where he also holds his Master and Doctorate degrees.

Alexey Khudyakov, born in 1971, was appointed to the Board of Directors on May 22, 2006 and re-appointed on April 29, 2010. He is Vice President of Altimo, a leading investor in telecoms, and also serves as non-executive Chairman and Chair of the Audit Committees of High River Gold Mines, a gold mining company. Prior to his appointment to Altimo, Mr. Khudyakov held a Vice President position with Alfa Bank, managing the bank s direct investments in the telecom sector. Before that, he was a management consultant with McKinsey & Co. Mr. Khudyakov holds a Master of Business Administration degree from INSEAD and a Master s Degree in Applied Mathematics and Physics from the Moscow Institute of Physics and Technology. He is a non-executive board member of Turkcell. He was an Observer Member of the Audit Committee of Turkcell s Board of Directors, named to the Audit Committee in reliance on Rule 10A-3(b)(1)(iv)(D) under the Securities Exchange Act of 1934, until April 4, 2013.

Atilla Koc, born in 1946, was appointed to our Board of Directors on March 12, 2013. He also serves as a member of the Audit Committee of Turkcell s Board of Directors. After serving as Counselor in the Ministry of Interior Affairs and Police Commissioner in Konya, he served as the Governor of districts of Ulubey, Nusaybin and Bayindir and Provinces of Siirt and Giresun. He was a Counselor in the Undersecretary of Prime Ministry, the Secretariat General of Metropolitan Municipality of Ankara and Central Governor. He served as the Ministry of Culture and Tourism at the 59th Government. Mr. Koc graduated from University of Ankara, Faculty of Political Science.

Gulsun Nazli Karamehmet Williams, born in 1977, was appointed to our Board of Directors on April 29, 2010. In November 2011, she was appointed to the Board of Genel Energy plc, an independent oil exploration and production company. Since 2004, she has worked in different positions at Digiturk (Krea Icerik Hizmetleri ve Produksiyon Anonim Sirketi) where she currently holds the position of Chief Content Officer and Executive Member of the Board. Prior to Digiturk, she worked at BSKYB UK. She studied at Sarah Lawrence College (USA) and Richmond University (UK) and has a B.A. in Communications.

Board members who were removed by the CMB by its resolution dated March 11, 2013

Mehmet Bulent Ergin, born in 1948, was first appointed as a member of the Turkcell Board of Directors on April 29, 2005 and was re-appointed on April 29, 2010. After taking responsibility in Hochtief AG s First Bosphorus project and Tekfen A.S. s Iraq-Turkey pipeline project, Mr. Ergin worked in various positions at Cukurova Group companies. He held a managerial position at Cukurova Ithalat ve Ihracat T.A.S. Currently, Mr. Ergin is the Chairman of the Board of Directors of Genel Denizcilik Nakliyati A.S., Show TV, Aksam Gazetesi, Maysan Mando A.S. and Baytur Trading S.A. He is also a member of the Board of Digiturk, West of England P&I Club and Cukurova Holding. Mr. Ergin majored in Civil Engineering at Robert College, Turkey. As Mr. Ergin was removed by the CMB by its resolution dated March 11, 2013, he is no longer a member of the Board.

Tero Erkki Kivisaari, born in 1972, was appointed to the Board of Directors on May 14, 2007 and was re-appointed on April 29, 2010. Mr. Kivisaari has been the President of TeliaSonera Mobility Services (since 2012) and TeliaSonera Eurasia (since 2007). Previously, Mr. Kivisaari served as the Chief Financial Officer and Vice President of TeliaSonera in Eurasia. Mr. Kivisaari is a member of the Board of Directors of Azercell, Moldcell, A.S. OJSC Megafon and Nurminen Logistics Plc; and the Chairman of the Fintur Holdings B.V. board. He served as CFO of Fintur Holding B.V. from 2003. Mr. Kivisaari has been the CFO of SmartTrust AB, a mobile software company owned by Carlyle Group, GE Capital, Eqvitec and Sonera Group. Prior to that, he held the position of Vice President of Sonera Group s International Operations. Mr. Kivisaari served as an associate professor of finance at the Helsinki School of Economics and holds an MBA in Finance. As Mr.Kivisaari was removed by the CMB by its resolution dated March 11, 2013, he is no longer a member of the Board.

Oleg Malis, born in 1973, was appointed to the Board of Directors on May 22, 2006 and re-appointed on April 29, 2010. He began working for Altimo in 2005 and he was Senior Vice President of Altimo until January 2011. Between 2003 and 2005, he was Senior Vice President and M&A Director at Golden Telecom. Prior to that, Mr. Malis founded Investelectrosvyaz and Corbina Telecom. Mr. Malis holds a degree in Systems Engineering from Moscow State Aviation Technological University. As Mr. Malis was removed by the CMB by its resolution dated March 11, 2013, he is no longer a member of the Board.

Executive Officers

Sureyya Ciliv, born in 1958, was appointed the Chief Executive Officer of Turkcell on January 9, 2007. Having previously worked as Microsoft Turkey country manager from 1997 to 2000, he served in various management positions in Microsoft Global Sales, Marketing and Service Group in the USA between 2000 and 2007. Prior to 1997, Mr. Ciliv was the General Manager and Chairman of Novasoft Systems Inc., a company he established in Boston, USA. Sureyya Ciliv received his MBA degree from Harvard University in 1983, after successfully graduating with honors in Industry & Operations Engineering and Computer Engineering from the University of Michigan in 1981.

Hulusi Acar, born in 1972, joined Turkcell in 2000 and was appointed Chief Consumer Sales Officer on December 10, 2009. He graduated from Istanbul University s Business Administration department in 1995. Mr. Acar worked in sales positions at THY and Koctas A.S. before joining Turkcell. He held various other managerial responsibilities within the Sales Department, including Turkey Sales Manager from 2000 to 2004. He was Sales and Customer Relationship Chief Executive Officer of Astelit/Ukraine between March 2004 and November 2006. He also worked as Sales Management and Wholesale and Distribution Management Division Head from 2007 to 2009 prior to his current position.

Tayfun Cataltepe, born in 1961, joined Turkcell in 2007 and is the Chief Regulation Strategies & Wholesale Business Officer. After graduating from the Electronic Engineering Department of Bogazici University, Mr. Cataltepe received his MSc degree from Michigan Technology University and Doctorate Degree from the University of California, Los Angeles. From 1990 to 1998, he worked as a Research and Development Engineer at Bell Laboratories. In 1998, he moved on to AT&T as the IP Network and Service Planning projects manager, where he worked until 2003. Following AT&T, he worked at Aycell as the Deputy General Manager in charge of Technical Operations. He was then Deputy General Manager in charge of Network Operations at AVEA from 2004 to 2006. From 2006 to 2007, Mr. Cataltepe served as the Europe Telecom Sector Expert in the Transaction Integration Services Department of Ernst & Young.

Lale Saral Develioglu, born in 1968, joined Turkcell in 2003 and has been Chief International Business Officer since May 2011. Prior to this position, she was Turkcell Group Marketing Services Officer and Chief Marketing Officer. Starting her career at Unilever in 1992, Ms. Develioglu served as Brand Manager for 5 years and Marketing Manager for 7 years in various product categories and markets until 2003. She is a graduate of the Department of Industrial Engineering of Bogazici University. She also holds a Master s Degree in Operations Research and Engineering Management from Rensselaer Polytechnic Institute, New York.

Bulent Elonu, born in 1973, started his professional life in 1997 at Siemens Company and joined Turkcell in 1999. He undertook various managerial roles in Network Operations Function and served as Head of Transport Network Division from 2009 to 2012. Mr. Elonu was appointed as Chief Network Operations Officer in October 2012. Prior to his current position in Turkcell, Mr. Elonu was a Regional Operations Marmara Division Head. Mr. Elonu graduated from the Istanbul Technical University Electrical Engineering Department.

Murat Dogan Erden, born in 1969, joined Turkcell in 2001 as Director of Treasury and is responsible for the Treasury and Risk Management activities. He is currently Acting Chief Financial Officer and also represents Turkcell as a Board Member at a number of selected group companies since 2006. Mr. Erden started his career at the Treasury and Capital Markets Department of Bankers Trust Turkey. Following the Deutsche Bank-Bankers Trust merger, he continued to work for the Global Markets Department as Assistant Treasurer. Mr. Erden is a graduate of the Department of Economics at Bogazici University and received his MBA degree from San Diego State University in Finance in 1995.

Meltem Kalender Ozturk, born in 1974, joined Turkcell in 1998 and is our Chief Group Human Resources Officer. Between 2001 and 2011, she was the Division Head of Employee Relations Management in charge of training & development, talent management, remuneration, employee relations, recruitment, organizational development and quality management. Ms. Ozturk also worked in various human resources functions at Logo Business Solutions and Isiklar Holding. Ms. Ozturk is a graduate of Business Administration from Marmara University.

Selen Kocabas, born in 1968, joined Turkcell in 2003 and is the Chief Corporate Business Officer. Prior to this appointment, she was the Chief Business Support Officer in charge of human resources, corporate information systems, procurement and contract management, and administrative issues. Ms. Kocabas started her professional career as a Management Trainee at Koc Holding, and later worked as Human Resources Expert at Arcelik, then as a Human Resources Coordinator at Marshall, followed by Groupe Danone SA where she worked as Human Resources Director. Ms. Kocabas is a graduate of Economics from Istanbul University. She also obtained a Master s Degree in Human Resources Management from Marmara University.

Yigit Kulabas, born in 1970, was appointed as Chief Corporate Marketing Officer effective March 11, 2013. Prior to his position as Chief Corporate Marketing Officer, he held positions at Oracle, Microsoft, and Ericsson. Mr. Kulabas was the Global Marketing Director of Ericsson in his previous role. He graduated from Bilkent University s Department of Computer Engineering and received a Master s Degree in Computer Engineering from Bilkent University. He holds a PhD degree in Marketing from Istanbul Technical University.

Ilker Kuruoz, born in 1970, became Turkcell s Chief Information and Communication Technologies Officer as of September 2009. He joined Turkcell in 2006. Mr. Kuruoz began his professional career in 1994 at ABT. He then worked at NCR as a System Consultant, at Garanti Teknoloji as a Business Unit Manager and at Accenture as a Senior Manager. Prior to his current position at Turkcell, he was the Capability Management Division Head of Turkcell. Mr. Kuruoz graduated from the Bilkent University Computer Engineering department in 1992 and holds a Master s Degree from the same department.

Koray Ozturkler, born in 1964, joined Turkcell in 1998, and since April 9, 2008, has been the Chief Corporate Affairs Officer in charge of corporate communications, investor relations and corporate citizenship. Prior to this appointment he had been the Investor Relations division head at Turkcell since 2002, and before that was the division head of International Business Development. Mr. Ozturkler started his career in the U.S. at Accenture Consulting. He continued his career at Yapi Kredi Bank. Mr. Ozturkler is a graduate of Johnson C. Smith University with a degree in Marketing, and received his MBA concentrating on MIS from Mercer University.

Emre Sayin, born in 1967, is the Chief Consumer Business Officer of Turkcell. Prior to his current position, he was the Chief Corporate Business Officer and Chief Consumer Sales Officer of Turkcell. Mr. Sayin worked for Evyap Pazarlama ve Tic. A.S. as the Deputy General Manager in charge of Marketing from 2005 to 2006, and for Kodak A.S. as the General Manager from 2002 to 2005. Prior to that Mr. Sayin was the Chief Marketing Officer for Microsoft Turkey from 1999 to 2002. Mr. Sayin worked as the Marketing and Category Manager of Unilever Turkey from 1992 to 1999. Mr. Sayin is a graduate of Bogazici University s Department of Industrial Engineering and holds a Master s Degree in Systems and Industrial Engineering from Rutgers University.

Burak Sevilengul, born in 1973, joined Turkcell in 2001 and has been Chief Consumer Marketing Officer since August 2010. Prior to this appointment, he was the Division Head of the Consumer Business Group and held various other managerial responsibilities within the Marketing Department. Mr. Sevilengul is a graduate of The Middle East Technical University s Department of Business Administration and holds an MBA Degree from the University of Georgia, Terry College of Business.

Ilter Terzioglu, born in 1966, joined Turkcell in 2003. Mr. Terzioglu has worked in the communications sector since 1993 and served as Assistant General Manager at Ericsson, Superonline and Show TV. Mr. Terzioglu is a graduate of the Department of Econometrics at Istanbul University. Between April 1, 2006 and September 30, 2012, Mr. Terzioglu was Chief Network Operations Officer. Prior to that appointment, he was Turkcell s Head of Business Strategies, Regulation and Risk Consolidation. Mr. Terzioglu has been Chief Strategic Projects Officer at Turkcell since October 2012.

Ekrem Yener, born in 1961, joined Turkcell in 2007, and has held positions as Chief Corporate Business Officer and Chief Special Projects Officer. Currently, he is acting as Turkcell s Chief International Expansion Officer. He worked for Aysu Dis Tic. A.S. and Digital Equipment A.S. as a Sales Manager from 1991 to 1998. Mr. Yener worked as the Ankara Regional Manager of Microsoft Turkey in 1998. He was appointed Microsoft s Deputy General Manager in Charge of Marketing in 2002 and was the Deputy General Manager in charge of Business and Strategy Development from 2004 to 2007. He graduated from the Istanbul Technical University s Department of Metallurgical Engineering in 1982 and received a Master s Degree in Material Sciences from the University of California at Berkeley in 1986 and in High Level Marketing Management from Kellogg University.

Umit Akin, born in 1970, served as Chief Legal Affairs Officer until August 13, 2012. He joined Turkcell in 2002. Prior to his position as Chief Legal Affairs Officer, he was the Division Head of Turkcell s Regulatory Legal Affairs department. Mr. Akin began his professional life in 1996 at Ankara University s Faculty of Law as a Research Assistant. He then worked as a lawyer at Ericsson. Mr. Akin graduated from Ankara University, Faculty of Law in 1995 and holds a Master s Degree in Public Law.

Cenk Bayrakdar, born in 1968, served as Chief New Technology Officer until January 31, 2013. He joined Turkcell in 2000. Mr. Bayrakdar graduated from Istanbul Technical University, Department of Electronics & Communication Engineering and holds Master s Degrees in Industrial Engineering and Finance from Texas A&M University. Having started his professional career at Arcelik, he held several managerial positions on the IT and Production Teams. He then worked at Corbuss as the Business Development Coordinator between 2001 and 2002, and served as the Partnership Development and Content Business Area Division Head of Turkcell between 2002 and 2006. Mr. Bayrakdar acted as the Chief Information and Communication Technologies Officer from 2006 to 2009. Prior to his appointment as Chief New Technology Officer at Turkcell, he was responsible for product and services management as Chief Product and Services Management Officer between 2009 and 2011.

6.B Compensation

The compensation of the Board of Directors is resolved by the shareholders at general assemblies. In accordance with the Company s corporate governance practices, the Board, although it has no final authority on remuneration, upon the recommendation of the Compensation Committee may decide on a proposal to the General Assembly as to whether board members will be remunerated, and if such is the case, the form and amount of compensation to be paid to the Board members. At our Annual General Assembly held on April 29, 2010, it was decided that our Chairman would receive a net sum of 250,000 per year and each Board member would receive a net sum of 100,000 per year for the period of their service, effective February 25, 2010.

For the year ended December 31, 2012, we paid an aggregate of approximately $15.0 million to our executive officers including: indemnities, salaries, bonuses and other benefits. There was no deferred or contingent compensation accrued for the year payable to executive officers other than those already included in $15.0 million. In 2011, we paid an aggregate of approximately $14.4 million to our executive officers including: indemnities, salaries, bonuses and other benefits. Furthermore, we do not maintain any profit sharing, pension or similar plans. We have Directors, and Officers, Liability Insurance that covers our directors and officers from liabilities that arise in connection with performing their duties and our liabilities in connection with our directors and officers performance of their duties. The coverage amount is $90 million, and there are a number of insurers, each covering a different layer of the policy. The Directors and Officers Liability insurance is London-based, but it is provided through Mapfre Genel Sigorta A.S., an insurance company in Turkey. In 2012, we paid a premium amounting to approximately $428,000, and in 2011, we paid a premium of approximately $384,128. The policy will expire on September 2, 2013, and we will consider its renewal based on the terms and conditions offered.

Disclosure of compensation is required on an individual basis unless individual disclosure is not required in the company s home country and is not otherwise publicly disclosed by the company.

6.C Board Practices

Under the Turkish Commercial Code and our Articles of Association, our Board of Directors is responsible for our management. The Articles of Association provide for a Board of Directors consisting of seven members. The members each serve for a term of three years.

For more information on our directors and the period during which each director has served on the board, see Item 6.A. Directors and Senior Management .

Committees of the Board of Directors

The Audit Committee

We are required under Turkish laws and regulations, U.S. securities laws and regulations and the rules of the New York Stock Exchange (NYSE) to have an Audit Committee of the Board of Directors appointed from among the members of the Board of Directors. Our Audit Committee currently has four members: Mr. Colin J. Williams, Mr. Ahmet Akca, Mr. Mehmet Hilmi Guler and Mr. Atilla Koc. As required by the CMB Communiqué Serial: X No: 22, which is binding upon public companies in Turkey, Mr. Williams, Mr. Ahmet Akca, Mr. Mehmet Hilmi Guler and Mr. Atilla Koc are non-executive members of our Board of Directors. In addition, on December 30, 2011, the CMB issued a new regulation that requires listed companies to have audit committees composed of independent board members. Listed companies must comply with this requirement by June 30, 2012. In a further Communiqué dated September 13, 2012, the CMB empowered itself, effective until December 31, 2012, to take legal action before the relevant first instance court in a view to assure the compliance with its corporate governance rules. The new Capital Markets Law came into force on December 30, 2012. The Capital Markets Board is entitled by the new law (Art.17(2)) to make decisions and perform actions accordingly on its own initiative in case time-bound compliance requirements relating to its corporate governance principles are not met in due time. By its resolution dated March 11, 2013, the CMB exercised this power and announced the replacement of Mr. Bulent Ergin, Mr. Tero Kivisaari and Mr. Oleg Malis on our Board of Directors with three new members, Mr. Atilla Koc, Mr. Mehmet Hilmi Guler and Mr. Ahmet Akca, who serve as independent board members according to Art.17/2 of the Capital Markets Law No: 6362. All of the members are considered independent under the U.S. Sarbanes Oxley Act of 2002, the rules promulgated thereunder by the U.S. Securities and Exchange Commission, the applicable rules of the NYSE and the CMB Corporate Governance Principles as enacted in 2004.

Similar to the Swiss Code, board committees in Turkish law merely have a decision-shaping , rather than decision-taking role. Additionally, as per a decision of the Board of Directors, the responsibility of the Audit Committee members is also considered as a joint responsibility of all Board members.

The principal duties of the Audit Committee include the following:

- assisting the board s oversight of the quality and integrity of our financial statements and related disclosure;
- overseeing the implementation and efficiency of our accounting system;
- pre-approving the appointment of and services to be provided by our independent auditors;
- preparing and monitoring the agreement between us and the independent auditor and overseeing the performance and efficiency of our independent audit system and internal audit mechanisms; and
- establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting control systems or auditing matters and establishing procedures for the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters.

The Corporate Governance Committee

The Corporate Governance Committee mainly assists the Board of Directors with the development and implementation of our corporate governance principles and presents to the Board of Directors remedial proposals to that end. It establishes a transparent system for the determination, evaluation and training of Board member candidates. The Committee makes recommendations to the Board of Directors, where appropriate, regarding the Chief Executive Officer and Chief Financial Officer and the Chief Executive Officer and Chief Financial Officer succession plan. In the relations between the Company and our shareholders, the Committee assists the board. To that end, it oversees the investor relations activities.

The current members are Mr. Ahmet Akca, Ms. Karin Eliasson, Mr. Mehmet Hilmi Guler, Mr. Atilla Koc, Mr. Alexey Khudyakov, Ms. Gulsun Nazli Karamehmet Williams and Mr. Colin J. Williams. As Mr. Mehmet Bulent Ergin and Mr. Oleg Malis were removed by the CMB with its resolution dated March 11, 2013, they are no longer members of the Committee.

The Candidate Nomination Committee

On April 27, 2012, the Candidate Nomination Committee was established in accordance with the CMB corporate governance principles to perform independent board member candidate nomination and performance assessment processes. The current members are Mr. Ahmet Akca, Ms. Karin Eliasson, Mr. Mehmet Hilmi Guler, Mr. Atilla Koc, Mr. Alexey Khudyakov, Ms. Gulsun Nazli Karamehmet Williams and Mr. Colin J. Williams. As Mr. Mehmet Bulent Ergin and Mr. Tero Erkki Kivisaari were removed by the CMB by its resolution dated March 11, 2013, they are no longer members of the Committee. In total, 27 candidates have been proposed as candidates for independent membership. On June 6, 2012, an evaluation report was issued by the Committee related to whether these candidates meet the independency criteria. This report was submitted to the Board of Directors. The Company s Independent Board of Directors Candidate List has not been reviewed by the CMB due to the fact that it does not meet the criteria prescribed by legislation and it has been requested that we assure its conformity with guidelines specified in the CMB s corporate governance principles.

The Compensation Committee

On December 19, 2012, in conformity with the CMB corporate governance principles, our Board established a Compensation Committee to operate under our Board of Directors. The current members are Mr. Ahmet Akca, Ms. Karin Eliasson, Mr. Mehmet Hilmi Guler, Mr. Atilla Koc, Mr. Alexey Khudyakov, Ms. Gulsun Nazli Karamehmet Williams and Mr. Colin J. Williams. As Mr. Mehmet Bulent Ergin was removed by the CMB by its resolution dated March 11, 2013, he is no longer a member of the Committee. The Board also adopted the Compensation Committee s Charter and approved that the Compensation Committee shall execute the duties relating to compensation issues which were earlier granted to the Corporate Governance Committee by the Corporate Governance Committee Charter and the Compensation Committee shall be authorized in lieu of the Corporate Governance Committee in Total Remuneration Policy for the Board of Directors and Top Executives adopted by our Board. The Committee determines the remuneration principles that apply to the Board members and senior management taking into account the long-term strategic goals of the Company. It sets out the remuneration criteria for the Board members and senior management s performance and makes compensation recommendations to the Board. The Company s Total Remuneration Policy for the Board of Directors and Top Executives adopted by the Board resolution was included in the agenda of the annual general meeting scheduled to be held in 2012 as an information item. Since the meeting could not be held, shareholders were informed via the Company s website.

The Early Detection of Risks Committee

The Early Detection of Risks Committee has been established in conformity both with the new Turkish Commercial Code and CMB corporate governance principles to assist the Board in early detection of risks that may jeopardize the Company s existence, development and continuation and to assist the Board in taking the necessary measures and remedial actions to manage such risks. The current members are Mr. Ahmet Akca, Ms. Karin Eliasson, Mr. Mehmet Hilmi Guler, Mr. Alexey Khudyakov, Ms. Gulsun Nazli Karamehmet Williams and Mr. Colin J. Williams. As Mr. Mehmet Bulent Ergin and Mr. Tero Erkki Kivisaari were removed by the CMB by its resolution dated March 11, 2013, they are no longer members of the Committee.

6.D Employees

From our formation in 1993, we have grown from approximately 90 employees to 13,414 employees (part-time employees and disabled employees working at home are not included in the number of total employees) as of December 31, 2012. Due to our customer growth and the increasing need for competent employees, we focus on the quality of our recruitment. The following table sets forth the number of employees by activity employed by us at December 31, 2012, 2011 and 2010.

	2012	2011	2010
Turkcell			
Consumer Business	115	112	102
Group Marketing Services(1)			91
Consumer Sales	246	244	243
Consumer Marketing	152	136	
Corporate Business(13)	763	340	279
Finance(2)			211
Turkcell Group Finance(2)	314	317	
Information & Communication Technologies(3)	890	734	590
Network Operations(3)	709	805	780
Business Support			232
Group Human Resources	204	202	
Product & Services Management(4)			111
New Technology Business	43	40	
CEO Office(5)		3	3
CEO Support(6)	3	2	
Corporate Affairs	37	33	31
Corporate Risk Management(7)			16
Corporate Strategy & Regulations(8)(9)			35
Legal Counseling(10)			58
International Expansion(11)			7
International Investment Coordination(12)			30
Internal Audit(7)	12	12	
International Business(11)	11	11	
Legal Affairs(10)	37	37	
Regulation Strategies & Wholesale Business(9)	46	43	
Subtotal	**3,585**	**3,071**	**2,789**
Subsidiaries			
Turkcell Global Bilgi	6,071	5,899	4,565
Limited Liability Company Astelit	1,074	1,030	1,065
Belarusian Telecom	492	417	406
Global Bilgi LLC	708	624	394
Turkcell Superonline(3)	525	461	412
Turkcell Teknoloji Arastitma ve Gelistirme A.S.	423	427	362
Kibris Telekom	167	165	172
Kurumsal A.S.(13)		400	407
Others(14)	369	340	300
Subtotal	**9,829**	**9,763**	**8,083**
Total	**13,414**	**12,834**	**10,872**

(1) As of 2011, Group Marketing Services function has been restructured and merged with Consumer Business.

(2) As of July 2011, Finance organization has been restructured and named Turkcell Group Finance. Turkcell Global Bilgi, Global Tower, Turkcell Teknoloji including their affiliates and Turkcell s Finance functions are merged under this centralized structure in order to construct a more comprehensive and more effective Group Finance organization and to benefit from the advantage of Turkcell Group s multi-company structure.

(3) As of November 2012, alarm handling and complaint management teams of Turkcell Superonline and Network Operations function have merged with Information & Communication Technologies in order to increase after sales service quality.
(4) As of July 2011, Product & Services Management function has been restructured and part of it merged with Information & Communication Services. The other part of it has been renamed New Technology Business in order to determine new growth areas for Turkcell, bringing to maturity these fields for transforming into new business areas by market research and analysis.
(5) As of 2009, the following groups are no longer reported as part of the CEO Office and are presented separately: Corporate Affairs, Corporate Risk Management, Corporate Strategy & Regulations, Legal Counseling and Special Projects.
(6) As of 2011, CEO Support division has been formed.
(7) As of 2011, Corporate Risk Management function has been renamed Internal Audit.
(8) To increase our business effectiveness and our adaptation to change and by taking regulation excellence principles into consideration, Regulations has been moved to Corporate Strategy as of July 1, 2008 in order to increase our business effectiveness and ability to respond more efficiently to changes as well as by taking into consideration regulation excellence principles.
(9) As of 2011, Corporate Strategy & Regulations function has been renamed Regulation Strategies & Wholesales Business.
(10) As of 2011, Legal Counseling function has been renamed Legal Affairs.
(11) As of 2011, International Expansion function has been renamed International Business.
(12) International Investment Coordination includes experts and is not included in the subtotal.
(13) As of February 1, 2012, Kurumsal A.S. organization has been restructured and merged with Corporate Business.
(14) Others include the following subsidiaries: Inteltek Internet Teknoloji Yatirim ve Danismanlik Ticaret A.S., Global Tower, Turkcell Europe, Global Bilgi FLLC, Ukrtower, Azerinteltek and Rehberlik A.S.

High levels of subscriber satisfaction can only be achieved if our employees are capable and competent professionals dedicated to subscriber service.

We are able to recruit highly qualified employees due to our position of leadership in the Turkish telecommunications market and our strong corporate identity. Stringent hiring and training standards have resulted in a professional organization with high-caliber employees within a challenging workplace.

With regard to employee compensation and benefits, the major principles of our policy are to preserve internal equity and external competitiveness and reflect individual performance in compensation packages.

Significant factors involved in the process of determining compensation and benefits for our employees are our grading structure (based on the Hay Grading system), market movement data and individual performance. We make salary adjustments once yearly. Principal factors in salary adjustments are market movements and economic indicators (e.g., the rate of inflation). We pay performance bonuses quarterly to sales employees and annually to all other employees in accordance with individual and company performance results. Our performance evaluation system evaluates the whole year performance of our employees through two primary activities: target setting and 360-degree evaluation. Benefits packages are designed in line with the local market practice and linked to grade bands/levels where the benefits package improves as the grade band/level increases. We run a flexible benefits plan that allows our employees to select from a pool of choices that suit them such as several shopping and travel vouchers, allowance for children and payment to the Defined Contribution Plan (the DCP). The DCP is a voluntary pension system in which we and the employee make equal contributions. After a vesting period of three years, the employee gets ownership of the contribution we made. The DCP covers all employees who have been working with us for a minimum of six months.

Each of our employees undergoes an orientation program incorporating classroom training and e-learning training. The training provides employees with information concerning corporate culture and ethics, an introduction to our services, basic mobile communications knowledge and functions of departments. Each employee has the opportunity to participate in the individual, organizational, functional and managerial development programs after regular analyses of his or her training needs. In addition, each employee receives specific training for his or her particular job.

To further develop our employees we have created the Turkcell Academy. The Turkcell Academy is structured as a center of development for Turkcell Group employees. The Turkcell Academy was created as part of Turkcell s philosophy of investing in people and is one of our proactive development solutions supporting group strategies and helping to improve Turkcell s performance. With the Turkcell Academy s branded long-term development programs, technical and non-technical courses, web-based training systems and e-learning, Turkcell Group has become an environment in which employees get together to receive a broad variety of educational content and to share information.

The Turkcell Academy is also intended to improve the future society of Turkey and to reach out to young people through social responsibility projects. Together with strategic partnerships with universities and training consultancies and with Academy trainers experience and knowledge, the Turkcell Academy has become a valuable and important part of our company.

Our employees are not members of any union, and there is no collective bargaining agreement with our employees. We have not experienced any work stoppages.

6.E Share Ownership

Based on reporting made to us in February and March 2013, we believe that the aggregate amount of shares owned by our Board members and senior officers at such time was 1 ordinary share. No individual Board member or senior officer owned 1% or more of our outstanding shares.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A Major Shareholders

The following table sets forth our major shareholders ordinary share ownership representing approximately 64.12% of our company s capital. This information is current as of March 15, 2013, based on the Company s official share book. Our shareholders do not have different voting rights.

Name and Address of Owner	Nominal TRY Value of Shares Owned(1)	Percent of Class
Sonera Holding B.V.(2) P.O. Box 8675 NL 3009 AR Rotterdam The Netherlands	287,632,179.557	13.07%
Cukurova Holding A.S. Buyukdere Cad. Yapi Kredi Plaza A Blok Kat: 15, 34330, Levent, Istanbul, Turkey	995,509.429	0.05%
Turkcell Holding A.S.(3) Buyukdere Cad. Yapi Kredi Plaza A Blok Kat: 15 34330, Levent, Istanbul, Turkey	1,122,000,000.238	51.00%
Shares Publicly Held	789,372,310.776	35.88%(4)(5)
Total	2,200,000,000.00	100.00%

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

(2) Controlled by TeliaSonera. On September 11, 2009, Sonera Holding B.V. entered into a derivative transaction with Citibank, N.A. that was settled on October 30, 2009, resulting in Sonera Holding s acquisition of 6,418,710 of Turkcell s ADS (representing 16,046,775 Shares) at a price of $17.30 per ADS.

(3) Controlled directly by Cukurova Telecom Holdings Limited that owns 52.91% of its shares. 51% of Cukurova Telecom Holdings Limited s shares are controlled by Cukurova Finance International Limited and 49% are controlled by Alfa Telecom Turkey Limited. As of the date of this annual report on Form 20-F, we understand that, TeliaSonera, Cukurova Holding, and Alfa Group currently own, directly or indirectly, of approximately 37.1%, 13.8%, and 13.2%, respectively, of our share capital, the majority of which is held through Turkcell Holding A.S. TeliaSonera s 37.1% does not include additional shares totaling approximately 0.94% that TeliaSonera has informed us that they own. For more information, see footnote 5 below and Item 3.D Risk Factors Turkcell s complex ownership structure and ongoing disagreements among our main shareholders have adversely impacted and may continue to impact decision-making on important matters. These ongoing disputes may lead to further regulatory or legal actions, and affect the ownership and control of our shares .

(4) In our prior filing on Form 20-F, we disclosed on the basis of publicly available information that Lazard Asset Management LLC controlled 111,353,863 shares. Lazard has not publicly updated this figure.

(5) We calculate shares publicly held by deducting from total shares outstanding those shareholders named above. However, a different level of shares publicly held is arrived at when calculating according to Turkish regulations, see Free Float Definition Rules in Item 10B Memorandum and Articles of Association Capital Structure Free Float Definition Rules . Based on information received from TeliaSonera, we understand that approximately 0.94% of the shares they own in our Company is a part of float.

As of March 15, 2013, Turkcell had 69,422,394 ADRs outstanding held by 59 registered ADR holders. To the best of our knowledge, as of December 31, 2012, in accordance with the loan agreements signed between our shareholders and various banks, 0.05% of shares having a nominal value of TRY 995,509,429 have been pledged by our shareholders as security in favor of such banks.

On October 27, 2010, our Board of Directors approved a resolution for the blank endorsement of 25,500,000 shares, each having a nominal value of TRY 1, and held by MV Holding A.S. for their transfer and assignment pursuant to paragraph m of Article 9 of the Istanbul Stock Exchange Quotation Regulation.

Mapfre Genel Sigorta notified the sale of 1,558,447.590 of its shares in our Company to the Capital Markets Boards on January 21, 2010 and the sale of 0.009 of its shares in our Company on May 6, 2010. These shares are now classified as publicly held shares of the Company and Mapfre Genel Sigorta is therefore no longer listed as an ordinary shareholder.

Muflis Bilka Kaynak Iletisim San ve Tic. A.S. completed the sale of its 137,199.575 shares in our Company through the Central Registry Agency as of March 30, 2012. These shares are now classified as publicly held shares of the Company and Muflis Bilka is therefore no longer listed as an ordinary shareholder.

On January 25, 2013, MV Holding registered 26,021,712.590 shares through the Central Registry Agency. These shares are now classified as publicly held shares of the Company and MV Holding is therefore no longer listed as an ordinary shareholder.

7.B Related Party Transactions

We have entered into agreements with our executive officers and with several of our current and former shareholders or affiliates of shareholders. We believe that all of such agreements are on terms that are comparable to those that would be available in transactions with unrelated parties. Our policy is to seek price quotes for services and goods we purchase and select the most favorable price. For a discussion of our Related Party Transactions for fiscal year 2012, see Note 34 to our Consolidated Financial Statements.

7.C Interests of Experts and Counsel

Not Applicable.

ITEM 8. FINANCIAL INFORMATION

8.A Consolidated Statements and Other Financial Information

Audited consolidated financial statements as of December 31, 2012 and 2011, and for each of the years in the three-year period ended December 31, 2012, are included in Item 18. Financial Statements .

Legal Proceedings

For a discussion of the various claims and legal actions in which we are involved, see Note 33 (Commitments and Contingencies) to our consolidated financial statements in this Form 20-F.

Dividend Policy

We have adopted a dividend policy, which is included in our Corporate Governance Guidelines. As adopted, our general dividend policy is to pay dividends to shareholders with due regard to trends in our operating performance, financial condition and other factors. Since 2004, the Board of Directors has endeavored to distribute cash dividends of at least 50% of our distributable net profits per fiscal year, although the payment of dividends remains subject to our cash flow requirements, applicable Turkish laws and the approval of, or amendment by, the Board of Directors and the General Assembly of Shareholders.

In accordance with Turkish law, the distribution of profits and the payment of an annual dividend with respect to the preceding financial year are subject to a recommendation which may be made by the Board of Directors each year for approval by the shareholders at the annual general assembly. The Board may decide whether or not to recommend a distribution of profits together with the amount of dividend and the shareholders, through the general assembly, accept, amend or reject such proposal, if any. Dividends are payable on a date proposed by the Board of Directors and determined at the general assembly of shareholders, which date, under the CMB requirements, must be earlier than the end of the fifth month following the end of the preceding financial year. However, the CMB is authorized to designate another deadline for distribution of dividends in any given year.

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

On March 10, 2010, our Board of Directors proposed a dividend for the year ended December 31, 2009 of TRY 859.3 million (equivalent to $482 million at December 31, 2012), which represents 50% of distributable income and a net cash dividend of TRY 0.39 (equivalent to $0.22 at December 31, 2012) per share. This dividend proposal was approved at the Ordinary General Assembly of Shareholders held on April 29, 2010. A cash dividend was distributed from May 17, 2010, for a period of 15 days.

On March 23, 2011, our Board of Directors proposed a dividend for the year ended December 31, 2010 of TRY 1,328.7 million (equivalent to $745.4 million at December 31, 2012), which corresponds to 75% of Turkcell s distributable income and a net cash dividend of TRY 0.60 (equivalent to $0.34 at December 31, 2012) per share. This dividend proposal was discussed but not approved at the Ordinary General Assembly of Shareholders held on April 21, 2011, and the Extraordinary General Assembly of Shareholders held on August 11, 2011 and October 12, 2011. The General Assembly on June 29, 2012 could not convene since the quorum required had not been reached and the dividend proposal could not be presented for approval.

Annual profits are calculated and distributed in accordance with our Articles of Association after deduction from our annual revenues of all expenses, depreciation, taxes, required reserves and any losses from the previous years.

Pursuant to CMB regulations, dividend distributions of publicly held companies are regulated as follows.

From the distributable net dividend calculated as per the CMB s regulations, the entire amount calculated according to the CMB regulations regarding the requirement of minimum dividend distribution shall be distributed in the event such amount can be covered by the distributable net dividend in the statutory records. In the event the entire amount cannot be covered by the distributable net dividend in the statutory records, the total distributable net dividend in the statutory records shall be distributed. In the event there is net loss in the financial statements prepared as per the CMB regulations or statutory records, there shall be no dividend distribution.

The CMB determined that for the accounting period ended December 31, 2008, the minimum dividend distribution rate should be at least 20% of the total distributable dividend. This distribution can be in cash or in the form of bonus share distribution, or both in cash and in the form of bonus share distribution, provided that it will not be less than 20% of the total distributable dividend. The amount of dividend to be distributed shall be resolved in the general assembly meetings of the companies. The CMB decided, with its decision dated January 27, 2010, not to enforce a minimum dividend distribution ratio for the dividend distribution to be made relative to the profit generated in 2009. The CMB has taken no further decision to amend this decision regarding dividend distribution for the 2010 and 2011 fiscal years. The new Capital Markets Law, which came into force on December 30, 2012, stipulates that public companies shall distribute dividends in line with their dividend policy determined by their general assembly and in conformity with the relevant legislation. However, the new law entitles the Board to regulate dividends. The CMB has maintained the status quo since its decision dated January 27, 2010.

To the extent we declare dividends in the future, we will pay those dividends in Turkish Lira. In the case of ordinary shares held in the form of ADSs, dividends will be converted into U.S. Dollars by the depositary for the ADSs, to the extent it can do so on a reasonable basis, and will be distributed to the holders of the ADSs. Because exchange rates between the Turkish Lira and the U.S. Dollar fluctuate continuously, a holder of ADSs will be subject to currency fluctuation generally, but particularly between the date on which dividends are declared and the date dividends are paid. Under current Turkish regulations, dividends or other distributions paid in respect of the ordinary shares or ADSs generally will be subject to withholding taxes. See Item 10E. Taxation .

8.B Significant Changes

Not applicable.

ITEM 9. THE OFFER AND LISTING
9.A Offer and Listing Details

Our capital consists of ordinary shares. Pursuant to an amendment in Turkish Capital Markets Law and a communiqué issued by the CMB, our shares traded on the Istanbul Stock Exchange were dematerialized as of November 2005. For detailed information on the dematerialization of our shares, see Item 10.B. Memorandum and Articles of Association Transfer of Shares .

Our ordinary shares are traded on the Istanbul Stock Exchange under the symbol TCELL and our ADSs are traded on the NYSE under the symbol TKC . Currently two ADSs represent five of our ordinary shares. Our ADSs are evidenced by American Depositary Receipts (ADRs). On July 6, 2011, we signed an amended and restated Deposit Agreement with Citibank N.A. (Citibank), as depositary (the Depositary), Turkcell and holders of ADRs, which transferred our ADR program from JPMorgan Chase Bank to Citibank.

Since January 1, 2006, capital gains realized without meeting a one-year holding period are subject to a withholding tax in Turkey. On July 7, 2006, a provision was added to article 1/a of Code 5527 stating that foreign-based taxpayers, natural persons and corporations are subject to 0% tax. See Item 10.E. Taxation .

The table below sets forth, for the periods indicated, the reported high and low closing quotations (as extracted from Reuters) on the NYSE and the Istanbul Stock Exchange. All quotations have been adjusted to take into account all dividends we have issued in the form of shares and cash.

	New York Stock Exchange ($ per ADS)		Istanbul Stock Exchange (TRY per Ordinary Share)	
	High	**Low**	**High**	**Low**
Annual information for the past five years				
2012	16.14	10.83	11.60	8.10
2011	17.73	10.36	10.95	7.36
2010	19.98	12.34	11.18	7.80
2009	18.65	11.15	10.32	6.86
2008	27.47	9.70	11.30	6.19
Quarterly information for the past two years				
2012				
First Quarter	13.96	11.83	9.96	8.78
Second Quarter	12.66	10.83	9.16	8.10
Third Quarter	15.5	12.50	11.25	8.94
Fourth Quarter	16.14	14.76	11.60	10.60
Quarterly information for the past two years				
2011				
First Quarter	17.73	13.28	10.95	8.58
Second Quarter	15.60	13.16	9.60	8.38
Third Quarter	13.79	10.36	8.98	7.36
Fourth Quarter	13.51	11.11	9.54	8.18
Monthly information for most recent six months				
October	15.43	14.94	11.2	10.8
November	15.33	14.76	10.95	10.60
December	16.14	15.19	11.60	10.85
January	17.76	15.64	12.55	10.95
February	16.51	15.43	11.95	10.8
March (as of March 15, 2013)	16.85	16.12	12.25	11.55

Fluctuations in the exchange rate between the Turkish Lira and the U.S. Dollar will affect any comparisons of ordinary share prices and ADS prices.

On March 15, 2013, the closing price per ordinary share on the Istanbul Stock Exchange was TRY 12.15 and per ADS on the NYSE was $16.68. The Depositary confirmed that we had 76,267,184 ADRs outstanding as of the close of business on December 31, 2012. We had 69,422,394 ADRs outstanding as of the close of business March 15, 2013.

9.B Plan of Distribution

Not applicable.

9.C Markets

Our ADSs are traded on the NYSE under the symbol TKC and our ordinary shares are traded on the Istanbul Stock Exchange under the symbol TCELL .

9.D Selling Shareholders

Not applicable.

9.E Dilution

Not applicable.

9.F Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION
10.A Share Capital

Not applicable.

10.B Memorandum and Articles of Association

General

We are registered in the Istanbul Trade Registry under number 304844. Pursuant to Article 3 of our Articles of Association, as amended on January 30, 2009, at the Extraordinary General Assembly, we are incorporated primarily for the provision of any telephone, telecommunication and similar services in compliance with the Telegraph and Telephone Law number 406 and services stated in the GSM Pan Europe Mobile Telephone System bid that was signed with the Ministry of Transport, Maritime Affairs and Communications and to operate within the authorization regarding the IMT-2000/UMTS services and the infrastructure.

Board Members

General

The Board of Directors is comprised of seven members elected by the general assembly. An increase in the number of members of the Board of Directors must be approved by the general assembly. Currently none of the directors on our Board are either representatives of shareholders that are legal entities or shareholders themselves. With the new Turkish Commercial Code Act No 6102 (TCC), which came into force on July 1, 2012, the requirement of having a share of company in order to become a member of Board of Directors has been abolished. The individuals who do not have any shares in the company have been provided an opportunity to be elected as members of the Board of Directors and carry out such duty. Additionally, as the TCC came into force on July 1, 2012, it mandated that the Board members who have been elected as a representative of a legal entity be required to resign and that the new Board members (as individuals or representatives of the legal entity) be required to be appointed in their place until October 1, 2012 at the latest. Thus, Turkcell s Board decided on September 13, 2012, that six board member representatives of Turkcell Holding A.S. at the Turkcell Board of Directors (except for Colin J. Williams) would be re-appointed as individual Board members, this time on different dates, by keeping the necessary meeting and decision quorums. Necessary legal steps have been taken and six Board members of Turkcell have been registered as individual Board members in order to complete the remaining term of office, as opposed to being representatives of the legal entity (Turkcell Holding A.S.).

The TCC does not require a board member to be a Turkish citizen. There is no minimum age for the directors, provided that a board member has reached the age of majority, which is 18, and there is no mandatory retirement age under applicable law. The conditions to be a Board member are regulated by the new TCC and the conditions to be an independent board member are regulated by the related CMB legislation.

Board Members Interest

The TCC forbids a Board member to enter into a transaction with us in any area relating to our business, either on the board member s own behalf or on behalf of someone else, thus preventing the abuse of duty by Board members and protecting our interests (TCC Article 395) without the authorization of the general assembly. Our general assembly may authorize our Board members to enter into these types of transactions through a specific provision in our Articles of Association, or our general assembly may grant such a right on a yearly basis. On April 29, 2010, such authorization was granted by our general assembly.

Board members cannot participate in board meetings in which a matter related to themselves or their relatives is discussed (TCC Article 393). If any item of an agenda is related to one of the Board members, within the meaning of TCC Article 393, the Board member concerned should inform the board of this and the reason for not attending the discussions due to prohibition and any other actions taken related to the situation be recorded in the relevant Board of Directors resolution. Interested Board members cannot participate in and sign such resolutions. If we suffer any loss because of a Board member s failure to raise such an issue, the Board member shall be held liable to compensate us for the loss incurred due to such matters related to relatives.

Under TCC Article 396, without the authorization of the general assembly, the Board members are barred from participating in similar commercial activities outside our Company. Board members cannot become shareholders with unlimited liability or become Board members of companies active in similar types of business. Our general assembly may, however, authorize our Board members to enter into these types of transactions through a specific provision in our Articles of Association or our general assembly may grant such a right on a yearly basis. On April 29, 2010, such authorization was granted by our general assembly.

Furthermore, based on a CMB Communiqué (see Item 16.G. Corporate Governance), which requires compliance by listed companies as from June 30, 2012, along with Board members, controlling shareholders, senior management, as well as spouses and second degree blood and affinity relatives of those, can only do transactions which may cause conflict of interest with the company or its subsidiaries and can only compete with the company if its general assembly gives its prior approval thereto and if the general assembly is informed of such transactions. In a further Communiqué Serial IV, No. 63 dated February 22, 2013 the general assembly s prior approval requirement was removed. Additionally, only material transactions shall be submitted for the General Assembly s information.

Compensation

Any remuneration payable to Board members shall be determined by our general assembly. The Board of Directors has no authority to determine such remuneration. At our Annual General Assembly held on April 29, 2010, it was decided that our Chairman would receive a net sum of 250,000 per year and each Board member would receive a net sum of 100,000 per year for the period of their service, effective February 25, 2010.

According to a CMB Communiqué (see Item 16.G. Corporate Governance), which requires compliance by listed companies as from June 30, 2012, a written Remuneration Policy for Board members and senior management was prepared. This Policy was posted on the company s website and submitted at the ordinary general assembly as a separate agenda item for information. However, our Ordinary General Meeting scheduled on June 29, 2012 could not convene since the quorum required by our Articles of Association had not been reached because Turkcell Holding A.S., which owns a 51% stake in our Company, was not represented at the meeting. Payment plans such as stock options or those based on company performance are not used in the remuneration of independent Board members. Remuneration of independent board members must safeguard the independency level.

Borrowing Power

To the extent the relevant provisions of Turkish law allow, the Board of Directors of our Company is the body entitled to, directly or through representatives authorized by the Board of Directors, resolve to exercise our powers to borrow money or give any form of guarantee or surety relating to our or any third party s obligations. CMB adopted a new rule on September 9, 2009, which was announced in its weekly bulletin in connection with credit extensions, that public companies can provide guarantees or pledges, including mortgages, to third parties, provided such third party (i) is fully consolidated in the company s financial statements or (ii) the ordinary business operations of the company directly requires providing guarantees, pledges or mortgages. At the Ordinary General Assembly held on April 29, 2010, Article 3 entitled Purpose and Subject Matter of Turkcell s Articles of Association was amended in line with CMB s rule dated September 9, 2009. Under our Articles of Association, our Board of Directors is authorized to issue debentures and other securities subject to the TCC, Turkish Capital Markets Law and other relevant legislation. Under Turkish Capital Markets Law, the total value of capital market instruments shall not exceed the amount specified by the CMB, for each type of instrument. However, as a general rule, the total value of debentures and other debt instruments that a publicly held company may issue as capital market instruments may not exceed the balance remaining after deducting the losses, if any, from the total sum of the outstanding and paid-up capital as shown on the latest independently audited financial statements submitted to the CMB, plus reserves and the revaluation fund stated in the latest financial statement approved by the general assembly. Pursuant to Article 3 of our Articles of Association, as amended on October 2, 2009 at the Extraordinary General Assembly, and as effective on October 7, 2009, we can extend credits to companies in which we have direct or indirect shareholding interest, both in Turkey and overseas, as well as to our main company and group companies, in Turkish Lira or other foreign currencies, on the condition that such extensions do not conflict with applicable laws and regulations.

Initially, based on CMB Communiqué Serial IV, No. 56, dated December 30, 2011, the approval of the majority of the independent members was necessary for any and all kinds of related party transactions of the company (related parties referred in the Communiqué will be determined in accordance with the Turkish Accounting Principles No. 24, equivalent of IAS 24), as well as for the resolutions of the board of directors with respect to giving guarantees, pledges and mortgages in favor of third parties. The CMB in a further announcement clarified that listed companies could adopt one general board/general assembly resolution for the execution of transactions of a continuous and extensive nature with related parties unless the terms of those transactions had changed. In the event such changes occur, new board/general assembly resolutions will be needed. The new Capital Markets Law dated December 30, 2012 empowered the CMB to determine the nature of such transactions. Accordingly, the CMB with its Communiqué Serial IV, No. 63 dated February 22, 2013 restricted the scope and set out that only material related party transactions, as opposed to all kinds of transactions, shall be submitted to the approval of independent members. In cases where the majority of the independent members do not approve such material transaction, the case shall be disclosed to the public in a manner covering sufficient information with respect to the transaction within the scope of public disclosure arrangements, and the transaction shall be submitted to the general assembly for approval. During such general assembly meetings, a resolution shall be adopted by vote in which the parties to the transaction as well as the individuals related thereto are not entitled to vote. Meeting quorum shall not be necessary for the general assembly meetings to be held for those cases. Such resolutions shall be adopted by simple majority of the attendees having the right to vote. The Company shall incorporate related mandatory provisions of the said Communiqué in its Articles of Association (along with other mandatory provisions relating to corporate governance, see Item 16.G. Corporate Governance).

Capital Structure

General

Our Board of Directors has adopted the authorized share capital system which, under Turkish law, allows us to increase our issued share capital up to the authorized share capital amount upon resolution by our Board and without need for further shareholder approval. On January 23, 2008, the CMB amended its Communiqué on principles regarding the registered capital system. According to this amendment, the registered capital ceiling authorization given by the CMB shall be valid for five years, including the year in which the authorization is granted. As this five-year term ended in January 23, 2013, the Company will need to apply for the CMB s authorization in order to determine its capital ceiling for a five-year term and will amend its Articles of Association accordingly at the next ordinary general assembly meeting.

Preemption Rights

We may increase our capital only through the issuance of new shares, and such issuances may come in the form of a rights offering or a bonus issue. Under Turkish law, existing shareholders are entitled to subscribe for new shares, also known as preemption rights, in proportion to their respective shareholdings each time we undertake a capital increase. Our Board of Directors will generally recommend that new shares be issued at prices equal to their nominal value, which entitles the existing shareholders to subscribe for shares at a significant discount from their current market price. The exercise of preemption rights by shareholders must be made within a subscription period which we announce, which may not be less than 15 days nor more than 60 days after the issuance of the preemption rights circular. Shareholders who do not wish to subscribe for new shares may sell their rights on the Istanbul Stock Exchange (ISE). Any shares not subscribed for by the existing shareholders or purchasers of the rights coupons are sold on the ISE at the current market price. Any differences between the rights issue price and the price realized for the shares on the ISE would accrue to our surplus account. Preemption rights of shareholders related to a rights offering may be restricted wholly or in part either by an affirmative vote of the holders of a majority of the outstanding shares at an ordinary or extraordinary general assembly or a resolution adopted by the Board of Directors to such effect, provided that such authority is conferred upon the Board of Directors. CMB rules stipulate that such authority may be conferred upon the Board of Directors of companies that have received permission from the CMB to adopt the authorized capital system.

By the amendment to the Articles of Association, we have conferred such authority on our Board of Directors. The CMB further requires that the right of the Board of Directors to restrict the preemption rights of shareholders applies equally with respect to all shareholders. Under Turkish law, bonus issues may be undertaken in order to convert all or a portion of the revaluation fund and reserves of a company into share capital.

Dividend Distribution and Allocation of Profits

Our Board of Directors recommends annual dividends, which then must be approved by our shareholders at their annual general assembly. Dividends are payable on a date determined at the annual general meeting. Under current rules, the Board of Directors may decide whether or not to recommend a distribution of dividends, and our shareholders at our annual general meeting may decide whether or not to distribute dividends in any year.

According to new Capital Markets law, we may freely determine the amount of dividends to be distributed based on the Dividend Policy adopted by our Board of Directors in 2004, pursuant to applicable Turkish laws and upon the approval of, or amendment by, the Board of Directors and the General Assembly of Shareholders. The Board decides whether or not to recommend an allocation of profits, as well as the amount of the dividend, and the shareholders, through the general assembly, accept, amend or reject such proposal, if any.

According to the CMB s decision dated January 27, 2010 and numbered 02/51, regarding dividend distribution for the 2009 fiscal year, any cash dividend distribution must be completed by the end of the fifth month following the fiscal year. Dividends are payable by transfer to the account of the shareholders with a bank in Turkey corresponding to the relevant portion of their shares. If dividends are distributed in the form of bonus shares by means of a bonus issue, the registered value representing the bonus shares shall be transferred to the shareholders accounts no later than six months after the end of the fiscal year. Shareholders entitlement to cash dividends remains in effect for a period of five years following the date of the general assembly approving such distribution, after which time they are transferred to the Turkish government.

Part of our remaining net profit may be distributed to our shareholders as a second dividend or retained by us as retained earnings, all at the discretion of our general assembly.

For additional details regarding our dividend policy see Item 8.A. Consolidated Statements and Other Financial Information Dividend Policy .

Voting Rights

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

CMB Communiqué Serial IV, No. 56 dated December 30, 2011 (see Item 16.G. Corporate Governance for further information), initially stated that transactions considered as material (transfer, acquisition or lease of all or significant portion of company assets or constitution of limited property right there on; providing concession or changing content or subject of existing concessions and being delisted) under certain conditions those material transactions will need to be approved by the general assembly. In the event that parties to such transactions are related parties, such related parties shall not vote at the general assembly. The same Communiqué also required that the related parties not be allowed to vote on such transactions at the general assembly. The new Capital Markets law dated December 30, 2012 further expanded the scope of material transactions , which were exhaustively enumerated by the aforementioned Communiqué by adding the term like at the beginning of the enumeration. However, the topic has once again been regulated by another CMB Communiqué Serial IV, No. 63 dated February 22, 2013, and the term of material transactions with regard to the implementation of Corporate Governance Rules is again exhaustively defined in parallel with the Communiqué dated 2011.

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 then in force Capital Markets Law and a communiqué issued by the CMB in this respect, our Company s shares traded at the Istanbul Stock Exchange were dematerialized as of November 2005.

Legal and actual dematerialization of the share certificates commenced on November 28, 2005. Beginning from November 28, 2005, it is prohibited for companies registered on the ISE to issue new share certificates, in consideration of rights issues or bonus issues. The new shares arising out of capital increases shall be transferred to the accounts of the rightful owners by registration.

A seven-year term given for the dematerialization of physical shares ended on December 31, 2012 and physical shares which were not delivered for dematerialization were supposed to become the property of the Company. However, according to the new Capital Markets Law which came into force on December 30, 2012, such undelivered physical shares are now transferred to the Investors Indemnisation Center (IIC) and sold three months following the transfer on ICC accounts.

Concerning registration of share transfers, the Company will take into account the Central Registry Agency s data without requiring any application from the interested parties. Provisions regarding the nominal values of the share certificates of the Company are regulated in the temporary article of the Company s Articles of Association and such article was approved at the Ordinary General Assembly Meeting on April 29, 2005. The temporary article reads as follows:

Decree 32 on the Protection of the Value of the Turkish Currency issued in August 1989, as amended from time to time, provides that persons not resident in Turkey may purchase and sell our shares, provided that such purchase is effected through a bank or broker authorized pursuant to applicable Turkish capital markets legislation. Turkish capital markets legislation requires that shares of a company quoted on a Turkish securities exchange be traded exclusively on such exchange. The CMB has indicated that this requirement applies only to intermediary institutions licensed for trading on the stock exchange and to trade orders placed with them by investors. Accordingly, our shareholders that are not resident in Turkey may transfer such shares only on the ISE. This requirement does not apply to transfers of ADSs.

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

Under Article 8 of the Electronic Communications Law, electronic communications services is rendered and/or electronic communications network or infrastructure is established and operated following the authorization made by the ICTA. Authorization is granted through the notification made in accordance with the principles and procedures determined by the ICTA, in case the resource allocation is not necessary, or given of usage right, in case the resource allocation, which means allocation of frequency, satellite position etc., is necessary. Furthermore, under the Authorization Regulation Regarding Telecommunication Services and Infrastructure Regulation, the ICTA must be notified in case of any share transfers within one month of the transfer of shares at the latest and in the event that the share transfer results in change in control, such transfer of our shares by any of our shareholders should be realized with the written permission of the ICTA.

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

Disclosure of Beneficial Interests in the Shares

The Turkish regulation on public disclosure of listed companies was changed by Communiqué Serial VIII, No. 54 on Principles Regarding Public Disclosure of Material Events in February 2009 in harmonization with the relevant EU directives. In addition, the CMB issued a guideline concerning the scope and format of such disclosure. The new regulations do not specify every item or action to be disclosed but refer to this guideline and allow listed companies to decide whether such information is material for disclosure. Insider information, which means any non-public information that may possibly affect the value of capital market instruments and investors decisions, is required to be disclosed immediately by listed companies. Unlike the previous Communiqué on public disclosures, minority shareholders who hold 5% or more of a company s total share capital and have no management responsibility or power to intervene in the management decisions are not obligated to disclose all sale and purchase transactions relating to the securities. Their disclosure requirement would arise if they exceed the shareholding ratios established in the Communiqué Serial VIII, No. 54 (5%, 10%, 15%, 20%, 25%, 33%, 50%, 66% and 75%). Disclosure of insider information may be delayed to protect the legitimate interests of the company without causing market manipulation. For those that have administrative responsibilities in Turkcell (including Board members and high-ranked executives), or are closely related persons, that purchase and sell Turkcell s capital market instruments (including, but not limited to, Turkcell shares), such transactions will need to be declared to the Istanbul Stock Exchange; however, if the cumulative amount of the above-mentioned Turkcell transactions does not exceed TL 10,000 during 2010 (this ceiling was increased by the CMB to TL 12,000, effective January 1, 2013), such declaration will not be needed. This upper limit represents the total amount of all transactions made by Board members/high-ranked executives and their closely related persons. Closely related persons means: wives/husbands, children and individuals sharing the same residence at the time of transaction and corporations; legal entities run by, directly/indirectly controlled by or whose economic interests are similar with that of Board members; and high-ranked executives of the Company.

In addition, according to the new Communiqué on Voluntary and Mandatory Tender Offers (Communiqué Serial IV No. 44) issued by the CMB on September 2, 2009, the mandatory tender offer shall be triggered when, directly or indirectly, more than 50% of our Company s shareholding is acquired or management control of a public company is taken over through acquiring (i) the necessary number of shares granting the right to elect or (ii) privileged shares allowing the nomination of the majority of the board of directors. Communiqué Serial IV No. 44 also stipulates certain circumstances which will not trigger a mandatory offer, such as management control changes of the company by a voluntary tender offer and share transfers by privileged shareholders with management control or persons acting together resulting in a possession of more than 50% of the capital or voting rights. The new Capital Markets Law incorporates those rules under its relevant provisions. In parallel, the new law introduces a squeeze-out right: in the event the shareholding of a shareholder reaches a threshold, which shall be determined by secondary legislation of the CMB, such shareholder shall have the right to purchase shares of minority and the minority shall have the right to sell their shares.

Free Float Definition Rules

While 35.88% of our Company is listed on the stock exchange, the number of our Company s free floating shares as of March 15, 2013 was 789,372,310.776, according to the Report on Free Float Ratios released by the Central Registry Agency in accordance with the Capital Markets Board s decision 21/655 of July 23, 2010, as amended by its decision 24/729 of August 18, 2010, and its free float ratio was 27.72%. The difference between these rates results from the exclusion of shares which are i. held by a public entity, ii. held by the company s incorporators and its affiliates (companies subject to consolidation), iii. held by shareholders who may be a natural person or a corporate body and control at least 5% of the Company s capital, iv. held by a) the members of the Company s Board of Directors and the Board of Auditors, b) General Manager or executives who are equal to or superior to a general manager in terms of their powers and functions, c) senior executives who report to General Manager or executives who are equal to or superior to a general manager in terms of their powers and functions, v. owned by the savings funds or foundations of companies, vi. Provided as equity capital pursuant to regulations applicable to the capital markets legislation or as a collateral in respect of a margin trading or as a collateral except the ones which are given as a collateral only for Central Depository Bank markets, vii. which are legally restricted and cannot be subject to purchase and sale, viii. prohibited, ix. seized in the definition of free float ratio. The difference may result from one or more situations described in the decision and it is not possible for our Company to know it.

Trading Rules

The CMB amended the Istanbul Stock Exchange (ISE) Stock Market trading rules with its decision dated July 23, 2010 (the Decision). The Decision is based on detailed research and technical analysis completed in three months and aims at ensuring conditions that will prevent the formation of artificial prices and support efficient price discovery.

According to the Decision, all companies traded on the ISE will be classified into 3 groups (A, B or C). Some trading rules are differentiated based on this classification. For example, Group B and Group C companies cannot be subject to margin trading and short sale.

The Decision defines:

- Group A listed companies as companies that are not listed under Group B or Group C.

- Group B companies as companies that meet the following criteria: (1) the value of the publicly traded shares is under TRY 10 million and the number of shares in circulation is under 10 million or (2) the value of the publicly traded shares is under TRY 45 million and the percentage of actual shares in circulation is under 5%. Furthermore, an investment trust is classified as a Group B company if its stock price is 1.5 times higher than its net asset value (NAV) per share.

- Group C companies as companies that meet the following criteria: (1) companies traded in the Watch List Companies Market or (2) actual number of shares in circulation is under 10 million. Furthermore, an investment trust is classified as a Group C company if its stock price is 2 times higher than its NAV per share (except for investment trusts with a market maker).

According to this CMB decision, Turkcell is listed under Group A companies.

Protection of Minority Shareholders

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

- invite the shareholders to an extraordinary general assembly;

- request that a matter be included on the agenda at both ordinary and extraordinary general assembly;

- request the appointment of special auditors; if the general assembly rejects this request, minority shareholders may apply to the court for the appointment of a special auditor;

- 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.

- pursuant to the TCC, provided there is a good reason, minority shareholders may claim from the competent court to rule in favor of dissolution of the Company; and

- if provided by the Articles of Association of the Company, certain minority groups may be represented at the Board of Directors.

According to the new Capital Markets Law, in the event a shareholder votes against a material transaction in a general assembly meeting, as briefly described above, such shareholder obtains a right to exit from the company by selling his/her shares. If the shareholder uses that right, the company is required to purchase the shareholder s shares.

According to CMB Communiqué (see Item 16.F Corporate Governance for further information), in cases where the independent board candidates for whom the shareholders representing one percent of the capital casting dissenting votes have nevertheless been elected as independent members, those shareholders may apply to CMB within 30 days as of the general assembly.

Liquidation

In the event of liquidation, our shareholders are entitled to participate in any surplus in proportion to their shareholdings.

Changes in Capital Structure

Any increase in our Company s capital requires an amendment to our Articles of Association and therefore shareholder approval through a general assembly. Such amendment is subject to the prior approval of the Ministry of Industry and Trade and the CMB. Our Board of Directors may also restrict the rights of existing shareholders and offer new shares to third parties. Changes in the voting and dividend rights of our shareholders require an amendment to our Articles of Association and approval by the general assembly. Such amendment is also subject to the prior approval of the Ministry of Industry and Trade and the CMB. Furthermore, under the Turkish Commercial Code, during the general assembly meetings held to amend the articles of association of a joint stock company, each share shall be entitled to only one vote, even if otherwise is provided under its articles of association.

Concerning the registered capital system, the CMB Communiqué on the Principles concerning Registered Capital System has been adopted by the CMB and published in the Official Gazette on January 23, 2008. According to this Communiqué, the requirements for the entry in the registered capital system and increase of the registered capital ceiling have been amended. The CMB permit issued for the registered capital ceiling is limited by a five-year term after the enactment of the Communiqué. Irrespective of whether the capital ceiling is increased or not, at the end of five-year term, the general assembly s authorization and the CMB s new permit are needed. Turkcell s latest registered capital ceiling increase dates back to May 2005 and should have been renewed at the latest by January 23, 2013 by the general assembly according to this Communiqué. Since we could not hold a general assembly by the end of January 23, 2013 and obtain the authorization of the general assembly, Turkcell is no longer in the registered capital system, even though we do not intend to increase our current capital ceiling. Turkcell may again enter the system at any time through the process provided by the Communiqué.

Share Buy-Backs

Any decrease in our share capital requires an amendment to our Articles of Association. If we undertake to cancel our shares, we must notify any existing creditors, and within two months of notification, they may request payment or, if their receivables are not due and payable, we must create a security interest in their favor. Capital reduction is rarely applied in Turkey. The new TCC contains several rules enabling Turkish companies to repurchase their own shares if they satisfy certain conditions. Before the entry into force of the new TCC, the CMB had taken an anticipatory step by enabling listed companies to buy back their own shares. The CMB announced this on August 11, 2011, in its Weekly Bulletin numbered 2011/32, and this announcement describes in detail the procedures and principles which apply to such buy-back transactions.

In accordance with the new Capital Markets Law dated December 30, 2012, publicly held companies are able to buy back their own shares based on the principles set forth by the CMB, which will be issued within six months after the enactment of such law.

General Assemblies

Our general assemblies are normally held at our head office in Istanbul. We generally hold our annual general assembly within four months of the end of each financial year, which in our case is the calendar year, in accordance with the CMB rules.

Right holders, who have a right to attend the general assembly meetings, can attend such meetings by electronic means pursuant to article 1527 of the new TCC. Pursuant to the Communiqué on Electronic General Assembly Meetings held in Joint Stock Companies, the Company shall invite the right holders to attend, to deliver an opinion and to vote by electronical means, either setting up the electronic general assembly system; or purchase related services from the system providers that are specifically found for such purposes.

According to the new TCC, the general assembly meeting procedures should be regulated under the Internal Guidelines to be approved by the general assembly and registered at the Trade Registry. Accordingly, general assembly meeting procedures shall be executed with the related provisions of the Turkish Commercial Code, Articles of Association and the Internal Guidelines.

The following matters are among the ones required by the TCC and our Articles of Association to be included on the agenda of ordinary general assembly meeting:

- review of the annual reports of our Board of Directors and the auditors;
- the approval, amendment or rejection of the balance sheet and profit and loss account prepared for the preceding financial year, the release of our Board of Directors from liability in respect of actions taken by them in the preceding financial year, and the proposals of our Board of Directors for the allocation and distribution of any of our net profits;
- the approval of the remuneration of the Board members; and
- the re-election or replacement of directors and/or auditors whose terms of office have expired.

Shareholders representing at least 5% of our share capital may, by written notice, require any additional matters to be included on the agenda for discussion at any of our general assemblies.

Notices covering general assemblies (including postponements and rescheduling), which include the agenda of any such general assembly, must be published in the Trade Registry Gazette and a leading Turkish newspaper published in Istanbul, determined by us, at least two weeks before the date fixed for the meeting in accordance with the TCC and three weeks before the date fixed for the meeting in accordance with CMB regulation. The TCC requires us to send notice of any general assembly by registered mail to each person registered in our books as a holder of shares and to those shareholders who have deposited at least one share certificate representing shares with us and have indicated a notice address. Under the Capital Markets Law, such notice requirement does not apply to holders of registered shares, which are also traded in the stock market.

Any shareholder holding any of our shares (excluding ADRs) and wishing to attend general assembly meetings to vote must present his/her identification document to our Head Office before the start of the meeting in order to obtain an entry permit for that meeting. Holders of the non-public registered shares in our share book of registered shares need not comply with such requirement to attend a general assembly. Any shareholder not wishing to attend any such general assembly in person may appoint another person as a proxy. Shareholders attending the general assembly meeting by electronic means should follow the procedures established by the related legislation.

Except as set out by the provisions of the TCC and our Articles of Association, the required quorum at any general assembly is shareholders representing at least one-quarter of the share capital. If such quorum is not present when a general assembly is convened, the meeting shall be adjourned, in which event the meeting is reconvened within a month, with shareholders or their proxies present at such meeting. Resolutions of general assembly meetings must be passed by a majority of the shareholders or their proxies present at such meetings.

As per the new Capital Markets Law, unless a higher quorum is accepted in the articles of association of public companies, affirmative votes of two-thirds of shareholders representing the share capital present at the general assembly (and this, without requiring a quorum) is needed for the following decisions: restricting preemptive rights of shareholders, authorizing the Board to restrict such preemptive rights in a registered capital system and reduction of the share capital and material transactions of the company as defined by the law. Nevertheless, if shareholders representing at least half of the company share capital are present at the meeting, simple majority decides unless a higher quorum is accepted by the articles of association.

In addition, the new Capital Markets Law stipulates that the CMB may require including some topics in the general assembly agenda to be discussed by the general assembly or to inform the shareholders at the general assembly.

According to our Articles of Association, the meeting quorum requirement at general assemblies is 51% of our share capital. Resolutions of our general assemblies must be passed by the shareholders (or their proxies) representing the majority of the votes of the shareholders present at that meeting.

The quorum requirement at general assemblies convened to increase our share capital ceiling is 51% of our share capital. Resolutions of general assemblies relating to capital increases must be passed by a majority of our shareholders or their proxies present at such meeting.

The meeting quorum requirement at general assemblies convened to amend our Articles of Association (excluding capital ceiling increase) is two-thirds of our share capital. Resolutions of our general assemblies to amend our Articles of Association (excluding capital ceiling increase) shall be passed by the shareholders (or their proxies) representing at least 2/3 of the votes of the shareholders present at that meeting.

Changing our jurisdiction or increasing the obligations of the shareholders requires unanimous shareholder approval.

We announced the decision of the Company s Statutory Auditors to convene the Turkcell Annual General Meeting on June 29, 2012. The CMB decision concerning the draft amendments to the Articles of Association and the list of independent board member candidates submitted to the CMB by the Company s Statutory Auditors relating to the 3rd and 4th items of the meeting agenda included in accordance with the CMB s Communiqué on the Determination and Implementation of Corporate Governance Principles is presented below.

The resolution issued in the CMB Weekly Bulletin (No. 2012/25) dated June 21, 2012:

Upon evaluation on the list of independent nominees pertaining to the board of directors and draft amendments to the Articles of Association, which were both submitted to the Capital Markets Board in connection to compliance with Corporate Governance Principles, attached to the Communiqué on Determination and Implementation of Corporate Governance Principles, Serial. IV and No.56;

It has been decided:

a) Not to evaluate the list of nominee independent members of the board of directors, due to the absence of a board of directors resolution regarding the list of nominees with the CMB; accordingly to issue a negative opinion without making any evaluation in respect of each and every nominee board member proposed by the Company and the Company s Statutory Auditors,

b) Not to evaluate the draft amendments of the Articles of Association for which the evaluation was requested by the Company s Statutory Auditors since no board of directors resolution was provided by Turkcell to the CMB regarding any such amendments,

c) To give notice to Turkcell to promptly apply to the CMB for approval of the draft amendments of the Articles of Association which shall be prepared for compliance with Corporate Governance Principles, and of the list of independent board members nominees which shall be determined in accordance with the procedures set out in the Communiqué, and to inform the Company that in case of failure to fulfill the requirements of the Communiqué, legal proceedings, including the provisions set out in sub-article (z) of the first paragraph of Article 22 of the Capital Market Act, may be commenced against the Company.

10.C Material Contracts

We are not a party to any material contracts other than those entered into in the ordinary course of business, except with regard to the settlement of certain legal disputes. For information regarding these settlements, see Item 8.A. Consolidated Statements and Other Financial Information Legal Proceedings and Note 32 (Guarantees and Purchase Obligations) to our consolidated financial statements in this Form 20-F.

10.D Exchange Controls

Banks in Turkey set their own foreign exchange rates independently of those announced by the Central Bank. Pursuant to Decree 32 on the Protection of the Value of the Turkish Currency, most recently amended in

2003, the government eased and ultimately abolished restrictions on the convertibility of the Turkish Lira for current account and nonresident capital account transactions by facilitating exchange of the proceeds of transactions in Turkish securities by foreign investors, which enabled Turkish citizens to purchase securities on foreign exchanges. These changes also permitted residents and nonresidents to buy foreign exchange without limitation and to transfer such foreign exchange abroad without ministerial approval.

Turkish citizens are permitted to buy unlimited amounts of foreign currency from banks and to hold foreign exchange in commercial banks. Capital transfers outside Turkey of more than $5 million still require approval of the Turkish government. Although we believe it is unlikely that exchange controls will be reintroduced in the near term, any such exchange controls may materially adversely affect our results of operations.

10.E Taxation

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

The discussion is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change, possibly with retroactive effect. This summary is also based in part on representations of the Depositary and assumes that each obligation provided for in, or otherwise contemplated by, the Deposit Agreement or any related document will be performed in accordance with the terms of such agreement.

Republic of Turkey Taxation

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

Corporate Taxation

A corporation that has its legal and/or business center in Turkey (a Resident Corporation) is subject to a corporate tax, which is levied at 20% on such corporation s taxable income. Resident Corporations are required to pay an advance corporation tax , also at 20%, on a quarterly basis.

Taxation of Dividends

In the event that a Resident Corporation distributes dividends to individual shareholders (resident or non-resident), or to non-resident corporations that do not have a permanent establishment (fixed place of busi