TURKCELL ILETISIM HIZMETLERI A S
Form 6-K
November 20, 2003

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 or 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

Report on Form 6-K dated November 20, 2003

TURKCELL ILETISIM HIZMETLERI A.S.

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

(Address of Principal Executive Offices)

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

Form 20-F: ý Form 40-F: o

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

Yes: o No: ý

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

Yes: o No: ý

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

Yes: o No: ý

Enclosures: Report: "Operating And Financial Review For The Nine Month And Three Month Periods Ended September 30, 2003"

TURKCELL ILETISIM HIZMETLERI ANONIM SIRKETI
AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AT DECEMBER 31, 2002 AND SEPTEMBER 30, 2003 (Unaudited)

(In thousands, except share data)

		December 31, 2002	September 30, 2003
			(Unaudited)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$	394,071	696,171
Trade receivables and accrued income, net (Note 5)		217,471	299,685
Due from related parties (Note 6)		78,857	123,353
Inventories		6,213	5,772
Prepaid expenses		14,570	39,078
Deferred tax asset (Note 15)			97,511
Other current assets		44,736	70,224
Total current assets		755,918	1,331,794
DUE FROM RELATED PARTIES (Note 7)		9,585	589
PREPAID EXPENSES		1,747	4,052
INVESTMENT SECURITIES			1,993
INVESTMENTS (Note 8)		106,479	143,042
FIXED ASSETS, net (Note 9)		1,431,963	1,265,122
CONSTRUCTION IN PROGRESS (Note 10)		62,910	70,417
INTANGIBLES, net (Note 11)		856,364	829,372
GOODWILL			1,349
OTHER LONG TERM ASSETS		8,527	4,570
	$	3,233,493	3,652,300
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short term borrowings (Note 12)	$	373,828	473,117
Trade payables (Note 13)		25,737	42,579
Due to related parties		2,548	3,653
Taxes payable (Note 15)			86,498
Other current liabilities and accrued expenses (Note 14)		563,311	928,772
Total current liabilities		965,424	1,534,619
LONG TERM BORROWINGS (Note 16)		905,875	512,500
LONG TERM LEASE OBLIGATIONS		19,132	12,625
RETIREMENT PAY LIABILITY		6,657	10,541
DEFERRED TAX LIABILITIES (Notes 15)			16,954
MINORITY INTEREST		568	339
OTHER LONG TERM LIABILITIES		5,378	3,800
SHAREHOLDERS' EQUITY			
Common stock			
Par value one thousand TL; authorized, issued and outstanding 500,000,000,000 shares in 2002 and in 2003 (Note 17)		636,116	636,116
Additional paid in capital		178	178
Advances for common stock		119	119
Legal reserves		5	5
Accumulated other comprehensive loss (Note 3)		(4,017)	(3,108)

		December 31, 2002	September 30, 2003
Retained earnings		698,058	927,612
Total shareholders' equity		1,330,459	1,560,922
COMMITMENTS AND CONTINGENCIES (Note 18)			
	$	3,233,493	3,652,300

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

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TURKCELL ILETISIM HIZMETLERI ANONIM SIRKETI
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2002 AND 2003 (Unaudited)
(In thousands, except share data)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2002	2003	2002	2003
		(Unaudited)		(Unaudited)	
Revenues	$	534,332	764,564	1,469,001	1,839,362
Direct cost of revenues		(347,455)	(441,370)	(1,003,494)	(1,131,616)
Gross profit		186,877	323,194	465,507	707,746
General and administrative expenses		(25,076)	(30,332)	(77,278)	(79,162)
Selling and marketing expenses		(44,762)	(66,996)	(142,764)	(173,761)
Operating income		117,039	225,866	245,465	454,823
Income (loss) from related parties, net		(17)	621	62	3,253
Interest income		22,360	36,378	79,123	84,847
Interest expense		(67,776)	(85,318)	(218,534)	(253,574)
Other income (expense), net		(2,661)	(2,770)	2,782	3,822
Equity in net income (loss) of unconsolidated investees (Note 8)		165	6,571	(23,413)	13,034
Minority interest		46	1,760	165	2,462
Translation loss		(10,359)	(22,450)	(20,675)	(76,020)
Income before taxes		58,797	160,658	64,975	232,647
Taxes on income (Note 15)			(43,816)		(3,093)
Net income	$	58,797	116,842	64,975	229,554
Basic and diluted earnings per common share (Note 17)	$	0.00012	0.00023	0.00013	0.00046

	Three Months Ended September 30,		Nine Months Ended September 30,	
Weighted average number of common shares outstanding (Note 17)	500,000,000,000	500,000,000,000	500,000,000,000	500,000,000,000

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

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TURKCELL ILETISIM HIZMETLERI ANONIM SIRKETI
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30, 2002 AND 2003 (Unaudited)
(In thousands)

		September 30, 2002	September 30, 2003
		(Unaudited)	
Operating Activities:			
Net income	$	64,975	229,554
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		309,408	315,049
Provision for retirement pay liability		1,316	3,884
Provision for inventories		2,275	(391)
Provision for doubtful receivables		5,718	34,471
Equity in net loss (income) of unconsolidated investees		23,413	(13,034)
Minority interest		(159)	(229)
Deferred taxes			(80,557)
Changes in assets and liabilities:			
Trade receivables		(20,236)	(124,120)
Due from related parties		77,917	(35,500)
Inventories		(699)	832
Prepaid expenses		422	(26,813)
Other current assets		12,920	(41,144)
Other long term assets		477	(682)
Due to related parties		(2,372)	1,105
Accrued income		5,291	7,435
Accrued expense		117,777	274,590
Trade payables		(209,028)	16,842
Taxes payable		(130)	86,498
Other current liabilities		7,971	87,200
Other long term liabilities		(1,111)	(1,578)
Net cash provided by operating activities		396,145	733,412
Investing Activities:			
Additions to fixed assets		(66,916)	(64,897)
Reductions in (additions to) construction in progress		32,366	(7,507)
Additions to intangibles		(25,858)	(56,319)

	September 30, 2002	September 30, 2003
Investment in securities		(1,993)
Investments in investees	(70,741)	(23,968)
Net cash used for investing activities	(131,149)	(154,684)
Financing Activities:		
Proceeds from issuance of short term debt		4,929
Payment on short and long term debt	(205,159)	(299,015)
Net decrease in debt issuance expenses	9,137	20,294
Payment on lease obligations	(6,685)	(8,349)
Increase in lease obligations		5,513
Net cash used for financing activities	(202,707)	(276,628)
Net increase in cash	62,289	302,100
Cash at the beginning of period	243,114	394,071
Cash at the end of period	$ 305,403	696,171
Supplemental cash flow information:		
Interest paid	130,644	110,731

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

TURKCELL ILETSIM HIZMETLERI ANONIM SIRKETI
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2003 (Unaudited)
(In thousands, except share data)

	Common stock								
	Shares	Amount	Additional paid in capital	Advances for common stock	Legal reserves	Comprehensive income	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
Balances at December 31, 2002	500,000,000,000	$ 636,116	178	119	5		698,058	(4,017)	1,330,459
Comprehensive income:									
Net income						229,554	229,554		229,554
Other comprehensive income:									
Translation adjustment						909		909	909
						230,463			

Comprehensive income	Common stock							
Balances at September 30, 2003	500,000,000,000	$ 636,116	178	119	5	927,612	(3,108)	1,560,922

The accompanying notes are an integral part of this consolidated financial statement.

TURKCELL ILETISIM HIZMETLERI ANONIM SIRKETI AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2002 AND SEPTEMBER 30, 2003 (UNAUDITED), AND FOR THE THREE MONTH AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2002 AND 2003 (UNAUDITED)
(Amounts in thousands of US Dollars unless otherwise stated except share amounts)

(1) Business:

Turkcell Iletisim Hizmetleri Anonim Sirketi (Turkcell-Parent company) was incorporated on October 5, 1993. It is engaged in establishing and operating a Global System for Mobile Communications (GSM) network in Turkey.

Turkcell and Turk Telekomunikasyon AS (Turk Telekom), a state owned organization of Turkey, were parties to a revenue sharing agreement signed in 1993, which set forth the terms related to the construction and operating phases of GSM network (the Revenue Sharing Agreement). In accordance with this agreement, Turk Telekom contracted with subscribers, performed billing and collection and assumed collection risks, while Turkcell made related GSM network investments. The Revenue Sharing Agreement covered a period of 15 years commencing in 1993. Turk Telekom and Turkcell shared revenues billed for subscription fees, monthly fixed fees and outgoing calls, at a ratio of 67.1% and 32.9%, respectively. In addition, Turkcell received 10% of revenues billed for incoming calls.

On April 27, 1998, Turkcell signed a license agreement (the License Agreement or License) with the Ministry of Transportation and Communications of Turkey (the Turkish Ministry), under which Turkcell was granted a 25 year GSM license for $500,000. The License Agreement permits Turkcell to operate as a stand-alone GSM operator and free it from some of the operating constraints stated in the Revenue Sharing Agreement. Under the License, Turkcell collects all of the revenue generated from the operations of its GSM network and pays the Undersecretariat of Treasury (the Turkish Treasury) an ongoing license fee equal to 15% of its gross revenue. Turkcell also continues to build and operate its GSM network and is authorized to, among other things, set its own tariffs within certain limits, charge peak and off-peak rates, offer a variety of service and pricing packages, issue invoices directly to subscribers, collect payments and deal directly with subscribers.

On February 13, 2002, Turkcell renewed its License Agreement with the Telecommunications Authority, which included certain additional requirements including an obligation to pay an administration fee to the Telecommunications Authority equaling to 0.35% of net revenues.

As of December 31, 2002, Kibris Mobile Telekomunikasyon Limited Sirketi (Kibris Telekom), Global Bilgi Pazarlama Danisma ve Cagri Servisi Hizmetleri AS (Global), Corbuss Kurumsal Telekom Servis Hizmetleri AS (Corbuss), Turktell Bilisim Servisleri AS (Turktell), Hayat Boyu egitim AS (Hayat), Kibrisonline Limited Sirketi (Kibrisonline), Bilisim ve Egitim Teknolojileri AS (Bilisim), Digikids Interaktif Cocuk Programlari Yapimciligi ve Yayinciligi AS (Digikids), Mapco Internet ve Iletisim Hizmetleri Pazarlama AS (Mapco) and Inteltek Internet Teknoloji Yatirim ve Danismanlik Ticaret AS (Inteltek) (the subsidiaries) are consolidated subsidiaries, owned 100.00%, 99.89%, 99.25%, 99.95%, 74.96%, 60.00%, 99.95%, 59.97%, 70.00% and 54.97%, respectively, by Turkcell or the subsidiaries.

At the Board of Directors meeting of Turktell held on June 16, 2003, it was resolved that Turktell would acquire 637,975 and 318,985 shares of Mapco owned by Superonline Uluslararasi Elektronik Bilgilendirme ve Haberlesme AS (Superonline), a company whose majority shares owned by some of the shareholders of the Company, and Digital Platform Iletisim Hizmetleri AS (Digital Platform), a company whose majority shares owned by some of the shareholders of the Company, respectively. Accordingly, an additional 30.00% interest of Mapco was acquired by the Company, increasing its stake to 100.00%.

At the Turktell's Board of Directors meeting held on July 11, 2003, it was resolved to invest to Libero Interaktif Hizmetler AS (Libero), which has been subsequently established on September 2, 2003 and will provide multi media applications to Inteltek in multi purpose virtual environment.

At Turkcell's Board of Directors meeting held on September 4, 2003, it was resolved to authorize management unanimously to enter into discussions regarding the purchase of 72.57% of the shares of Digital Platform from Yapi ve Kredi Bankasi AS (Yapi Kredi), a shareholder whose majority shares owned by some of the shareholders of the Company, and its subsidiaries.

As of September 30, 2003, Kibris Telekom, Global, Corbuss, Turktell, Hayat, Kibrisonline, Bilisim, Digikids, Mapco, Inteltek and Libero are consolidated subsidiaries, owned 100.00%, 99.89%, 99.25%, 100.00%, 75.00%, 60.00%, 100.00%, 60.00%, 100.00%, 55.00% and 55.00%, respectively.

As of December 31, 2002 and September 30, 2003, Fintur Holdings B.V. (Fintur) was an equity investee.

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

Turkcell and its subsidiaries (the Company) maintain their books of account and prepare their statutory financial statements in their local currencies and in accordance with local commercial practice and tax regulations applicable in the countries where they are resident. The accompanying consolidated financial statements are based on these statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with accounting principles generally accepted in the United States of America. The unaudited consolidated financial statements of the Company as of September 30, 2003, and for the three month and nine month periods ended September 30, 2002 and 2003, in the opinion of the management of the Company, include all the adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results of such unaudited interim periods.

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

At September 30, 2003, current liabilities exceeded current assets by $202,825 (December 31, 2002: $209,506). This matter may raise doubt about the Company's ability to continue as a going concern. The consolidated financial statements referred to above have been prepared assuming that the Company will continue as a going concern. The Company has generated positive cash flows from operations for the past years. Management believes that the Company will continue to generate sufficient operating cash flows to operate as a going concern. In addition, on October 30, 2003, Yapi Kredi has committed to provide a cash loan facility, with market rates, up to $150,000 to the Company over the next twelve months (Note 20). Accordingly, the consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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

As of September 30, 2003, the consolidated financial statements include the accounts of Turkcell and eleven (December 31, 2002: ten) majority owned subsidiaries. The investment in Fintur is included under the equity method of accounting (Note 8).

The major principles of consolidation are as follows:

All significant intercompany balances and transactions have been eliminated in consolidation.

Minority interest in net assets and net income of the consolidated subsidiaries are separately classified in the consolidated balance sheets and consolidated statements of operations.

(3) Comprehensive Income:

Comprehensive income generally encompasses all changes in shareholders' equity (except those arising from transactions with owners) and includes net income, net unrealized capital gains or losses on available for sale securities and foreign currency translation adjustments. The Company's comprehensive income differs from net income applicable to common shareholders only by the amount of the foreign currency translation adjustment charged to shareholders' equity for the period. Comprehensive income for the three month and nine month periods ended September 30, 2002 and 2003 were $57,137, $116,683, $63,057 and $230,463, respectively.

(4) New Accounting Standards Issued:

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". This statement amends SFAS No. 133 for decision made (1) as part of the Derivatives Implementation Group process that effectively required amendments to SFAS No. 133, (2) in connection with other FASB projects dealing with financial instruments, and (3) in connection with implementation issues raised in relation to the application of the definition of a derivative, and the characteristics of a derivative that contains financing components. The changes in SFAS No. 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. This statement is effective for contracts entered into or modified after June 30, 2003, for hedging relationships designated after June 30, 2003 and all provisions of this statement should be applied prospectively. The adoption of SFAS No. 149 is not expected to have a material effect on the Company's consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity". This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). Many of those instruments were previously classified as equity. This statement is effective for contracts entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of non-public entities. The adoption of SFAS No. 150 is not expected to have a material effect on the Company's consolidated financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51", (FIN 46). FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective immediately for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 was to be applied for the first interim or annual period beginning after June 15, 2003. In October 2003, the FASB proposed significant changes in how companies identify variable interest entities and determine which company should consolidate such entities under FIN 46 and postponed the applicability of FIN 46 for entities that existed prior February 1, 2003, to the first interim and annual period ending after December 15, 2003. Management believes that the adoption of this standard will have no material impact on the Company's consolidated financial statements.

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(5) Trade Receivables and Accrued Income, net:

At December 31, 2002 and September 30, 2003, the breakdown of trade receivables and accrued income is as follows:

		December 31, 2002	September 30, 2003
			(Unaudited)
Receivables from subscribers	$	189,883	271,512
Receivable from Turk Telekom		56,949	67,068
Accounts and checks receivable		16,484	48,856
		263,316	387,436
Accrued service income		80,832	73,397
Allowance for doubtful receivables		(126,677)	(161,148)
	$	217,471	299,685

	December 31, 2002	September 30, 2003

The Company has a receivable from Turk Telekom at December 31, 2002 and September 30, 2003, which represents amounts that are due from Turk Telekom under the Interconnection Agreement. The Interconnection Agreement provides that Turk Telekom will pay Turkcell for Turk Telekom's fixed line subscribers' calls to Turkcell's GSM subscribers.

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

Additionally, based on the decision of the Court of Appeal related to Turk Telekom Interconnection Dispute, for the amounts paid in 2000, the Company recorded an accrued income amounting $26,103 as of September 30, 2003 (Note 18).

Accounts and checks receivable represent amounts due from dealers and roaming receivables.

Movements in the allowance for doubtful receivables are as follows:

		December 31, 2002	September 30, 2003
			(Unaudited)
Beginning balance	$	111,002	126,677
Provision for doubtful receivables		37,645	10,105
Write-off		(5,599)	(1,097)
Effect of change in exchange rate		(16,371)	25,463
Ending balance	$	126,677	161,148

(6) Due from Related Parties:

As of December 31, 2002 and September 30, 2003, the balance comprised:

		December 31, 2002	September 30, 2003
			(Unaudited)
Digital Platform	$	10,824	56,553
KVK Teknoloji Urunleri AS (KVK Teknoloji)		6,489	28,152
ADD Production Medya AS (ADD)		16,656	14,602
A-Tel Pazarlama ve Servis Hizmetleri AS (A-Tel)		20,846	7,502
Azertel Telekomunikasyon Yatirim Dis Ticaret AS (Azertel)		2,940	5,161
Milleni.com GmbH (Milleni.com)		3,695	4,213
Geocell Ltd. (Geocell)			2,031
Superonline		1,181	1,013
Azercell Telecom B.M. (Azercell)		1,375	27
Asli Gazetecilik ve Matbaacilik AS (Asli Gazetecilik)		5,667	12
Cukurova Investments N.V. (Cukurova Investments)		1,735	
KVK Mobil Telefon Sistemleri Ticaret AS (KVK)		3,816	
Other		3,633	4,087

	December 31, 2002	September 30, 2003
	$ 78,857	123,353

Due from Digital Platform mainly resulted from receivables from call center revenues and advances given for current and planned sponsorships amounting to $31,553. Also, the Company advanced $25,000 to Digital Platform.

Due from KVK Teknoloji, a company whose majority shares owned by some of the shareholders of the Company, mainly resulted from SIM card and prepaid card sales to this company. The Company has started to sell to KVK Teknoloji in the fourth quarter of 2002.

Due from ADD, a company whose majority shares owned by some of the shareholders of the Company, mainly resulted from services rendered related to making space and airtime reservations for advertisements on television stations, radio stations, newspapers and magazines.

Due from A-Tel, a company whose majority shares owned by some of the shareholders of the Company, mainly resulted from simcard and prepaid card sales to this company. At December 31, 2002, such receivables also included advances given for hand set subsidies provided by A-Tel in certain campaigns started by this company.

Due from Azertel, a company whose majority shares owned by Fintur, mainly resulted from expenses paid by Turkcell on behalf of this company.

Due from Milleni.com, a company whose majority shares owned by some of the shareholders of the Company, mainly resulted from interconnection receivables.

Due from Geocell, a company whose majority shares owned by Fintur, mainly resulted from roaming receivables and sales of GSM equipment.

Due from Superonline mainly resulted from receivables from call center revenues.

Due from Azercell, a company, whose majority shares owned by Fintur, resulted from roaming receivables and consultancy services given to this company.

Due from Asli Gazetecilik, a company whose majority shares owned by some of the shareholders of the Company, mainly resulted from advances given for making space and airtime reservations for advertisements on televisions, radio stations, newspapers and magazines mainly owned by Cukurova Group**.**

(7) Due from Related Parties Long Term:

At December 31, 2002, the balance represented an amount due from Azertel mainly resulted from the payment made by Azertel (on behalf of Azercell) to the Azerbaijan Ministry of Communication as profit guarantee for 1997, in accordance with Article 13 of the GSM contract dated January 19, 1996. Under an amendment made in 1998 to the original contract, the dividend guarantee was cancelled and advance payments on amounts already distributed as dividends for 1997 were repayable to Azercell. This balance was to be paid back by Azertel to the Company from future dividends of Azercell to Azertel. As of September 30, 2003, the balance has been fully collected from Azertel.

At September 30, 2003, the balance represents an amount due from Superonline mainly resulted from receivables from call center revenues.

(8) Investments:

At December 31, 2002 and September 30, 2003, investments in associated companies were as follows:

	December 31, 2002	September 30, 2003

		December 31, 2002	September 30, 2003
			(Unaudited)
Fintur	$	106,479	120,423
Aks Televizyon Reklamcilik ve Filmcilik Sanayi ve Ticaret AS (Aks TV)			15,750
Basin Yatirim Sanayi ve Ticaret AS (Basin Yatirim)			6,869
	$	106,479	143,042

At September 30, 2003, the Company's ownership interest in Fintur was 41.45%, which is accounted for under the equity method.

In 2003, Bilisim entered into discussions to acquire minority interests in media companies owned by the Cukurova Group. Accordingly, Bilisim acquired 6.24% ownership interest in Aks TV and 8.23% ownership interest in Basin Yatirim. Investments in these companies are accounted for under cost method.

Aggregate summarized information of Fintur as of December 31, 2002 and September 30, 2003, and of Fintur and Siber Egitim for the nine month period ended September 30, 2002, and of Fintur for the nine month period ended September 30, 2003 are as follows:

		December 31, 2002	September 30, 2003
			(Unaudited)
Current assets	$	103,679	114,276
Noncurrent assets		363,008	405,186
		466,687	519,462
Current liabilities		226,021	209,414
Noncurrent liabilities		100,704	136,448
Shareholders' equity		139,962	173,600
	$	466,687	519,462

		9 months ended September 30, 2002	9 months ended September 30, 2003
		(Unaudited)	(Unaudited)
Revenue	$	174,700	235,696
Direct cost of revenue		(86,559)	(113,754)
Income (loss) before tax		(60,330)	38,574
Net income (loss)		(70,010)	31,444

Aggregate summarized information of Fintur and Siber Egitim for the nine month period ended September 30, 2002 includes activities of Siber Egitim for the three month period ended March 31, 2002. Turkcell transferred its shares in Siber Egitim to other shareholders of Siber Egitim on April 25, 2002. For the three month period ended March 31, 2002, Siber Egitim's revenues, direct cost of revenues, loss before taxes and net loss were $16, $28, $73 and $73, respectively.

(9) Fixed Assets, net:

As of December 31, 2002 and September 30, 2003, the analysis of fixed assets is as follows:

	Useful lives	December 31, 2002	September 30, 2003
			(Unaudited)
Operational fixed assets:			
Base terminal stations	8 years	$ 934,317	957,935
Mobile switching center/base station controller	8 years	824,611	827,959
Minilinks	8 years	193,106	200,625
Supplementary system	8 years	33,498	36,537
Call center equipment	5 years	7,777	8,380
GSM services equipment	8 years	82,120	80,336
		2,075,429	2,111,772
Accumulated depreciation		(852,975)	(1,035,474)
Operational fixed assets, net		1,222,454	1,076,298
Non-operational fixed assets:			
Land		773	773
Buildings	25 years	172,442	172,480
Furniture, fixture and equipment	4-5 years	143,716	149,550
Motor vehicles	4-5 years	7,837	7,813
Leasehold improvements	5 years	52,113	59,223
		376,881	389,839
Accumulated depreciation		(167,372)	(201,015)
Non-operational fixed assets, net		209,509	188,824
		$ 1,431,963	1,265,122

Total amount of interest capitalized on fixed assets during the nine month periods ended September 30, 2002 and 2003 amounted to $8 and $7, respectively. Total amount of interest capitalized on fixed assets during the three month periods ended September 30, 2002 and 2003 amounted to $1 and nil, respectively. Such capitalized interest is depreciated over the useful lives of the related assets.

At December 31, 2002 and September 30, 2003, total fixed assets acquired under finance leases amounted to $66,930 and $72,443, respectively. Depreciation of these assets amounted to $846, $1,128, $2,536 and $2,716 for the three month and nine month periods ended September 30, 2002 and 2003, respectively, and is included with depreciation expense.

(10) Construction in Progress:

At December 31, 2002 and September 30, 2003, construction in progress consisted of expenditures in GSM and non-operational items and is as follows:

	December 31, 2002	September 30, 2003
		(Unaudited)
Turkcell-GSM network	$ 60,020	54,131
Turkcell-Other projects	876	7,821
Non-operational items	1,476	7,947
Kibris Telekom-GSM network	538	518
	$ 62,910	70,417

(11) Intangibles, net:

As of December 31, 2002 and September 30, 2003, intangibles consisted of the following:

	Useful lives	December 31, 2002	September 30, 2003
			(Unaudited)
Turkcell-License (Note 1)	25 years	$ 500,000	500,000
Computer software	8 years	683,822	739,432
Transmission lines	10 years	14,985	15,694
		1,198,807	1,255,126
Accumulated amortization		(342,443)	(425,754)
		$ 856,364	829,372

As of September 30, 2003, amortized intangible assets are as follows:

	Gross carrying amount	Accumulated amortization
	(Unaudited)	
Turkcell-Licence	$ 500,000	108,333
Computer Software	739,432	311,661
Transmission lines	15,694	5,760
	$ 1,255,126	425,754

Aggregate amortization expense

Aggregate amortization expense for the three month and nine month periods ended September 30, 2002 and 2003 were $26,103, $28,232, $77,461 and $83,308, respectively.

Estimated amortization expense

For the year ended December 31, 2003	$ 111,590
For the year ended December 31, 2004	111,150
For the year ended December 31, 2005	109,230

For the year ended December 31, 2006	104,985
For the year ended December 31, 2007	94,901

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The Company adopted SFAS No. 142 on January 1, 2002. The adaptation of SFAS No. 142 did not have a material impact on the Company's consolidated financial position or results of operations. As of September 30, 2003, the Company does not have any indefinite life intangible assets.

(12) Short Term Borrowings:

At December 31, 2002 and September 30, 2003, short-term borrowings comprised the following:

	December 31, 2002	September 30, 2003
		(Unaudited)
Current portion of long term borrowings (Note 16)	$ 373,528	471,488
Other short term bank loans and overdrafts	300	1,629
	$ 373,828	473,117

(13) Trade Payables:

At December 31, 2002 and September 30, 2003, the balance represents amounts due to suppliers arising in the ordinary course of business.

(14) Other Current Liabilities and Accrued Expenses:

At December 31, 2002 and September 30, 2003, the balance comprised:

	December 31, 2002	September 30, 2003
		(Unaudited)
License fee accrual-The Turkish Treasury	$ 256,126	512,177
Taxes and withholdings	66,852	116,095
Frequency usage fee accrual (Note 18)	54,434	88,576
Deferred income	40,887	77,908
Selling and marketing expense accruals	19,547	26,224
Accrued interest on borrowings	42,488	22,291
Transmission fee accruals	51,559	22,110
Interconnection accrual-Turk Telekom	1,225	13,833
Lease obligations-short term portion	9,387	13,058
Accrual for derivative instruments (Note 19)		8,301
Accrual for Competition Board penalty (Note 18)		5,065
Roaming expense accrual	3,171	3,958
Other expense accruals	17,635	19,176
	$ 563,311	928,772

In accordance with the License Agreement (Note 1), Turkcell pays the Turkish Treasury an ongoing license fee equal to 15% of its gross revenue. The balance of $256,126 at December 31, 2002 represents the license fee accrual amounting to $15,516 for the month of December 2002 and license fee accrual on interconnection revenues amounting to $240,610 including interest of $95,056 for the months of March 2001 through December 2002. The balance of $512,177 at September 30, 2003 consists of license fee accrual amounting to $27,279 for the month of September 2003 and license fee accrual on interconnection revenues amounting to $484,898 including interest of $237,892 for the months of March 2001 through September 2003.

Turkcell did not pay the annual frequency usage fee for 2002, but accrued TL 52.3 trillion (equivalent to $38,016 at September 30, 2003) for principal and TL 69.6 trillion (equivalent to $50,560 at September 30, 2003) for interest in the accompanying consolidated financial statements as of September 30, 2003. Also, the Company accrued TL 52.3 trillion (equivalent to $32.0 at December 31, 2002) for principal and TL 36.6 trillion (equivalent to $22.4 at December 31, 2002) for interest, for such annual frequency usage fees as of December 31, 2002.

On December 26, 2002, the commercial court has decided against Turkcell in the transmission lines lawsuit. As a result, the Company accrued $37,405 in the consolidated financial statements as of and for the year ended December 31, 2002. In June 2003, the Company made the respective payment.

Interconnection accrual at December 31, 2002 and September 30, 2003 represents amounts payable under the Interconnection Agreement. The Interconnection Agreement requires that Turkcell pays Turk Telekom for Turkcell's GSM subscribers' calls to Turk Telekom's fixed-line subscribers.

(15) Taxes on Income:

The income tax benefit (expense) is attributable to income/loss from continuing operations and consists of:

	3 Months Ended September 30,		9 Months Ended September 30,	
	2002	**2003**	**2002**	**2003**
	(Unaudited)			
Current tax charge	$	(60,368)		(83,650)
Deferred tax benefit		16,552		80,557
Income tax expense	$	(43,816)		(3,093)

Income tax expense attributable to income from continuing operations for the three-month and nine-month periods ended September 30, 2003 was $43,816 and $3,093, respectively. There was no income tax expense attributable to income from continuing operations for the three-month and nine-month periods ended September 30, 2002. These amounts are differed from the amount computed by applying the Turkish income tax rate of 30% (2002: 33%) to pretax income from continuing operations as a result of the following:

	3 Months Ended September 30,		9 Months Ended September 30,	
	2002	**2003**	**2002**	**2003**
	(Unaudited)			
Computed "expected" tax expense	$ (19,403)	(48,197)	(21,442)	(69,794)
Non taxable translation gain	(5,106)	(60,359)	(2,992)	(121,174)
Investment tax credit	16,276	10,503	53,673	47,158
Change in valuation allowance	8,005	51,529	(19,455)	161,122
Non deductible expense	228	2,708	(9,784)	(20,405)
Income tax expense	$	(43,816)		(3,093)

For the three-month and nine-month periods ended September 30, 2003, substantially all income from continuing operations and related income tax expense were domestic.

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The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2002 and September 30, 2003 are presented below:

	December 31, 2002	September 30, 2003
		(Unaudited)
Deferred tax assets:		
Accrued expenses	$ 103,925	176,271
Accounts and other receivables (principally due to allowance for doubtful accounts) and other	22,688	51,061
Net operating loss carryforwards	91,857	10,836
Tax credit carryforwards (Investment tax credit)	361,584	334,323
Gross deferred tax assets	580,054	572,491
Less: Valuation allowances	(477,712)	(313,646)
Net deferred tax assets	102,342	258,845
Deferred tax liabilities:		
Fixed assets and intangibles, principally due to financial leases, differences in depreciation and amortization, and capitalization of interest and foreign exchange loss for tax purposes	(102,342)	(178,288)
Total deferred tax liabilities	(102,342)	(178,288)
Net deferred tax assets	$	80,557

At September 30, 2003, net operating loss carry forwards are as follows (unaudited):

Year	Amount	Expiration Date
1999	$ 72	2004
2000	7,010	2005
2001	10,528	2006
2002	3,688	2007
2003	12,711	2008

On March 24, 2003, Turkcell applied to the Tax Authority to increase its corporation tax bases for the years 1998, 1999 and 2000, in accordance with Tax Amnesty Law No. 4811, which became effective February 27, 2003. On April 9, 2003, Committee of Account Experts notified the expert reports of corporation taxes for the fiscal periods of 1998, 1999, 2000 and 2001 to Turkcell. Based on the expert's reports, Turkcell's net operating loss carryforwards were approved to be TL 1,012 trillion. On July 14, 2003, Committee of Account Experts notified another report amending net operating loss carryforwards as TL 1,020 trillion.

Non taxable translation gain results from translation of Turkish Lira denominated non-monetary assets and liabilities to the US Dollar, the functional and reporting currency, in accordance with the relevant provisions of SFAS No. 52 as applied to entities in highly inflationary economies. Under SFAS No. 109, such translation gains and losses between the tax and book basis of related assets and liabilities do not give rise to temporary differences. Such amounts are primarily attributable to translation gain resulting from the translation of Turkish Lira denominated fixed assets and intangibles into the US Dollar.

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The Turkish Treasury approved investment incentive certificates for a program of capital expenditures by Turkcell and its subsidiaries in GSM and call center operations. Such incentives entitle the Company to a 100% exemption from customs duty on imported machinery and equipment and an investment tax benefit of 100% on qualifying expenditures. The investment tax benefit takes the form of deductions for corporation tax purposes, but such deductions are subject to withholding tax at the rate of 19.8% (18% for expenditures made after April 24, 2003). Investment incentive certificates provide for tax benefits on cumulative purchases of up to approximately $4,374,285 in qualifying expenditures, as defined in the certificates. As of September 30, 2003, the Company had incurred cumulative qualifying expenditures of approximately $3,273,319 (December 31, 2002: $2,752,966), resulting in tax credit carry forwards under the certificates of approximately $334,323 (December 31, 2002: $361,584), net of foreign exchange translation losses. Such tax credits can be carried forward indefinitely. The certificates are denominated in Turkish Lira. However, approximately $2,025,498 of qualifying expenditures through September 30, 2002, (December 31, 2002: $2,440,134) under such certificates are indexed against future inflation.

The Company establishes valuation allowances in accordance with the provisions of SFAS No. 109. The Company continually reviews the adequacy of the valuation allowance based on changing conditions in the market place in which the Company operates and its projections of future taxable income, among other factors. The Company forecasts to have taxable income in 2003 and 2004 and has generated taxable income for five consecutive quarters. Management believes that subsequent to the conclusion of the war in Iraq during the Company's second quarter and the limited impact it has had on the economic situation in Turkey, the economic and political uncertainties surrounding the Company have become less uncertain and provided management better visibility about the near term future. Currently, management believes that a one-year period is a reasonable period of time for management to forecast taxable income and related tax matters for a company operating in the economic and political environment such as Turkey. As a result of these developments since the second quarter of 2003, management changed their judgment regarding the realizability of the deferred tax assets and related valuation allowance requirements. Therefore, the Company reported the impact of this change in judgment, releasing approximately $80,557 of valuation allowance and reporting a comparable amount of deferred tax benefit. However, due to the continued uncertainty over the long term, management believes a valuation allowance should continue to be provided on a portion of the deferred tax assets as they are unable to conclude that the likelihood of realizing these deferred tax assets is more likely than not. Accordingly, a valuation allowance of approximately $313,646 is recorded as of September 30, 2003 (December 31, 2002: $477,712) for such amounts. The valuation allowance at December 31, 2002 and September 30, 2003 has been allocated between current and non-current deferred tax assets on a pro-rata basis in accordance with the provisions of SFAS No. 109. Management believes that it is more likely than not the net deferred tax asset of approximately $258,845 as of September 30, 2003 will be realized through reversal of taxable temporary differences as well as future taxable income exclusive of reversing taxable temporary differences. During the remainder of 2003, the Company will continue to evaluate the realizability of its deferred tax assets including net operating loss and tax credit carryforwards and the related impact on the valuation allowance.

In accordance with the Law No. 4842, which made changes in certain laws announced on April 24, 2003, the surcharge of 10% applied on the corporation tax is abolished effective from January 1, 2004. Accordingly, substantially all taxable income earned from January 1, 2003 will be taxed at a rate of 30%.

Further, the Law No. 4842 made certain changes in respect to investment tax benefits effective from April 24, 2003. The major changes are as follows:

- It is not necessary to have an investment incentive certificate to receive investment tax benefit. If capital expenditures qualify as eligible expenditures, investment tax benefits will be available automatically. In general, capital expenditures eligible for depreciation for tax purposes are considered also eligible for investment tax benefit.

- Investment tax benefits will be calculated on 40% of qualifying capital expenditures but no withholding tax will be applied.

- Previous provisions will still apply to:

  - investment tax benefits that are already entitled but unused and capital expenditures made as of April 24, 2003, under the investment incentive certificates obtained before April 24, 2003;

capital expenditures to be made after April 24, 2003, under the investment incentive certificates obtained before April 24, 2003; and

capital expenditures to be made after April 24, 2003, under the investment incentive certificates obtained after April 24, 2003 but applied for before April 24, 2003.

There is an option to prefer the previous or new provisions for capital expenditures to be made after April 24, 2003, under the investment incentive certificates obtained before April 24, 2003, and under the investment incentive certificates obtained after April 24, 2003 but applied for before April 24, 2003.

(16) Long Term Borrowings:

At December 31, 2002 and September 30, 2003, long-term borrowings comprised:

	December 31, 2002	September 30, 2003
		(Unaudited)
Loan under the 1999 Issuer Credit Agreement	$ 400,000	400,000
Loan under the 1998 Issuer Credit Agreement	300,000	300,000
Akbank TAS (Akbank)	187,500	187,500
Turkiye Garanti Bankasi AS (Garanti)	75,000	75,000
Vakifbank	57,143	14,286
Nordbanken Stockholm (Nordbanken)	15,316	7,202
1999 Bank Facility	244,444	
	1,279,403	983,988
Less: Current portion of long term borrowings (Note 12)	(373,528)	(471,488)
	$ 905,875	512,500

The Company has short and long term credit lines with local and foreign banks. At December 31, 2002 and September 30, 2003, unused credit lines do not exist. On October 30, 2003, Yapi Kredi has committed to provide a cash loan facility, with market rates, up to $150,000 to the Company over the next twelve months (Note 20).

As of December 31, 2002 and September 30, 2003, interest on the loan under the 1999 Issuer Credit Agreement accrues at the rate of 12.75% per annum.

As of December 31, 2002 and September 30, 2003, interest on the loan under the 1998 Issuer Credit Agreement accrues at the rate of 15% per annum.

On March 13, 2003, Turkcell notified the agent for the 1999 bank facility that it would early extinguish the outstanding balance of $244,444 in March 2003. Turkcell made the respective payment on March 31, 2003. Following the early extinguishment of the outstanding balance of the 1999 bank facility, all negative and affirmative covenants became null and void according to the loan agreement.

On September 19, 2003, the Company declared its intention to early extinguish the loan under the 1998 Issuer Credit Agreement. Accordingly, Cellco Finance N.V. ("Cellco" or the "Issuer") started the process of Consent Solicitation for 12.75% Senior Cellco Notes in order to exercise the call option for 15% Senior Subordinated Cellco Notes. On October 8, 2003, Cellco announced that the holders of almost 90% in aggregate principal amount of its outstanding 12.75% Senior Cellco Notes due 2005 have consented to the proposed redemption. The redemption price is 103.75% and the redemption has been made on November 10, 2003, together with the accrued interest (Note 20).

The interest rate of Akbank loan is LIBOR plus 5.25% per annum as of December 31, 2002 and September 30, 2003. On April 30, 2003, Akbank agreed to extend the principal payments of $100,000 and $25,000, which were due on May 9, 2003 and June 5, 2003, respectively. By this extension, $100,000 will be repaid in two equal instalments on May 10, 2004 and May 9, 2005, and $25,000 will be repaid in two equal instalments on June 7, 2004 and June 6, 2005.

The interest rate of the Garanti loan was 8.21% per annum as of December 31, 2002, which has been amended to LIBOR plus 5.62% per annum effective January 1, 2003. On March 13, 2003, Garanti agreed to extend the maturity of its outstanding loan to Turkcell. By this extension, the outstanding balance of $75,000 as of December 31, 2002 and September 30, 2003 will be repaid in three equal instalments on June 21, 2004, January 23, 2006 and April 21, 2006.

The interest rate of the Vakifbank loan is 7% per annum as of December 31, 2002 and September 30, 2003.

On September 19, 2003, The Company gave a mandate to HSBC Bank AS (HSBC) and the Islamic Development Bank (IDB) to arrange financing of up to $100,000 with a maturity of two years from each drawdown of the financing. The financing will be structured in the form of syndication, which will be led by HSBC and the IDB. The availability period will be 180 days from the signing date and the grace period will be one year from each drawdown. The new financing arrangement will be unsecured and used for certain qualified equipment purchases in 2003 and 2004.

(17) Common Stock:

At December 31, 2002 and September 30, 2003, common stock represented 500,000,000,000 authorized, issued and fully paid shares with a par value of one thousand Turkish Lira each.

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

	Three Months Ended, September 30,		Nine Months Ended, September 30,	
	2002	**2003**	**2002**	**2003**
	(Unaudited)		(Unaudited)	
Numerator:				
Net income	58,797	116,842	64,975	229,554
Denominator:				
Basic and diluted weighted average shares	500,000,000,000	500,000,000,000	500,000,000,000	500,000,000,000
Basic and diluted net income per share	0.00012	0.00023	0.00013	0.00046

On June 18, 2002, the Banking Regulation and Supervision Agency of Turkey (the BRSA) decided to transfer the management and supervision of Pamukbank TAS (Pamukbank), one of the Company's shareholders, to the Savings Deposit Insurance Fund of Turkey (the SDIF) who took over all shareholding rights of all Pamukbank shareholders, excluding their dividend entitlements. The BRSA cited that Pamukbank failed to take measures required under the Turkish Banks Act; that its total liabilities exceed its total assets; that its financial weakness threatened depositors' rights as well as safety and soundness of the Turkish financial system and transferred the management and supervision to the SDIF in accordance with third and fourth paragraphs of Article 14 of the Turkish Banks Act. Further, in accordance with fifth paragraph of Article 14 of the Turkish Banks Act, the SDIF, has acquired ownership of Pamukbank by paying the amount equivalent to Pamukbank's losses. As of September 30, 2002, to the best of the management's knowledge, Pamukbank held 0.51% ownership interest directly and 7.87% ownership interest indirectly in Turkcell. On August 9, 2002, Pamukbank advised the Company that the BRSA decided to transfer the shares of Turkcell held directly by Pamukbank to the SDIF. Accordingly, on August 21, 2002, the Board of Directors of Turkcell resolved to register such shares in the Share Register of Turkcell under the name of the SDIF.

On January 31, 2003, the BRSA announced that it reached an agreement with the Cukurova Group. According to the agreement, the Cukurova Group purchased the Turkcell shares owned by Pamukbank and Pamuk Factoring and has the option to buy Turkcell shares owned by Yapi Kredi, before selling its shares in Yapi Kredi within two years. Management believes that the takeover of Pamukbank will not have a material impact on its operations or its leading position in the Turkish market.

(18) Commitments and Contingencies:

Contingent Liabilities

As of December 31, 2002 and September 30, 2003, contingent liabilities comprised the following:

		December 31, 2002	September 30, 2003
			(Unaudited)
Bank Letters of Guarantee	$	43,821	38,758
Guarantees			
Digital Platform		59,527	49,867
BNP Brussels (Buyer Credit)		34,999	32,032
BNP Brussels (Financial Loan)		4,846	3,670
BNP Hungary (Buyer Credit)		8,656	8,125
BNP Hungary (Financial Loan)		1,441	789
Websterbank USA		585	351
HSBC Istanbul Main Branch		9,000	4,900
Hobim			
BNP AK Dresdner (Financial Leasing)		333	217
Purchase Commitment			
Asli Gazetecilik		25,000	25,000

The Company is contingently liable in respect of bank letters of guarantee obtained from Yapi Kredi and given to the Turkish Ministry amounting to $5,000 (December 31, 2002: $5,000), and customs authorities, private companies and other public organizations amounting to $33,624 (December 31, 2002: $38,241). In addition, the Company is contingently liable in respect of bank letters of guarantee obtained from other banks and given to private companies and other public organizations amounting to $134 (December 31, 2002: $580).

Guarantees given for Digital Platform are related to loans for set-top box, head-end and uplink imports and working capital financing used from the respective banks.

Guarantees given for Hobim are related to financial leasing agreements made with the respective lessor.

Under a framework agreement, (the "framework agreement") Asli Gazetecilik agreed to provide advertisement services to the Company from July 1, 2002 until October 4, 2004. In consideration of Asli Gazetecilik advertisement services for the Company and services that will be deemed satisfactory to the Company, the Company agreed to pay a total amount of $25,000. As of September 30, 2003, no payments were made and no services were rendered under the framework agreement.

Legal Proceedings

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

Dispute on Ongoing License Fee Payments Calculation

On an ongoing basis, Turkcell must pay 15% of its monthly gross revenue, which is defined in its license agreement as subscription fees, monthly fixed fees and communication fees including taxes, charges and duties to the Turkish Treasury. The Turkish Ministry and the Turkish

Treasury informed Turkcell that, in their view, its 15% ongoing license fee should be calculated before deduction of VAT, the education fund and the frequency usage and transmission fees. Turkcell has consistently calculated its 15% ongoing license fee after deducting for these items, which Turkcell believes is consistent with the terms of its license. VAT in Turkey is currently 18% and the education fund and frequency usage and transmission fees, which are calculated as fixed fees, have amounted to approximately $303,689 between acquisition of its license and September 30, 2003. The Turkish Ministry and the Turkish Treasury have taken the position that such collections are required to be included in calculating the amount of its ongoing license fee. On November 8, 1999, the Turkish Ministry notified Turkcell and Telsim, which Turkcell believes was computing its license fee obligation in the same manner as Turkcell were, that the Danistay ruled that the interpretation of the Turkish Ministry was correct and that from November 1999 forward its 15% ongoing license fee should be calculated according to the Turkish Treasury's method. On November 18, 1999, the Turkish Treasury informed Turkcell that all payments under its license should be calculated retroactively using such methodology and paid to the Turkish Treasury applying the statutory interest rate on the unpaid balance from April 27, 1998, the date its license was granted.

Under the Turkish Treasury's calculation, the cumulative amount of VAT, education fund and the frequency usage and transmission fees from April 27, 1998, until December 31, 1999, was $264,126. The Turkish Treasury requested that Turkcell pays 15% of this amount, which was $39,619 until December 31, 1999. The statutory interest rate as applied on this unpaid balance results in an additional payment of $27,960 until December 31, 1999. Turkcell disagrees with the Turkish Treasury's position, and initiated an administrative suit at the Danistay against the Turkish Ministry and the Turkish Treasury. On December 29, 1999, Turkcell obtained an injunction to prevent the Turkish Treasury from collecting the ongoing license fee in respect of the disputed amounts. On February 16, 2000, the Danistay lifted the injunction in respect of the ongoing license fee payable on VAT but upheld the injunction with respect to the education fund and the frequency usage and transmission fees. Subsequent to the Danistay's decision on February 16, 2000, the Turkish Ministry and the Turkish Treasury filed a challenge to the Danistay's decision to uphold the injunction with respect to the education fund and the frequency usage and transmission fees, and Turkcell filed a challenge to the Danistay's decision with respect to VAT. Both challenges were rejected by the Danistay on April 21, 2000. On October 15, 2001, a substantive decision in line with the injunctive relief was rendered by the Danistay. The Danistay ruled that VAT should be included in the calculation of gross revenue whereas the education fund and the frequency usage and transmission fees should not. Turkcell has appealed the Danistay's decision with respect to the VAT and the Ministry appealed the decision with respect to the other items. Both appeals have been rejected by General Assembly of Administrative Courts of Danistay. Turkcell initiated "Correction of decision" against this decision following the notification. On March 24, 2000, Turkcell paid to the Turkish Treasury a sum of $57,163 for ongoing license fees on VAT and the accrued late payment interest collected since April 1998, which excludes ongoing license fees on the education fund and the frequency usage and transmission fees.

Turkcell has paid the above amount, with a reservation, to the Turkish Treasury, and will continue to pay ongoing license fees in respect of VAT collections, subject to a final judgement to be rendered by the Danistay. Unpaid amounts with respect to the ongoing licence fees on the education fund and frequency usage and transmission fees, including interest, amounted to $71,092 and $119,690 as of December 31, 2002 and September 30, 2003, respectively. Turkcell and its legal counsel believe that Turkcell will prevail with respect to payment of the ongoing licence fees on the education fund and frequency usage and transmission fees. Accordingly, Turkcell has not made any provisions in its consolidated financial statements for ongoing license fee payments with respect to the education fund and frequency usage and transmission fees. There can be no assurance, however, that there will not be an unfavourable ruling in this matter or that such an outcome would not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

Dispute on VAT on Ongoing License Fee

On December 28, 2001, the board of accounting experts of the Ministry of Finance issued an opinion stating that Turkcell should pay VAT on the ongoing license fee paid to the Turkish Treasury. Pursuant to this opinion, the Tax Office delivered to Turkcell a notice on January 31, 2002, asserting deficiencies in VAT declarations requesting payments of approximately TL 91.4 trillion (equivalent to $66,372 at September 30, 2003) for VAT, which would be offset by a VAT recoverable and would not result in a cash outflow from Turkcell and a total of approximately TL 145.3 trillion (equivalent to $105,521 at September 30, 2003) for penalty fees. Turkcell began discussions with the Tax office to discuss their deficiency notice and has pledged assets worth TL 749.5 trillion (equivalent to $544,414 at September 30, 2003) to the Tax Office and Tax Office informed Turkcell that the pledge was removed as of May 1, 2003. Turkcell applied on March 1, 2003 to benefit from the Tax Amnesty Law entered into force in February 2003 for the amounts covering the period between April 1998 and November 2001. Turkcell's application was accepted and accordingly, it received amnesty in respect to VAT on the ongoing licence fee.

Dispute on Turk Telekom Interconnection Fee

Turk Telekom notified Turkcell on February 14, 2000, that it was modifying the method by which it calculates the interconnection fee that it pays to Turkcell. Turk Telekom believes that it should be permitted to deduct from the revenues used to determine the interconnection fee the 15% "fund" payment that it pays to the Turkish Treasury and a 2.5% payment that it pays to the Turkish Radio and Television Institution, which is a payment that Turk Telekom was required to make during 2000 only. Based on this position, Turk Telekom withheld TL 6.6 trillion (equivalent to $4,795 at September 30, 2003) from the amount it paid to Turkcell for interconnection for the first two months of 2000. On April 25, 2000, Turkcell obtained an injunction from the commercial court preventing Turk Telekom from calculating the interconnection fee in this manner from March 1, 2000 onwards.

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On May 4, 2000, Turkcell commenced a first lawsuit against Turk Telekom to recover the TL 6.6 trillion it retained with respect to the first two months of 2000. On October 5, 2000, the court ruled against Turkcell in this lawsuit and lifted the injunction Turkcell obtained on April 25, 2000. Turk Telekom subsequently notified Turkcell on October 16, 2000 that it was requesting payment for TL 37.5 trillion (equivalent to $27,239 at September 30, 2003) representing the amount Turk Telekom would have deducted from its revenues for the period between March 2000 and September 2000. On October 31, 2000, Turkcell paid Turk Telekom a first instalment of TL 16.0 trillion (equivalent to $11,694 at September 30, 2003) with a reservation. Turkcell filed an appeal against the October 5, 2000 decision before the appeals court. On November 3, 2000, Turkcell obtained an injunction to prevent Turk Telekom from continuing to calculate its interconnection fee in this manner. Out of the total additional interconnection fee of $91,151 sought by Turk Telekom, which includes a statutory interest charge of $3,828, $35,332 was paid to Turk Telekom and liability was recorded for the unpaid portion of $55,819 in the consolidated financial statements as of and for the year ended December 31, 2000. On May 11, 2001, the appeals court ruled that Turk Telekom should be permitted to deduct from its revenues the 2.5% payment that it paid to the Turkish Radio and Television Institution for the year 2000 but remanded the decision regarding the 15% fund to the lower court. At the end of first half of 2001, Turkcell has reversed $81,317, which was previously accrued but not paid and included in direct cost revenues both in year 2000 and in the first half of 2001. Additionally, as a result of the progress in the legal proceeding with Turk Telekom for 15% fund previously paid to Turk Telekom, $23,287 was recorded as income in direct cost of revenues related with the paid portion of $35,332 as of and for the year ended December 31, 2000. As a result, Turkcell has recorded $49,595 as income in the direct cost of revenues in the accompanying consolidated financial statements for the year ended December 31, 2001. On January 24, 2002, the lower court rendered a decision in line with the appeals court's decision and ruled that Turk Telekom is permitted to deduct the 2.5% payment from its revenue for the year 2000 but that it is not permitted to do so for the 15% fund payment. As a result, on March 13, 2002, Turkcell received approximately TL 14.0 trillion (equivalent to $10,092 at payment date and equivalent to $10,188 at September 30, 2003) from Turk Telekom, which was related to the TL 6.6 trillion (equivalent to $4,795 at September 30, 2003) withheld by Turk Telekom, plus interest.

On November 10, 2000, Turkcell filed a second lawsuit to recover the TL 16.0 trillion (equivalent to $11,694 at September 30, 2003) paid to Turk Telekom as its first instalment. In this second lawsuit the court decided to await the appeals court decision to be rendered in the first lawsuit and to be bound by such decision. Although the appeals court decided in favour of Turkcell in first lawsuit, the court in the second lawsuit decided in favour of Turk Telekom. Turkcell has appealed the court's decision. The appeals court decided in favour of Turkcell with respect to the fund payment. Turk Telekom applied for "Correction of decision" against this decision. Management and legal counsel of the Company are confident that Turkcell will recover the TL 16.0 trillion paid to Turk Telekom with interest.

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Dispute on Turk Telekom Interconnection Fee

The Turkish Electrical Engineers' Society commenced a lawsuit against Turk Telekom in 2000 in the Ninth Administrative Court. In the lawsuit, the Turkish Electrical Engineers' Society claimed that its interconnection agreement with Turk Telekom violates public policy and the provisions of the Turkish Constitution relating to the protection of consumers and the prevention of monopolies and cartels. In October 2000, the court annulled Annex 1-A.1 of its interconnection agreement with Turk Telekom, which deals with call tariffs. Although Turkcell was not a party to the lawsuit, its interest has been affected by the decision. Under Annex 1-A.1, Turk Telekom retains a net amount of 6 cents per minute, after deducting VAT, communications tax and other taxes from the basic one-minute unit charges of Turk Telekom, and pays the remaining amount to Turkcell for traffic switched from the Turk Telekom network to its network. Turkcell pays Turk Telekom a net amount of 1.4 cents per minute for local traffic and a net amount of 2.5 cents per minute for metropolitan and long-distance traffic switched from Turkcell to Turk Telekom.

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On November 20, 2000, Turkcell was informed of the court's decision and received notification from Turk Telekom that all interconnection fees since the acquisition of its license paid by Turkcell to Turk Telekom and by Turk Telekom to Turkcell must be the same to comply with the court's decision and should be retroactively calculated from the date of its license and include the statutory interest rate on the unpaid balance. Turk Telekom made a first claim pertaining to the period extending from the date of its license up to October 2000, and a second up to January 2001. Turkcell initiated two separate lawsuits for each period before the commercial court to cancel Turk Telekom's request until Turkcell agrees with Turk Telekom to replace the cancelled provisions of its interconnection agreement. The case is still pending and the injunction granted in the first case was subsequently lifted but in November 2001, Turkcell obtained an injunction in the second lawsuit which helps cover both periods and which is currently in effect preventing Turk Telekom from collecting this amount. In the first case, the court decided to postpone its decision until the court in the second case renders a final decision. An expert opinion was rendered in its favor on August 21, 2001 in the second lawsuit. The court decided that Turkcell's injuction granted in the first lawsuit is still valid. Turk Telekom appealed this decision and Turkcell has filed its response to their appeal as soon as Turkcell is served with Turk Telekom's filing. This case has been dismissed and the court decision has been communicated to Turkcell. Turkcell has applied for a "Correction of decision" against this decision following the notification. On July 3, 2003, Turk Telekom informed Turkcell that the injunction was lifted and it will calculate the sharing of its interconnection revenue with Turkcell on an equal basis. Turk Telekom did not make the monthly interconnection payment to Turkcell due in June 2003, amounting to TL 83.9 trillion (equivalent to $60,924 as of September 30, 2003) to offset the amount against its receivables from Turkcell according to its claim that interconnection revenues should be shared equally. Turkcell has applied to obtain another injunction to cease Turk Telekom's recent action. The lawsuit still continues. On July 17, 2003, the Ankara Seventh Commercial Court decided that the terms of the Interconnection Agreement should remain in effect until the parties reach a new interconnection agreement. Upon the appeal of Turk Telekom, the case will be reviewed by the Assembly of Civil Law Chambers of Court of Appeals. Turkcell has deducted the interconnection receivables from Turk Telekom amounting to TL 140.0 trillion (equivalent to $101,668 as of September 30, 2003) from its interconnection receivables on its consolidated financial statements as of and for the nine month period ended September 30, 2003. The remaining balance of TL 52.5 trillion (equivalent to $38,150 as of September 30, 2003), which results from taxes on interconnection receivables, is classified as other current assets. Since Turkcell believes that this amount is substantially lower than the amount that Turk Telekom should have paid under the Interconnection Agreement, Turkcell has initiated the necessary legal actions against Turk Telekom for the recovery of its confiscated portion of interconnection receivables for June, July and August 2003. The basis for the calculation by Turk Telekom is not clear to Turkcell. Management believes that Turk Telekom violated the decision by the Ankara Seventh Commercial Court of July 17, 2003, that the terms of the Interconnection Agreement should remain in effect until the parties reach a new interconnection agreement. Turkcell concluded the negotiations with Turk Telekom by signing an addendum, which changes some articles of the Interconnection Agreement on September 20, 2003, as required by the Access and Interconnection Regulation effective May 23, 2003. As the juridical process continues, Turk Telekom initiated a lawsuit with the aim to collect the amount calculated via its claim that interconnection revenues should be shared equally. This lawsuit was merged with the lawsuit initiated by Turkcell due to the relation of two lawsuits.

In addition to the foregoing, Turk Telekom initiated a lawsuit to have the principle of equivalent computation decided and made a payment request of TL 1,083.2 trillion (equivalent to $786,804 at September 30, 2003). The court decided the case should be consolidated with the first case. Thereafter Turk Telekom initiated another lawsuit on the same grounds in a different court with a payment request of TL 490.0 trillion (equivalent to $355,930 as of September 30, 2003) including interest of TL 122.0 trillion (equivalent to $88,645 as of September 30, 2003). The court decided the consolidation of this lawsuit with the above-mentioned first case as well. Furthermore, Turk Telekom initiated another lawsuit on the same grounds in a different court with a payment request of TL 280.1 trillion (equivalent to $203,492 as of September 30, 2003) including interest of TL 35.3 trillion (equivalent to $25,665 as of September 30, 2003). Turkcell and its legal counsel believe that Turkcell will prevail in this matter. There can be no assurance, however, that there will not be an unfavorable ruling in this matter or that such an outcome would not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

Dispute on Additional Ongoing License Fee on Value Added Services and Other Charges

On November 2, 2000, Turkcell received a notice from the Turkish Ministry stating that certain value-added services, transaction fees, roaming revenue and interest charges for late collections should be included in the determination of the ongoing license fees paid to the Turkish Treasury. The Turkish Treasury informed Turkcell that the ongoing license fees for all such services would be retroactively recalculated from the date of its license agreement and paid to the Turkish Treasury after applying the statutory interest rate. On December 22, 2000, Turkcell initiated a suit against the Turkish Ministry and the Turkish Treasury before the Administrative Court to enjoin the Turkish Ministry and the Turkish Treasury from charging Turkcell these fees. The Administrative Court dismissed the case based on lack of jurisdiction and transferred the case to the Danistay, which has jurisdiction over the case. On July 25, 2001, the Danistay notified Turkcell that it has rejected Turkcell's request to obtain an injunction to prevent the Turkish Treasury to collect such fees. On July 25, 2001, Turkcell appealed this decision. On October 15, 2001, Turkcell was notified that the Danistay's decision, which was dated September 14, 2001, to reject its request to obtain an injunction to prevent the Turkish Treasury to collect such fees was reaffirmed. Turkcell and its legal counsel have not reasonably estimated the possible outcome of this uncertainty. Accordingly, Turkcell has not recorded any accrual for additional ongoing license fees for such services, revenues and interest. If the case is resolved in favour of the Turkish Treasury, Turkcell will be liable to the Turkish Treasury for up to TL 454.2 trillion (equivalent to 329,921 as of September 30, 2003) including interest of TL 272.0 trillion (equivalent to $197,551 as of September 30, 2003). There can be no assurance, however, that there will not be an unfavorable ruling in this matter or that such an outcome would not have a material adverse effect on the Company's consolidated financial position, results of operations, or liquidity.

Class action lawsuit against Turkcell

On November 22, 2000, a purported class action lawsuit was initiated in the United States District Court for the Southern District of New York against Turkcell and other defendants. The complaint alleges that the prospectus issued in connection with its initial public offering in July 2000 contains false and misleading statements regarding its "churn rate" and omits material financial information.

The plaintiff brought the lawsuit as a class action on behalf of individuals and entities that purchased its American Depository Shares, or ADSs, at or traceable to the initial public offering. The plaintiff seeks to recover damages pursuant to sections 11 and 15 of the Securities Act of 1933 for the difference between the price each purchaser paid for ADSs and either the price of the ADSs at the time the complaint was filed or the price at which such ADSs were sold if sold prior to November 22, 2000. Since November 2000, approximately ten substantially identical purported class action lawsuits have been filed on behalf of the same class. On March 5, 2001, the court consolidated the lawsuits, appointed two lead plaintiffs and appointed lead counsel. On March 29, 2001, plaintiffs in securities lawsuits against Turkcell filed a consolidated and amended class action complaint, which alleges that the prospectus issued in connection with its initial public offering in July 2000 contained false and misleading statements regarding its churn rate and omitted material financial information. On June 11, 2001, Turkcell filed a motion to dismiss plaintiffs' claims. On November 1, 2001, its motion to dismiss was granted on the claim alleging omission of material financial information but denied for the claim regarding churn. Turkcell has entered the discovery process. On March 20, 2002, the plaintiffs filed a motion asking the court to certify the case as a class action. On May 10, 2002, Turkcell filed a memorandum of law opposing Plaintiff's Motion for Class Certification. On August 22, 2002, the Court granted plaintiffs motion for class certification and certified a class of people who purchased Turkcell ADS's during the period from July 10, 2000 through September 21, 2000, and who can trace their purchases to Turkcell's July 10, 2000 registration statement. Discovery in the litigation is ongoing. Turkcell intends to defend itself vigorously once the case is examined on a substantive basis. At this