

# AS TURKCELL GROWS...



...LIFE GROWS...



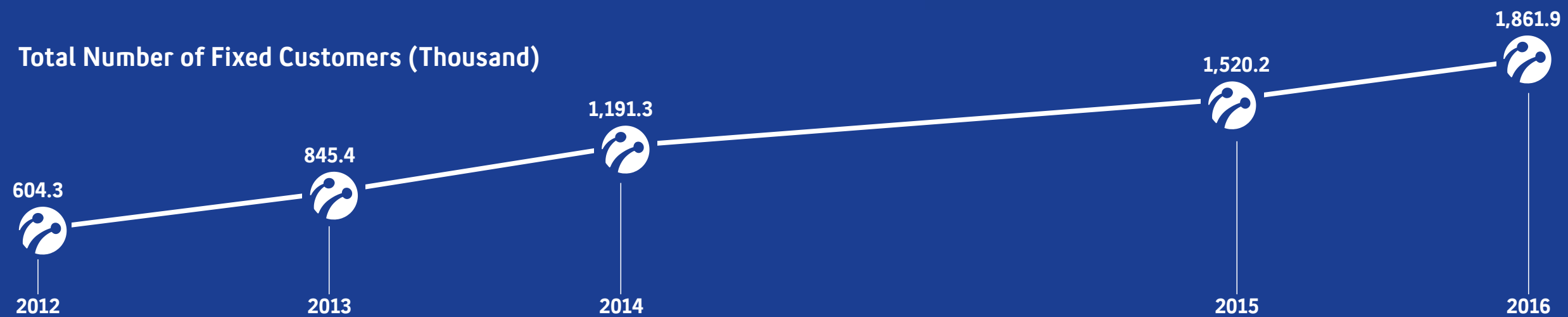
Total Number of Customers (Million)



# ...HAPPINESS GROWS...



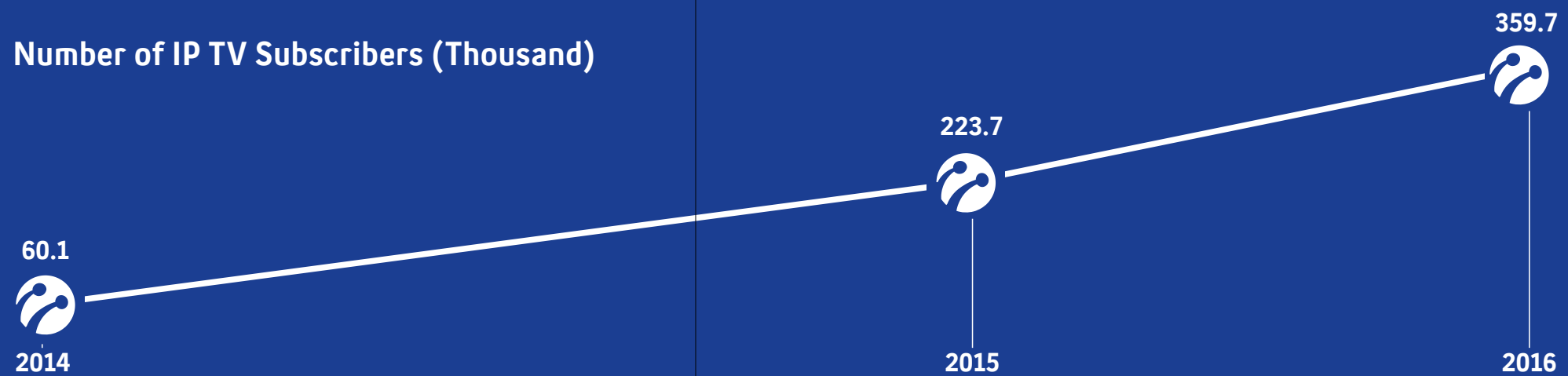
Total Number of Fixed Customers (Thousand)



...FUTURE GROWS...



Number of IP TV Subscribers (Thousand)





## **ABOUT TURKCELL**

Turkcell is a converged telecommunication and technology services provider, founded and headquartered in Turkey. It serves its customers with voice, data, TV and value-added consumer and enterprise services on mobile and fixed networks.

Turkcell Group companies operate in 9 countries: Turkey, Ukraine, Belarus, Turkish Republic of Northern Cyprus, Germany, Azerbaijan, Kazakhstan, Georgia and Moldova. Turkcell Group reported a TRY 14.3 billion revenue in 2016 with total assets of TRY 31.6 billion as of December 31, 2016.

Turkcell launched LTE services in its home country on April 1, 2016, employing LTE-Advanced and 3 carrier aggregation technologies in 81 cities. In 2G and 3G, Turkcell's population coverage is at 99.67% and 96.04%, respectively, as of December 2016. It offers up to 1 Gbps fiber internet speed with its FTTH services.

Turkcell has been listed on the NYSE and the BIST since July 2000, and is the only NYSE-listed company in Turkey.

Read more at [www.turkcell.com.tr](http://www.turkcell.com.tr)

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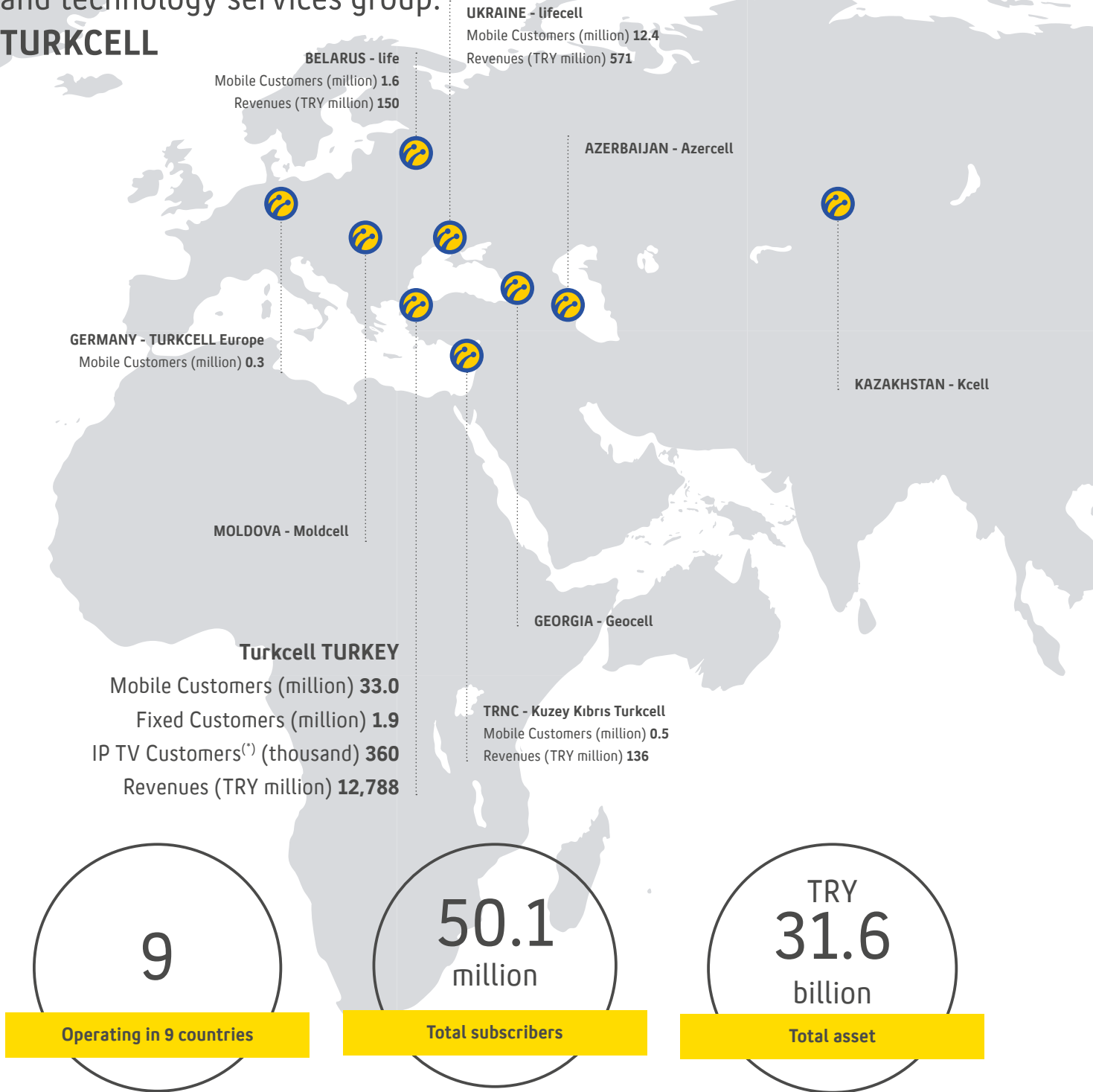
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# TURKCELL GROUP

## Integrated communications and technology services group: TURKCELL



<sup>(\*)</sup> Our OTT TV customers are 1.1 million as of 2016 and are included in our total TV customers.

All financial results in this annual report are prepared in accordance with International Financial Reporting Standards (IFRS) and expressed in Turkish Lira (TRY or TL) unless otherwise stated. The only exception is the use of figures in the Message from the CEO section, in which the figures are given exactly as they are in our annual report in Turkish.

# TURKCELL GROUP



	App Store	Google Play
Turkcell TV+		
BiP		
fizy		
Goals on Mobile		

	App Store	Google Play
Turkcell Academy		
Digital Publishing		
My Account		
lifebox		



## 2016 AT A GLANCE

**11.9%**  
growth

**Record high revenue**

- > All time high revenue and EBITDA performance.
- > The growth in Turkcell Group Revenues and EBITDA was 11.6% and 11.9%, respectively; 32.3% EBITDA margin

**23**  
million 4.5G  
subscribers

**Turkey's fastest with 375 Mbps**

- > The widest spectrum
- > 2 times more data usage compared to 3G users
- > As of December 2016, 28% of the total traffic is being carried through 4.5G network.

**62.3%**  
increase

**Record high growth in data and digital services revenue**

- > Smartphone penetration reached 64%.
- > Share of mobile triple play customers grew to 42%.
- > Share of fiber play with TV customers achieved 36%.

**32.3%**  
EBITDA Margin

**We have achieved our 2016 targets.**

- > We have achieved our targets, which we have disclosed for 2016 regarding Group and Turkcell Turkey revenue growth, Group EBITDA margin, and the ratio of Group operational capital expenditures (excluding license payments) to sales.

**0.8**  
Net Debt/EBITDA

**Strong balance sheet structure**

- > In the last quarter, we reduced our foreign exchange position to USD 125 million<sup>(1)</sup> from USD 2 billion in 2015, mitigating the foreign exchange risk.
- > We actively managed our balance sheet and risks.

**3**  
credit rating

**Turkcell's "Investment Grade" credit rating has been confirmed.**

- > Turkcell is the only company in Turkey to maintain its 3 "Investment Grade" credit ratings assigned by the major credit rating agencies.

<sup>(1)</sup> Please note that this figure takes into account advance payments and the impact of hedging, and assumes utilizing the option of paying the last instalment of the 4.5G licence in TRY.



# CHAIRMAN'S MESSAGE

In 2016, the dynamism created by our innovative products and services was one of the driving forces behind our growth. By establishing the world's fastest 4.5G infrastructure, we have strengthened our vision of being Turkey's most powerful integrated telecom operator.



**Our Group, which realized TRY 3.5 billion of investment this year, while strengthening its leadership position in its area of operation on one hand, has not compromised on its profitability and operational efficiency on the other.**



**Thanks to our strong and widespread infrastructure, while offering 4.5G technology to our customers, we achieved an area coverage of 82.5% in Turkey and increased total 4.5G subscriber number to 23 million by the end of 2016.**

Dear Stakeholders,

We have concluded another year in which our Board of Directors and Senior Management team worked in great harmony, underpinned by a unified team spirit. We had a single goal behind all the work we realized throughout the year: To provide the maximum benefit to our shareholders and investors, increasing the value of our Company and strengthening our leadership position in our country and in our region. Additionally, we are operating in a sector vital for our country, not only from an economic perspective, but also from a strategic one. This also increases our responsibility to our shareholders and investors, while fostering an even greater sense of responsibility towards our country and the wider region.

When we look back on 2016, we note that the effects of fragility experienced in the global economy were felt more intensely in developing markets. Britain's decision to exit the EU at a referendum, and the presidential election in the US were the developments, the effects of which were felt regionally and globally. On the other hand, the July 15 coup attempt in our country was defeated by strong political will and our citizens' efforts to protect their nation and democracy. The subsequent attempt to create an economic crunch also remained unsuccessful due to Government-Nation solidarity, revealing Turkey's true dynamism and strength, and rationality of who continued to trust in Turkey.

Even in such a challenging environment shaped by tough conditions, we have not relinquished our vision of leadership in investment in 2016. Our Group, which realized TRY 3.5 billion of investment this year, while strengthening its leadership position in its area of operation on one hand, has not compromised on its profitability and operational efficiency on the other. With the right financing strategy, where resources were provided at advantageous conditions, exposure to exchange rate risk has been minimized.

## **WE MADE THE STRONGEST CONTRIBUTION TO THE ECONOMY IN THE 4.5G TENDER.**

While 2016 is now over for Turkey and the wider world, as aforementioned, the most significant development of the year for our industry was undoubtedly the launch of 4.5G technology. By paying the highest price at the 4.5G tender, making the strongest contribution to the Turkish economy, and signing off on the highest infrastructure investment, we have once again confirmed our dedication to providing the greatest customer satisfaction by delivering the most advanced technologies. We also gained the right to use the largest 4.5G frequency source with a total frequency of 172.4 MHz.

Thanks to our strong and widespread infrastructure, while offering 4.5G technology to our customers, we achieved an area coverage of 82.5% in Turkey and increased total

4.5G subscriber number to 23 million by the end of 2016. The number of users of our digital services such as Turkcell TV+, BiP, fizy, lifebox, Goals on Mobile and Hello Hope has increased significantly due to the speed enabled by 4.5G technology.

We have opened Turkey's largest data center in Gebze in order to provide our customers a secure and high quality service. With the Gebze Data Center, established in line with the latest developments in communications technology, we aim to offer technology and communications solutions to our customers in all areas of life.

## **WE LAUNCHED A NEW ERA IN FINANCIAL SERVICES.**

In August 2016, we launched Paycell to our customers as one of our value-added services to leverage our powerful infrastructure. With the Paycell service, we began to offer our customers fast and easy payment methods in many new areas such as markets, restaurant chains, gas stations, parking lot payments, insurance premium payments and airport fast track services.

As a company whose activities are wholly realized on the principle of unconditional customer satisfaction, we established Turkcell Finansman (Consumer Finance) Company as of January 29, 2016, having received the necessary authorization from the BRSA. Accordingly, we started to provide effective financing facilities for the equipment and hardware needs of the telecom sector via Consumer Finance Company, which we established with our own equity, under the Financell brand name.

## **OUR EXPERTISE AND EXPERIENCE GIVE DIRECTION TO OUR SUBSIDIARIES...**

We have also concluded a successful year in terms of our international subsidiaries, which we have structured on the strength of Turkcell Turkey's deep-rooted experience and expertise. lifecell, carrying out its operations in the Ukrainian market since 2005, continued to grow, increasing its data revenues through the 3G+ service it offers. Additionally, we launched our lifecell brand in the Turkish Republic of Northern Cyprus as a digital brand, opening up a new service area through the "more internet" approach. We foresee lifecell, which accelerated its investments in Ukraine after having become 100% owned by Turkcell, continuing its successful financial and operational performance going forward. BeST, which carries out its operations in the Belarusian market, continued to grow with the favorable impact of the 4G launch in 2016, as well as its expanding subscriber base and growing device sales. In these markets, we will continue to offer our customers the latest technologies in a timely manner, together with innovative products and digital services to the extent allowed by local legislation.

*We continued to contribute to the sustainable development of Turkey with our comprehensive social responsibility projects initiated in 2016.*



**Turkcell will continue to unite people through information and technology, and in this respect, will continue to offer equal opportunities for all.**

#### **THE SOCIAL RESPONSIBILITY COMMITMENT THAT MAKES A DIFFERENCE...**

As Turkcell, while we work to create economic benefit for our shareholders and investors on one hand, on the other, we seek to contribute to the enrichment of our country's cultural and educational life, to convey social values to future generations and to create benefit for all. Because ultimately, we are part of a society that even puts out nesting boxes for weary birds in migration.

With this sensitivity, we continued to contribute to the sustainable development of Turkey with our comprehensive social responsibility projects initiated in 2016. The number of high school and university scholarships, which our Group has been granting uninterruptedly for 16 years, exceeded 100,000. We launched numerous online educational materials and applications within Turkcell Academy for the disabled, whom we always stand by. We supported the education of our disabled and gifted children by creating technology classes and professional workshops within the scope of our "Education without Boundaries" and "Whiz Kids" social responsibility projects initiated under the auspices of the Ministry of National Education.

And neither have we been indifferent to the ongoing humanitarian crisis in Syria of more than five years. We launched our "Hello Hope" project in an attempt to facilitate the lives of our Syrian guests, enabling them to better adapt to society. Going forward, we remain firmly supportive of Syrian youth with our technology to provide them with a meaningful opportunity in life while they undergo a period of adaptation.

Within the scope of our sponsorship activities, we continued to diversify our social investments by providing sponsorship support to a number of distinguished organizations such as the World Energy Congress, EXPO 2016 Antalya, and Innovation Week, which were realized in our country and attracted global interest.

#### **WE WILL ENERGIZE THE STEADY RISE OF TURKEY...**

We believe that our duty as the Board of Directors and Senior Management Team is to prepare Turkcell, one of Turkey's most valuable companies, for the coming decades. We have evaluated each day with a focus on this target, and are committed to evaluating the future with the same approach and determination. Turkcell will continue to unite people through information and technology, and in this respect, will continue to offer equal opportunities for all. Moreover, we will continue to succeed in both producing technology, and making efficient use of it.

On behalf of the Board of Directors and the entire Turkcell family, we thank all of our stakeholders who provided their unwavering support in our 2016 operations, and who share our journey of sustainable success, focused on long-term goals. Turkcell will continue its corporate development without interruption, in step with the steady rise of our country. This is evidenced in our successful financial and operational results achieved in our 2016 operations, and also in our diversified products and services that meet our customers' needs and expectations.

With the support of our shareholders as well as all our stakeholders, I hope to achieve new successes going forward...

Respectfully yours,

**AHMET AKÇA**  
Chairman of the Board of Directors

## BOARD OF DIRECTORS



FRONT ROW, FROM LEFT TO RIGHT:  
ATILLA KOÇ, AHMET AKÇA, MEHMET HİLMİ GÜLER

BACK ROW, FROM LEFT TO RIGHT:  
BEKİR PAKDEMİRLİ, JAN ERIK RUDBERG, ERIK BELFRAGE, MEHMET BOSTAN

**AHMET AKÇA****Chairman of the Board and Independent Board Member\***

Ahmet Akça was appointed to the Board of Directors by Capital Markets Board decision. From 1981 to 1988, Mr. Akça served as a Foreign Trade Manager in the glass and food industry. In 1988 he became CEO of an International Trading Company, a position he held until 1992. He later started his own business, which he still runs. Mr. Akça is the Founder and Chairman of the Board of Directors of logistics company Akça Lojistik Hizmetleri ve Ticaret A.Ş. He was a Member of the Committee of Trustees in January 2010, at the time of the Bezmialem Vakıf University establishment, and has been serving as the Chairman of the Committee of Trustees since November 2011. After studying mathematics at Middle East Technical University and sociology at Istanbul University for a certain period, Mr. Akça graduated from the Bursa Economics and Commercial Sciences Academy's Department of Economics.

**ATILLA KOÇ****Independent Board Member\***

Atilla Koç was appointed to the Board of Directors by Capital Markets Board decision. Having worked as an Undersecretary at the Ministry of Interior, and as Chief of Police in Konya, he served as the District Governor of the Ulubey, Nusaybin and Bayındır districts, and as the Governor of Siirt and Giresun provinces. He has also been the Prime Minister's Undersecretary, the General Secretary of Ankara Metropolitan Municipality, and the Central Governor. Then, Mr. Koç served as AKP Aydın Deputy in the 22<sup>nd</sup> and 23<sup>rd</sup> period of the Grand National Assembly of Turkey and as Minister of Culture and Tourism in the 59<sup>th</sup> Government. He graduated from Ankara University's Faculty of Political Science.

**MEHMET HİLMİ GÜLER****Independent Board Member\***

Mehmet Hilmi Güler was appointed to the Board of Directors by Capital Markets Board decision. He formerly worked as a Project Engineer and Group Chairman at TUSAŞ Aerospace Industries. Mr. Güler also served as Vice President and Board Member of the Scientific and Technological Research Council of Turkey (TÜBİTAK), as Chairman and General Manager of the Machines and Chemical Industries Board (MKEK), as the General Manager and Chairman of Etibank, as the Chief Undersecretary to the Prime Minister, and as Board Member and Executive Director at ERDEMİR and İGDAŞ. Mr. Güler also served as Minister of Energy and Natural Resources in the 58<sup>th</sup>, 59<sup>th</sup> and 60<sup>th</sup> Governments. Mr. Güler graduated from Middle East Technical University's Department of Metallurgical and Materials Engineering where he obtained his Master's and Doctorate degrees.

**MEHMET BOSTAN****Board Member\*\***

Mehmet Bostan was appointed to the Board of Directors by Capital Markets Board decision. Mr. Bostan formerly worked as Senior Relationship Manager at BNP Ak Dresdner Bank A.Ş., Manager at TSKB, Chief Turkey Representative of Dresdner Bank AG and Deputy General Manager at Güneş Sigorta. He has served as the General Manager and Board Member of Vakıf Emeklilik since 2010. During his position as the President of the Turkish Prime Ministry Privatization Administration, he has been appointed as the Chairman of the Board and General Manager of Sovereign Wealth Fund of Turkey on November 2, 2016. He is also a Board Member of Turkish Tennis Federation. Mr. Bostan graduated from International Relations, from the Faculty of Economics, at Istanbul University. He holds an MBA from Bilgi University.

**DR. BEKİR PAKDEMİRLİ****Board Member\*\***

Bekir Pakdemirli was appointed to the Board of Directors by Capital Markets Board decision. Pakdemirli has been an entrepreneur in food, computer and automotive industries, besides taking roles in the establishment and management of various companies. During his career, he also served as the General Manager of a ceramics company, which is among the 500 industrial companies in Turkey and a publicly-traded food company. He has served in executive management positions at McCain Foods, a multinational company, and still offers consultancy services to McCain Company. Serving as a Member of the Board of Directors of Albaraka Türk Participation Bank, Pakdemirli also continues his roles as a member of the Board of Directors of Tarkem-Tarihi Kemeraltı A.Ş., Turkish Foundation for Mental Healthcare, as well as being a Member of the Board of Trustees of Anatolian Autism Foundation and a Member of Capital Markets Investors Association with his attention to social responsibility. Mr. Pakdemirli presents a weekly economic program on Ege TV. He is a captain, pilot and an amateur radio operator. After graduating from Bilkent University, Faculty of Business Administration, he completed his Master's degree in Management at Başkent University, and his PhD degree in Economics at Celal Bayar University.

**JAN ERIK RUDBERG****Board Member\*\*\***

Jan Erik Rudberg was appointed to the Board of Directors by Capital Markets Board decision. He is currently Chairman of the Board of Directors of Kcell JSC (Independent Director) and the Chairman of the Board of Directors of Hogia AB. Since 2010, Mr. Rudberg has also been a member of the Board of Directors of PJSC MegaFon (Independent Director). Between 1994 and 2003 he held various executive positions at Telia AB, after having served as the Chief Executive Officer of Tele2 AB, Executive Vice President of Nordbanken AB, Chief Executive Officer of Enator AB, as well as the Chief Executive Officer of Ericsson Information Systems Sweden AB, and having held several managerial positions at IBM. Mr. Rudberg holds a degree in Economics and Business Administration from the Gothenburg School of Economics.

**ERIK BELFRAGE****Board Member\*\*\***

Erik Belfrage was appointed to the Board of Directors by Capital Markets Board decision. In the 70's and 80's, Mr. Belfrage worked as a Swedish Diplomat in Geneva, Washington, Bucharest, Beirut, and in Paris. He has served as Senior Vice President at SEB between 1987 and 2011, and as an advisor to Dr. Peter Wallenberg between 1987 and 2015. In 2011, Mr. Belfrage set up a consultancy firm Consilio International AB, of which he is also the Chairman. The firm advises large Nordic corporates. Currently, Mr. Belfrage is Chairman of several boards. He holds an MBA from the Stockholm School of Economics.

\* The Board Members who were appointed by the Capital Markets Board as "Independent Board Members" pursuant to Article 17, second paragraph, of the Capital Markets Law No.6362. The CMB decision was dated March 11, 2013.

\*\* The Board Members who satisfy independency criteria were appointed by the Capital Markets Board pursuant to sub-paragraph (k) of the first paragraph of article 128 of Capital Markets Law No.6362. The CMB decision was dated August 15, 2013.

\*\*\* The Board Members who satisfy independency criteria were appointed by the Capital Markets Board pursuant to sub-paragraph (k) of the first paragraph of article 128 of Capital Markets Law No.6362. The CMB decision was dated September 13, 2013.

## MESSAGE FROM THE CEO

In our journey of transformation from an infrastructure company to a service-oriented experience player, we have recorded a strong growth performance also in 2016.



**As Turkcell Group, in 2016, we pioneered the rapid development in the area of communications and technology in Turkey and the countries in which we operate.**



**The number of 4.5G subscribers of our Company, which brings our customers Turkey's fastest 4.5G service, reached 23 million, while 28% of our data traffic is carried on our 4.5G network as of the end of 2016.**

Dear Stakeholders,

When announcing our three-year targets at the end of 2015, we had set our goals as attaining the leadership in total telecoms in Turkey, achieving strong growth and being a player with a larger regional footprint through products and services that are globally relevant. 2016 has been a year during which we confidently progressed towards our targets.

By the end of 2016, as Turkcell Turkey and Turkcell Group, we achieved all time high results in both revenues and EBITDA with a performance that solidifies our brand value on a global scale. Turkcell Group revenues reached TRY 14.3 billion on 11.9% growth, with EBITDA rising to TRY 4.6 billion on a 11.6% increase, while EBITDA margin was at 32.3%. The Group's proforma net profit was realized at TRY 2.5 billion, while Turkish Accounting Standards (TAS) net income stood at TRY 1.5 billion. Turkcell Turkey, which represents 90% of our Group revenues, grew 11.4%, recording an EBITDA margin of %32.5.

### USING THE POWER OF COMMUNICATION FOR GROWTH AND STABILITY

While demonstrating this successful performance in the financial area, we have continued to support economic growth and stability in our home country Turkey, and have not compromised from our responsibilities towards our society. As a communications company, we played a leading role in defeating the treacherous coup attempt that Turkey experienced on July 15 by meeting the urgent communication needs of our people.

Through our infrastructure and technology, and with our strong financial management, we continue to work with all our strength to sustain the economic growth in all geographies where we operate, including Turkey.

### THE MOST ADVANCED LTE EXPERIENCE THROUGH 4.5G: THE FASTEST OF THE FASTEST IS IN TURKEY WITH TURKCELL.

The key national development for our sector in 2016 was the launch of 4.5G technology. During the auction held in 2015, we received the highest number of frequencies purchasing a total of 172.4 MHz at

the most favorable price per subscriber. In 2016, we established the world's strongest 4.5G network, making the highest contribution to the economy in 4.5G. We transformed Istanbul, Ankara and Izmir into the world's fastest cities in mobile internet.

Thanks to our infrastructure investments implemented with the aim of providing our customers with the best 4.5G service in Turkey, we have achieved 82.5% 4.5G coverage in Turkey. In 2016, with 4.5G investments, operational capital expenditures to revenues were realized at 23%.

The number of 4.5G subscribers of our Company, which brings our customers Turkey's fastest 4.5G service, reached 23 million, while 28% of our data traffic is carried on our 4.5G network as of December 2016. With the contribution of 4.5G users, data usage per user rose to 2.8 GB, recording an increase of 68% in the last quarter. In 2016, with 4.5G investments, operational capital expenditures to revenues were

### TURKCELL: MARKET LEADER IN FIBER AND CHAMPION OF A NATIONAL MOBILIZATION FOR FIBER ACCESS

On the fixed side, we created a success story similar to what we have achieved on the mobile side with 4.5G. The number of our fixed broadband customers, consisting of fiber and ADSL customers, increased by 342 thousand, reaching 1.9 million. We have strengthened the market leader position that we gained in the last quarter of 2014, while the number of customers preferring internet access at fiber speed rose to over 1 million.

Another area where Turkcell has taken on a leading role was creating an awareness regarding the vital need for fiber internet access in Turkey. In the third quarter, we started negotiations with other alternative internet service providers in Turkey to establish a common infrastructure company to increase fiber access in our country. We are pleased to observe that our call for a fiber mobilization, which will surely play an important role in Turkey's development, is viewed positively by both our government and our counterparts.



*We have crowned our leadership in technology and our vision for the future of the telecom industry with a successful financial performance while not compromising on our responsibilities towards the society.*

#### **STUNNING GROWTH IN DIGITAL SERVICES WITH END-TO-END SERVICE CONCEPT**

Thanks to the high service quality enabled by our mobile and fixed infrastructure, we have achieved a real success story both in terms of data growth, and also digital services and solutions. As a result of this success, we recorded 62.3% growth in data and service revenues.

Setting out as an instant messaging application, BiP has now become a content platform, having registered nearly 12 million downloads with users from all countries of the world. Turkcell TV+ not only became a product intensely preferred by our fiber customers on the fixed side, but also transformed the video viewing experience on the small screen through the power of 4.5G on mobile. Today it is a powerful TV platform reaching to over a total of 1 million customers. In digital music, we created one of the best platforms in the world with fizy. We reshaped our portfolio, which includes services such as lifebox, My Account, Goals on Mobile, Hello Hope, UpCall, Digital Publishing and My Dream Companion, on the basis of strong infrastructure, rich content and effective customer experience. We made our products and services available to other operators' customers in order for all users to experience Turkcell quality.



**We made our products and services available to other operators' customers in order for all users to experience Turkcell quality.**

With these steps, we have increased the number of customers downloading our strategic services from 21.4 million to 44.2 million within the last year. Demonstrating the validity of our convergence strategy, our triple play ratio, which is the ratio of our customers using at least one of our services in addition to voice and data in the mobile segment, grew by 25 percentage points to 42% compared to the end of last year. We have also achieved success in multi-play on the fixed front. The ratio of our customers using TV service increased by 10 percentage points to 36% compared to the end of last year.

#### **WE OPENED TURKEY'S LARGEST DATA CENTER IN GEBZE.**

Instead of only offering raw data for consumption to our customers, we focused on creating value by processing data and, with this focus, opened Turkey's largest data center in Gebze. Our data center, which has 10 thousand m<sup>2</sup> of usable space ("white space"), helps our customers, our country and the companies in our region to safely store and process generated data.



## MESSAGE FROM THE CEO



**Financell played an important role in strengthening our customers' loyalty by providing TRY 2.9 billion loans to a total of 1.9 million customers by the end of 2016.**



**2016 has been a year in which we carried our technological leadership in Turkey to other countries in which we operate.**

### **LOAN SUPPORT TO 1.9 MILLION CUSTOMERS THROUGH TURKCELL CONSUMER FINANCE COMPANY**

Turkcell Finansman Şirketi ("Financell"), which we launched in the 2016 operating period, offers attractive financing opportunities for our customers to reach smartphones that will enhance the quality of their lives. Financell played an important role in strengthening our customers' loyalty by providing TRY 2.9 billion loans to a total of 1.9 million customers by the end of 2016. The intensive investor interest in the TRY 250 million nominal value bond issue of Financell once again demonstrated the high brand value of Turkcell.

Paycell, our mobile payment company, is progressing towards ranking among the groundbreaking technology applications in the finance sector. Having started out as a financial player with a BRSA license; Paycell has expanded its portfolio of services with brand and platform partnerships and will continue to be an increasingly influential player in the mobile payments scene in 2017.

### **WE COVERED ALL REGIONS IN UKRAINE WITH 3G AND LAUNCHED 4G SERVICE IN BELARUS.**

2016 has been a year in which we carried our technological leadership in Turkey to other countries in which we operate. Our subsidiary lifecell, the first operator to launch 3G in Ukraine, worked with the same high performance to bring 3G services to every region of the country. In Ukraine, we are the leading operator in terms of both population and geographical coverage as of year-end 2016. Our leadership position in smartphone penetration levels – which stands at 57%- gives us the confidence that lifecell's 3G-focused growth will continue in 2017.

life:), our subsidiary in Belarus, has launched its 4G services in Minsk as of August 2016 through the use of common infrastructure as required by the regulations in Belarus. We are looking forward to the opportunity to serve all of our customers nationwide with the most advanced with 4G service as the infrastructure expands.

### **A KEY STEP IN EXPANDING OUR MOBILE SERVICES FOCUS IN OUR REGION: LIFECCELL DATA PACKAGES**

In 2016, we have taken important steps to open up the world of mobile internet to our Ukrainian and Belarussian customers by carrying our experience in Turkey with 4.5G and mobile services. In 2017, we will continue to maintain our focus on this front.

Another important development in this regard was the launch of lifecell, a data- and mobile service-oriented

proposal from Kuzey Kıbrıs Turkcell, our subsidiary in the Turkish Republic of Northern Cyprus. With lifecell packages, we meet all the communication needs of our clients in the TRNC via our BiP, TV+, fizy and lifebox services, which combine our telecom and OTT capabilities.

### **AN OPERATOR EXAMPLE TO THE WORLD FOR SOCIAL RESPONSIBILITY**

Turkcell, which has placed its social responsibilities at the center of its work and business conduct since its inception, continued to be a leader in this area in 2016.

In Turkey, the country hosting the largest number of refugees according to the UN, we have been the leading and exemplary company in the field of social responsibility with our projects, especially those provided to the Syrian immigrants. Turkcell serves 1.3 million Syrian customers with connectivity and its Arabic Call Center – we have complemented these services with our "Hello Hope" mobile application, and the fiber-connected technology center we have initiated as a pilot project at the Kahramanmaraş Refuge Center. We support our Syrian users in having access to education materials, in learning Turkish and in maintaining their daily lives through instant voice translation – in other words, helping them integrate into the society more comfortably.

Over the course of 2016, our work has attracted the attention of the GSMA, the United Nations and the World Economic Forum (WEF). We had the opportunity to share our experience and insights both with our counterparts in the telecommunications sector and with institutions and organizations outside our industry at the UN Private Sector Forum 2016 (held in the margin of the United Nations General Assembly) and at the World Economic Forum's Annual Meeting in Davos.

### **OUR JOURNEY OF SUCCESS WILL CONTINUE...**

As the Turkcell family, we thank all of our stakeholders, for their support in the 2016 activities of our Group, which deliver solutions touching every aspect of our customers' lives as an integrated communications and technology provider. Together, we will continue our journey of sustainable success in the periods to come, by achieving financial and operational results that will add to the wealth of our shareholders in all geographies in which we operate.

Yours sincerely,

**KAAN TERZIOĞLU**  
Turkcell CEO



# EXECUTIVE OFFICERS



## KAAN TERZİOĞLU (1)

### Chief Executive Officer

Kaan Terzioğlu was appointed Turkcell's Chief Executive Officer on April 1, 2015. He began his professional life in 1990 as an Independent Auditor and CPA at Arthur Andersen Turkey. In 1992, Mr. Terzioğlu joined Arthur Andersen USA as the IT Strategies and Security Specialist, and in 1994, began working at Arthur Andersen Belgium as the Leader of Information Management and Digital Strategy Services. In 1998, he was appointed Vice President of Consultancy Services Turkey Operations. Between 1999 and 2012, he served as the Team Leader of E-Commerce Strategies for the EMEA region, Sales Director of Advanced Technologies for the EMEA region, Managing Director of Technology Marketing Organization for the EMEA region, and Vice President of Central and Eastern Europe at the Cisco Systems Brussels branch, respectively. Between April 3, 2012 and April 1, 2015, Mr. Terzioğlu was a Member of the Board of Directors at Akbank, Aksigorta A.Ş., Teknosa İç ve Dış Ticaret A.Ş. and Carrefoursa A.Ş. Kaan Terzioğlu graduated from the Department of Business Administration at Boğaziçi University.

## BÜLENT AKSU (2)

### Executive Vice President – Finance (CFO)

Bülent Aksu has been appointed as the Chief Financial Officer, effective as of July 20, 2016. He has 20 years of managerial experience in the field of finance, accounting, tax and management in various sectors including energy, petrochemicals, textiles and auditing. Bülent Aksu started his professional career as an inspector on the Inspection Board at Kuveyt Türk A.Ş. in 1997. He held the role of Finance Manager and CFO at Çalık Holding, respectively in 2003. He held the role of CFO and Board Member at Akfel Group between 2008-2012. He worked at Petkim Petrokimya Holding A.Ş, a subsidiary of Azerbaijan's national oil and gas company SOCAR between 2012-2013, and most recently was the CFO at Star Rafineri A.Ş, a subsidiary of SOCAR. In 2016, Mr. Aksu was named among the 50 Most Efficient CFOs by Fortune Turkey Magazine. Mr. Aksu graduated from the department of Business Administration (English) of Istanbul University in 1996.

## İSMAİL BÜTÜN (3)

### Executive Vice President – Marketing

İsmail Bütün, has been appointed Executive Vice President of Marketing (CMO) as of July 1, 2016. Mr. Bütün started his career at the Çuhadaroğlu Holding Moscow Office in 1996. Between 1997 and 2000, he worked at the Enka Group Foreign Trade department in Moscow as Sales and Business Development Manager. Starting from 2000, he worked at Nestle as CPW Turkey Country Manager, Regional Marketing Director for Central Asia based in Uzbekistan, and later as Head of National Key Accounts for Nestle Turkey. After 2011, he served at Nestle's Global Headquarters

in Switzerland, first as Business Excellence Manager at the Global Customer and Sales Management Unit and then as Marketing Manager at the Beverages Strategic Business Unit. Most recently, Mr. Bütün was the General Manager of Nestle Turkey Beverages Group, also serving as a Board Member. İsmail Bütün, joined Turkcell as Senior Vice President of Retail Sales on January 15, 2016. He, graduated from the Boğaziçi University Business Administration department in 1996.

## SERHAT DEMİR (4)

### Executive Vice President - Legal and Regulation

Serhat Demir joined Turkcell as the Executive Vice President of Legal and Regulation Function in May 2015. Mr. Demir started his professional career in 1997 at Dun&Bradstreet. He worked as a lawyer and held executive and directorial positions responsible for legal affairs at Yıldız Holding and Çalık Holding A.Ş.. He was a Member of the Board of Directors of Çalık Holding AS and Altelecom ShA and currently is a Member of the Board of Directors of Banka Kombetare Tregtare ShA and Aktif Yatırım Bankası A.Ş.. Serhat Demir graduated from the Faculty of Law at Istanbul University and has a Masters of Business Administration degree.

## MURAT ERKAN (5)

### Executive Vice President - Sales

Murat Erkan joined Turkcell Group in June 2008 as the General Manager of Turkcell Superonline and as of December 1, 2015, was appointed Executive Vice President of Sales. Prior to this position, he had served as the Senior Vice President of Retail and Active Sales and Senior Vice President of the Home and Consumer Business, respectively. Mr. Erkan, who started his professional life at Toshiba, became an Application Engineer at Biltam Mühendislik and then became the first "System Engineer" of Turkey at Cisco Turkey. He served as Chief Officer at Cisco Systems in charge of technology, sales, business development and channel management for ten years. Prior to his position at Turkcell Superonline, Mr. Erkan had been the Business Unit Manager at Aneltech working on solutions related to Telecommunication, Mobile, ICT, defense industry and industrial products sectors since 2006. He graduated from the Yildiz Technical University Electronics and Telecommunication Engineering Department in 1992. He completed the Strategic Marketing Program at Harvard Business School in 2010.

## SEYFETTİN SAĞLAM (6)

### Executive Vice President - Business Support

Seyfettin Sağlam joined Turkcell as Chief Group Human Resources Officer in July 2014. He was appointed Executive Vice President of Business Support Officer in April 2015. He began his career in MSC Consulting Inc. in 1998. He worked as a HR professional at Tekstilbank and as the Human Resources Group Manager at Yıldız



Holding, responsible for the Packaging, IT, Finance and Retail Groups. He also served as the Assistant General Manager of T.C. Ziraat Bankası. Subsequently, he was appointed Vice Chairman and Member of the Executive Committee at Rixos Hotels and Sembol Construction Inc. Mr. Sağlam has also served as an Executive Vice President of Borsa Istanbul. He graduated from the Department of Sociology at Middle East Technical University. He received a Master's degree from the Marmara University Business Administration Department in International Quality Management. He also completed the HR Management & Leadership Programs at INSEAD.

#### İLTER TERZİOĞLU (7)

##### Executive Vice President - Strategy

İlter Terzioğlu joined Turkcell in 2003 as Business Strategies, Regulation and Risk Consolidation Division Head. In October 2015, he was appointed as the Executive Vice President of Strategy. Previously, he had served as Senior Vice President of International Business under the Strategy Function. He has also undertaken the roles of acting Chief of International Business, Chief Strategic Projects Officer and Chief Network Operations Officer at Turkcell. Prior to joining Turkcell, he had worked as Assistant General Manager at Turkcell Group companies, including Show TV and Superonline. He had worked at Ericsson Turkey as the Assistant General Manager responsible for Turkcell between 1994 and 2002. He graduated from the Department of Econometrics at Istanbul University.

#### AYŞEM ERTOPUZ (8)<sup>(\*)</sup>

##### Senior Vice President - Digital Services and Solutions

Ayşem Ertopuz joined Turkcell in January 2016 as Strategic Planning Director. In November 2016 she was appointed Senior Vice President of Digital Services and Solutions. She started her career at Arçelik A.Ş., where she had served as Quality System Engineer between 1993-1997. She started to work in Arthur Andersen in 1997 as Strategic Consultancy Services Manager. Joining Cisco's EMEA Region Organization in 2001 in Belgium, Ayşem Ertopuz assumed managerial positions in several functions including Strategic Planning, Business Intelligence, Operations and Global Customer Management. She served as manager of the Business Intelligence Group within Cisco's New York-based Global Sales Strategy and Planning organization between 2006 and 2015, focusing on the fields of Service Providers sector, market and competition dynamics, business strategy and performance, and utilization of digital services in new business models. Ayşem Ertopuz graduated from the Middle East Technical University Industrial Engineering Department and received her MBA degree from the New York University, Stern School of Business.

#### DOĞUŞ KURAN (9)<sup>(\*)</sup>

##### Senior Vice President - Customer and Experience Management

Doğuş Kuran joined Turkcell as Senior Vice President of Customer and Experience Management Function as of October 1, 2015. He had begun his career at Alcatel-Teletaş. After holding executive positions in sales, business development and internet solutions consultancy within Cisco Systems and Microsoft Turkey organizations, he served as Chief Sales and Operations Officer at Ericsson Turkey. Prior to his position in Turkcell, he worked as a Partner at the Accenture Turkey Office responsible for the telecommunication, media and technology sectors. Mr. Kuran graduated from the Istanbul Technical University, Electrical and Electronics Engineering department in 1995. He received his Master's degree in Management Engineering from Portland State University in 1997.

#### SERKAN ÖZTÜRK (10)<sup>(\*)</sup>

##### Senior Vice President - Information and Communication Technologies

Serkan Öztürk joined Turkcell in 2000 as Project Supervisor. In September 2015 he was appointed as Senior Vice President of Information and Communication Technologies. Previously, he worked as Project Supervisor and Manager at Turkcell Project Management office between 2000-2009. He served as Chief Information Technologies Officer in lifecell between 2009-2010 and in Turkcell Superonline between 2010-2011. Prior to his recent appointment, he has been serving as Director of Customer Relations Management and Business Intelligence Solutions (CRM & BIS). Serkan Öztürk graduated from Middle East Technical University Electrical and Electronics Engineering department. He received his MBA degree from Istanbul University.

#### GEDİZ SEZGİN (11)<sup>(\*)</sup>

##### Senior Vice President - Network Technologies

Gediz Sezgin joined Turkcell as Network Engineer in 1995. In October 2015 he was appointed Senior Vice President of Network Technologies under the Technology Function. Previously, he was Senior Vice President of Information and Communication Technologies, Chief Information and Communication Technologies Officer, Director of Application Operations, and Director of Service Network under the ICT Function, and held various executive positions in the Technology Function. Mr. Sezgin started his career at Alcatel Teletaş in 1991. He graduated from Istanbul Technical University in Electronics and Communication Engineering and received his Master's degree from the same university.

*Executive Officers include our management team reporting directly to the CEO as of the end of 2016.*

<sup>(\*)</sup> The titles of our Company's Senior Vice Presidents have been changed to Executive Vice President. In addition, the title of Ali Türk, who had been working as the Senior Vice President of Supply Chain Management within our Company, has been changed to Executive Vice President and re-positioned so as to report directly to the CEO as of March 1, 2017.

# TOP MANAGEMENT OF SUBSIDIARIES



## **KAAN TERZİOĞLU (1)**

### **Chief Executive Officer**

Please see page 20 for detailed CV.

## **BURAK ERSOY (2)**

### **General Manager of lifecell**

Burak Ersoy began to work at Turkcell in December 2006. Since October 2015, Ersoy has been the General Manager of lifecell Ukraine. Prior to being appointed to this position, he had served as the Turkish Retail Sales Manager, Small Scale Business Channel Director and Executive Vice President of Consumer Sales, respectively. Beginning his professional career in 1993 as an Investment Advisor at Bayındır Menkul Kıymetler, Ersoy worked as the Ankara Regional Manager at Marsh until 1999, and as Trade Marketing Manager, Sales Development Manager and Turkey Sales Manager at MarSA Kraft until 2006. Following his graduation from the Middle East Technical University Mining Engineering Department, and from Gazi University Marketing with a postgraduate degree, Ersoy completed the Strategic Development programme at the University of Chicago Booth School of Business.

## **DINA TSYBULSKAYA (3)**

### **General Manager of BeST**

In March 2016, Dina Tsybulskaya was appointed as the General Manager of BeST. Prior to this position, Tsybulskaya had worked as the Chief Marketing Officer from July 2012. She began her career in 2004 at the Belarus office of Publicis, one of the largest advertising agencies in the world. Transferring to the telecommunication sector in 2007, Tsybulskaya worked as the Marketing Director at mobile operator velcom until joining Turkcell Group. Dina Tsybulskaya received her bachelor's degree of Foreign Languages and International Politics from the Minsk University (Linguistics) in 2000, and her postgraduate degree in International Politics at the European Humanitarian University. Tsybulskaya also received professional certificates and diplomas in General Management and Economics from the Ontario Business School in 1999, in Marketing from the Chartered Institute of Marketing London in 2007 and in Business Development for Top Management from the TAG Business School and INSEAD Business School in 2012.

## **İSMET YAZICI (4)**

### **General Manager of Kuzey Kıbrıs Turkcell**

İsmet Yazıcı joined Turkcell in 2009. Since December 2015, Yazıcı has been working as the General Manager of Kuzey Kıbrıs Turkcell. Before being appointed to this position, Yazıcı worked as the Deputy General Manager of Sales and Business Development at Global Tower between 2009-2010 and then as the General Manager between 2010-2011. Between 2011-2015, he served as the General Manager at BeST, Turkcell's subsidiary in Belarus. Beginning his professional career in 1993, Yazıcı served as the Research & Development Engineer, International Sales Engineer, Romanian Country Manager, Product Marketing Manager, EMEA Region CDMA Business Development Director, and Enterprise Leader, respectively, at the Turkey and USA offices of Nortel until 2009. İsmet Yazıcı received his bachelor's degree in Electric-Electronic Engineering at Hacettepe University in 1992, and postgraduate degrees in Political Science at Marmara University in 1998 and in International Marketing and Management at the University of Texas in 2001. He completed his second undergraduate degree by graduating from the Istanbul University, Faculty of Law in 2011.

## **NIHAT NARİN (5)**

### **General Manager of Global Tower**

Nihat Narin has been appointed as Global Tower CEO in June 2016. He also serves as Board Member at Inteltek Technology and Investments Co. and UkrTower LLC. Mr. Narin began his career in investment banking in 1996 and worked in various roles including corporate finance and research analyst. During his position at Ata Invest as Telecom Analyst, he worked in many IPO projects, including IPO of Turkcell. He joined Turkcell in 2000 and worked as senior specialist at Investor Relations Department until 2004. Subsequently, he served as Director of Internal Audit, Director of Investor Relations & International Media and Group M&A Director at Turkcell. Mr. Narin received his BA degree from the Faculty of Economics and Administrative Sciences at Marmara University and MBA degree from Middlesex University while completing his graduation project on Capital Markets of U.K. Mr. Narin also holds Turkish Capital Markets Advanced Degree License and Corporate Governance Licenses.



#### ÇAĞATAY AYNUR (6)

##### General Manager of Turkcell Global Bilgi

Çağatay Aynur joined Turkcell Group in 2000 as an Account Manager. In July 2015, he was appointed as the General Manager of Turkcell Global Bilgi. Prior to his appointment to this position, he had served as the Regional Manager in Charge of Strategic Customers and Public Affairs, Sales Manager in Charge of Large Scale Businesses, Corporate Sales Director in Charge of Large Scale Businesses and Corporate Sales Director in Charge of Mid Scale Businesses. Beginning his professional career at Erkunt Döküm Sanayi, Çağatay Aynur served as the Sales Manager at Martı Ltd. Çağatay Aynur graduated from the Department of Metallurgical Engineering at Middle Eastern Technical University in 1993.

#### MEHMET CANTEKİN (7)

##### General Manager of Turkcell Finansman

Mehmet Cantekin joined Turkcell as Group Internal Audit Director in 2014 and in May 2016 he was appointed as the General Manager of Turkcell Finansman A.Ş.. Starting his professional career in 1992 within the Banking Regulation and Supervision Agency (BDDK) Mr. Cantekin assumed various managerial positions until 2007. After working as a Department Head in BDDK in 2007, he assumed position as VakıfBank A.Ş. Credit Monitoring and Regional Offices Assistant General Manager. While working as VakıfBank A.Ş. Assistant General Manager, Cantekin also assumed position as the Chairman of the Risk Center of the Banks Association of Turkey in 2012. Mehmet Cantekin completed his BA degree in 1990 at Ankara University, Faculty of Political Sciences Finance Department. In 2006, he received a postgraduate degree in Accounting from the University of Illinois.

#### MELİKE KARA (8)

##### General Manager of Turkcell Payment Services

Melike Kara, has worked in managerial positions within Turkcell Mobile Financial Services Department since 2011. In February 2015, Ms. Kara was appointed as Turkcell Ödeme Hizmetleri A.Ş. (Turkcell Payment Services Inc.) General Manager. Kara graduated from the Middle East Technical University Department of Business Administration in 2004 and began working at PricewaterhouseCoopers Istanbul Office the same year. After 2 years of PwC experience, she assumed various positions in the field of marketing and business development within Garanti Bank Payment Services business line.

#### AHMET SEZER (9)

##### General Manager of İnteltek

Ahmet Sezer joined Inteltek in 2004 as the General Manager. Sezer began his career at Aselsan. Subsequently, he served as the System Engineer, Senior Deputy General Manager, Deputy General Manager and General Manager at IBM Turk, Intertech and Vestel Group and Vestel Consulting respectively, and as General Manager at Probil. Ahmet Sezer graduated from Istanbul Technical University in 1982, having studied at the Electronics and Communication Engineering Department.

#### EREN EYĞİ (10)

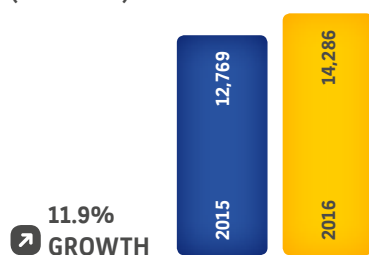
##### General Manager of Azerinteltek

In July 2015, Eren Eygi was appointed General Manager of Azerinteltek. Beginning his professional career at Saben in 1993, Eygi subsequently worked at Gama Construction Russia as a Resident Engineer between 1994-1995, Uniroyal Chemical Company as the Regional Manager for Central Asian Countries between 1996-1997, Colgate-Palmolive as the Country Manager of Uzbekistan, Turkmenistan, Tajikistan, General Manager in Kazakhstan between 1997-2008, Kcell as the Marketing Director in 2008, and at Danone CIS as the Country Manager of Belarus and Danone Russia as the Regional Commercial Director and Regional Administrative Director between 2008-2015. Eren Eygi graduated from the Department of Mechanical Engineering at Boğaziçi University in 1993.

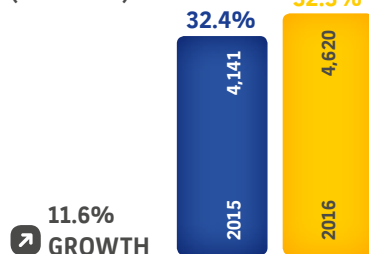
# FINANCIAL INDICATORS

Turkcell Group revenues reached TRY 14.3 billion on 11.9% growth, while EBITDA rose 11.6% to TRY 4.6 billion, while the EBITDA margin was 32.3%.

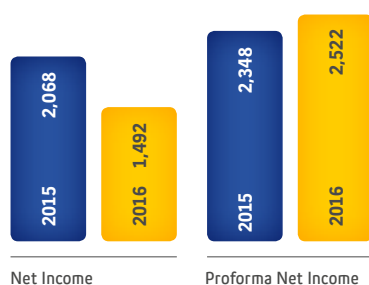
Turkcell Group Revenues  
(TRY million)



Turkcell Group EBITDA<sup>(1)</sup>  
(TRY million)



Turkcell Group Net Income and Proforma Net Income<sup>(2)</sup> (TRY million)



Turkcell Group Financial Indicators

	2015	2016	Change
<b>Turkcell Turkey (TRY million)</b>			
Revenues	11,481	12,788	11.4%
EBITDA	3,760	4,161	10.7%
EBITDA Margin (%)	32.7%	32.5%	(0.2 pp)
<b>Turkcell International (TRY million)</b>			
Revenues	856	875	2.2%
EBITDA	246	235	(4.3%)
EBITDA Margin (%)	28.7%	26.9%	(1.8 pp)
<b>Turkcell Other Subsidiaries<sup>(3)</sup> (TRY million)</b>			
Revenues	432	623	44.2%
EBITDA	135	223	65.4%
EBITDA Margin (%)	31.2%	35.8%	4.6 pp

(1) EBITDA is a non-GAAP financial measure.

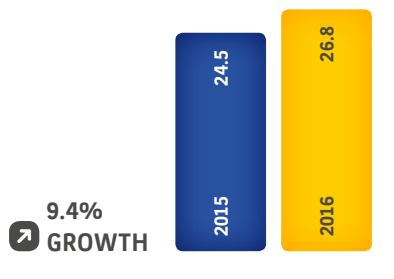
(2) We use "proforma net income" as a means of presenting our net income net of certain non-operating items and items that we believe are non-recurring. We believe "proforma net income" facilitates performance comparisons from period to period and management decision making. We define "proforma net income" in this document as net income excluding FX gain / (loss) (including tax and minority impact), interest income on time deposits of Turkcell İletişim Hizmetleri, interest expense on loans & borrowings, Fintur impact, 4.5G license amortization and one-off items. Please note that this is a non-GAAP measure and that we may in future presentations change the scope of items that we deduct from net income to arrive at "proforma net income." Please see page 107 for a reconciliation of Group and Turkcell Turkey proforma net income to net income as per IFRS.

(3) "Other subsidiaries" is mainly comprised of our information and entertainment services, call center business revenues, financial services revenues and inter-business eliminations.

## OPERATIONAL INDICATORS

In 2016, the total number of customers was 50.1 million, of which 35.3 million were in Turkey.

ARPU (TRY)



Turkcell Turkey Operational Indicators

	2015	2016	Change
Number of Subscribers (million)	35.8	35.3	(1.4%)
Mobile Postpaid (million)	16.6	17.4	4.8%
Mobile Prepaid (million)	17.4	15.7	(9.8%)
Fiber (thousand)	899.4	1,043.9	16.1%
ADSL (thousand)	620.8	818.0	31.8%
IP TV subscribers (thousand)	223.7	359.7	60.8%

On the mobile front, our postpaid customers expanded by 797 thousand net additions, while prepaid customers declined by 1.8 million in line with our strategy of focusing on valuable customers and in 2016 our mobile customers were 33 million. The share of our postpaid customers increased to 52.5% of our total mobile customer base.

On the fixed front, we reported 342 thousand net additions to our fixed customer base in 2016; 144 thousand were fiber and 197 thousand were ADSL customers. Our fixed customers reached 1.9 million, while our fiber customers exceeded 1 million. IP TV customers reached 360 thousand on 136 thousand annual net additions.



4.5G

## Sustainable Growth with Our Converged Business Model

### GROWTH IN DIGITAL SERVICES p. 28

Along with 4.5G, our digital services continue to attract considerable attention. The number of customers using BiP, Turkcell TV+, lifebox, Goals on Mobile (Goller Cepte), fizy, My Account (Hesabım), Digital Publishing (Dergilik) and Turkcell Academy (Turkcell Akademi) applications has continued to increase.

### GROWTH IN MOBILE DATA AND FIXED DATA p. 30

As the integrated communications and technology services player, Turkcell aims to expand the scope of the creative products and services it offers through the mobile and fixed network platform.

### GROWTH IN INTERNATIONAL OPERATIONS p. 32

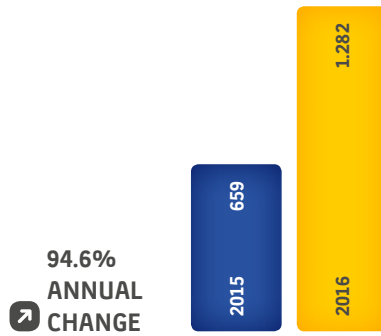
Continuing its direct operations in Ukraine, Belarus, Northern Cyprus and Germany in addition to Turkey, Turkcell continues its leadership in the international arena.

### GROWTH IN FINANCIAL SERVICES p. 34

As an important part of its strategies of solidifying Turkcell's position in Turkey and strong balance sheet, Turkcell Finansman A.Ş. started its operations in March 2016 and acquired Turkcell Ödeme Hizmetleri A.Ş (Payment Services) in May 2016.

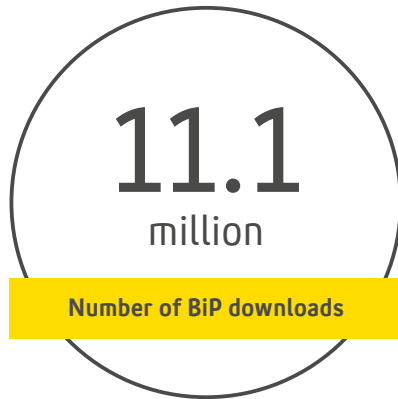
## GROWTH IN DIGITAL SERVICES

Digital Services Revenues  
(TRY million)

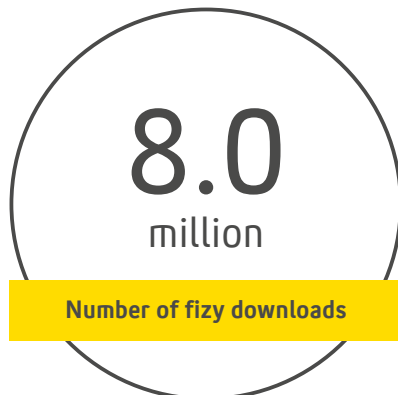


Consumers have gained the privilege of using all mobile applications that require high internet speed and quota whenever they want, independent of time and space, thanks to the superiority that 4.5G has brought to our lives.

The number of our customers downloading BiP, Turkcell TV+, lifebox, Goals on Mobile (Goller Cepte), fizy, My Account (Hesabım), Digital Publishing (Dergilik) and Turkcell Academy (Turkcell Akademi) applications increased from 21.4 million to 44.2 million.



Having been developed totally with domestic sources, BiP continues to gain worldwide attention, including in Europe and the US. While BiP has achieved great success by having seen more than 11.1 million downloads in 192 countries within a short period of time, the application has made an important step towards becoming a global brand with the number of downloads abroad exceeding 1.2 million. BiP, which brought a new perspective to the concept of communication, has initiated a new feature enabling users to send faxes via BiP message, marking a world first.



In April 2016, we transformed Turkcell Music service into a structure that is also available to other operators. This way, in addition to Turkcell subscribers, we also started to acquire subscribers from other operators. During the same period, the brand name was changed from Turkcell Music to fizy. fizy is one of Turkey's biggest music platforms with its video clips and live concert broadcasts. fizy's 9 live concert broadcasts rounded to 1.6 million views.



TURKCELL

Mobile Turkcell TV+  
2.3 M Downloads



lifebox

3.6 M Downloads



TURKCELL  
My Account

14.2 M Downloads



TURKCELL  
Goals on Mobile  
2.9 M Downloads



TURKCELL  
Turkcell Academy  
1.2 M Downloads



TURKCELL

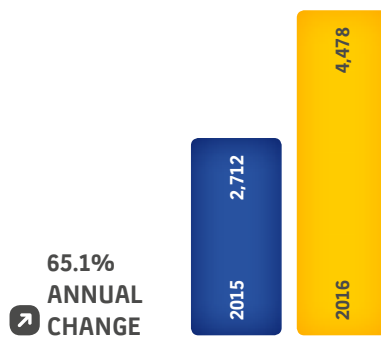
Digital Publishing  
0.9 M Downloads



## GROWTH IN MOBILE DATA AND FIXED DATA

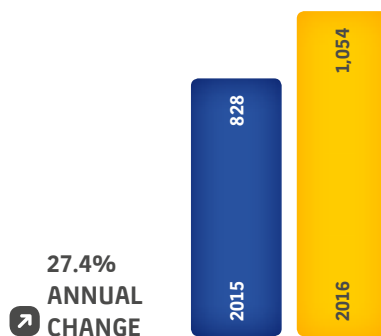
In 2016, Turkcell Turkey grew by 65.1% in mobile data and 27.4% in fixed data, generating a total of TRY 5.5 billion in revenues.

Mobile Data (TRY million)



In 2016, the number of our mobile, fixed and IP TV customers in Turkey totaled 35.3 million. In the mobile segment, our total customer number was 33 million. The number of our postpaid customers increased by 797 thousand compared to last year, reaching 52.5% of our customer base. In the fixed segment, the number of our fiber customers rose 144 thousand on an annual basis to over 1 million, while the number of our total fixed customers reached 1.9 million.

Fixed Data (TRY million)



By the end of 2016, the share of mobile data in Turkcell Turkey revenues was at 35.0%, the share of fixed data was at 8.2%, and the share of digital services was at 10.0%.

# TURKCELL GOT THE FIRST PLACE ON INTERNET SPEEDTEST!



Turkcell has been given the "Dokla 2016 Fastest Internet in Turkey Award" by Dokla, based on the results of the speed test conducted by broadband users in Turkey through Speedtest by Dokla® application and speedtest.net website in the second half of 2016. According to the results of the speed test done by 4.5 million fixed and over 1 million mobile subscribers, Turkcell is by far the leader with the highest speeds both in mobile and fixed broadband in Turkey.

**23**  
million

**Number of 4.5G subscribers**

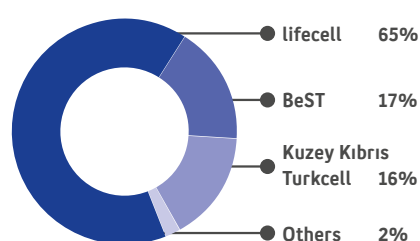
In 2016, Turkcell continued its 4.5G investments at full speed, whereby the ratio of operational capital expenditures to sales registered at 23%. As of today, the number of 4.5G subscribers has exceeded 23 million, while the share of data traffic carried through the 4.5G network is at 28%. Data used per person rose 68% in the fourth quarter compared to last year, realized at 2.8 GB with the contribution of 4.5G users. Meanwhile, smartphone penetration in Turkey has gained further momentum, reaching 64% by the end of 2016.

## GROWTH IN INTERNATIONAL OPERATIONS

Turkcell International's revenues increased by 2.2% on a year-on-year basis to TRY 875 million in 2016.

Continuing its direct operations in Ukraine, Belarus, Northern Cyprus, and Germany, in addition to Turkey, Turkcell maintains its leadership in the international arena.

Turkcell International Revenues Breakdown



Turkcell International Financial Indicators

(TRY million)	2015	2016	Change (%)
Revenues	856	875	2.2%
EBITDA	246	235	(4.3%)
EBITDA Margin (%)	28.7%	26.9%	(1.8 pp)

Turkcell International Subscriber Numbers

(million)	2015	2016	Change (%)
Ukraine	13.5	12.4	(8.1%)
Belarus	1.5	1.6	6.7%
Northern Cyprus	0.5	0.5	-
Turkcell Europe	0.3	0.3	-



8.1%


Revenue growth ratio of lifecell

**Ukrayna** 

lifecell revenues rose 8.1% in local currency terms, driven by mobile broadband revenues, which grew due to the 3G+ service and with increasing device sales following its launch in June 2016. The first operator to realize direct device sales in Ukraine, lifecell recorded revenues of Grivna 4.8 billion and nominal EBITDA of Grivna 1.4 billion in local currency terms, with an EBITDA margin of 28%, as of the end of 2016.

19.4%

Revenue growth ratio of BeST

**Belarus** 

BeST's revenues surged by 19.4% in local currency terms due to growth in the subscriber base and the rise in voice and device revenues, in parallel to increasing smartphone sales. The EBITDA margin rose 1.8 pp to 4.0% on the back of revenue growth and effective operational cost management.

3.8%

Revenue growth ratio of Kuzey Kibris Turkcell

**Northern Cyprus** 

Kuzey Kibris Turkcell revenues increased by 3.8% on a year-on-year basis to TRY 136 million with the impact of mobile broadband revenues, which grew thanks to rising data demand. EBITDA was TRY 50 million, while the EBITDA margin was realized at 36.8%.

## GROWTH IN FINANCIAL SERVICES

As an important part of its strategies to solidify Turkcell's position in Turkey and a strong balance sheet, Turkcell Finansman A.Ş. (Consumer Finance Company) started its operations in March 2016 and acquired Turkcell Ödeme Hizmetleri A.Ş (Payment Services) in May 2016. By supporting the rise in smartphone penetration through the synergy to be created with Turkcell Group, it contributed to the rise in smartphone penetration of our network to 64% this year. Consumer Finance Company, providing customer services from a single point that meet their telecom, device and financing needs with its technology and financial institution perspective, offers personalized and flexible payment plans.



Turkcell Finansman A.Ş., operating under the Financell brand, was established to ensure financing for the needs of consumer and corporate customers for device and hardware purchases in the telecom sector. Continuing its activities throughout Turkey, Financell had provided a total of TRY 2.9 billion in loans to approximately 1.9 million customers for the financing of smart device purchases by the end of the year.

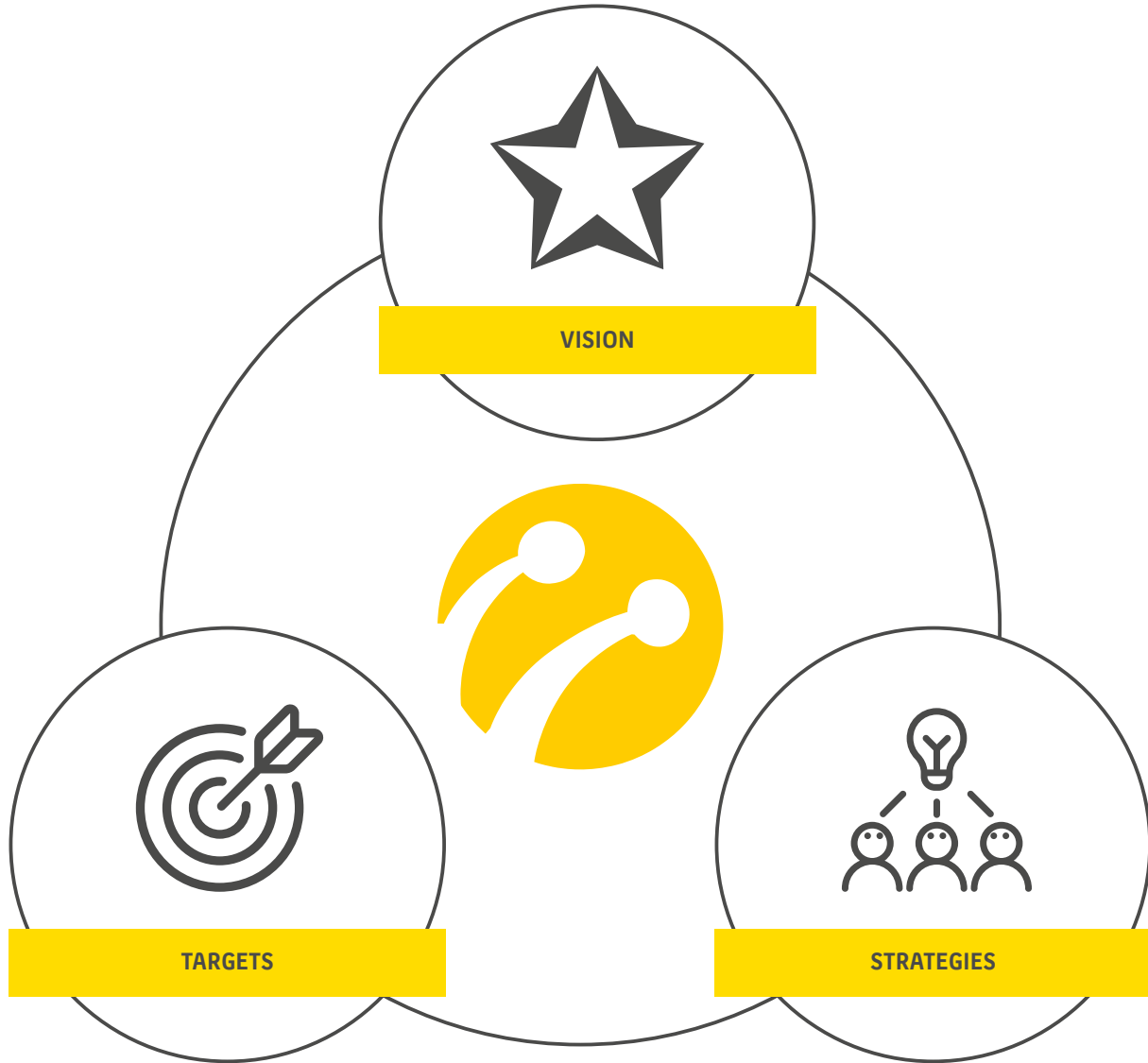


Being the first and only operator subsidiary to be granted a payment institution license by the BRSA, Turkcell Ödeme Hizmetleri was established to create payment solutions that best suit customer needs, and to provide them with a quick and easy shopping experience. With the Paycell brand, it undersigned various campaigns and collaborations with trademarks such as Shell, Zubizu and Google. Thanks to Paycell, many institutions will be able to seamlessly and perfectly deliver the mobile payment experience to their customers in the upcoming periods.



# OUR VISION, TARGETS AND STRATEGIES

CONVERGED COMMUNICATIONS AND TECHNOLOGY SERVICES  
COMPANY WITH GLOBALLY RELEVANT SERVICES



CONVERGED TELECOM LEADER IN TURKEY

LEADER IN THE REGION

GLOBALLY RELEVANT SERVICES

STRENGTHENING OUR POSITION IN TURKEY

EXPANDING IN EXISTING AND NEW MARKETS

DEVELOPING AND SPREADING DIGITAL SERVICES

FOCUS ON SUSTAINABLE SHAREHOLDER RETURN

## TURKCELL: THE COMPANY GIVING DIRECTION TO THE TECHNOLOGY IN THE WORLD

Our CEO Kaan Terzioğlu has been re-elected Member of the Board of Directors of the GSMA, the most important platform of the mobile communication world.



**With its studies aimed at Syrian refugees, Turkcell has taken place on the agenda of the GSMA platforms, the United Nations ("UN") General Assembly, the UN Humanitarian Summit, the World Economic Forum in Davos and the international media. It has been mentioned on the international media with its innovative steps in technology.**

- Our CEO Kaan Terzioğlu told about the Hello Hope mobile application during the UN Private Sector Forum held in the UN General Assembly, and the CNN International broadcast.
- Mr. Terzioğlu delivered a speech on bringing the fiber connection to the Kahramanmaraş Shelter Center and the educational content to the Syrian families within the scope of Hello Hope, at the annual meeting of the WEF World Economic Forum in Davos.
- Turkcell's support realized through the projects for the Syrians as well as for the children with disabilities and who are gifted, within the scope of UN Development Goals, reached out to the world from Davos, via our CEO's interview on #SDGlive, which is a joint initiative of the United Nations Foundation and the GSMA.
- Turkcell, which is positioned among the leading operators with its work in humanitarian disasters by the GSMA and GSMA Foundation, became the first Turkish telecommunications company to sign the Humanitarian Connectivity Charter, committing for the continuity of communication in disaster situations.
- Our CEO Kaan Terzioğlu has shared our experience-oriented business model with the world of technology and telecom from the main stage at the Mobile World Congress organized by the GSMA every year.
- Our investments in Ukraine and our 3G launch were featured on the front page of the Wall Street Journal.
- The success of our innovative product BiP, our 4.5G launch in Turkey, our data center investment and our vision of enriching human life with technology, has been featured in news coverage of the mainstream media such as WSJ and CNBC Europe, as well as on the influential medium of the technology and telecom sector.

### The Fastest of the Fastest: Turkcell Officially Launches 4.5G in Turkey



#### 4.5G'nin Türkiye'de Resmi Başlangıcı

Turkcell'in 4.5G'nin Türkiye'de resmi başlangıcı, Ankara'da düzenlenen lansmanla gerçekleştirildi. Lansman, Türkiye'nin en hızlı 4.5G ağına sahip operatörü olarak Turkcell'in liderliğini gösterdi.

4.5G'nin Türkiye'de resmi başlangıcı, Ankara'da düzenlenen lansmanla gerçekleştirildi. Lansman, Türkiye'nin en hızlı 4.5G ağına sahip operatörü olarak Turkcell'in liderliğini gösterdi.

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## THE WALL STREET JOURNAL

### Wireless Firms Room The Globe for Customers

Mobile carriers are vying for a share of the global market as they seek to expand their reach into emerging economies.

### Satofi Pressures Biotech Company On Bid

The pharmaceutical giant is pushing for a takeover of the biotech firm, which has a promising pipeline of drugs.



### REFUGEE CRISIS TOPS AGENDA AT U.N. GENERAL ASSEMBLY

Kaan Terzioglu, Turkcell CEO



#### VIDEO: Kaan Terzioglu, Turkcell CEO

Turkcell CEO Kaan Terzioglu addressed the UN General Assembly, highlighting the company's commitment to supporting refugees and integrating them into the workforce through its mobile services.



### Turkcell completes LTE-A network upgrade

Turkcell has completed a network upgrade across 88 cities in Turkey, 98% ahead of its 2016 target.

The upgrade increases peak download speeds to 230Mbps in the city of Istanbul, with Akara (230Mbps), Işık (230Mbps), and Akara (230Mbps) as the main focus.

The upgrade covers all 88 cities, with the network upgrade 98% ahead of its 2016 target.

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### Bringing 3G Wireless to Remote Regions

Turkcell is investing in infrastructure to bring 3G wireless services to remote regions across Turkey.

The investment is part of Turkcell's commitment to providing universal access to mobile services.

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### MOBILE CARRIER AIMS TO HELP SYRIAN REFUGEES INTEGRATE



### DISRUPTION IN THE TELECOM MARKET



### WORLD HUMANITARIAN SUMMIT



## OUR SUPERIOR TECHNOLOGY

We started to carry 28% of our data traffic on our 4.5G network with 4.5G subscribers totaling 23 million by the end of 2016.



### 4.5G

With our highly detailed preparations, we enjoyed a very successful 4.5G launch. We were the first operator to offer a 4.5G network to all users in 15 minutes, and reached out to more than 1 million subscribers in the first 3 minutes.

#### WE PUT OUR 4.5G NETWORK, WHICH IS THE FASTEST OF THE FASTEST, INTO SERVICE.

After acquiring the rights to use the widest spectrum in the IMT Spectrum Tender held on August 26, 2015, we accelerated our LTE-Advanced technology infrastructure preparations for 4.5G service. Following a long preparation, demo, and trial period, we introduced the 4.5G service to our customers on April 1, 2016.

With our highly detailed preparations, we enjoyed a very successful 4.5G launch. We were the first operator to offer a 4.5G network to all users in 15 minutes, and reached out to more than 1 million subscribers in the first 3 minutes.

We started to carry 28% of our data traffic on our 4.5G network with 4.5G subscribers totaling 23 million by the end of 2016.

We have planned ahead and realized the latest LTE-Advanced technologies (4x4 MIMO, DL 256 QAM, UL 64 QAM, etc.) on the 4.5G network we have deployed. Turkcell has utilized the advantage of having Europe's

widest FDD spectrum of 214.4 MHz. Turkcell has been the only operator to have customers experience speeds of up to 375 Mbps, by using Triple Carrier Aggregation Technique in 81 provinces.

Our success has been certified by the measurements done by independent entities. We are by far ahead of our competitors in network speed in Turkey based on Ookla Speed Test data, which is frequently used in measuring mobile and fixed network speed.

#### WE ARE IN 81 PROVINCES AND ALL DISTRICTS WITH 4.5G.

One of our targets was to ensure wide coverage throughout Turkey in order for us to offer the best 4.5G service to our customers. We started to offer 4.5G services on April 1 with a widespread coverage plan so as to include major cities and seasonal regions in 81 provinces of Turkey. We continued our investments after the launch at full speed, achieving an 82.5% coverage ratio by the end of 2016 by rolling out 4.5G services in all districts. While ensuring coverage, we have also applied 85% multi-carrier support (LTE-Advanced Carrier Aggregation) on our network and enabled our customers to experience the real speed of 4.5G.

#### CRYSTAL CLEAR SOUND EXPERIENCE WITH VOLTE ON 4.5G

In wireless communication systems; 2G has a voice-oriented and 3G has a voice and data-oriented architectural structure, whereas 4.5G basically aims at providing a high speed data service. There are two ways in which voice calls originating from the 4.5G network can reach the other party; voice service can be provided by transferring the 2G/3G network, or through Voice Over LTE (VoLTE) technology on the 4.5G data network. In general, operators prefer to offer the VoLTE service once their 4.5G networks have matured. The most troublesome process, namely the building of the architectural infrastructure, is completed, along with increased coverage. Turkcell has quite possibly made its VoLTE architectural infrastructure ready in the fastest manner the world has seen, beginning to offer VoLTE services to its subscribers as of the launch of 4.5G. Thus,



**As Turkcell, we have taken an active role in the development of the 4.5G local base station as a result of the consensus agreement signed between Turkcell and the Undersecretariat for Defense Industries in March 2014.**

our customers with VoLTE compatible terminals are experiencing a unique sound experience with faster call setup and crystal clear sound quality.

#### **WE CONTINUE OUR SUPPORT FOR LOCAL PRODUCTS.**

As Turkey's Turkcell, we have continued to contribute to the ULAK project in step with our priority to always support local production and technology. ULAK is a vital project, which can position Turkey in the category of technology producing countries in mobile communications in the mid and long term.

As Turkcell, we have taken an active role in the development of the 4.5G local base station as a result of the consensus agreement signed between Turkcell and the Undersecretariat for Defense Industries in March 2014. Following the technical negotiations initiated in February 2015; the studies continued with the product roadmap, features to be supported, and laboratory tests.

In this process, we transfer our know-how in mobile network operations to the project and provide all manner of support to the local base station to become a competitive product on the market. Going forward, we aim to successfully integrate the product to our network through site tests and live network applications.

Our work on local products is not limited to 4.5G base stations alone, as we are also working on local antennas, radio link, and small cell.

#### **WE MAKE LIFE EASIER WITH TECHNOLOGICAL CITIES.**

Within the scope of the TechCity project, new technologies, features initially developed, and competencies come to life in Ankara, selected to become the tech city. Turkcell, which has Turkey's most advanced LTE infrastructure, brings together

many innovations and introduce them to its customers in the TechCity. By using these technologies while they are walking around in big shopping malls, our customers will easily find the location of the shops they want to walk into, find where their cars are and get instant information about the campaigns. Furthermore, we also prepare the infrastructure of the technologies and services necessary for the public institutions and organizations to rapidly intervene and coordinate any incidents in case of significant social events and disasters. Some of the innovations set to come to life with the TechCity project are as follows:

- Thanks to LiTRA technology; technology and service infrastructure is being prepared, which is required for the rapid intervention and coordination of public institutions and organizations in the event of major social events and disaster scenarios. Relevant teams are able to coordinate with each other by making audio and video calls. Privileged Emergency Squads (such as safety, ambulance, fire brigade) and large institutional corporations can utilize the LiTRA service. In addition to the custom-made handsets designed for the service, the LiTRA application can be installed and used on classic Android smartphones. Live network demo for LiTRA has been performed at the Istanbul's upcoming third airport.
- With the implementation of IoT, It is possible to control electricity and water meters remotely, track parking locations and information panels.
- Field tests and feasibility analysis have been completed for the products that will offer high-speed data experience as a result of converting the cable modems by using wireless technologies.
- The indoor navigation system enables customers especially in large buildings to easily find the stores they want, to easily reach their vehicles in the parking lot, and to receive instant messages inviting them to a store they are passing by, offering them special offers while shopping at the shopping mall.



**Turkcell, which has Turkey's most advanced LTE infrastructure, brings together many innovations and introduce them to its customers in the TechCity.**

## OUR SUPERIOR TECHNOLOGY

Turkcell will lead the site work that will guide the roadmap of 5G technology within the scope of the NGMN test and trial studies.



5G speed record by Turkcell

### 5G

**As Turkcell, we have strengthened our mission of being the technology leader with the importance we place on our 5G efforts. In December 2016, we have conducted the first 5G test in Turkey, becoming one of the first companies in the world to test 5G technologies.**

#### WE ARE THE PIONEERS OF 5G...

As Turkcell, we have strengthened our mission of being the technology leader with the importance we place on our 5G efforts. In 2015, we also exhibited our leadership in 5G by signing 5G agreements with Huawei, Aselsan, and Ericsson. In December 2016, we conducted the first 5G test in Turkey, achieving transmission speeds of 24.7 Gbps using the 15 GHz band. This test also makes us one of the first companies in the world to test 5G technologies.

In the international arena, participation in the ITU, NGMN and GSMA 5G studies has begun to bear fruit. Turkcell will lead the site work that will guide the roadmap of 5G technology within the scope of the NGMN Test and Trial studies. Additionally, Turkcell is involved in many business packages at NGMN and GSMA focusing on 5G. At the same time, Turkcell is involved in European Union 5G Phase-2 project processes on key projects. Turkcell will also be a key player in bringing together the academic world and the industry on 5G, and in adapting the products developed by the academic world to the requirements of the vertical sectors. In view of the fact that 5G-focused studies should be carried out with researchers and academics in Turkey, Turkcell has been carrying out processes that will encourage the adoption of local 5G products by signing framework agreements with various universities.

#### WE MODERNIZE OUR 2G AND 3G NETWORKS WHILE CONTINUING 4.5G INVESTMENTS.

In 2016, in addition to the intensive 4.5G studies, Turkcell has renewed existing products used in the radio network to offer its customers Turkey's widest frequency spectrum with equipment supporting the latest technologies, and to have them experience the best mobile communication. With the multi-technology support of renewed products, the transition to higher technology becomes faster and easier, providing the advantage of investment flexibility in our country where spectrum can now be used independent of the technology.

Moreover, thanks to this modernized infrastructure, Turkcell contributes to the national economy by providing energy savings of up to 30%, adopting an environmentally friendly stance. Renewal and modernization efforts will continue at full speed in 2017, and the Turkcell radio network will consist of the most advanced technology products.

#### NEXT GENERATION DATA CENTER

We opened the first new generation data center of Turkey on an area of 33 thousand m<sup>2</sup> in Gebze, in June 2016. On the back of the next generation SDN-Ready network infrastructure at our data center, we can provide our customers many advanced technology services such as "overlay network", "data center interconnect", "VPN services", etc.

Within the scope of Turkcell's vision of technology leadership, we continue our studies to open next generation data centers in Ankara and Izmir in the upcoming periods.

#### FACEBOOK CONTENT IS ON TURKCELL.

Unique customer experience in line with our target of offering unique customer experience and positioning Istanbul as the regional internet hub; Facebook Caching Servers will be located on, and start to serve our network at the beginning of 2017. The contents of the Facebook service, which has an important share in Turkey's internet traffic, will be brought to Turkey, and Facebook will be provided on the Turkcell network.



**37,154 km**  
At the end of 2016, we reached 2.74 million households in 18 cities with our fiber infrastructure. Our fiber infrastructure has reached 37,154 kilometers.



We have saved as much energy as the annual energy consumption of 30,400 households by consuming approximately 82.1 million kilowatt-hours less within a year.

Our customers will reach Facebook content with higher quality and in a faster manner, and will enjoy a much better experience. In addition, keeping the traffic generated by Facebook content within our network will result in significant cost optimization.

#### **DIRECT CONNECTION WITH POPULAR CONTENT PROVIDERS**

In line with our strategy on internet access and peering; we establish high capacity, direct connections with popular and important internet content providers, which make up a significant portion of the world's internet content.

By doing so, while we ensure cost optimization in internet access, we minimize the probability of facing problems by reducing the access time to popular content with our "Unique Customer Experience" strategy. Accordingly, we assure that our customers experience faster and more quality internet access.

#### **OUR FIBER INFRASTRUCTURE HAS EXCEEDED 37 THOUSAND KILOMETERS.**

At the end of 2016, we reached 2.74 million households in 18 cities with our fiber infrastructure. Our fiber infrastructure has reached 37,154 km.

This year, the cities of Manisa, Denizli and Tekirdağ were also introduced to Turkcell fiber internet. As Turkcell, we offer 10 times faster than average internet speed in Turkey to our customers in Manisa, Denizli and Tekirdağ. When complete, we aim to offer fiber broadband to more than 56 thousand households in Manisa, 42 thousand households in Denizli, and 35 thousand households in Tekirdağ.

Moreover, we continue to connect our base stations to our fiber infrastructure. Thus, we guarantee our continued provision of the fastest and top-quality broadband experience to our customers, and at the same time, ensure that our network is ready for 4.5G.

#### **WE ARE MAKING OUR ACCESS TRANSPORT NETWORK READY FOR THE NEW SERVICES AND SDN ARCHITECTURE.**

We are migrating our Access Transport network to a model that will facilitate end-to-end redundancy and ease the transition to SDN (Software Defined Network). We aim to have a fully automated network infrastructure based on service and application with software based programmable structures. We make it easier to deliver end-to-end backup services with next generation equipment supporting ultra-fast convergence.

#### **WITH "MOBILE VPN" SERVICE, WE ARE ABLE TO PROVIDE A FASTER AND MORE FLEXIBLE SERVICE TO OUR CORPORATE CUSTOMERS.**

We have completed the preparations of our next generation VPN service using our strong 4.5G network infrastructure. We will be offering our Mobile VPN service, which can be an alternative to fixed VPN, be quickly installed, and provide flexible solution to our customers.

#### **OUR ENVIRONMENTALLY CONSCIOUS APPROACH**

*As Turkcell, we became the first telecommunications operator in Turkey to receive ISO 14064 - Accounting and Verification of Corporate Greenhouse Gas Emissions Certification.*

In 2015, we were awarded ISO 14064 Certification, which is the management standard of voluntary and independent greenhouse gas emissions projects. As Turkcell, we have fulfilled all our responsibilities regarding greenhouse gas emissions standards, and we became the first telecommunications operator in Turkey to receive the ISO 14064 - Accounting and Verification of Corporate Greenhouse Gas Emissions. Also in 2016, we became entitled to receive ISO 14064 Certification. We continue to fulfill all responsibilities related to greenhouse gas standards. As Turkcell, we work on the risks and opportunities that climate change poses, and make these efforts a part of our strategic plans.

#### **WE CONCENTRATE ON ENERGY EFFICIENCY STUDIES TO REDUCE OUR CARBON FOOTPRINT.**

With the new generation energy efficient equipment and energy saving implementation in our network, we are continuing to invest in reducing our carbon footprint. Key actions taken in this regard and the amount of energy saved were as follows:

- 45,750,000 kilowatt-hours per year from inverter-type air conditioners at 19,075 sites with high energy efficiency preferences in product selection,
- 14,665,000 kilowatt-hours from high efficiency power supplies at 11,498 sites,
- 7,355,000 kilowatt-hours per year from passive cooling systems at 11,412 sites,
- 720,000 kilowatt-hours per year from locally manufactured outdoor cabinets at 1,230 sites,
- 3,788,000 kilowatt-hours per year through optimizing the number of power source modules,
- 7,500,000 kilowatt-hours per year from equipment modernizations at 1,445 sites in 2016 alone,
- 365,000 kilowatt-hours per year through the use of renewable energy systems,
- 1,357,000 kilowatt-hours per year with improvement works made in the energy infrastructures of buildings,
- 600,000 kilowatt-hours per year with the revision works of buildings' lighting and mechanical systems.

Thus, we have saved as much energy as the annual energy consumption of 30,400 households by consuming approximately 82.1 million kilowatt-hours less within a year.

# TURKCELL AS A CONVERGED COMMUNICATION COMPANY

In 2016, we maintained our position as the leader in the mobile industry with 33 million customers. We continued to rapidly grow, reaching 1.9 million customers on fixed broadband.

## WHAT HAVE WE ACHIEVED?

### CONVERGED TURKCELL




**"Converged mobile customer and household focus"**




**Converged products and services**



**"One stop shop"**



**Converged customer experience & service**



**Single invoice**

## TURKCELL IS THE ONLY OPERATOR TO ACHIEVE MOBILE AND FIXED CONVERGENCE EXPERIENCE.

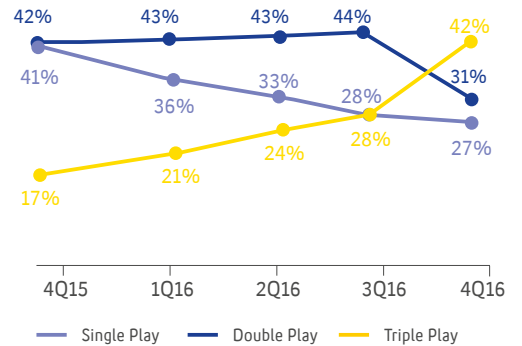
In moving towards the goal of excelling in leadership of the converged telecommunication sector by the end of 2018; we have completed our studies in the first half of 2016 and gathered mobile and fixed services under one roof.

Along with converged offers, we provide with the fastest and best quality service at competitive prices, independent of the network. We started to bring all our products and services from every point together with our customers. With these offers, we have developed a single customer perspective, enabling our customers to gain competence in viewing and managing all of their products on a single platform. With the 4x4 offers that we launched in April, we were the first and only operator to introduce a single invoice to its customers. We also started to provide a seamless broadband internet service for all products on a single bill, offering a single call center experience.

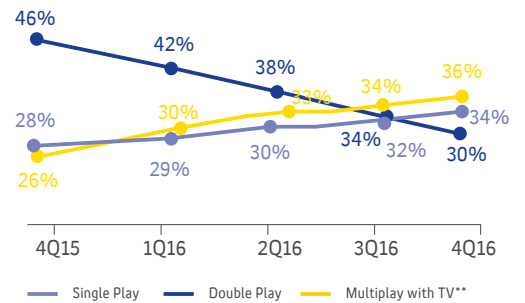
- Single service channel**  
 0532 532 0000 joint call center number  
 Single mobile application for all subscription transactions, both mobile and in the home
- Seamless connection**  
 4.5GB bonus to be used for 1 month for all XDSL subscribers until the XDSL internet setup at home is completed
- Free of charge installation**  
 Free of charge installation service at home for fixed internet
- 4x4 offers on a single invoice**  
 Unlike competition, we offer fixed and mobile internet together for the first time and only on a single invoice. 4.5G subscribers can benefit from the Double Internet Campaign throughout the launch period.

## MULTIPLAY

### Mobile\*



### Fiber Residential



## WE CONNECT OUR CUSTOMERS TO LIFE BOTH AT HOME AND ON THE MOBILE.

In Turkey, we provide services to our consumer and corporate customers with our mobile, fixed broadband and TV products.

In 2016, we maintained our position as the leader in the mobile industry with 33 million customers. We continued to rapidly grow, reaching 1.9 million customers on fixed broadband. The number of customers using our Turkcell TV+ product, which we introduced almost two years ago, has reached 1.1 million.

Our post-paid mobile customer base continued to grow on the back of our superior network quality and innovative products and services. Our post-paid customers, which reached 17.4 million on a yearly increase of 797 thousand, constitute 53% of our total mobile customer base.

\* The calculation excludes the subscribers who do not use their lines within the last 3 months between mobile voice users.  
 \*\*Multiplay customers with TV: Internet + TV users & internet + TV + voice users revenues and inter-business eliminations.





The ratio of the customers using multiple products in the mobile and fixed segment has increased. In the mobile segment, the ratio of our triple play, which uses one of the voice, data and strategic services, reached 42% with an 25 percentage point increase. Subscriber acquisition continued with the multi-play offers that we proposed along with our Turkcell TV+ product. The ratio of our customers who purchased the Turkcell TV+ service (offered to fiber customers) in addition to fixed internet and fixed voices services, reached 36% with an 10 percentage point increase.

We have responded to our customers' ever-increasing data requirements with our fixed broadband products by means of our converged communications infrastructure and technological services. With our fiber, VDSL and ADSL campaigns, we have continued to offer our customers the experience of internet at the speed of light. We brought together all the communication requirements that our customers would need on their mobile and at home under Turkcell 4x4 offers and 5in1 offer including our TV product.

While our number of fixed broadband customers consisting of fiber and ADSL customers reached 1.9 million with a 342 thousand increase, 1 million have preferred fiber speed internet. We have continued to gain customers with multiple play offers that include our Turkcell TV+ product.

**4.5G - WE ARE CONNECTED WITH THE FASTEST.**

We continued our investments at full speed in order to provide with the best service to our customers. With the frequencies, which we obtained the right to use in the 4.5G Authorization Tender; we are the only mobile operator offering our customers mobile internet speed of up to 375 Mbps with the Carrier Aggregation Technology as of April 1, 2016.

Following the 4.5G tender, Turkey has become one of the countries providing the highest frequency to operators across Europe. While the frequency bandwidth used ranges from 800 MHz to 2,600 MHz, today Turkcell is the operator with the second widest frequency in Europe, with a total frequency bandwidth of 234.4 MHz.

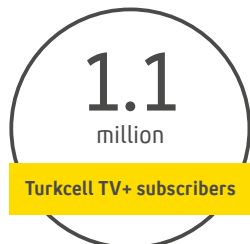
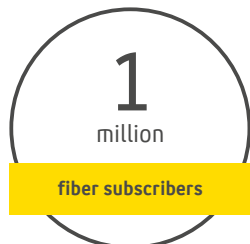
We have launched our double internet packages as a periodical bonus for our customers to quickly adapt to new technology.

With 4.5G, the number of users of Turkcell's popular services such as BiP, fizy, Turkcell TV+, My Account (Hesabım), lifebox and Goals on Mobile (Goller Cepte) has also rapidly increased. The viewing time on Turkcell TV+ per day has risen from 7 minutes to 34 minutes. Our lifebox service, providing free storage space that customers can use at 4.5G speed has become the second most known individual cloud platform by doubling its number of users in 2016. With subscribers using these services more intensively, total mobile internet traffic has increased by nearly two-fold since April 1, 2016, while our 4.5G users have generated twice as much traffic as other users. In 2016, the number of 4.5G subscribers on the Turkcell network reached 23 million. The rapid rise in the number of devices indicates that those actively using 4.5G will further increase in the coming period.

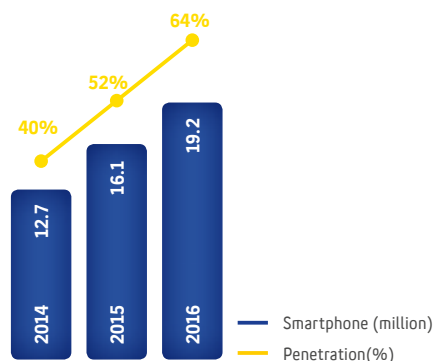
5G, which was named among Turkey's 2020 targets last year, has become one of the main agenda items of Europe. Having established one of the world's strongest infrastructures in 4.5G technology, which is expected to form the backbone of 5G, Turkcell has managed to position Istanbul as a city with the world's fastest mobile network, while continuing its 5G studies at an accelerated pace. According to Speedtest, the world's most popular platform that tests the speed of the internet connection used, Turkcell's network in Istanbul emerged as the world's fastest mobile network. Ookla, the owners of Speedtest, had already announced on April 1<sup>st</sup> during the roll out of 4.5G that Istanbul, Ankara and Izmir had broken speed records.

Since the 4.5G launch on April 1, Turkcell has successfully deployed 4.5G coverage in all centers of the provinces and districts in Turkey. As such, Turkcell's 4.5G population coverage ratio has reached 82.5%.

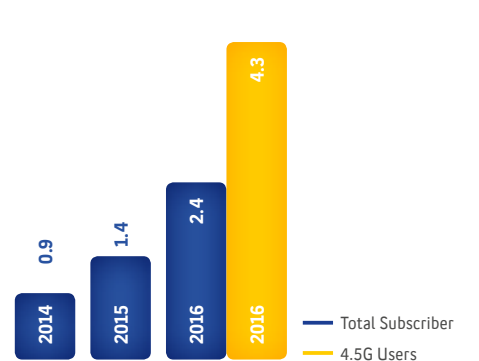
4.5G, which in a very short period of time has initiated a major change in every aspect of life from the industrial sector to service, and from social media to communications, is contributing billions of USD to the economy.



**SMARTPHONE PENETRATION**



**DATA USAGE (GB/SUBSCRIBER)**



## OUR CONSUMER BUSINESS

In 2016, we introduced our customers to our converged services along with the fastest 4.5G experience. In the 4.5G process, we have implemented our tariff structure, which is enriched with the life-facilitating services to meet our customers' growing data demand.



**As Turkcell, we created the animated emoji characters called Emocan to announce the most suitable offers being presented to meet Turkey's communication and technology needs. 6 different Emocans, appealing to everyone from 7 to 70, became the new face of Turkcell advertisements and met with our customers.**

In 2016, we introduced our customers to our converged services along with the fastest 4.5G experience. In the 4.5G process, we have implemented our tariff structure, which is enriched with the life-facilitating services to meet our customers' growing data demand. With this tariff structure, our customers have stepped into a world where exceeding the package quota is no longer a problem and changing the package is easier. With 4.5G, we've accelerated our customers' switch to higher quota packages thanks to their enhanced benefits and rich service content. We have ensured that both our existing and new customers use higher quota packages at increasing rates.

With the foundation and launch of Turkcell Consumer Finance Company, we have made it easier for our customers to get smartphones equipped with the latest technology. Also, with the support of our value-added mobile applications, we strengthened our customers' loyalty to Turkcell with our personalized offer structure that provides solutions tailored to the different needs of our customers.

### **WE HAVE BROUGHT TOGETHER OUR NEW COMMUNICATION PLATFORM EMOCANS WITH OUR CUSTOMERS.**

As Turkcell, we created the animated emoji characters called Emocans to announce the most suitable offers being presented to meet Turkey's communication and technology needs. Six different Emocans, appealing to everyone from 7 to 70, became the new face of Turkcell advertisements and met with our customers. Within the scope our fun campaign "Shake and Win" launched in November, we have distributed millions of gifts through Emocans for 5 weeks. Millions of Turkcell customers won a total of 30 million GB and 13 billion minutes by shaking their phones while on the My Account (Hesabım) application.

### **WE ARE ALWAYS BY OUR PLATINUM CUSTOMERS' SIDE WITH OUR PRIVILEGED SERVICES.**

We have applied a single price strategy by equalizing the offers of our existing and new subscribers and ironed out the inconvenience that stemmed from different prices. With the new internet tariff designed for our users who exceed their quota, our customers no longer need additional packages. We launched new 4.5G Platinum packages ranging from 10 GB to 30 GB with rich internet content and switched a significant portion of our customers to these packages. By adding Turkcell TV+, fizy, lifebox, BiP and Digital Publishing (Dergilik) services to all our packages, we provided content that differentiates us from the competition, adding color to the customer's life.

We have enriched the lives of our customers again this year with the sponsorships and privileges we offered through Turkcell Platinum's world of privileges. We have been by our customers' side at the Turkcell Platinum Bosphorus Cup, Turkcell Platinum International Alaçatı Fishing Tournament, Turkcell Platinum Golf Challenge and through summer/winter venue sponsorships. We enabled them to explore different experiences with Platinum off-road and archery activities. Through the privileges we offered, we have contributed to the comfort, pleasure and speed of their lives. By achieving the highest levels in customer satisfaction scores, we have further opened the gap between our competitors in image criteria. We also raised the recommendation rate to its highest level of the past two years. The Platinum application, the only way to reach all Platinum privileges, has again been downloaded and used by hundreds of thousands of our customers.



**We have enriched the lives of our customers again this year with the sponsorships and privileges we offered through Turkcell Platinum's world of privileges.**

#### **WE BECAME A PART OF YOUNG PEOPLE'S LIVES WITH THE GNC APPLICATION AND ITS BENEFITS.**

In 2016, we launched new prepaid and post-paid GNC offers, to raise the "value-for-money" perception, among all people under the age of 26. After the 4.5G launch, we offered internet content, which is needed the most, with the slogan "At nights, we give as much internet as there is on your package". In our offers, we also provided BiP, fizy, lifebox, TV+, Digital Publishing (Dergilik) services within internet services in order for our customers to experience the world of colorful applications. We offered these contents to all young people under the age of 26 at the same price, without making a distinction between new and existing customers. We have become a part of young people's lives with the GNC application, through which we offered them special surprises tailor made for their needs, enabling them to purchase the co-branding offers designed with their must-have brands with a single touch; and allowing them to contact gencaverler (VIP customer representatives) whenever they wished. We have repositioned our brand with the communication we have made through the GNC application. The application was downloaded by 2.3 million young people and we attained an increase in all brand criteria within one year.

#### **TURKCELL SUBSCRIBERS ARE ALSO FREELY CONNECTING TO LIFE ABROAD.**

2016 has been a year where Turkcell has gained strength with its services abroad. Turkcell brand perception grew stronger and customer satisfaction has increased. Customers can use their domestic tariffs in 55 countries abroad as if they are in Turkey, in exchange for an additional daily fee. In order for our customers to use this feature, which is available in most countries around the world; it is sufficient for them to be on a post-paid tariff bundle, which consists of mobile broadband, minutes, and SMS regardless of the price of the tariffs, or the club it belongs to.

When our customers go abroad, they can benefit from our Smart Roaming Tariff for protection instead of the linear

tariff with no advantage. Additionally, Turkcell customers have the opportunity to realize free calls abroad with BiP's 100 MB (average 250 min.) internet bonus; making free calls and sending free messages in 58 countries via BiP. Calls originating from BiP in all directions are being charged at domestic rates.

#### **WITH OUR SOCIALLY RESPONSIBLE CONSCIOUSNESS, WE CONNECT OUR CUSTOMERS WHO HAVE DIFFERENT NEEDS TO LIFE.**

With the Hello Hope application, we are connecting Syrian refugees to life, and with the My Dream Companion application, we share the dreams of our visually impaired customers. The My Dream Companion allows movies in theaters to be followed with an audio description feature, while navigation services can be obtained in public spaces. Our visually impaired customers can have access to Turkcell's entertainment and information services, up-to-date news, columns, hundreds of audio books, magazines and education.

Turkey, today home to 3 million Syrians, is among the countries that host the world's highest number of immigrants. Serving more than 1.2 million Syrian citizens, Turkcell has stood by their rights since the beginning of the crisis, with its infrastructure throughout Turkey and communication services it has provided at refugee camps. Turkcell launched the first Arabic call center service in Turkey from its Call Center opened in Siirt.

Turkcell added a new one to these efforts with its new application, "Hello Hope", which will facilitate the lives of the Syrians and enable them to adapt to Turkish culture. "Hello Hope" is designed to be open for all operators' customers.

With this application developed by Turkcell Academy as a world first, native Arabic speakers can learn those words and phrases most frequently used in Turkish, both vocally and in writing. In addition to the feature of language learning, they can also benefit from the simultaneous audio translation in Turkish-Arabic and Arabic-Turkish.

#### **WE HAVEN'T FORGOTTEN THE FOOTBALL FANS IN 2016.**

For Trabzon, the fanatic supporters of Turkey; we have offered numbers that start with 0561. 61CELL's most valuable 100 thousand number reached people supporting Trabzon by September 2016. With the agreement between Trabzonspor and Turkcell; for the first time in Turkey, the plate number of a city has been used as the initial code of the Trabzonspor's supporters' phone numbers.

With special Firtina tariffs, Firtina 4 GB, Firtina 8 GB and Firtina 16 GB Platinum packages; Trabzonspor supporters can make long phone calls and surf the internet. Additionally, by subscribing to Goals on Mobile 1967, they can instantly watch Trabzonspor's goals on their mobile and enjoy 100 MB of mobile internet matching the number of goals scored by Trabzonspor.

**55 countries**  
Customers can use their domestic tariffs in 55 countries abroad as if they are in Turkey, in exchange for an additional daily fee.

## OUR CORPORATE BUSINESS

We remain the strategic business partners in projects designed to make all processes, especially site operations, manageable from mobile devices, anytime and anywhere.



Catch real-time with Turkcell, and make a difference in competition



**We are expanding our business and maintaining our leading position by offering all of our customers' communication and technology needs in an integrated structure and approach.**

### WE OFFER INNOVATIVE SOLUTIONS TO OUR CORPORATE CUSTOMERS.

We help our corporate customers grow their businesses and make a difference through our superior network platform, which is even stronger than ever with 4.5G as well as innovative solutions and approaches we have developed in the area of communications and technology.

In the mobile access and solutions market, we maintain our revenue and leadership position with our value-added solutions and content-rich offerings, especially through the Machine-to-Machine Communication and Business Applications, which we position within the framework of Mobile Transformation projects.

### OUR COMPETITIVE OFFERS FOR OUR CORPORATE CUSTOMERS

With the launch of 4.5G, we have renewed all our corporate bundle tariffs consisting of mobile broadband, minutes and SMS. In addition to the rich internet content ranging from 2 GB to 30 GB for the needs of companies of every sector and scale; we offer services such as BiP, lifebox, and TV+ as well as tariffs differentiating us from the competition with its Platinum features.

We have developed new tariffs tailored to the needs of our craftsman customers. In addition to unlimited calls with fixed lines between 7:00 am and 7:00 pm; we brought our craftsman the abundance of Turkcell with tariffs including plenty of internet and mobile services.

### WE ARE ALSO SUPPORTIVE OF TURKEY'S ENTERPRISES ABROAD.

We have undersigned many innovations for our corporate customers to comfortably continue their businesses abroad. We ensured that internet, minutes and SMS bundle tariffs can be used abroad, as in Turkey.

Besides, through packages such as Platin Prestige at Work, Mega, and Elite that we exclusively offered to our corporate customers, employees can use their tariffs free of charge for the first four days of each month in 56 countries as if they are in Turkey. Specific to these packages; we are giving 1,000 minutes and 100 SMS as bonus valid in 150 countries to be used to make international calls.

### BUSINESSES MAKE A DIFFERENCE WITH MOBILE TRANSFORMATION.

Businesses are undergoing a critical mobile transformation process along with the development of corporate applications, cloud technology and devices, as well as mobile internet and access solutions. We remain the strategic business partners in projects



**With new generation learning methods and education consultancy services; we develop close to 100,000 employees from companies, which have different dynamics and operate in sectors such as retail, health, technology, finance, food, service, and energy throughout Turkey and around the world.**

designed to make all processes, especially site operations, manageable from mobile devices, anytime and anywhere.

In addition to our network platform, which is even stronger than ever with 4.5G; we offer our customers, from every sector solutions that ensure real-time information and data exchange between employees and machines, with the vision of end-to-end design from a single point.

#### **MACHINE-TO-MACHINE (M2M)/INTERNET OF THINGS (IOT):**

##### ***A technology that benefits both companies and the national economy***

M2M/IoT solutions, which gained further importance in 2016 with Industry 4.0, continues to benefit both companies and national economy by providing various benefits such as increasing savings and productivity, physical security, health and safety, and positively affecting the environment.

We have set up Turkey's first M2M platform and converted it into a system that in 2016 includes 2 million Turkcell SIM cards. Considering that in Turkey there are 150 million devices, which has the potential to be remotely managed, we aim to realize our country's savings potential of trillions of Turkish Liras and maintain our leadership in this area.

- 120,000 companies control approximately 650 thousand vehicles through the "Vehicle Tracking System".
- 21 electricity distribution companies monitor 225 thousand meters with the "Smart Energy Service".
- Over 200 thousand next generation cash registers
- Approximately 100 thousand TeamMobile customers

#### **BUSINESS APPLICATIONS**

##### ***Our Customers manage fax transmissions from anywhere with Smart Fax.***

With the Smart Fax application, businesses can now receive and send faxes by mobile phone, e-mail and web without requiring a fax machine. With this application, employees and executives can send faxes without having to visit the office, and faxes stored in the cloud are easily accessible from anywhere needed. In 2016, our customers utilized this benefit by receiving and sending 2 million faxes via Smart Fax.

##### ***We accompany the developmental journey of employees with Turkcell Academy Corporate.***

We offer end-to-end services for our corporate customers through Turkcell Academy Corporate, which we launched at the last quarter of 2015. With online training, we enable employees' developmental journeys to be more efficient.

With new generation learning methods and education consultancy services; we develop close to 100,000 employees from companies, which have different dynamics and operate in sectors such as retail, health, technology, finance, food, service, and energy throughout Turkey and around the world. We support mobile transformation initiatives by contributing to the more efficient development of the institutions' human resources and ecosystems, and to the way they do business.

##### ***We support businesses' marketing efforts.***

Businesses reach their existing and potential customers with Turkcell Mobile Marketing and Messaging Solutions in the right place at the right time. They communicate much more effectively with their customers with Content-Rich Messaging. And with Turkcell Smart Talents and Smart Map, companies enrich the experience offered to their customers with instant queries and Turkcell Big Data, and boost their efficiency.

- Mass Messaging Volume Increase: 29%
- Content-Rich Messaging Volume Increase: 50%

##### ***We grow with our fixed telecom solutions.***

Through our fixed network, which we support with fiber investment reaching 37,154 km, our rich portfolio including all the solutions required by the communication networks of corporations, and our convergence vision, we have also achieved significant growth this year in the area of fixed telecom access and solutions.

We continue to deliver communication solutions to many more companies by expanding our coverage through our fiber infrastructure, which day by day becomes more widespread in Turkey. We have also included the Manisa Organized Industrial Zone, which is positioned as the contemporary industrialization leader of Turkey within our coverage; and have provided 220 participating companies the advantage of establishing fast and seamless communication.

Additionally, in order not to have any unresolved customer issue at any location, we have mobile access to places where fiber infrastructure cannot reach, and provide convergence solutions within the infrastructure.

## OUR CORPORATE BUSINESS

With the opening of the Gebze Data Center, we manage Turkey's largest data center capacity on a total white space of 17,500 m<sup>2</sup>; we provide end-to-end cloud, security and access services to our customers.



With the launch of the Gebze Data Center, we manage Turkey's largest data center capacity on a total white space of 17,500 m<sup>2</sup>; we provide end-to-end cloud, security and access services to our customers. At the Gebze Data Center, we provide operator backup, as well as backup infrastructure on our own fiber infrastructure.

Through 99.98% infrastructure availability, security standards and geographical location, the Gebze Data Center provides strategic assurance for our customers and our country's data.

### **WE ARE BUILDING THE FIRST NATIONAL CLOUD DATA CENTER WITH ORACLE TURKEY.**

As part of our strategic alliance with Oracle Turkey, we have pressed the button to open the Oracle Cloud structure at the Gebze Data Center equipped with the latest technology. The data center, scheduled to be opened in 2017, will support the installation of Oracle's PaaS and IaaS cloud services.

While this structure will support local regulations concerning where to deploy the data, it will enable Turkish companies to reduce their costs through cloud solutions, while increasing their flexibility and agility.

### **WE PROTECT TURKEY'S DATA TOGETHER WITH OUR CUSTOMERS.**

We continue to invest in security solutions in an attempt for our customers' systems to be supported by a scalable, seamless and secure infrastructure. We are expanding our portfolio of security solutions against rising cyber security threats; especially in response to the growing critical importance of data exchange for institutions.

This year we increased our DDoS protection capacity by 83%. With DDoS+ product that we added to our portfolio of manageable security products, we also provide protection against application layer attacks and provide our customers with advanced DDoS protection.



As part of our strategic alliance with

**Oracle Turkey**

we are building the first National Cloud Data Center.

## DATA CENTER AND OUR CLOUD SERVICES

### **WE UNDERSIGNED TURKEY'S LARGEST DATA CENTER INVESTMENT.**

We launched the Turkcell Gebze Data Center, the largest data center in the country, in order to most effectively meet Turkey's digital data management need, as the nation undergoes a very significant and rapid digital transformation process, both in the corporate and consumer arenas. Having had Tier-3 design and operation certification, the data center is also designed to protect energy efficiency at the highest level with its green building. In the next two years, we plan to increase our number of data centers to 8, thereby enhancing our data center capacity on a total white space of 17,500 m<sup>2</sup> to 30,000 m<sup>2</sup> in 2018.



We are moving ahead towards providing our customers the solutions for their telecom and IT needs from a single point, with the end-to-end approach that we have adopted in our corporate business area and supported by our Professional Services organization.



## END-TO-END SOLUTIONS AND PROFESSIONAL SERVICES

We are moving ahead towards providing our customers the solutions for their telecom and IT needs from a single point, with the end-to-end approach that we have adopted in our corporate business area and supported by our Professional Services organization. In this area, we meet all of our customers' access, data center, cloud infrastructure and application level needs with managed service capabilities, reducing their operational burden, increasing efficiency and providing cost advantages.

The projects, for which we proposed strategic infrastructure and solutions required by our customers' mobile transformation and end-to-end IT initiatives, provide significant growth and depth potential, particularly in large customer segments. We are proud to be business partners with more than 100 of our customers this year in their Mobile Transformation, IT Managed Services and System Integration projects; and to have grown our revenue in this area over 100%. We have crowned the success ensured by our focus with two mega projects realized with Renaissance Health Invest and Erzurum Youth Olympics.

In addition to our professional services approach; we are proud to see that the public sector focus that we have adopted in our organization, and our mission to be critical business partner in the restructuring processes to advance our country, has also brought significant gains.

## CORPORATE EVENTS

### WE ARE STRENGTHENING OUR BOND WITH OUR CUSTOMERS WITH CONTENT-RICH EVENTS.

We have staged the Turkcell Technology Summit for the eighth time under the title "Change is Accelerating with 4.5G". The Turkcell Technology Summit, which we have been organizing since 2010 to bring together our corporate customers and business partners with the opinion leaders of the world of science and technology, has become one of the most comprehensive events of its own league within the country.

Over 50 sessions of the summit realized with 100 opinion leaders and 7,100 participants were viewed by 375,000 people through live online channels, while 250,000 people viewed the videos after the event.

Technology Meetings, of which we were the main sponsor, have brought together SMEs from different sectors in 11 provinces to create vision in entrepreneurship, technology and e-commerce issues, and follow up on the developments.

In addition to the organizations, which we have supported as sponsors in different areas, such as Retail Days, Energy Summit, CFO Summit; we have come together with our customers at "Cyber Attacks of the Future with Marc Goodman" organized with the Institution of Information Society, and at the Turkcell Cyber Security Meeting organized for public institutions.

**7,100**  
**participants**

We have staged the Turkcell Technology Summit for the eighth time under the title "Change is Accelerating with 4.5G".

## DIGITAL SERVICES

Thanks to Turkcell TV+, television, an indispensable part of our life, has now been integrated on the mobile phones of its audience in addition to their homes. The next generation digital communication platform BiP had been downloaded in 192 countries by 11.1 million people by the end of 2016.



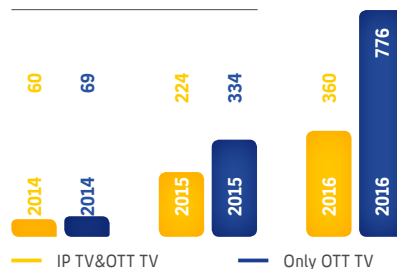
**3 million**  
 In addition to the video call, disappearing message and CAPS creation features of the next generation digital communication platform BiP; in 2016 we have added the feature of exploring location and launched the "Explore" feature, which is positioned as a new marketplace.

### BiP: NEXT GENERATION COMMUNICATION PLATFORM

In addition to the video call, disappearing message and CAPS creation features of the next generation digital communication platform BiP; in 2016 we have added the feature of exploring location and launched the "Explore" feature, which is positioned as a new marketplace. While there are 70 official accounts under Explore, it was followed by 3 million users in a year. Different channels were launched in many diverse subjects under the Category heading, ranging from banking transactions to airplane check-in, from daily content such as sports, magazines and newspapers, to entertainment accounts. Sending faxes via an instant messaging application became possible for the first time with BiP through the BiP "Smart Fax" feature.

BiP, with a user base growing at an accelerating pace, had been downloaded in 192 countries by 11.1 million people by the end of 2016. Following Turkey, the countries in which it was downloaded the most were Ukraine, the United Arab Emirates and Germany. Besides, 41% of users are the customers of other operators.

### OTT TV<sup>(\*)</sup> & IP TV (thousand)



<sup>(\*)</sup> OTT refers to TV subscribers on mobile device, computer, tablet etc.

### NUMBER OF TURKCELL TV+ USERS EXCEEDED 1 MILLION.

Thanks to Turkcell TV+, television, an indispensable part of our life, has now been integrated on the mobile phones of its audience in addition to their homes. Accordingly, the number of Turkcell TV+ viewers exceeded 1 million in 2016.

### For Turkcell TV+, 2016 was active and highly efficient in terms of business results.

Thanks to the superior features that 4.5G brought into our lives in 2016; customers had the privilege of using all mobile applications that require high speed internet and quota, whenever they want, regardless of time and place. Accordingly, the habit of watching TV was directed to the internet. Turkcell TV+ turned TV lovers' mobile phones and tablets into a television. With Turkcell TV+, the most critical matches, favorite movies, and unmissable series; in short, all TV content, has become easily accessible for the audience, at home, or beyond.

### Turkcell TV+ supports watching habits, differentiating itself with the power of mobile transformation.

Turkcell TV+ doesn't just offer valuable content, each more valuable than the next, such as hundreds of free movies, the latest series, international sports, documentaries, children's and news channels. It also gives its users the flexibility to watch without having to keep track of the current stream by providing the opportunity to stop, rewind and record.

### At 4.5G, Turkcell's strategically prioritized services were the driving force.

On Turkcell TV+, viewing time through mobile has increased from 7 minutes per day to 34 minutes along with the launch of 4.5G, and especially on those days with an intense news agenda, the use of OTT TV+ expanded sevenfold.

### Turkcell TV+ has been the locomotive of Over the Top ("OTT") services with the effect of 4.5G in our 2016 growth.

Turkcell TV+, with its strong content strategy and focus on the members of Turkcell Platinum and Gnċtrkcell, posted 109% growth.

In terms of the viewing time, on the other hand, we have seen approximately five times of rise due to the next generation mobile viewing habits of our growing customer base.





Turkey's most popular and commonly used platform fizy, has been downloaded by 8 million times and 650 million songs have been played through fizy only in 2016.



With the launch of 4K and the addition of new 4K content, we have strengthened our fiber power. With our 4K Ultra HD box option, we offered 4K quality to our TV+ customers.

\* Source: The "Mobile Services Tracking Survey made by Ipsos for Turkcell" in August-September 2016 period, across 12 regions representing Turkey, using a computer-assisted telephone survey method with 2,069 participants who use internet on their mobile phones, and who are randomly selected out of group of 15-70 year-old smartphone users with 3% answering ratio.



**Our IP TV customer base increased by 136 thousand as the number of customers reached 360 thousand.**

Our most popular campaigns were the offers designed to meet television, fiber internet and fixed call needs in one package. In this way, we continued to meet all of our customers' needs on single invoice. And so we have delivered our customers convergence offers, in which we have combined fixed and mobile needs with our television service.

With the launch of 4K and the addition of new 4K content, we have strengthened our fiber power. With our 4K Ultra HD box option, we offered 4K quality to our TV+ customers.

**We purchased the broadcasting rights of the one of the world's most prestigious leagues, England Premier League and NBA for 3 years and started broadcasting.**

We have strengthened our strong content strategy in TV broadcasting. And it's good news for football fans, as in addition to starting live match broadcast of the Premier League, considered one of the most prestigious leagues in the world, we have added international channels, notably the NBA, Discovery and Eurosport channels, and Al Jazeera, as well as France 24 to our platform. We have also purchased the broadcasting rights for Bundesliga and Formula 1.

**With "Turkcell TV+ for Everyone", we launched our first operator-independent mobile package.**

In an attempt to ensure that everyone with a smartphone can enjoy the Turkcell TV+ experience irrespective of the operator, and to increase our visibility in the whole market, we offered our "Turkcell TV+ for Everyone" package. Irrespective of their operator, everybody who subscribes to the in-app purchase model via Apple Store and Google Play Stores can have the Turkcell TV+ experience.

**We launched the TV+ OTT service abroad on the way to becoming a regional operator.**

In order for Kuzey Kıbrıs Turkcell customers to benefit from the TV viewing experience on Turkcell TV+, we offered our TV+ package in Northern Cyprus under the lifecell brand.

Kuzey Kıbrıs Turkcell customers had the opportunity to watch the 7 most popular Cypriot channels live, with the TV+ package used within the scope of lifecell. Furthermore, our Kuzey Kıbrıs Turkcell customers also started to utilize the superior technological features offered to Turkcell customers in the consumer segment by Turkcell TV+, such as rewinding a live broadcast up to 24 hours and recording in the cloud. Thus, we have taken our first step in the international market with Northern Cyprus.

The TV experience on Turkcell TV+ is further enriched with applications. It became possible to reach diverse content, such as YouTube and fizy with one button. Our customers also began to watch national live broadcasts on next generation Apple TV.

#### **TURKCELL MUSIC BECAME FIZY.**

**fizy: Turkey's most known and widely used music platform!\***

In April, we transformed Turkcell Music service into a structure that can be used by other operators. In this manner as well as Turkcell subscribers, we also started to acquire subscribers from other operators. During the same period, the brand name was changed from Turkcell Music to fizy. The long-awaited transformation of fizy started with the change in logo in practice and an entertaining communication campaign was ensured with the inclusion of users and their boot messages on fizy.com.

**We broadcasted live concerts.**

In April, we added a video feature to our fizy application. We have offered hundreds of thousands of domestic and international video clips to our users at 4.5G speed and quality. We signed off on a first for Turkey in May, with the live broadcast of three singers' (Murat Boz, Model and Mustafa Sandal) concerts that took place simultaneously in Ankara, İzmir, and İstanbul.

We have broadcasted four (Bengü, Mustafa Ceceli, Göksel and Volkan Konak) of the Turkcell Starry Nights Concerts in July and August, live through the fizy application, reaching 1 million people.

## DIGITAL SERVICES

With 250 magazines in its portfolio; Digital Publishing, Turkey's richest and most popular digital magazine reading platform, also offers many features that enrich the reading experience.



**In the last days of 2016, fizy was launched with a brand new design and world of color.**

### **Weekly Discovery List**

Through the "Weekly Discovery List" tracing footprints of songs listened to by our users, we have enabled music lovers to spend more time on the application, while discovering new songs and artists with fizy.

### **We switched to the new design.**

In the last days of 2016, fizy was launched with a brand new design and world of color.

New features offered by the application: "**Popular Lists**" based on the most listened lists, "**Hot Hot – Sıcak Sıcak**" carefully selected from newly-released albums, artist pages where you can more easily access your favorite artists' content, features for saving and switching off line, favorite **radio channels** and more (eksen, voyage, babylon and fizy).

### **DIGITAL PUBLISHING (DERGILIK): THE APPLICATION THAT CHANGES READING HABITS**

In 2016, we launched our Digital Publishing application with a new face for the service of our users. Digital Publishing offers the opportunity to read hundreds of Turkey's popular magazines digitally from one platform. In addition to its user-friendly experience, by improving its magazine downloading and magazine reading performance, we have also made it more enjoyable for our users to read magazines.

With 250 magazines in its portfolio; Digital Publishing, Turkey's richest and most popular digital magazine reading platform, also offers many features that enrich the reading experience. Among others, below are some of the features offered by Digital Publishing:

- Reading offline and automatically downloading the current edition of the magazine with one instruction.
- Being informed about the current edition of magazines listed on the favorite list.
- A subscription offer that enables the reading of hundreds of magazines at the price of a single magazine.

In an attempt to add value to our customers' lives, in September 2016, we started to offer a monthly 5 GB mobile internet package that can be used to download and read magazines in the Digital Publishing application. The package was offered within the scope of consumer tariffs. Users pay no extra fees in addition to their tariffs for these benefits that serve to support Turkcell loyalty.

### **LIFEBOX: ALL MEMORIES ARE ALWAYS SAFE, AND ALWAYS WITH YOU!**

Smart Storage, which enables the safe storage and sharing of photos, videos, music and other files, was opened up to all operators and the world in October 2016, and was renewed as lifebox with brand new features.

Our service, which provides free storage space for users to use at the speed of 4.5G, became the second best known consumer cloud platform by doubling the



**Turkcell Ödeme Hizmetleri A.Ş. (TÖHAŞ), established to provide them with a quick and easy shopping experience, is the first and only operator subsidiary to have been granted a payment institution license by the BRSA on August 12, 2016.**

number of users in 2016. We offered a 500 GB free storage space and a 5 GB free mobile internet package for our Platinum package customers enabling them to use lifebox without any deduction from their internet packages.

On its new design, our lifebox users can initiate searches among photos and videos based on date and location taken, and can select the photos and videos they wish, create their own stories, and share these stories on social media easily.

#### **UPCALL: APPLICATION THAT CHANGES THE CALLING EXPERIENCE**

Our new UpCall application, launched in October, enriches and facilitates our customers' calling experience with many different features it offers. When a call is received from a number that is not saved in the phonebook, the caller can be seen on the screen when the phone rings; while initiating the call, a note stating the reason of the call can be delivered to the other party without him having to pick up the phone; a group can be created, everyone in the group can be called and talked at the same time with one click; when an unwanted call is received, a warning appears on the screen, informing in advance; with the smart call feature, the desired location can be called just by typing its name. Additionally, users can easily track all service-related notifications from one screen with UpCall, and can manage calls more effectively.

#### **CROPY: BRAND NEW EXPERIENCE OF SHARING**

As Turkcell, we launched the Cropy solution in January 2016. With Cropy, all internet users in Turkey can cut out any piece of text or visual content as they wish, which they saw while surfing the internet, and can customize and share them, save them on their mobile devices, or computers, and archive them.

Cropy is being brought to users by integrating it with the internet medium, which has a high number of visitors in Turkey.

Through its mobile application to be launched in 2017; Cropy, the newest and easiest way of sharing, will not only be a solution that offers a cut-and-share experience, but will also enable the sharing of the cut-off content with personalized and enriching features.

#### **MY OFFICIAL TRANSACTIONS (RESMİ İŞLERİM): INFORMATION THAT OUR CLIENTS NEED ABOUT GOVERNMENT TRANSACTIONS IS NOW ON THEIR MOBILES**

Through the Turkcell Official Transactions application, which we offered by combining the information in public institutions with our mobile infrastructure; our subscribers can track their children's school exam results and report cards approved by the Ministry

of National Education; can follow the lawsuits filed against them; inquire about their unpaid tax liability, electricity bills, and traffic fines, if any; and query their Findeks credit note. In 2016, 23.7 million inquiries were made on the application, which can send the requested information to our subscribers without them having to query repeatedly.

#### **PAYCELL: THE PIONEER OF MOBILE PAYMENT IN TURKEY**

Turkcell Ödeme Hizmetleri A.Ş. (TÖHAŞ) was established to create payment solutions that best suit the needs of our customers and to provide them with a quick and easy shopping experience. TÖHAŞ is the first and only operator subsidiary to have been granted a payment institution license by the BRSA on August 12, 2016. We have expanded our business network of over 2,000 members where we served as the Paycell service, and have introduced quick and easy payment methods in various new areas, such as; application markets, restaurant chains, petrol stations, car park payments, insurance premium payments and airport fast track services. Together with the payment agency license, we will continue to make a difference in the lives of our users by expanding our customer and business network with new products and services. Paycell aims to expand its services beyond Turkey to countries in the region.

#### **GAMECELL: INTEGRATED GAMING PLATFORM**

Launched in September 2016, Gamecell is Turkey's first integrated gaming platform. Gamecell, which realized a first by combining the different dynamics of the game industry under one roof, consists of five different components. It aims to cover all players with the Buzz, Hive, Pin, Market and APP components. Buzz is a media platform where players can follow up on up-to-date sectoral news. Hive, the first local e-sports brand, hosts prize tournaments organized by the Gamecell team and those tournaments hosted by players. Pin & Market is a combination that provides users with the purchase of games and game accessories at feasible prices and with different payment options. APP is a domain where mobile applications and native developers' applications are displayed to the end user.

Professional e-sports teams realized more than 50 matches within the context of tournaments organized on the Gamecell Hive platform. These matches, which were broadcasted live, were watched by more than 170,000 players in total.

## DIGITAL SERVICES

We aim to bring speed and convenience to the lives of company representatives with the My Company application, enabling them to make all transactions related to company lines, online.



### MY ACCOUNT (HESABIM): CONTROL OF YOUR LINE IS ON YOUR MOBILE!

We offered the My Account application in 2014 in order to facilitate their lives and ensure that they access easily from everywhere to everything they look for regarding Turkcell.

Our application has been downloaded more than 14 million times, and also registered 10.1 million active users per month in 2016. With the My Account, our customers can quickly access information such as remaining minutes for use on their lines and invoice details, without having to call the call center; and can easily perform transactions such as paying bills, purchasing packages, topping up TRY , changing international, internet and call settings.

We have received the first prize in the area of "Best User Experience" at the Loyalty Awards with our turkcell.com.tr and My Account application. In 2017, we will introduce our customers to a brand new My Account.

### MY COMPANY (ŞİRKETİM): "CORPORATE ONLINE TRANSACTIONS" APPLICATION EXCLUSIVE FOR COMPANIES

We aim to bring speed and convenience to the lives of company representatives with the My Company application, enabling them to make all transactions related to company lines, online. With My Company, it is possible to make many transactions such as invoice transactions, package transactions, international transactions, and changing SIM card within seconds by mobile phone. The My Company application, which enables company representatives to perform bulk transactions 24/7, approve requests from company employees, and instantly track the use of lines, has been used by 45,000 companies to date for 25 million transactions.

### GOALS ON MOBILE (GOLLER CEPTE): EXCLUSIVE SERVICE FOR FANS

With our Goals on Mobile applications exclusively designed for fans of the four largest teams (Goals on Mobile 1903, Goals on Mobile 1905, Goals on Mobile 1907, Goals on Mobile 1967), we provide our customers with live goals, flash news and special videos, as well as live scores from all over the world, score stats, league tables and live commentary during games. Our exclusive application designed for İddaa lovers, Goals on Mobile Live Score, enables our customers to view the results of live matches from all over the world. Our applications, which enable the fans on the tribunes to chat with other fans and provide them an opportunity to discuss the agenda, were downloaded 2.9 million times by year-end 2016. More than 100,000 videos were viewed per week through our service with its renewed content structure, which has started to display images this season from Spain's La Liga, England's Premier League and many other important leagues of the world.

**2.9 million**  
Goals on Mobile Live Score,  
enables our customers to view  
the results of live matches  
from all over the world.

## BUSINESS PARTNERS ECOSYSTEM AND INNOVATION

Our Turkcell Business Partner Candidacy Program supports technology initiatives in order to promote Turkcell's growth and create a strong entrepreneurial environment in Turkey.



**With Beehive (Arikovani), the crowd funding platform bringing entrepreneurs and technology enthusiasts together; we intended Turkcell to provide effective support to the entrepreneur ecosystem, and to add things learned through open innovation from the ecosystem to the in-house culture of innovation. On Beehive, the award-based crowd funding platform; the funding process of the first 3 projects started in January 2016.**

The Turkcell Partner Network, one of Turkey's long-established business ecosystems, has been working with business partner companies since 2004, and manages an ecosystem of more than 200 business partners, who employ over 10,000 people, including distribution channels. The Partner Network creates and announces business models for companies within the ecosystem; monitors business partners' compliance with stipulated criteria and regulations; measures performance, and incorporates successful business partners into the Gold and Silver partnership programs.

In this context we also selected 12 **Gold** and 19 **Silver** business partners in 2016. We evaluated the performance of our business partners and shared the **Performance Evaluation Reports** with them. With an improvement carried out this year, we gained the ability to develop Scorecard and Performance Evaluation Reports through the **Turkcell Partner Management System** and share them on turkcellpartner.com. We have made significant progress in terms of information security, speed and cost.

We have continued development studies on turkcellpartner.com, which is the window of Turkcell Partner Network opening to the world. We have also simplified the application form for external business partner candidates. Additionally, we have made many changes to the part that can be connected to through login and reached by our current business partners; we have switched to a more user friendly structure.

The total number of downloads of our **Turkcell Partner Mobile** application, which includes the display of more than 400 products and services belonging to our partners, reached 14,425 in 2016. Moreover, our partners can send their own content directly to the application integrated with turkcellpartner.com as of this year, and these contents can be published after a short approval process.

In the context of New Partner Development and Innovation, we continued our discovery studies in 2016 to improve our partner base. Being aware of the fact that our new business partners will come from our local and international innovation network; we are striving to improve our relationships with companies that develop innovative products and services to go beyond their existing business models and to meet their consumer and corporate customer needs. In 2016, we continued to periodically visit local techno parks, organizing a hackathon. We have strengthened our relationships with leading local

and global innovation centers to closely monitor global market trends and identify new business opportunities. As Turkcell Business Partnerships and Innovation, we continuously support acceleration program partnerships, university awareness seminars, and many other entrepreneurial activities. We will continue to work with entrepreneurs, institutional investors, universities, business incubators and acceleration centers, as well as non-governmental organizations and angel investors to develop Turkcell's innovation capacity with external innovation resources.

**Our Turkcell Business Partner** Candidacy Program supports technology initiatives in order to promote Turkcell's growth and create a strong entrepreneurial environment in Turkey. In 2016, we supported 11 start up companies with our **acceleration program**. We are evaluating the market size, value propositions, team capacities and growth rates of start up companies in the area of telecom, M2M/IoT, cloud solutions, mobile payment, media, entertainment and community management. At the end of the process, companies with rapid development capacity can join the Turkcell Partnership Network.

### **TURKCELL BEEHIVE (ARIKOVANI): TURKEY'S FIRST TECHNOLOGY-FOCUSED CROWD FUNDING PLATFORM**

With Beehive, the crowd funding platform bringing entrepreneurs and technology enthusiasts together; we intended Turkcell to provide effective support to the entrepreneur ecosystem, and to add things learned through open innovation from the ecosystem to the in-house culture of innovation. On Beehive, the award-based crowd funding platform; the funding process of the first 3 projects started in January 2016. In March 2016, Turkey's first record was broken; the Twin Science Kit project became the technology project to raise the highest funding of the period, gathering TRY 182,879. This record was followed by the Outliers Smart Notebook project, which has so far raised the highest funding on the Beehive platform, at TRY 339,733. The WeWALK Intelligent White Walking Stick project, which raised TRY 289,971 at the end of the campaign, has undersigned another first by collecting TRY 140,000 in funding in the first 24 hours. In 2016, 20 new projects were realized on the Beehive platform. Thirteen projects that attracted their first customers and completed the campaign generated a total of TRY 1.75 million in funding. We continue to work to bring more entrepreneurs together with their potential customers, both in Turkey and around the world.

## TURKCELL SALES CHANNELS

We continue to provide services and solutions through our Turkcell Consumer Sales Channel, Alternative Sales Channels, Turkcell Superonline Fiber and DSL Solution Centers and Corporate Sales Channel.



**Within the framework of our integrated structure, we present our fixed and mobile integrated Turkcell solutions all over Turkey through our Turkcell Communication Centers (TİM) and Authorized Sales Points (YTSN).**

### OUR CHANNEL STRUCTURE

We bring all advantages, campaigns, devices, services and facilities offered by Turkey's leading communication and technology company Turkcell, to our customers. We continue to provide services and solutions through our Turkcell Consumer Sales Channel, Alternative Sales Channels, Turkcell Superonline Fiber and DSL Solution Centers and Corporate Sales Channel.

Within the framework of our integrated structure, we present our fixed and mobile integrated Turkcell solutions all over Turkey through our Turkcell Communication Centers (TİM) and Authorized Sales Points (YTSN). We work to provide our customers with the same service quality at each point.

***In the Exclusive Channel,*** we serve our customers with a team of 6,750 service personnel and 116 specially-trained Technology Experts at 1,019 TİM's. We offer consultancy services with our experts in fixed and mobile communications technologies to around 18 million visitors each month concerning new technologies that make their lives easier. With our Technology Specialists, who coach store staff on technology, we enable our customers to better experience the products.

***In the Non-exclusive Channel,*** we supply and provide information about our products and services to 2,212 Authorized Sales Points and 6,651 Turkcell Sales Points (TSN) through 15 Turkcell Distribution Centers (TDM). We introduce our new technologies, services and offers to our customers with our Field Activity Team of 170 people, the extension of TDM in the field, and 65 TSN Support Experts.

***Turkcell Flagship Stores,*** provide service at six popular locations in three major cities (Istanbul, Ankara, and Antalya). These stores reflect Turkcell's leadership in the telecommunications industry to the retail sector, representing an "experience transfer platform" for Turkcell's wide retail channel. As pioneering venues with a strong design, they provide unique customer satisfaction in both service and models, and are positioned as role models for their sales methods and retail practices. We continuously train them to become experts through courses in technology solutions and sales. We will continue to serve in these stores in the upcoming periods without sacrificing satisfaction and quality, by differentiating our activities.

***As Non-Telecom Sales Channels,*** we sell at more than 12,617 national and local market points to enable our customers to reach Turkcell products and services quickly, easily and from anywhere possible, and continuously expand our network.



The number of average monthly visitors has reached 18 million visiting Turkcell's 1,019 Communication Centers, which are scattered throughout Turkey. Turkcell has also more than 10 thousand sales points.



As Turkcell, we have enabled other national operators in the telecommunications sector to benefit from the infrastructures that we own. In this context, we have signed off on successful major projects with our business partners.

## OUR ALTERNATIVE SALES CHANNELS

**In Tele-sales channel** we continue to ensure that our customers can reach our products and services anytime, anywhere and easily through our Inbound and Outbound Channels, which were awarded the "Silver Stevie" prize for the increase in our sales conversion ratio in 2015 due to our focus. In 2016, we focused on making our channel more digital and intelligent, and to instantly offer the products and services that customers need. And in doing so, we increase our sales conversion ratio and satisfaction level. In 2016, we increased the share of our channel in all our products and became the main sales channel of our VAS products, which hold strategic importance. We are contributing to Company profitability by realizing more profitable, volume sales at lower cost.

**Our Online Sales Channel** enables our customers to easily access our products and services at any time and from any location. In 2015, we have initiated the "With A Single Click" project, facilitating port-in from other operators, and in 2016 we activated post-paid subscription transactions, enabling our customers to become a Turkcell subscriber as conveniently and easily as with a single click. Within the scope of our pilot project "purchase from web channel, delivery from store" that we have developed in parallel with our multi-channel management vision, we began to offer our customers a new and easy experience that diversifies our delivery alternatives. With the vision of converting each smartphone into a store, we offered contracted and pre-paid sales services through mobile devices and ensured that turkcell.com.tr was equipped with functions and features appropriate for an e-commerce site. In 2016, we continued to design our omnichannel projects that bring our retail channels and online channels together.

**In our Self-Service Channels**, we constantly maintain a wide network of ATMs, call centers and Internet branches of banks, whereby our customers can quickly and easily access Turkcell services from every possible location.

## CORPORATE SALES

In corporate sales, we continue to provide service with Turkey's largest and most widespread sales force, customer management, retail and digital channels. We provide mobile, fixed and DC/Cloud services on an end-to-end basis.

A team of 1,300 employees at our **Corporate Solutions Centers** realizes active sales to small-scale companies. Additionally, we provide services from our Global Bilgi Call Center for all company requests. We also provide portfolio management services by conducting regular calls with 400 portfolio managers.

## OPERATOR RELATIONS AND WHOLESALE

We made significant contributions to the change in International Roaming, Interconnection, Wholesale Voice and Wholesale Data services of Turkey's telecommunications sector, with our Wholesale Segment and focus on partnership with national and international operators.

We have become the most important capacity and internet provider of many neighboring countries. This resulted from the intensive studies that we have been carrying out since 2009, in line with our vision of transforming the silk road into a fiber one, and in support of our main strategy of positioning Turkey as the main internet route, with Istanbul as the regional internet hub.

Through our collaborations with the world's leading Tier-1 operators, we have served as a bridge providing wholesale customers with seamless access from east to west, at the speed of light.

Our international carrying capacity exceeded 3.5 Tbps. We have cooperated with the world's largest global traffic exchange platforms and played a major role in their decision to come to Turkey. Thus, we have taken another crucial step in transforming Istanbul into the traffic exchange hub of the region. We have also played a significant role in bringing content providers to the point where they wish to provide their services from Istanbul.

As Turkcell, we have enabled other national operators in the telecommunications sector to benefit from the infrastructures that we own. In this context, we have signed off on successful major projects with our business partners.

After we acquired a 100% stake in Ukraine lifecell, a key step taken as part of our strategy of expanding in the international arena, we focused on group synergies to be created in the wholesale segment in our Northern Cyprus, Ukraine, and Belarus operations in 2016. We began to act as a group, especially regarding agreements reached with other operators within the scope of international roaming. And we have been able to leverage the efficiency gained through our cooperation with many major international operators as a benefit for our consumer and corporate customers' international tariffs. And so, even when our subscribers are abroad, we are in a position to meet all their communication needs with advantageous offers.

## CUSTOMER EXPERIENCE FOCUS

As customer experience, we listen to the “voice of the customer” at every interaction, and based on the feedback we received, we strive to provide customers the most feasible value propositions.



As Turkcell, we strive to provide our customers with a superior and unique customer experience; we build strong relations with them; we work to sustain their comfort, and ease their lives, and to provide the best solutions for their needs. We know full well that while successful companies need to meet the needs of their customers today, they must also be prepared for future challenges and opportunities. Today, our greatest promise in terms of customer experience is to know our customers superbly, offer them personalized value propositions, and facilitate their lives with sales and after-sales service. By doing so, we promise to enable all our customers to experience the privileges of Turkcell.

Customer experience is one of the core priorities of all Turkcell employees. Many employees, including the management team of Turkcell, have customer experience responsibilities, and all employees are responsible for fulfilling our commitments.

In order to improve the customer experience we measure our performance with the internationally recognized “Net Recommendation Score” survey. This research method enables us to measure how much our customers recommend both us, and other mobile communication service operators that they use. By doing so, we are able to view Turkcell through the eyes of our customers thanks to the independent research companies we use, and have the opportunity to measure ourselves by comparing annual scores. We continue to be Turkey’s Turkcell in 2016, as the most highly recommended operator among others in both fixed and mobile consumer segments.



**Many employees, including the management team of Turkcell, have customer experience responsibilities and all employees are responsible for fulfilling our commitments.**

### OUR CUSTOMER PROMISES

We use every means available to satisfy our customers, and guarantee Turkcell’s customer commitment with our promises. During the 4.5G launch realized on April 1, 2016, we released our customer promises, having doubled the internet quota of our 4.3 million customers. We have ensured that our 387,000 customers’ packages on 4.5G tariffs are also valid abroad, sparing them an unexpected invoice. We quickly provided a backup phone for our 2,100 customers whose smartphone was broken, and took care of them all the way. We have sold 2 million devices with the brand new flexible payment options offered by Turkcell Finansman. We have defined an emergency communication package to enable our customers to continue communicating with their relatives in the event of extraordinary regional disasters, in and beyond Turkey.

### VOICE OF THE CUSTOMER

As customer experience, we listen to the “voice of the customer” at every interaction, and based on the feedback we receive, we strive to provide customers the most feasible value propositions.

We receive a diversity of feedback from our customers; during their calls and through the sales channels, and My Account, My Company and other digital channels, as well as social media among many others, after which we evaluate their wishes and complaints.

We conduct and evaluate customer questionnaires, focus group studies, and similar market surveys regarding our products and services at each point; from the initial idea stage to presentation to the customer, and from usage to pricing. In so doing we are able to provide necessary feedback to our employees, improve ourselves, and offer a better customer experience. We share all these customer-focused activities with our employees during annual evaluations held with management every year, as well as meetings and site visits.





We also reach our customers through our digital channels in order to facilitate their lives and ensure they have the access from everywhere to everything they look for from Turkcell.



We work 24/7 with all our sales channels and call centers, which provide service in Turkish and many other foreign languages in order to provide our customers with a superior and unique customer experience. We also apply the ISO 10002 system for customer satisfaction management.

# CUSTOMER PROMISES

<b>4.5G</b> <b>UNLIMITED TARIFF CHANGE</b> No subscription fee or early tariff cancellation fee is required for 4.5G subscription. We offer unlimited tariff change in 4.5G packages.		
<b>X2</b> <b>DOUBLE INTERNET QUOTA</b> The Internet package quota will no longer be a concern for our customers. Not only will we offer high quota packages, but we will also double each customer's internet quota.	<b>SMART ROAMING</b> The shock of a large bill from roaming will no longer be a concern with our new 4.5G offers.	<b>BILL CONSULTANCY</b> Turkcell tariffs with the smart bill option and our bill consultancy service prevent unexpected bill shocks for our customers.
<b>SUBSTITUTE DEVICE</b> We never let you down in case your mobile device is out of service, by providing you a substitute device immediately.	<b>MOBILE DATA SUPPORT</b> Until the internet setup is completed at your home or office we provide you free mobile data or Turkcell Vinn to meet your internet connection needs.	<b>FLEXIBLE PAYMENT PLANS</b> We offer brand new devices with flexible payment plans that meet our customers needs with the power of Turkcell Finansman.
<b>SERVICE AT HOME</b> We visit customers aged over 65, and the handicapped at their own place of residence to meet their needs.	<b>TURKEY'S TURKCELL</b> We are in the service of not only Turkcell customers, but also whole Turkey with our products and services.	<b>EXTRAORDINARY CARE</b> We suspend our customers financial obligations in case of extraordinary circumstances and inform them immediately.

### EMERGENCY PACKAGES

As Turkcell, we do not abandon our customers in the event of natural disasters and extraordinary events, either within, or beyond Turkey. We immediately provide them with free voice, SMS and data packages in regions where an incident takes place, which ensures seamless communication during extraordinary events.

### SERVICE CHANNELS

We are designing a pre-sales and post-sales end-to-end journey for our customers with our integrated communication and technology services. This provides them with a holistic experience of Turkcell as they use our products and services. Thus, we offer seamless services that are converged across all service channels through which we communicate with our customers.

We work 24/7 with all our sales channels and call centers, which provide service in Turkish and many other foreign languages in order to provide our customers with a superior and unique customer experience. We also apply the ISO 10002 system for customer satisfaction management.

We also reach our customers through our digital channels in order to facilitate their lives and ensure they have the access from everywhere to everything they look for from Turkcell. Through My account, developed for customer needs and digital habits, and My Company, used by our Company representatives, all of our customers can realize their transactions online from their mobile or computer, and can readily access all information on our products and services. Also, we have not neglected our customers on any channel, providing them live services (400,000 times BiP Chat, 3.1 million times Web Chat and 3.6 million live SMS) last year.

## SOCIAL RESPONSIBILITY

With its social responsibility awareness, Turkcell allocated up to 1% of its total revenues for social investment works in 2016.



A power alliance for aid



**The Turkish Red Crescent, which has been helping people in need in times of disaster for 150 years, together with Turkey's Turkcell have crowned their goodwill protocol, that will carry their cooperation further, with a TRY 5 million aid package.**

The "Project Lift" initiated by the Maya Foundation to heal the trauma suffered by Syrian children was discussed in the European Parliament in Brussels at the invitation of the European Parliament Turkish Friendship Group.

Supporting this project, Turkcell took the first step by bringing an exhibition named "From the Eye of a Child: The Syrian Refugee Story and Empathy" to the attention of an audience in Brussels. The exhibition consisted of the pictures of children receiving trauma therapy, as well as the photographs of artist Kaan Çuhacı.

The photographic work of Kaan Çuhacı with Syrian children examines their footsteps, drawing attention to the distance they have to cover and how far they are from their homes. These photographs, together with the drawings of the children themselves while in trauma rehabilitation make up the "From the Eye of a Child: The Syrian Refugee Story and Empathy" exhibition.

The exhibition was opened to the visitors with Turkcell support between March 3 and 23, 2016 in Brussels.

### HELLO HOPE EDUCATION CENTER

The situation of the Syrian refugees who have been forced to leave their countries since 2012 has turned into a human tragedy for the whole world. As Turkcell, we also evaluated the issue with the awareness of the responsibility we have to take. We planned all our steps in this sensitive manner.

We launched our "Hello Hope" education center at the Kahramanmaraş Temporary Refugee Center in cooperation with AFAD and Prodea Systems, on Saturday, December 17<sup>th</sup>.

At our Hello Hope center, we provide;

- The first free fiber internet connection service offered for the education of refugees in Turkey,
- The Hello Hope application, which is a solution to the need to learn Turkish, where communication and information accessing is done on Turkcell T tablets,
- Opportunity of listening to music with fizy and watching TV on Turkcell TV+,
- Khan Academy's content on K12 training, news and health.

In addition to their basic needs; we know the importance of mobile communication for the Syrian refugees, and continue to connect them to life, and to their loved ones.

### "A POWER ALLIANCE FOR AID" FROM TURKCELL AND THE RED CRESCENT

The Turkish Red Crescent, which has been helping people in need in times of disaster for 150 years, together with Turkey's Turkcell have crowned their goodwill protocol, that will carry their cooperation further, with a TRY 5 million aid package. A goodwill protocol, covering forward looking studies, was signed between the two institutions at the "Power Alliance for Aid" meeting jointly organized by the Turkish Red Crescent and Turkcell.

According to the protocol signed; the Turkish Red Crescent, which stands by people in times of disaster in and beyond Turkey, and Turkcell, which has the duty of mobilizing technology and the power of



Turkcell became the first telecommunications company in Turkey to sign the "Humanitarian Connectivity Charter" supported by OCHA, within GSMA.



Turkcell, which has opened next generation technology laboratories in 7 regions of Turkey, and which provides training, encourages particularly talented children to use their potential in the fields of science and technology.

communication, will come together and expand humanitarian aid. As a pioneer in donation and volunteering, raising awareness, providing added value in operational areas, and creating a business model for Turkey and the world among our goals. Turkcell committed to contributing to the improvement of life with a TRY 5 million donation to the Red Crescent in 2016.

Initially, Turkcell distributed infant aid packages consisting of food, diapers and cleaning materials prepared in accordance with the directions of the Red Crescent. Turkcell's donation in kind, consisting of clothing and toys, was also delivered to people in need at the Öncüpınar camp. Turkcell will increase its support to the Red Crescent through technology, as well as donations.

#### **TURKCELL PARTICIPATED IN THE UN HUMANITARIAN SUMMIT AS THE REPRESENTATIVE OF THE TELECOMMUNICATION SECTOR.**

Turkcell has participated in the United Nations ("UN") Humanitarian Summit, which convened in a world first, as the sole representative of the telecommunication industry. The summit was hosted by Turkey, in Istanbul on May 23-24. On the panel entitled "Placing People in the Center" organized within the scope of the summit, Turkcell's humanitarian contributions through business continuity were shared. In this context, studies carried out to eliminate the basic needs of Syrian refugees, improve their living conditions and facilitate their adaptation process, were communicated. Additionally, Turkcell became the first telecommunications company in Turkey to sign the "Humanitarian Connectivity Charter" supported by OCHA (the Office for the Coordination of Humanitarian Affairs), within the GSMA (The World GSM Association).

During the Summit; Turkcell CEO Kaan Terzioğlu and the Secretary General of the UN Ban Ki-moon held a private meeting. Furthermore, Turkcell sponsored the West-Eastern Divan Orchestra, which aims to establish a cultural bond between the East and West and serve inter-communal peace, to stage in the opening ceremony of the summit.

#### **TURKCELL WHIZ KIDS PROJECT**

In an effort to support youth and children, who want to overcome impossibilities and find suitable educational opportunities for themselves; Turkcell rolled up its sleeves for the development of exceptionally talented students, Turkey's greatest assets, through next generation technology and education. The "Turkcell Whiz Kids Project" was initiated under the auspices of the Ministry of National Education for unique students from all over Turkey with the potential to steer the future. The project aims to enable such students to realize their potential and access technologies that can shape the future.

Within the scope of the project, Turkcell designed special laboratories aimed at technological productivity, thereby channeling of the "maker" culture in Science and Art Centers (BİLSEM) where particularly talented students in seven regions of Turkey received post-school project-based training. In these laboratories, these students will be introduced to 3D printers, Arduino electronic learning kits, robots and software equipment, and will be trained on the internet of things and software. The face-to-face trainings given in these laboratories will be supported by online training through [www.zeka-kupu.com](http://www.zeka-kupu.com).

Thus, talented young people of Turkey will speak the same language as technology producers all over the world and grow up in the "maker" culture. These young people will become the active and productive players of the 4<sup>th</sup> Industrial Revolution, where information technology transforms every phase of production, and which will be shaped by the Internet of Things.

In addition to Ordu, the project was initially adopted in BİLSEMs in Adana, Erzincan, Ankara, Istanbul, Kütahya and Şanlıurfa. Turkcell targets establishing laboratories in 106 BİLSEMs across 80 cities to reach 10,000 families, teachers and students within 3 years.

#### **20,000 children were given a maker-kit at Whiz Kids Project**

Turkcell, which has opened next generation technology laboratories in 7 regions of Turkey, and which provides training, encourages particularly talented children to use their potential in the fields of science and technology. Turkcell distributed the first coding kits to the students of technology classes in BİLSEMs, which are opened within the context of the "Whiz Kids" project initiated under the auspices of the Ministry of National Education. The kits were distributed during the summer holiday in order for students to experience them. In the new academic term, Turkcell aims to deliver 20,000 coding kits prepared for BİLSEM students at different levels ranging from the 3<sup>rd</sup> grade (8 years old) of elementary school, to the 12<sup>th</sup> grade (17 years old) of high school.

Turkcell CEO Kaan Terzioğlu met with BİLSEM students to give them the coding kits in person.

Thanks to the coding kits distributed within this project, which aims to uncover the potential of particularly talented students from all over Turkey, the goal is for these children to grow up in the "maker" culture of the world. By paving the way for young people to write their own programs, Turkcell educates special talents in Turkey to enable them to speak the same language as technology producers all over the world.

## SOCIAL RESPONSIBILITY



No Boundaries Education

### PEOPLE WITHOUT BOUNDARIES

As the Turkcell family, we attach great importance to equal opportunities among all segments of our society for the economic and social development of our country, and are taking concrete steps in this regard. In accordance with this vision, we provide solutions in a diversity of fields under the roof of "People without Boundaries" to make the lives of our disabled citizens easier, and to better integrate them into daily life.

#### *We continue to support the development of disabled children with our "No Boundaries Education Program".*

We have carried out a new project with the Ministry of National Education geared at disabled children with special educational requirements to enable them to participate in daily social life. We support the development of disabled students with regards to education and employment through the "No Boundaries Education Program" under the auspices of the Ministry of Education. The goal here is to increase the competencies of disabled children with special educational requirements, and enable them to take part in social life. With this program, we plan to create occupational workshops and technology classes in 80 schools where students with disabilities receive special education. In 2015-2016 we catered to 47 target schools. Our goal is to reach 10,000 students by facilitating 80 schools in 2017.

Within this program, we will establish "Technology" and "Information Technologies" classes at 15 schools for the visually impaired and 20 schools for the hearing impaired to contribute to the students' personal development, and generate opportunities through the use of technology.

Additionally, we will prepare visually impaired students for business life through the career workshops to be designed at 45 Special Education - Career Education Schools. We have already begun to set up information technology classes to support the employment of hearing impaired youth in graphic design, computer technologies and similar fields. In these technology classes, we aim to enable them to access information more easily, and facilitate their personal and professional development with the advantages of technology, by utilizing devices specially developed for the visually impaired.

We also offer the "Turkcell - Young Guru Academy Leadership Program" to visually impaired students. At the initial phase of the program, where disabled leaders with the potential to be role models are trained, 50 visually impaired students of secondary school age participate in a 10-week education program. Twenty five visually impaired students who successfully complete the program participate in a 5-day Leadership Camp. At this camp, through an intensive training program, students learn to 'succeed together' by better experiencing the projects they participate in, and are inspired by the speeches of role model leaders. The stars selected from among these candidates, and who are trained for 10 weeks at workshops, receive one-on-one coaching from a role model leader.

#### *We invite everyone to the Turkcell Dialogue Museum for a different perspective on life.*

The "Turkcell Dialogue Museum" established by the Istanbul Social Enterprise with the support of Turkcell, to better understand the daily difficulties experienced by disabled people, has now started to serve Istanbul residents as a permanent museum. The "Turkcell Dialogue Museum" became a permanent museum with the addition of the



**The "Turkcell Dialogue Museum" established by the Istanbul Social Enterprise with the support of Turkcell, to better understand the daily difficulties experienced by disabled people, has now started to serve Istanbul residents as a permanent museum.**



**The “Dialogue in the Dark” and subsequent “Dialogue in Silence” exhibitions, which saw their world premiere in Germany 27 years ago, have been shown in Turkey since 2014 with the support of Turkcell.**

“Dialogue in the Dark” and “Dialogue in Silence” exhibitions. These exhibitions, with the partnership of Istanbul Social Enterprise, İBB and Metro Istanbul arose out of the importance of creating awareness in order to offer solutions to social problems. The “Dialogue in the Dark” exhibition offers the opportunity to experience Istanbul as the visually impaired do, while the “Dialogue in Silence” exhibition allows one to step into the world of the hearing impaired.

The “Dialogue in the Dark” and subsequent “Dialogue in Silence” exhibitions, which saw their world premiere in Germany 27 years ago, have been shown in Turkey since 2014 with the support of Turkcell. It is also significant that Turkcell’s support for the “Dialogue in the Dark” and “Dialogue in Silence” exhibitions marks another global first, in what is a vital social initiative project that has proved its value in many countries across the world.

#### *A very quiet experience*

The Dialogue in Silence exhibition at the Turkcell Dialogue Museum invites the viewer to understand and empathise with people with hearing impairment by experiencing their lives. The exhibition takes place in a special sound-proof area, which is completely silent. Participants refrain from talking for an hour and hear nothing due to a headset they wear. Visitor groups are also accompanied by hearing-impaired guides.

#### *Discovering Istanbul in the dark*

The Dialogue in the Dark exhibition invites participants to visit once, in the dark, those urban places that have become symbols of Istanbul. The exhibition, which has various sections such as boarding a ferry, walking around parks, crossing the street in traffic, taking the Beyoğlu tram and visiting the local market, is staged with the participation of visually impaired guides, while new “sight” forms based on the senses are also being discovered. Within the scope of the exhibition, visitors can experience how the visually impaired read books via the Turkcell My Dream Companion service on a ferry crossing.

#### *Turkcell My Dream Companion*

My Dream Companion is a free service that serves the 8020 short code of the visually impaired, on the My Dream Companion mobile application compatible with iOS and Android operating systems, and via [www.hayalortagim.com](http://www.hayalortagim.com). Within the scope of the service, visually impaired people can follow the agenda in different categories such as science and technology, health, sports, politics, economics, and disability, as well as through the current articles of over 150 columnists. Additionally, they can access intellectual content, including close to 3,000 audio books, journals and magazines.

Visually impaired users can obtain detailed information on stores in their vicinity through the My Dream Companion application with beacon technology at 12 Shopping Malls in cities such as Istanbul, Gaziantep, Konya, Izmir, Antalya and Mersin. They can use the navigation service for areas such as a shop they wish to visit, an elevator, reception, or toilet facilities.

With the audio description technology we launched in December 2015, the visually impaired can follow all movies, at all movie theaters in Turkey, without missing any visual details. My Dream Companion application automatically synchs with the movie anywhere during the film; and in scenes where there is no dialogue, by describing all visual details with external sound, it improves the viewing experience of the visually impaired. The audio description service implemented for the first time in the world was awarded in the category of Accessibility and Inclusion in Social Life at GSMA 2016.

In July 2016, we realized a pilot project using Beacon technology to improve the public transport experience of the visually impaired in cooperation with the Gaziantep Metropolitan Municipality. With this project, visually impaired people in Gaziantep can access information such as the arrival time of the bus they are waiting for while at the bus stop; the stops they pass while on the bus, and arrival at their final destination via the My Dream Companion application. Additionally, while the visually impaired user waits at the bus stop, the driver of that bus is informed that a visually impaired person will board their bus.

#### *We continue to carry out initiatives in different fields to integrate our disabled citizens into daily life.*

We remain active in different fields to integrate our disabled citizens into everyday life in the sporting arena through our cooperation with the Blind Sports Federation. Having started our cooperation with the Turkish Football Federation and Turkish Blind Sports Federation in 2013, we are still the main sponsor of the National Blind Football Team and the name sponsor of the Turkcell Those Who See the Sound League, which is a football league for the visually impaired.

Turkcell Academy’s online education platform [www.turkcellakademi.com](http://www.turkcellakademi.com) offers special trainings for visually impaired and hearing impaired people under the category of “Education without Boundaries”. Many training programs for the hearing impaired ranging from technology to personal development, and from the business world to leadership are provided with the language sign option. There are trainings for the hearing impaired that teach “Turkish Sign Language” prepared in cooperation with the Turkish Federation of the Hearing Impaired, as well as trainings for the visually impaired that teach smartphone usage specific to iOS and Android. What is more, Turkcell Academy has started to offer educational programs for parents with hearing and visually impaired children that can support child development.

#### *Turkcell Scholarship Programs Bring Hope to Thousands of Young People.*

More than 6,000 students were supported by scholarship programs in 2016 as part of related projects through which Turkcell provides educational support to tens of thousands of students. With these programs, over 100,000 scholarships have been granted continuously over 16 years.

**3,000**

**My Dream Companion is a free service that serves the 8020 short code of the visually impaired, on the My Dream Companion mobile application compatible with iOS and Android operating systems, and via [www.hayalortagim.com](http://www.hayalortagim.com).**

## SOCIAL RESPONSIBILITY

We attach great importance to compliance with environmental principles, which are among the United Nations Development Program's Sustainable Development Goals.



**We have proven to be an environmentally friendly company with human and benefit-oriented initiatives related to international standards in social, economic and environmental areas of influence.**

### SUSTAINABILITY INITIATIVES

As Turkey's integrated communications and technology company, we detect our environmental impact areas with a keen awareness of our environmental responsibilities, and manage our operations by taking these into consideration. We are aware of the fact that innovations in the telecommunication sector we operate in contribute significantly to reducing the environmental impact of business world overall.

We attach great importance to compliance with environmental principles, which are among the United Nations Development Program's Sustainable Development Goals. While supporting sustainable industrialization with our technology, we build our infrastructure by taking the future of the climate and environment into account. And in developing our services, we aim to reduce our environmental impact.

We closely monitor our carbon footprint in combating climate change and in targeting reduced carbon emissions, we annually increase the use of renewable energy sources in our business processes. In order to improve our energy efficiency, we focus on energy saving in our process improvement efforts. We also reduce our waste and dispose of it by separating it at its source.

#### **Sustainability Report 2014-2015**

With our sustainability report published in September 2016, we shared the sustainability management approach of Turkcell İletişim Hizmetleri A.Ş., and the sustainability practices and performance of the operating period between January 1, 2014 and December 31, 2015 with our stakeholders in full transparency.

This report, in which we adopted the internationally accepted sustainability reporting standard of the Global Reporting Initiative (GRI) G4 Sustainability Reporting Principles as a guide, also contains the seventh Communication on Progress of the United Nations Global Compact (UNGC), of which we have been a signatory party since 2007. We have declared our support for UNGC's principles regarding human and employee rights, the environment and the fight against corruption, as well as our progress in these fields.

Data for 2012 and 2013 has been included to illustrate our economic, social and environmental performance, and to enable comparisons. Stakeholder feedback is important for us to enhance our sustainability performance and improve our reporting. For this reason, stakeholder opinions gathered from different channels, and related to several of our applications and initiatives, are included in the report.

#### **Carbon Disclosure Project (CDP)**

As a company that has long internalized sensitivity to climate change, we have been studying the risks and new opportunities created by climate change, and have turned these studies into a part of our strategic plans. In 2016, we participated in CDP Turkey (Carbon Disclosure Project) and shared the comprehensive report we prepared for our 2015 performance with the public.

In 2015, we saved over 350,000 kilowatt hours of energy in total with our transition to LED lighting systems in our plaza buildings, and our energy efficiency studies on our air conditioning systems including the change of chillers, pump and revisions of air conditioner at Samsun Plaza. Additionally, we were able to reduce our energy consumption by approximately 2,000,000 kilowatt hours in total by switching off servers we don't use at Turkcell and Superonline data centers, and the reduced thermal load that resulted. With the reduction in energy consumption due to the systems switched off, we were able to save approximately TRY 550,000. While we saved about 13 million kilowatt hours of energy with our energy efficiency projects finalized at our plaza buildings, data centers and base stations in 2015, we also avoided 5,985 tons of CO<sub>2</sub> greenhouse gas emissions.

#### **ISO 14064 Certification**

We have proven to be an environmentally friendly company with human and benefit-oriented initiatives related to international standards in social, economic and environmental areas of influence. We have fulfilled all our responsibilities regarding greenhouse gas emissions standards, and in 2015 we became the first telecom operator to receive the "ISO 14064 – Accounting and Verification of Corporate Greenhouse Gas Emissions" certificate in Turkey. In 2016, we continued our studies and have again received ISO 14064 certification.

#### **BIST Sustainability Index**

With the sense of responsibility that comes with our position in the industry, we adopt sustainability as a principle in environmental, social and corporate governance. The BIST Sustainability Index provides a performance evaluation means of making improvements in companies, and of establishing new objectives. The index also provides the opportunity for companies to develop their risk management skills regarding corporate transparency and accountable sustainability. As Turkcell, we have been on the 2015 and 2016 BIST Sustainability Index on the strength of our achievements regarding the selection criteria.

In addition to the many years of sponsorship of our National Teams, this year we also became the “Official Communications Sponsorship of the Spor Toto Super League” organized by the Turkish Football Clubs Union.



**We continue our cooperation in sports with the Blind Sports Federation as part of our diverse efforts to enable our disabled citizens to take a fuller part in life.**

#### SPONSORSHIPS

##### *Our Support for the Development of Turkish Sports Continues*

For so many years now, Turkcell has maintained its pioneering efforts to develop sports in Turkey, and to help Turkish athletes and National Teams enjoy a solid reputation nationally and internationally. In 2016, we continued to support basketball, football, sailing and cycling in team sports; and athletics, swimming, running, fishing and golf, in individual sports.

##### *Football and Basketball*

Since 2005, we have been the “Main Sponsor” of our National Football Team, which we started to support as the “Official Communications Sponsor” in 2002. Our support for the National Team, which has successfully qualified for Euro 2016, representing our country at the European Championship in France, continues on its way to the 2018 World Championship.

In addition to the many years of sponsorship of our National Teams, this year we also became the “Official Communications Sponsorship of the Spor Toto Super League” organized by the Turkish Football Clubs Union. We reached approximately to 120,000 fans at 11 matches in 10 provinces through the “Turkcell Match of the Week” project initiated within the scope of this sponsorship deal.

Additionally, while we emphasized our love of football with the “Turkcell Super Cup” sponsorship to which we gave our name and support in August, we also had the opportunity to introduce our products and services at a match followed by 40,000 people at the stadium and millions of viewers on the screen. We plan to present “Turkcell Super Cup”, which we will organize for the second time in 2017, to football fans with a brand new design and the visual world.

We have continued our support for our National Basketball Team, which represented our country in the 2015 European Basketball Championship, for 14 years. Within the context of our agreement that we extended until 2019, this year we also became the sponsor of the Women’s National Team, which reached the quarter-finals at the Rio Olympics. We will continue to support our National Teams with events and projects at the EuroBasket Women’s and Men’s European Championships to be held in 2017.

##### *National Blind Football Team and League of Those Who See the Voice*

We continue our cooperation in sports with the Blind Sports Federation as part of our diverse efforts to enable our disabled citizens to take a fuller part in life. Our support for the National Blind Football Team, which started with our cooperation with the Turkish Football Federation and Turkish Blind Sports Federation in 2013, continues in the form of “Main Sponsorship”. Additionally, we have since then continue to support the Turkcell League of Those Who See the Voice as the name sponsor.

Our National Blind Football Team, which became the European Champion in 2015, has successfully represented our country in the 2016 Rio Olympics.

## SOCIAL RESPONSIBILITY

In athletics, we have reached more than 32 thousand young athletes in 64 contests, to which we gave our name and support. We also sent 31 athletes to the 2016 Rio Olympics.



**28 million**  
By 2020, we plan to invest TRY 28 million in the Swimming and Athletics projects initiated in partnership with the Turkish Ministry of Youth and Sports in 2013.

### *Swimming and Athletics*

We give the greatest support to amateur sports. By 2020, we plan to invest TRY 28 million in the swimming and athletics projects initiated in partnership with the Turkish Ministry of Youth and Sports in 2013. Within this plan, we have, thus far, provided the greatest support to amateur sports in Turkey.

We are actively involved at every stage of the project, which aims to increase the number of Turkish athletes and the number of licensed athletes in the international arena. We are conducting studies with the Athletics and Swimming Federations on various project elements including the selection of management and athletes, training methods and institutional development consultancy.

In three years, we have increased the number of licensed athletes in swimming from 18,000 to 38,000. We have established the first certified Swimming Learning System of Turkey and taught 34,000 children to swim with the right techniques in 40 provinces. With the Bob Bowman Program, we have provided 6 athletes and 21 coaches with the opportunity of sportive development in the US. For the first time in Turkey's history, our 2 swimmers from the National Team participated in the Olympics

with an A Ranking. With the Turkcell High Performance Program ongoing in six cities, we have developed 40 elite athletes for National Teams and won 80 medals in international competitions.

In Athletics, we have reached more than 32 thousand young athletes in 64 contests, to which we gave our name and support. We also sent 31 athletes to the 2016 Rio Olympics.

We continue the construction of the Turkcell Olympic High Performance Center and Turkey's first IAAF-certified camp center.

### *Full Support in Rio*

Turkcell, which has been serving Turkish sports continuously since 2002, is positioned as the first brand to support the Turkish Olympic Team in the history of our country, in cooperation with the Ministry of Youth and Sports and General Directorate of Sports.

As a record in Turkey's Olympic history, Turkcell sent 105 sportsmen in 21 branches off to Rio. Turkcell has introduced athletes to Turkey through commercial films and outdoor and indoor visuals, thereby announcing its full support for the team. The Olympic team supported by Turkcell returned to our country with 8 Olympic medals.

### *Turkcell Gallipoli Marathon*

*We run for peace!*

We realized the second outing of Turkey's first thematic marathon on October 2 in the unique atmosphere of the historic Gallipoli Peninsula. The marathon was participated in by more than 6,000 athletes. We reached out to more than 20,000 people at the 3-day Marathon Fair, set up in Çanakkale Pier Square, where dozens of brands participated as supporters and sponsors. With Turkcell events and promotions, we had the opportunity to reach more than 10,000 people individually. We provided access to close to 40,000,000 people with our outdoor, digital, TV+ and active site promotions.

Within the scope of the marathon, we planted a sapling for each runner and created the "Turkcell Peace Forest" in Çanakkale. We also combined our project with the "Letters to Çanakkale" Project and planted 10,000 saplings in the Güzelyalı region pine forest, which had been destroyed by fire.





**We have been the Technology and Communication Sponsor of the Turkish Presidential Cycling Tour, which is one of the most important sports organizations in the world, organized for the 52<sup>nd</sup> time this year.**

We will continue our support for the marathon, where we provided athletes and sports fans with a unique running experience, over the years to come.

#### ***Presidential Cycling Tour***

We have been the Technology and Communication Sponsor of the Turkish Presidential Cycling Tour, which is one of the most important sports organizations in the world, organized for the 52<sup>nd</sup> time this year. With the 4.5G tent pitched at the start, finish and most exciting stage of the tour, and through the Virtual Reality application, we enabled the audience to experience the excitement of the race.

#### ***Golfing Addicts at the "Turkcell Platinum Golf Challenge"***

The Turkcell Platinum Golf Challenge was held at the Kemer Country Golf Club in Istanbul on 22-23 October. Over 200 opinion leaders, key executives of the business world and celebrities attended the two-day tournament, which was organized for the second time this year.

#### ***Sailing Show on the Bosphorus with the "Turkcell Platinum Bosphorus Cup"***

Turkcell Platinum Bosphorus Cup 2016 took place at the Caddebostan and Bosphorus course between May 26 and 29 with the participation of approximately 70 yachts and 600 athletes. We have been the name sponsor of the Turkcell Platinum Bosphorus Cup, organized for the 15<sup>th</sup> time this year, since 2015. The races, mentioned mostly with their technology this year, have been watched live through Turkcell Platinum application. Besides, sports fans had the opportunity to watch the race from diverse camera angles with Turkcell's 4.5G technology, and were able to follow the location of the yachts on a map with the "Right Here" service. The Hydros team, which broke world records one after the other with their 15-meter trimaran, was the guest of the Bosphorus Cup this year. Guests who attended the event were able to experience the world's fastest catamaran, the Hydros Trimaran, from land using virtual reality glasses.



**We have been the name sponsor of the Turkcell Platinum Bosphorus Cup, organized for the 15<sup>th</sup> time this year, since 2015.**

#### ***Business World Went Fishing in Çeşme with Turkcell Platinum***

The Turkcell Platinum Alaçatı International Fishing Tournament was held in Port Alaçatı, between October 6 and 9. For two days, 300 notable individuals from the business world who enjoy sports fishing, gathered with more than 80 vessels. This year, with a catch of 65 kg of tuna, the record that had stood for the past 10 years has been broken.

#### ***Culture and Art***

With our vision of positioning culture and the arts among Turkey's most important values, and to advance its value, we have remained the "Communications and Technology Sponsor" of Istanbul Modern, Turkey's first contemporary art museum, since 2012. In this context, we have developed unique solutions and applications for Istanbul Modern, such as QR code NFC enabled labels, which will enhance the pleasure felt by art lovers, and have also pioneered Turkey's first Beacon compatible museum application.

In 2014, we became the "Communications and Technology Sponsor" of Sakıp Sabancı Museum. With the "My Ticket on Mobile" service, we made it easier to purchase tickets, and also provided convenience at the museum entrance for museum visitors. For the first time in Turkey, we designed educational programs for toddlers aged 0-36 month to enable them to participate in museum visit with their families.

We will continue to support culture and the arts by integrating our technology that improves and facilitates life, into museums.

#### ***Turkcell Starry Nights***

With Turkcell Starry Nights, which took place between July 5 and August 31, music lovers enjoyed a wonderful series of summer concerts. Thirty-two performances staged by 50 artists were watched by 150,000 people at concert venues, and by more than 1 million people from all over Turkey live on fify and Turkcell's Facebook page. With concerts in Istanbul, Izmir and Bodrum, Turkcell Starry Nights became the longest series of concerts of the summer, with the broadest participation.

#### ***EXPO 2016***

As the main Communications and Technology Sponsor of EXPO 2016 Antalya, which hosts the international botanical exhibition and which holds great importance in the promotion of Turkey, we dubbed two of the venues Turkcell Tower and Turkcell Amphitheater.

We set up the entire infrastructure of the fair and offered free Wi-Fi service to domestic and foreign guests. This event was visited by approximately 5 million attendees, while almost 2 million people had the opportunity to listen to the concerts of 85 local and 3 foreign artists and groups who performed at the Turkcell Amphitheater.

## HUMAN RESOURCES

At the heart of Turkcell Group's practices and policies, there is a vision focused on both the present and future needs of our work and our employees; a vision of ensuring an excellent employee experience.

**850**  
Under "HR Once Again" initiative we have formed 14 project teams. Besides our HR teams, 850 employees from every grade and different functions actively work on these projects.



Starting from the recruitment process, we TRY to share all our employees' special moments to provide them the best experience during their working lives at Turkcell; and we implement practices that make them feel special.

### HR ONCE AGAIN...

The "HR Once Again" initiative we launched in 2016 to revise our Turkcell Group Human Resources practices is the key component of our vision of excellence in employee experience.

Under this initiative we have formed 14 project teams. Besides our HR teams, 850 employees from every grade and different functions actively work on these projects.

With the "Open Door HR" meetings that we organize regularly, we structure our human resources processes by canvassing the views of our employees. With the participation of senior management, we hold "Have Your Say" communication meetings where employees share ideas and suggestions about our work.

Rapidly-digitalizing and evolving communications technologies, along with Industry 4.0 ensure that businesses are more effectively being managed. They also enable different operational models that serve to humanize the workplace. Technological infrastructure and mobile platforms provided by Turkcell allow us to manage our business processes from outside the office, and thereby, continue our business in the event of crisis or disaster, regardless of physical location. Our employees manage their work more effectively and efficiently thanks to "Mobile Work", "Plan the Day", "Part-time Work" and "Office Station" designed in 2016, which provide the flexibility to work from offices in different locations. Additionally, new mothers can work flexibly to adapt more quickly to working life, and to maintain their work-life balance. With the different working models we design for our employees, we aim to generate ideas everywhere, and to realize these ideas and release the unlimited creativity of our employees.

Starting from the recruitment process, we TRY to share all our employees' special moments to provide them the best experience during their working lives at Turkcell; and we implement practices that make them feel special. We touch both our employees' and their family's lives, with the aim of strengthening their commitment to our Company.

2016 has been a year in which we greatly simplified management layers in pursuit of greater agility and a simpler organizational structure, capable of swifter decision making. In this regard, we achieved a 40% improvement in the number of employees per manager. We have implemented the backup plans for our management positions within Turkcell Group with the "Talent Management" process, whereby in 2016, our internal promotion rate reached 84%.

### HUMAN RESOURCES ANALYTICS

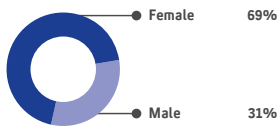
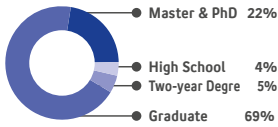
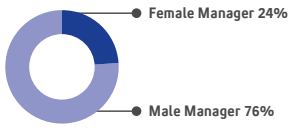
HR Analytics studies conducted to determine Human Resources strategies and actions, with data-based forecasts, were one of our key focus areas this year. We have thoroughly examined our employees' expectations and needs with data mining studies on the employee commitment survey, performance evaluation results and other employee data, and determined the critical factors affecting their commitment to our Company. We have improved all our HR practices by reviewing the data obtained. And overall, we believe that our studies have pioneered the dissemination of the data-based decision-making culture in Turkey in the area of Human Resources.

### NEW APPROACH IN PERFORMANCE MANAGEMENT: FLEX PERFORMANCE SYSTEM

In 2016, we implemented the Flex Performance system, which is compliant with our strategic targets and grounded on each job's own dynamic and needs. The Flex Performance System allows a targeting and assessment process tailored to the needs and dynamics of each job, instead of a uniform performance management system that does not overlap with the realities of the business. With this system, each working group can conduct their own performance management system determined for themselves, and are able to objectively evaluate employee contributions to the realization of business targets. Our new performance management system makes it possible to use multiple performance management applications simultaneously in line with business requirements.



## TURKCELL İLETİŞİM EMPLOYEE PROFILE



While the number of Turkcell Group employees reaches 18,999, the number of Turkcell İletişim employees is 3,870 as of December 31, 2016.

Thanks to the Flex Performance System, our employees will be able to closely monitor the effect of their work in performing tasks assigned them in accordance with their targets throughout the year. And meanwhile, its structure supports continuous feedback. We intend for our new performance system to increase co-operation within our organization through common goals.

With the Flex Performance System, which makes it possible to assign tasks to employees throughout the year in accordance with their targets, and which supports continuous feedback, our employees will be able to closely monitor their performance.

### OUR PROMISES TO EMPLOYEES

We believe that Turkcell's key resource is its employees. The realization of our strategic goals will only be possible through the humanization of our working life, the establishment of ergonomic systems, the pursuit of balance between employees' work and private life, and with happy and connected employees.

With this in mind, in 2016 together with our management team, we have charted the roadmap for our employees enabling the best experience throughout their working lives at Turkcell, while constituting our "Employee Commitments". Thus, together with our management team, we made pledges to our employees on 24 issues that will contribute to their happiness, productivity and development. We believe the vows we made are the key to developing more connected employees and a stronger Turkcell.

### NEXT GENERATION RECRUITMENT: GNÇYTNK

Innovation and technology are inherent in Turkcell's DNA. In 2016, we approached our recruitment process with a new perspective to develop the GNÇYTNK program, with technology at the forefront. Under this program, our young candidates were evaluated through the enjoyable and interactive recruitment processes that we have developed on digital platforms.

The 26,000 young candidates who applied for the program experienced a different recruitment process that relied on digital technologies with online game, online question and web-based interviews stages. Of the young people to have successfully completed the process, this year 165 started to work full time at Turkcell and 125 as interns. Our employees who started to work with the GNÇYTNK program were included in a unique orientation and training program. They experienced an intensive and efficient orientation process featuring virtual reality films about Turkcell, presentations made by senior management, activities that combine games and training, and social responsibility projects. They had the opportunity to get closely acquainted with our customers through visits to our call center and stores. Additionally, our Young Talent employees were involved in the process of setting our three-year strategy, and had the opportunity to present their views and suggestions to senior management.

They worked on Turkcell's product-related projects and developed suggestions, contributing to our business. Approximately 70 of our Young Talents had the opportunity to get to know the Turkcell ecosystem better by paying visits to our overseas business partners, and to observe developments related to our business at the world's best high-tech manufacturing facilities.

### IN 2016, TURKCELL VOLUNTEERS REACHED 2,126 CHILDREN PROVIDING THEM AT LEAST ONE OPPORTUNITY TO LAUGH.

Turkcell Volunteers, formed by a group of Turkcell employees, realized new projects in 2016 with the moral and material support of our employees.

In order to grow up curious, environmentally aware and questioning individuals with strong communication skills and technological literacy, our volunteers' first project was to transform Erzurum 50<sup>th</sup> Year Middle School's seldom used and under-stocked library this year. Accordingly, this idle room was completely renewed, becoming the "Curiosity Room". Today, this room, which now has a beautiful library stocked with brand new books, had become a place where our volunteers talk about various subjects ranging from bees to space, and from trees to art.

Turkcell Volunteers presented books to all children at the Cumhuriyet Primary and Middle School in Artvin's Borçka district, also gifting them new coats and boots to stay warm during winter.

For children with similar needs, our volunteers working in Northern Cyprus also presented sweaters, sportswear and shoes to students of the Şehit Mustafa Kurtuluş Primary School, Polat Paşa Primary School, and Atatürk, Çağlayan, Şehit Doğan Ahmet, Şehit Tuncer and Şehit Ertuğrul Primary Schools in Nicosia.

Our volunteers, who continued the "Choose Your Sibling – Schools Are Opening" projects, which established a special bond between Turkcell Volunteers and 932 children, also contributed to the education life of children in seven provinces; from Sivas to Mersin, Konya Ereğli to Giresun, and Samsun to Urfa, presenting them stationery materials, school bags and special science sets.

With the "I can hear you" project, we learned sign language for the 100 children in the Bornova Tülay Aktaş Hearing Impaired Elementary School in Izmir. In order to surprise them, we realized the school visit after learning the chorus of a song. We practiced with the students and Turkcell Volunteers who were visiting, learnt to dance and prepared a small demonstration together. At the same time, we gave gift packs with personal belongings ranging from sweat suits to slippers, and from toothpaste to tissues, to these children who are of reduced financial means. We also made partial renovations to the rooms of boarding students to raise their standard of living.

## TURKCELL ACADEMY

We demonstrate our commitment to knowledge and technology through our “again and afresh” learning mission at Turkcell Academy. We continue to take important steps towards developing Turkey through education.



with this goal, Turkcell Academy reached 2.1 million people in the Turkcell Group ecosystem and provided a total of 2.6 million hours of training in 2016; the average training time per person was 57 hours. We targeted for our new employees, who started to work at customer contact points and sales teams, to be ready to serve to Turkcell quality standards. We also continued to support and develop our employees in 2016, with the Start of Employment Programs, which include video training, “coaching at work” solutions, and classroom case applications.

### WE ARE INCREASING THE EXPERTISE OF OUR SALES TEAMS.



We are continuously improving the quality of employees of our Turkcell Communication Center (TİM), Turkcell Corporate Solution Center and Fiber Solution Center, in a time sensitive manner.

### WE ARE CONNECTED TO KNOWLEDGE THROUGH TECHNOLOGY BY LEARNING “AGAIN AND AFRESH”!

Since 2006, we have continued our studies at Turkey’s first “Corporate University”, Turkcell Academy, with the mission of delivering information to the masses by blending it with our technology. The basis of this entity is our vision of bringing value to society and the sector in the awareness that our real capital is human. Through Turkcell Academy, we offer the latest technologies in educational development solutions, such as the virtual classroom, web-video, e-learning and mobile learning, while focusing on “equal opportunity in education”. By combining mobile training applications with different learning solutions, we offer firsts to our employees. We apply the most feasible methods in training sessions with no constraints in time or space to sustain individual development. We demonstrate our commitment to knowledge and technology through our “again and afresh” learning mission at Turkcell Academy, which we opened for use across Turkey in 2014, having also digitalized it. We continue to take important steps towards developing Turkey through education.

We are continuously improving the quality of employees of our Turkcell Communication Center (TİM), Turkcell Corporate Solution Center and Fiber Solution Center, in a time sensitive manner. In this direction, and with the leadership of Turkcell Academy, we started the Certification Program specifically prepared for our employees across Turkey. In this program, which we designed to train more competent and well-equipped dealer employees, we have benefited from the experience of Turkcell Academy’s extensive instructor staff and the Certificate Programs of the Digital Academy. Within the scope of the Turkcell Academy Certification Program, we have provided special training sessions to 5,500 employees throughout Turkey. We evaluated the level of employees’ knowledge with the examinations held at 43 locations in 40 cities in August and November. Those who were successful were entitled to participate in the Face to Face Development Center. We prepared development plans for 2017 based on the Development Center Individual Results Reports, which were presented between August and November.



### WE LEAD THE SECTOR WITH TRAINING SOLUTIONS OFFERED TO THE TURKCELL ECOSYSTEM.

With our development solutions, we focus on the advancement of our employees and managers, and ensure the continuity of their performance. We support and develop our business partners as well as promising young people from a technological perspective. In line

We have continued our studies within the context of the Corporate Sales Development Program, which we designed to render Turkcell Corporate Sales teams much more equipped and specialized in providing integrated solutions to our corporate customers. We continued to carry out training sessions on fixed telecom and IT solutions, and workshops that facilitate the transfer of lessons learned to business life, as well as one on one case studies and coaching sessions.



**60 stores**  
 We have implemented the TIM Convergence Development Program for the employees of our 60 stores that have been renewed to focus on customer experience.

**WE SUPPORT OUR EMPLOYEES WITH REGIONAL ACADEMY TRAINERS.**

We have contributed to arriving at solutions tailored to local needs by improving the knowledge and skills of our employees working at Corporate Solution Centers, Fiber Solution Centers and TIMs. We have implemented the TIM Transformation Development Program for the employees of our 60 stores that have been renewed to focus on customer experience. And we enabled our customers at TIMs to say: "I'm glad I bought it from Turkcell," and "Turkcell Finds Me Solutions!". The program, which was attended by employees and store managers, included topics on retailing, smart devices, customer processes and systems, one-stop service and sales skills, as well as unique customer experience, store management, digital and classroom training and learning enhancing simulation applications.

**WE ARE ENHANCING EXPERTISE THROUGH OUR TECHNOLOGY DEVELOPMENT PROGRAMS.**

Increasing the awareness of Turkcell employees in particular, on one of the most critical and trendy topics in the world of technology: "big data," and ensuring that they gain expertise on the subject matter, remain among our key focal points. With the "Data Scientist Bootcamp Development Program," participants have developed their competencies in strategic decision-making, risk management and innovative product development by conducting project studies, in addition to gaining theoretical knowledge on big data analysis. Within the scope of Bootcamp, we cooperated with Coursera and EdX and carried out certified training on Data Scientist.

Managing Data Centers effectively and efficiently and specializing in Data Center technologies are among the most important issues in the field of technology. Therefore, we launched the Data Center Expertise Program in order to increase the competencies of our technical teams working on this issue.

To sustain superior Turkcell network quality, we have designed a special program for our Regional Solution Partners, where around 2,500 people in our ecosystem work. Within the context of the program, we studied Mobile Network, Fixed Network, 4.5G Technology, and Tower Infrastructure Systems with mixed training methods.

**WE OFFER THE PERFECT 4.5G EXPERIENCE.**

The most important technological development for Turkcell in 2016 was 4.5G. We have designed the 4.5G Development Program through Turkcell Academy for the development of our employees, as well as regional solution partners, dealers and customers. With this program, we aimed to equip the technical teams responsible for installation, and all employees who will ensure 4.5G convergence at customer service points, as well as the Turkcell customers themselves. We have been providing a smooth 4.5G experience since April 1, 2016, thanks to the 3-step training, which we have named "Convert Network", "Convert Information" and "Convert Life".

**WE ARE PREPARING FOR THE FUTURE WITH THE "CONVERGENCE DEVELOPMENT PROGRAM".**

Aimed at becoming a leader in the integrated telecom market, Turkcell Group launched the "Convergence Project" in 2015. Within the scope of the project, all employees of Turkcell Group and customer contact points were targeted to converge; that is, it was targeted for them to have a grasp of our fixed and mobile products and services, and our future goals, thereby providing our customers the best possible experience.

As Turkcell Academy, we undertook the responsibility of designing and implementing the most appropriate development program, which ensures convergence of the culture, knowledge and skill of approximately 20,000 people, in order for the project to achieve its goal.

## TURKCELL ACADEMY

Through Turkcell Academy, we support young people on their path to development with university-industry co-operation to train qualified human resources for the sector.



**We continued to develop Turkcell Group leaders in 2016 with programs targeting around 700 managers from new executive to CXO level through the leadership and talent development solutions we offer.**

### **WE RAISE INNOVATIVE TURKCELL LEADERS OF THE FUTURE WITH MIT.**

Turkcell Academy, which has initiated the GNÇYTNK training program with the aim of raising the innovative Turkcell leaders of the future, has signed a new cooperation with the Massachusetts Institute of Technology ("MIT"), one of the leading universities in the world. Turkcell - MIT Leadership and Innovation Boot Camp Program is the first training program prepared by the MIT for a company. GNÇYTNKs, who participated in the MIT's world famous "New Venture" program, also were trained in setting up business plans and developing presentation skills while learning global new technologies and global product / service life cycles.

After a week of very intense program, among the successful teams that have presented their projects to Turkcell and MIT juries, the first 3 projects and teams will continue to work in the MIT Boston Campus in May 2017. The champion "Internet of Things, Face Recognition Systems and Video Call" projects will continue to be developed by the world-renowned professors and mentors.

### **WE TRAIN LEADERS TO CARRY US TO THE FUTURE.**

We continued to develop Turkcell Group leaders in 2016 with programs targeting around 700 managers from new executive to CXO level through the leadership and talent development solutions we offer. This year we have in particular transformed the two-year development program for the new executive level into a three-year development journey of "self-team-business" focus. We aimed for the program to contribute to our goals and business results. Unlike previous years, we have initiated the Function Specific Leadership Programs.

### **WE EMBRACE TURKCELL OVERALL WITH PROGRAMS FOR LIFE.**

We also carried out Programs For Life (HAP) trainings prepared by Turkcell Academy to support personal development in 2016. In addition to experimental hands-on trainings, we contributed to our employee's commitment through training sessions, in which they can participate with their spouse, and have enabled our employees to participate in trainings through live broadcast throughout Turkey, by leveraging technology.

### **WE SUPPORT YOUNG PEOPLE THROUGH UNIVERSITY-INDUSTRY COOPERATION.**

Through Turkcell Academy, we support young people on their path to development with university-industry co-operation to train qualified human resources for the sector. Within this context, we have delivered a qualified work force to the IT sector by accessing more than 2,500 students in 15 universities with nine certificate programs prepared with the corporate knowledge and experience of Turkcell Academy in the October 2015-December 2016 period. We brought Turkcell Group managers together with more than 16,000 students from 50 universities, at more than 70 events. During the events, we pioneered the sharing of Turkcell's vision on topics such as "Transformation in Society with 4.5G", "New Technologies", GNÇYTNK, and leadership.

## TURKCELL DIGITAL ACADEMY

We add value to society with the collective power of knowledge. We have continued to add value to society through our studies to bring individuals and sectors closer with the help of the unifying power of information through Turkcell Digital Academy, launched in 2014. We have also cooperated with many renowned education platforms in the world. We took a giant step to enable equality of opportunity in education in cooperation with the Khan Academy Turkish, known as the free learning platform, boasting the richest content in the world. In this context, we provided young people with the opportunity to access the rich and high quality Turkish education, which will help in their lessons, under the category of Khan Academy Turkish at Turkcell Academy. From the first year until the end of the 12<sup>th</sup> grade, we have enabled Turkcell customers to benefit, free of charge, from data available on the platform, which hosts supporting sources on all courses pertaining to formal education, and an archive available to licensed students.

Since 2014, Digital Academy has offered more than 3,000 items of educational content and attracted 20 million educational views, while teaching English lessons and preparing more than 700,000 people for tests. Having been downloaded by more than 1.2 million users, the Digital Academy has quickly become an important source for individuals and institutions, with its rich content. In 2016, through Turkcell Digital Academy platform, we provided development categories such as English, Preparation for Exams, Certificate Programs, Useful Information for SMEs, Personal Development, Entrepreneurship, Innovation, Technology, Education without Boundaries, and Khan Academy Turkish.

### WITHIN THE SCOPE OF SOCIAL RESPONSIBILITY, WE ARE UNDERSIGNING PIONEERING MOBILE APPLICATIONS IN EDUCATION.

Since the foundation of Turkcell Academy, we have undersigned leading mobile applications in education within the scope of our social responsibility. We are working on the employment and education of the disabled, and lifting the barriers they face in daily life. We also contribute to raising awareness on this matter through the Education without Boundaries program. With the basic trainings offered at the Turkcell Digital Academy, we support the development of both the disabled and their families.

### WE ENABLE ALL OPERATORS TO SERVE THEIR SYRIAN CUSTOMERS

We also enable all operators to serve their Syrian customers through the Hello Hope mobile application that Turkcell Academy launched in 2016. By using this application, developed by Turkcell Academy as a world first, native Arabic speakers can learn those words and phrases most frequently used in Turkish, both vocally and in writing. In addition to the feature of language

learning, they also benefit from simultaneous audio translation from Turkish to Arabic and Arabic to Turkish. In addition to the features of the application allowing access to critical information that facilitates daily life, there are also location-based services that help to register, access healthcare services and locate the closest service points. Users can call Turkcell's Arabic Call Center with one touch through the application.

### WITH TURKCELL ACADEMY CORPORATE, WE BECOME THE EDUCATION BUSINESS PARTNER OF CORPORATES.

We offer end-to-end services for our corporate customers with online trainings, which enable our own employees' development path to be more efficient through Turkcell Academy Corporate launched in 2015. With new generation learning methods and education consultancy services, we help to develop close to 100,000 employees from companies of diverse dynamics and operating in sectors ranging from retail, health, and technology, to finance, food, services, and energy, across Turkey and around the world. We contribute to the more efficient development of those institutions' ecosystems and way of doing business.

Employees can utilize the training sessions anytime, anywhere and are evaluated through the examination system, having access to the most up-to-date and accurate information through the Turkcell Academy education infrastructure.

### WE ARE BUILDING ON OUR GLOBAL SUCCESS WITH NEW AWARDS.

Turkcell Academy, which has won more than 35 prestigious international awards, was also awarded three prizes in 2016 at the Brandon Hall Group Excellence in Learning Awards with its training and development projects prepared for "4.5G" and "Convergence". Indeed, Turkcell Academy, annually the recipient of prizes at the awards organization held by Brandon Hall, one of the most prestigious consulting companies in the world, has added further achievement to its global success. This year, Turkcell Academy received awards in the categories of "Best Sales Training and Performance Program", "Best Business Strategy Transformation Support Program" and "Best Creative and Extensive Education Initiative Program".

Turkcell Academy has won 3 prizes at Brandon Hall HCM Excellence in Technology Awards with the Turkcell Academy Corporate Education Management Platform, My Academy Mobile Application and Turkcell Service Sales Model Simulation. Turkcell's success was registered in the "Best Development in Education Management Technologies" category, with the Turkcell Academy Corporate; at the "Best Mobile Education Technology" category, with My Academy Mobile Application; and at the "Gaming and Simulation Applications" category, with the Turkcell Service Sales Model Simulation.

**1.2 million**

Having been downloaded by more than 1.2 million users, the Digital Academy has quickly become an important source for individuals and institutions, with its rich content.



Since the foundation of Turkcell Academy, we have undersigned leading mobile applications in education within the scope of our social responsibility.

## INTERNATIONAL SUBSIDIARIES

By the end of 2016, lifecell had 3.3 million 3-month active 3G data users, while its smartphone penetration was at 57% level.



**12.4 million**  
100% owned by Turkcell,  
the number of lifecell's  
3-month active subscribers  
as of 2016 year end was 9.2  
million, while the number of  
registered subscribers was  
realized at 12.4 million.

### UKRAINE:

Established in February 2005 to provide mobile service in Ukraine, lifecell covers 99% of Ukraine's population and 95% of its land area. 100% owned by Turkcell, the number of lifecell's 3-month active subscribers as of 2016 year end was 9.2 million, while the number of registered subscribers was realized at 12.4 million.

Since January 2016, operating in Ukraine under a new brand of lifecell, the Company has already launched a number of new services and products. Among them – BiP messenger that has gained the popularity with young people as a convenient and attractive tool for communication.

In summer lifecell launched absolutely new business direction – terminal sales, offering its clients the most popular smartphones models together with the bunch of mobile services. In September the operator started to promote smartphones sales with the launch of an own web shop. Today it offers popular phones with free delivery service throughout Ukraine.

lifecell acquired the most advantageous frequencies range at the national tender, organized by the Ukrainian Regulatory Government Committee in February 2015. Enjoying this advantage, the support by the parent Company and striving to provide innovative services of the best quality, lifecell made a great contribution in 3G development in Ukraine. By the end of 2016 the operator was the leader in geographical 3G coverage and speed, providing 3G+ technology on the territory, inhabited by more than 25 million people. lifecell provides 3G services in 24 regions of Ukraine (except the territory of the Autonomous Republic of Crimea temporarily occupied by Russia) and plans to deploy its 3G network in residential areas with 10 thousand inhabitants within 6 years after the moment of license acquisition.

As at the end of 2016, lifecell had 3.3 million 3 months active 3G data users and a 57% smartphone penetration.



**99.6%**

**Being the first operator to launch 3G services in Belarus in November 2009, BeST increased its coverage to 99.6% (geographical coverage 97.7%) as of 2016.**



lifecell, enhancing its innovative and solicitous image, arranged several big entertaining and educational events for Ukrainians in 2016. Thus, at the end of May all Kyiv citizens as well as the guests of the city got the opportunity to enjoy a spectacular 3D Mapping Show, telling about the inventions made by Ukrainians in different times. On April 2016 within the socio-educational program ‘lifecell universities’ the operator launched a special laboratory for students of technical specialties at the National Technical University “Igor Sikorsky Kyiv Polytechnic Institute”. It became the first stage of the project, the main idea of which is to provide the biggest technical universities of Ukraine with modern telecom equipment.

To support roaming customers lifecell has signed a memorandum with the Ministry of Foreign Affairs in July. As a result, the operator joined the programme to send SMS to inform roaming customers of emergency situations in the destination country, providing support with text messages that contain contact information for Ukrainian embassies, and opportunity to call Ukraine free.

At the end of August, 3 lifecell branded trucks started their journey round Ukraine from Kyiv. And for about a month they were bringing knowledge about 3G technology and its possibilities to dwellers of small towns and inhabited settlements.

In terms of new technologies development in August lifecell has tested a new 4.5G network and became the speed leader in this technology in test environment with Huawei equipment reaching maximum download speeds of 1.5 Gbps/s thanks to five band aggregation.

Also in September lifecell began to support football in Ukraine becoming the Technology Sponsor of the National Football team and Premium-Sponsor of the football club Dynamo Kyiv which is one of the most prominent and popular football clubs in Ukraine.

In December lifecell CEO signed the Letter of Declaration on cooperation in the framework of the development of 5G in Ukraine with the Director of “Huawei Ukraine” and Head of Ericsson in Ukraine. Signing of this Letters in Ukraine by each of the partner companies has become an important local result of a global Memorandum signed by Turkcell with Ericsson and Huawei in 2015.

With annual revenue growth of 8.1% in local currency terms by increasing data usage of 3G+, lifecell EBITDA EBITDA margin was 28%. In Turkish Lira terms, lifecell’s revenue rose 1.1% to TRY 571 million in 2016, due to annual depreciation of the local currency.

**BELARUS:** 

Belarusian Telecommunications Network (BeST) shares were purchased by Turkcell in July 2008. Being the first operator to launch 3G services in Belarus in November 2009, BeST increased its coverage to 99.6% (geographical coverage 97.7%) as of 2016. BeST, which is the third operator in the market with 1.6 million customers, launched its 4G service in August 2016, on common LTE infrastructure established by beCloud. BeST aims to offer new mobile services to the Belarus market, in parallel with Turkcell’s strategy of providing global services in the days to come, while offering a wide commercial product portfolio covering a diversity of data packages.

With growing subscriber base and device sales, BeST has increased its revenues on local currency by 19.4% in 2016 to reach BYN 98.6 million. On the Turkish Lira basis, revenues increased by 5.9% and realized as TRY 150 million.

**NORTHERN CYPRUS:** 

Kuzey Kibris Turkcell was established in 1999 as a 100% Turkcell-owned affiliate. Having operated until 2007 as part of a revenue-sharing agreement with the Northern Cyprus Telecommunication Department, the Company signed an 18-year GSM license contract in the same year. And having begun to offer 3G products and services in October 2008, Kuzey Kibris Turkcell started the initial studies of 4G technology in 2009 and ran tests in 2014. In 2016, it undersigned a first for Turkcell Group, in the TRNC and in the world, by launching its new digital brand lifecell, which exclusively operates via the internet.

The Company is the market leader in the TRNC with an infrastructure covering 100% of the population, and has a market share of 62% according to data from the Information and Communication Technologies Authority as of the third quarter of 2016.

Kuzey Kibris Turkcell’s revenues rose by 3.8% to TRY 135.9 million in 2016.

**GERMANY:**

Turkcell Europe, which was established in Germany as a Virtual Mobile Network Operator in 2010, continues to operate through a “Marketing Partnership” agreement with Telekom Deutschland Multibrand (TDM) signed on August 27, 2014. As per the new business model, the customers and operations of Turkcell Europe were transferred to TDM on January 15, 2015. The Turkcell Europe brand continues to provide services to its subscribers in Germany.



**Kuzey Kibris Turkcell is the market leader in the TRNC with an infrastructure covering 100% of the population, and has a market share of 62% according to data from the Information and Communication Technologies Authority as of the third quarter of 2015.**

## DOMESTIC SUBSIDIARIES

Global Tower, Turkey's first and only independent tower infrastructure company also operates in international markets such as Ukraine, Belarus, TRNC, in addition to Turkey.



Global Tower, Turkey's first and only independent tower infrastructure company also operates in international markets such as Ukraine, Belarus, TRNC, in addition to Turkey. Global Tower\*, which is the 5<sup>th</sup> largest independent tower Company in Europe in terms of the number of towers, is a 100% subsidiary of Turkcell.

Global Tower has 5 main operational areas:

**Rental services:** "Leasing Services" capture the largest share with 80% from Global Tower's total revenues. The company also offers its leasing services to Turkcell Group and customers outside Turkcell Group including mobile operators, internet service providers (ISPs), radio and television broadcasters, local and administrative agencies and network service providers.

**Build and sell services:** Global Tower offers a variety of turnkey, build and sell services such as field research and acquisition, procurement, planning and installation.

**Contract management services:** The Company provides land lease contract management services for areas owned by Turkcell with no right to lease, as well as for certain rooftop areas.

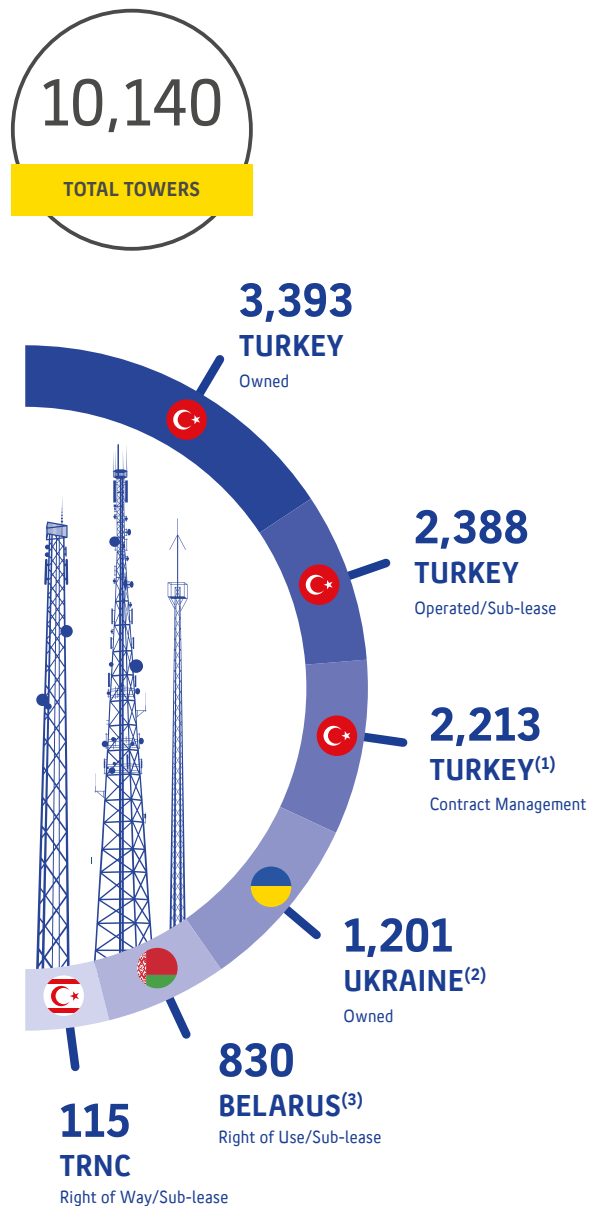
**Maintenance services:** Global Tower offers passive infrastructure maintenance service for all the areas owned by Turkcell.

**Other:** As part of its full range of services, Global Tower also offers a variety of other services for its customers in Turkey, including cogeneration energy solutions, energy transmission line solutions and tower dismantling for the Turkcell Group.

Global Tower stands out in the sector with the following strengths:

- It is an international player in the growing telecommunications industry, with high operational leverage and strong cash flow.
- It has a specified revenue stream defined with long term contracts and with its strong, prestigious customer portfolio.
- It has the opportunity to focus on the main operational area through low initial investment expenditure using the infrastructure sharing model and outsourcing in operations.

### SITE PORTFOLIO



<sup>(1)</sup> Source: Tower Exchange

<sup>(2)</sup> Excluding rooftops and other.

<sup>(3)</sup> The number of Ukrainian towers includes mobile and indoor systems, and excludes non-operational towers in the Crimea.

<sup>(4)</sup> In Belarus, the right of use agreement has been signed for 767 out of 830 towers, which were evaluated for ownership, while negotiations for the others are ongoing.



**Global Tower recorded TRY 162.3 million in revenues and an EBITDA of TRY 54.2 million in the first six months of 2016. The adjusted EBITDA margin stood at 53.8% while the adjusted free cash flow\* was realized at TRY 49.8 million.**

- It has an attractive dividend distribution policy with the aim of distributing at least 75% of the annual distributable net income as dividends.
- Organic growth is sustained through strong capital structure, low indebtedness and solid balance sheet, while inorganic growth opportunities are being evaluated in a disciplined manner.

Global Tower recorded TRY 162.3 million in revenues and an EBITDA of TRY 54.2 million in the first six months of 2016. The adjusted EBITDA margin stood at 53.8% while the adjusted free cash flow\* was realized at TRY 49.8 million.

\* Adjusted figures are calculated on net revenues excluding pass-through revenues.

#### TURKCELL GLOBAL BİLGİ

Turkcell Global Bilgi offers new generation creative solutions in customer service by closely monitoring the technological innovations in addition to its 17 years customer experience. With this understanding, it delivers special solutions for the needs of more than 60 companies, including Turkcell.

With 14 locations in Turkey and 4 locations in Ukraine, Turkcell Global Bilgi operates in 18 locations in total as of the end of 2016 and provides employment to approximately 12 thousand people, with a table capacity of 8 thousand. Turkcell Global Bilgi, which is ranked first both in Turkey and in Ukraine in terms of revenues in the call center outsourcing market, is among the top 500 IT companies in Turkey.

Turkcell Global Bilgi, which realized the first technology investment in the east of Turkey with the Erzurum Call Center, is also the first, and still the only Turkish call center to serve abroad with its Ukrainian investment. With 7,000 women employees, the ratio of women employed in total at Turkcell Global Bilgi is 61%.

Turkcell Global Bilgi has won first prize in the category of "Best Customer Experience" at ContactCenterWorld's "2016 Top Ranking Performers" awards, which is among the world's largest organizations of the call center industry. Together with this prize, Turkcell Global Bilgi has won first place in the world 9 times in total in different categories of the same awards over the past eight years.

Turkey's Customer Experience Solutions Center, Turkcell Global Bilgi, creates value for companies with its services that range from customer satisfaction management to revenue growth. Turkcell Global Bilgi manages communication with the end consumer from many channels such as face-to-face service, telephone, audio and video response systems, e-mail, SMS, web chat and the next generation customer experience platform BiP. It also develops tailor-made solutions for its customers through its design team, which handles customer services end-to-end to create a unique customer experience.

**12 thousand**  
With 14 locations in Turkey and 4 locations in Ukraine, Turkcell Global Bilgi operates in 18 locations in total as of the end of 2016 and provides employment to approximately 12 thousand people, with a table capacity of 8 thousand.

#### TURKCELL FİNANSMAN (CONSUMER FINANCE COMPANY)

Turkcell Finansman A.Ş. received its operational permit from the Banking Regulation and Supervision Agency in March 2016 and started to serve in approximately 3,000 Turkcell stores throughout Turkey with Financecell brand, by carrying Turkcell quality to the finance sector to provide flexible payment solutions to customers' equipment needs through financial loans.

Turkcell Finansman A.Ş. has granted approximately TRY 3 billion in loans to around 2 million customers within a short period of time and became one of the most important players in the Turkish financing sector with an asset size of more than TRY 2.5 billion.

#### TURKCELL ÖDEME HİZMETLERİ (PAYMENT SERVICES COMPANY) - PAYCELL

Established at the beginning of 2015, Turkcell Ödeme Hizmetleri A.Ş. operates as the first licensed operator subsidiary of Turkcell in the area of mobile payment with a payment institution license obtained from the Banking Regulation and Supervision Agency on August 12, 2016.

Turkcell Ödeme Hizmetleri A.Ş. aims to continue adding value through alternative payment solutions in Turkey and its region by expanding its product and customer portfolio, which provides quick and easy payment services to over 2,000 member merchants and over 5 million customers with its Paycell brand.

#### TURKCELL TEKNOLOJİ

Turkcell Teknoloji is conducting its R&D and innovation activities in Küçükalyı Teknoloji Plaza with over 700 R&D personnel, as one of Turkey's largest R&D centers serving from one location.

In addition to Turkcell Group; this center, which carries out its product and service development processes end-to-end under a single structure, delivers services to 15 countries with diverse products, services and infrastructures.

The Company's focus areas are as follows: Big Data Processing, Business Intelligence Applications, Customer Relations Management and Solutions, Network Management Solutions, Location Based Technologies, Next Generation Value Added Services, SIM Technologies, Mobile Financial Systems, Music and Entertainment Services, IP TV Services, Revenue Management Competencies, Cloud Computing, Terminal Applications, Mobile Marketing Solutions, Internet of Things (IoT), Campaign Management Systems.

\* As at 20 February 2017 the trade name of Turkcell Ödeme Hizmetleri A.Ş. has changed as Turkcell Ödeme ve Elektronik Para Hizmetleri A.Ş.

## DOMESTIC SUBSIDIARIES

Turkcell Teknoloji continues to maintain its technology and software export activities in the Commonwealth of Independent States, the Middle East, Africa and Europe. Sales and maintenance after sales operations are carried out with 24 products abroad.

### *Turkcell Teknoloji maintains its technology activities in abroad*

Turkcell Teknoloji continues to maintain its technology and software export activities in the Commonwealth of Independent States, the Middle East, Africa and Europe. Sales and maintenance after sales operations are carried out with 24 products abroad. Both designed and developed by Turkcell Technology, RoamSelect is used in 10 countries, SimSelect in 7 countries and Campaign Management System (CMS) in 6 countries.

Turkcell Teknoloji aims to be a pioneering technology company on a global scale with its national and international patent applications. The patent application process is a significant contributor for Turkcell Teknoloji services and products to make a difference, be competitive, and have the export potential. The Company continues to work intensively for increasing the awareness of the process, and shares this experience with the universities, SMEs and other business partners. With

513 national and 56 international patent applications filed since 2008, Turkcell Teknoloji is the leader of the telecommunications sector in Turkey. Turkcell Technology, which ranked second in patent applications in 2015, aims to maintain its leadership of its sector in the long term.

Carrying out its R&D activities on the EUREKA platform within the context of its international business partnerships, Turkcell Teknoloji continues to actively participate in H2020 events and work on new project applications. Turkcell Teknoloji has been investing much effort into its responsibility as a Board of Directors member at the ITEA3 and CELTIC+ league and in bringing SMEs within its ecosystem into to the international platform with the support of TUBITAK. The experience gained through joint participation in ITEA projects continues with international leadership in various projects during the operational period, while other Turkish companies in the national innovation ecosystem are also being encouraged to participate in international business partnership platforms.

Turkcell Teknoloji has "human" oriented R&D and innovation strategies. Giving academic development opportunities to Turkcell Teknoloji researchers who are

involved in these processes, is also a part of this strategy. In this context, a joint graduate/doctorate program in association with the Özyeğin University is initiated within the Company every year since 2013, and students are accepted. Through this program, where the courses take place at the Turkcell Teknoloji R&D Center, academic research and the adoption of research results within Turkcell Teknoloji itself, are encouraged.

Turkcell Teknoloji continues its university level cooperation in line with the Strategic Focus Areas determined at the beginning of 2016. Through new university cooperation, information regarding universities' research focus areas, postgraduate programs, research laboratories and primary research topics, research project portfolios and their involvement in incentive projects is being obtained and new project applications realized.

**İNTELTEK** *inteltek*  
İstanbul Menkul Değerler  
Pazarı ve Derneği Üyesi

İnteltek (owned 55% by Turkcell, 20% by Intralot SA, and 25% by Intralot Iberia Holding SA) conducts Head Agency, Central System Administration and Risk Management operations within Turkey's Sports Betting Administration, through an exclusive contract signed with Spor Toto Teşkilat Başkanlığı ("Spor Toto").

İnteltek is one of the world's largest operators in the state-controlled betting games sector with its "iddaa" game and brand. The added value of "iddaa" in terms of tax and public contribution to the Turkish economy exceeded TRY 3.5 billion in 2016.

İnteltek has been successfully operating in the same field in Azerbaijan through its 51% subsidiary "Azerinteltek" and "Topaz" brand.

**513**

**With 513 national and 56 international patent applications filed since 2008, Turkcell Teknoloji is the leader of the telecommunications sector in Turkey.**



**Turkcell Teknoloji continues its university level cooperation in line with the Strategic Focus Areas determined at the beginning of 2016.**

## AWARDS



**We have won the first prize with the My Dream Companion Audio Description service at the Global Mobile Awards, organized within the GSMA Mobile World Congress, and recognized as the Oscar of the mobile world.**

### JANUARY

#### *Mobile Excellence Awards*

The winners of the Mobile Excellence Awards, which has been organized for the 8<sup>th</sup> time this year, were announced at CES 2016. Our Turkcell Connect project has won the major prize in the "Best International Category".

#### *Webrazzi Awards*

Our Company has been chosen as the "Best Social Media User Brand" by Webrazzi readers.

#### *European Business Awards*

Turkcell Academy has become the country champion in the "Customer Focus" category at the European Business Awards, and was authorized to represent our Company for the "Ruban d'Honneur" prize, for which all European winners will be competing.

#### *AI Deal of the Year Awards*

Our Company's acquisition of Euroasia Telecommunications has been selected as "The Netherlands TMT Deal of the Year" in the telecommunications, media and technology (TMT) sector in the Netherlands.

### FEBRUARY

#### *Global Mobile Awards*

We have won the first prize with the My Dream Companion Audio Description service at the Global Mobile Awards, organized within the GSMA Mobile World Congress, and recognized as the Oscar of the mobile world. The award, in the "Best Use of Mobile for Accessibility and Inclusion" category, was received by our CEO Kaan Terzioğlu on behalf of our Company.

#### *Mixx Awards*

Our Company has received 2 Golden, 3 Silver and 2 Bronze Mixx Awards at Mixx Awards Turkey.

Our Awards;

- Gold Mixx in the Rich Media Display Advertising Category with Turkcell TV+ "Travel in Time"
- Gold Mixx at the IAB MIXX Awards, one of the world's most prestigious competitions, in the Location Based Advertising Category with Turkcell Connect "Internet on Offline Mode"
- Silver Mixx in the Native Advertising Category with Turkcell TV+ "Travel in Time"
- Silver Mixx in the Mobile Brand Destination Sites and Micro Sites Category with Turkcell Connect "Internet on Offline Mode"
- Silver Mixx in the Interactive Out of Home Category with Turkcell Connect "Internet on Offline Mode"
- Bronze Mixx in the Mobile Campaigns Category with Gnçtrkcll "We have to Talk"

### MARCH

#### *The Stevie Awards*

We won silver in the "Innovation in Customer Service - Telecommunication Industries" category at the Stevie Awards, one of the world's key awards in the field of customer experience with "Out of the Box Super Heroic Stories" initiated at Turkcell Superonline.

### APRIL

#### *5<sup>th</sup> Turkish Patent Awards*

Turkcell has become the second best in Turkish patent league in 5<sup>th</sup> Turkish Patent Awards, which has organized by Turkish Patent Institute.

#### *Most Admired Companies of Capital Turkey*

We were selected as the most admired company in Turkey in the telecom sector with the votes of 1,600 executives from over 700 companies in "Turkey's Most Admired Companies" research conducted by Capital Magazine. Our Company was named the second most admired company in Turkey in the general ranking.

### MAY

#### *Turkey Youth Awards*

Our CEO Mr. Kaan Terzioğlu has been named "CEO of the Year" at the Turkey Youth Awards organized by the MCD Youth Club, the MCD Youth Agency and the World Youth Policy Association.

#### *Effie Turkey*

We won the Bronze prize in the Internet/Telecom category with Turkcell Superonline's My Super Home Campaign.

#### *A.L.F.A. Awards*

We have been ranked first in the "Communication" category within the context of the A.L.F.A. awards organized in association with Marketing Türkiye and Şikayetvar.com. A.L.F.A. Awards, Turkey's first experience management index, reward brands that best manage the complaint process.

## AWARDS



**1.2 Gbps**  
Turkcell Finansman A.Ş. received the "Innovation in Customer Services" award and the 1.2 Gbps speed test, conducted by Turkcell, received the "Mobile Infrastructure Innovation" award for 5 Carrier Aggregation Technology.

### **GTB Telecoms Innovation Awards**

Both of our nominees, who advanced to the final, were deemed worthy of prizes at the Telecoms Innovation Awards 2016 organized by Global Telecoms Business. Turkcell Finansman A.Ş. received the "Innovation in Customer Services" award and the 1.2 Gbps speed test, conducted by Turkcell, received the "Mobile Infrastructure Innovation" award for 5 Carrier Aggregation Technology.

### **Turkish Public Relations Association ("TÜHİD") Golden Compass Awards**

Our Company has received the "Sponsorship Communication" award at the 15<sup>th</sup> Golden Compass Turkish Public Relations Awards, organized by TÜHİD. We have received the Sports Sponsorship award for our sponsorships of the Visually Impaired Football National Team and the League of Those Who See the Voice, as well as communication studies realized for the projects.

### **JUNE**

#### **EMEA Finance Awards**

At the EMEA Finance Achievement Awards organized by EMEA Finance Magazine, we received the "Best Corporate Bond in EMEA" award for our Eurobond issuance.

#### **Ekovitrin Stars of the Year Awards**

Our CEO Mr. Kaan Terzioğlu has been named "CEO of the Year" at the Stars of the Year Awards, organized for the 15<sup>th</sup> time by Ekovitrin, the international monthly economy and business world magazine.

#### **The Loyalty Magazine Awards**

Our Company picked up the "Organization of the Year" prize at the Loyalty Magazine Awards; the organization is recognized as the most important in the EMEA region in the field of customer loyalty. Having advanced to the final in 12 categories, Turkcell has been awarded in the "Best Use of Gamification to Enhance Loyalty" category for the GNÇ application, and the "Best User Experience" category for the Turkcell Platinum Application". Additionally, Turkcell Transformer Security Service (Turkcell Trafom Güvenliği) has received the "Gamechanger of the Year" award.

### **JULY**

#### **LACP Vision Awards**

Our company was deemed worthy of the Silver Prize in the Annual Report Competition within the context of LACP 2015 Vision Awards.

### **SEPTEMBER**

#### **Brandon Hall**

As Turkcell Academy, our Convergence and 4.5G Development Programs have been granted excellence awards by Brandon Hall, one of the most prestigious consulting companies in the world. We have received prizes with the Convergence Development Program in the field of the "Best Learning Program Supporting a Change Transformation Business Strategy", and with 4.5G Development Program in the field of "Best Advance in Creating an Extended Enterprise Learning Program".

#### **Lovie Awards**

We won a prize in the "Digital Campaign" category at the Lovie Awards with the Letters to Gallipoli project.

### **OCTOBER**

#### **Turkey Reputation Index Survey**

As Turkcell, we have been the most prestigious brand of our country in the GSM sector in the Turkey Reputation Index Survey conducted by the Turkey Reputation Academy for the fifth time.

#### **Crystal Apple**

As Turkcell, we have been granted 9 prizes at the Crystal Awards, which is one of the most important organizations in the field of advertising in Turkey. These prizes are as follows:

#### **fizy**

- Creative/Innovative Use of the Social Media Platform – Crystal Apple
- Digital Advertising/Use of Medium Which Break Taboos – Bronze Apple
- Use of Media/Use of Web – Bronze Apple
- Use of Media/Most Innovative Technology – Use of Digital Media – Bronze Apple

#### **Turkcell TV+**

- Radio Service – Crystal Apple
- Radio Campaign – Silver Apple
- Technology Services – Bronze Apple



**The Turkcell My Dream Companion was deemed worthy of the major prize in the "Innovation in Social Impact" category, at the 13<sup>th</sup> Meffys organized by the Mobile Ecosystem Forum.**

#### **Letters to Gallipoli**

- Most Creative Social Responsibility Campaign – Silver Apple

#### **BiP**

- Technology Service Film – Silver Apple

#### **Digital Impact Awards**

Letters to Gallipoli were deemed worthy of awards in three separate categories within the scope of the Digital Impact Awards. We received the bronze awards in the "Best Corporate Viral Campaign", "Best Online Video Usage" and "Technology, Media & Telecommunication" categories.

#### **NOVEMBER**

#### **MMA Smarties**

We have been awarded the Silver prize in the "Brand Awareness", and Bronze prize in the "Innovation" with the Dialogue Museum at the MMA Smarties Turkey, organized for the third time. Additionally, the "What a Beautiful Thing Football Isl!" project has been deemed worthy of the Bronze prize in the "Mobile Web Site" category. And at the MMA Smarties EMEA, organized on November 22; the "Dialogue Museum" received the Gold prize in the "Brand Awareness" category, and "What a Beautiful Thing Football Isl!" received the Bronze prize in the "Mobile Web Site" category.

#### **IPRA Golden World Awards**

We have won the big prize with our "Visually Impaired Football National Team" and the "League of Ones Who See the Voice" sponsorships, in the sponsorship category at the Golden World Awards organized by IPRA.

#### **ContactCenterWorld**

Turkcell Global Bilgi has been ranked the first in the world in the "Best Customer Experience" category at the ContactCenterWorld's "2016 Top Ranking Performers" awards.

#### **Felis Awards**

As Turkcell, we have won the first prize in four categories and received two achievement awards within the scope of Felis Awards this year. "Turkcell My Dream Companion" has won the first prize in three categories: (Media Category: Target Audience - Special Target Mass, Masses; Media Category, Sectoral: Communication – Telecommunication; Health Communication and Good Life Categories: Best Corporate Social Responsibility Campaign), and "What a Beautiful Thing Football Isl!" won the first prize in a category: (Media Category, Medium: New Technology).

#### **DECEMBER**

#### **Meffys**

The Turkcell My Dream Companion was deemed worthy of the major prize in the "Innovation in Social Impact" category, at the 13<sup>th</sup> Meffys organized by the Mobile Ecosystem Forum.

#### **European Excellence Awards**

We have been awarded for "Letters to Gallipoli" in the Turkey category at the European Excellence Awards.

#### **InovaLIG 2016 Awards**

As Turkcell, we ranked third in the "Innovation Resources" category at InovaLIG 2016 organized in association with the Turkish Exporters Assembly ("TİM") and international management consultancy firm A.T. Kearney. Our Company has also received the Technology Development Special Prize at the Turkey Innovation Week organized at the same time by TİM.

#### **Capital 500**

Turkcell has ranked second in the category of "The Most Profitable Companies" in the "Top 500 Private Companies Survey of Turkey" conducted by Capital magazine. The companies were evaluated in terms of revenue, profitability, export and employment figures, and given 24 awards in 8 categories during the survey, which was conducted for the 19<sup>th</sup> time.

#### **Bosphorus IT Awards**

As Turkcell, we have been named the "Best Mobile Operator" through ballot and jury evaluation, at the Bosphorus Information Technologies Awards organized by Bosphorus IT Club (Compec). Turkcell Superonline has been named "Best Internet Provider" in the same organization.

#### **Brandon Hall HCM Excellence in Technology Awards**

Turkcell Academy has been deemed worthy of three separate prizes within the scope of the Turkcell Academy Corporate Education Management Platform, My Academy Mobile Application and Turkcell Service Sales Model Simulation at the Brandon Hall HCM Excellence in Technology Awards. Turkcell's success was registered in the "Best Advance in Learning Management Technology" category, with Turkcell Academy Corporate; in the "Best Advance in Mobile Learning Technology" category, with the My Academy Mobile Application; and in the "Best Advance in Gaming and Simulation Technology" category, with the Turkcell Service Sales Model Simulation.

## INVESTOR RELATIONS

Having a market capitalization value of TRY 21.5 billion (USD 5.90 billion) as of December 31, 2016; Turkcell, the only Turkish company listed on both BIST and the NYSE, has become the 6<sup>th</sup> largest among the companies trading on BIST.

### SHARE PERFORMANCE

Turkcell is the only Turkish company listed on the BIST and NYSE. Its Eurobond issued this year trades at the Irish Stock Exchange. Turkcell shares commenced trading simultaneously at the Borsa Istanbul (BIST) and the New York Stock Exchange (NYSE) on July 11, 2000. Shares are traded as American Depositary Shares (ADS) at the BIST under the TCELL ticker, and at the NYSE under the TKC ticker. Two ADSs represent five shares. Turkcell's Eurobond issued in 2015 trades at the Irish Stock Exchange.

Turkcell's issued capital has a nominal value of TRY 2.2 billion, including 2.2 billion shares, each with a nominal value of TRY 1. Having a market capitalization value of TRY 21.5 billion (USD 5.90 billion) as of December 31, 2016; Turkcell, the only Turkish company listed on both BIST and the NYSE, has become the 6<sup>th</sup> largest among the companies trading on BIST.

The size of Turkcell's American Depositary Receipts as of year-end 2016 is 60.2 million.

On October 16, 2015, Turkcell issued bonds of an aggregate principal amount of USD 500 million with a 10 year maturity and coupon rate of 5.75% based on a 5.95% re-offer yield, to be traded on the Irish Stock Exchange.

Our Company's Board of Directors has decided to execute share buyback transactions and purchase our Company's bonds in an attempt to protect our investors against any instability perception that may arise in the short and medium term; subsequent to the events on, and after July 15, 2016, and due to the potentially negative reflection of global macroeconomic volatility on Turkey. Accordingly, within the framework of the Capital Markets Board's announcements dated July 21, 2016 and July 25, 2016, the Board of Directors has resolved that the maximum fund amount set aside for share and bond buyback would be TRY 150 million and the maximum number of shares and bonds to be bought back should be determined not to exceed this amount. Within this context, a total of 6,815,563 shares (in exchange for TRY 65.6 million in total), and bonds of a USD 18,000,000 nominal value, were bought back in 2016.

Turkcell's institutional investors constitute 79.7% of the shareholder base. Additionally, 49.7% of Turkcell's institutional investors are located in North America, 32.7% in the UK and Ireland, and 11.8% in Europe (including Turkey). While 49.7% of the institutional investors are "Value" focused investors, more than 90% of institutional investors have been investing in Turkcell for more than a year. (Source: IPREO, January 2017)

### Share Information\*

TCELL (TRY)	2012	2013	2014	2015	2016
Lowest	7.03	8.86	9.36	9.90	8.89
Highest	10.07	11.07	12.81	13.55	12.45
Closing	10.03	9.86	12.42	9.90	9.75

TKC (USD)	2012	2013	2014	2015	2016
Lowest	9.41	11.25	10.48	8.38	6.35
Highest	14.02	15.43	14.42	14.35	10.87
Closing	14.02	11.60	13.13	8.49	6.90

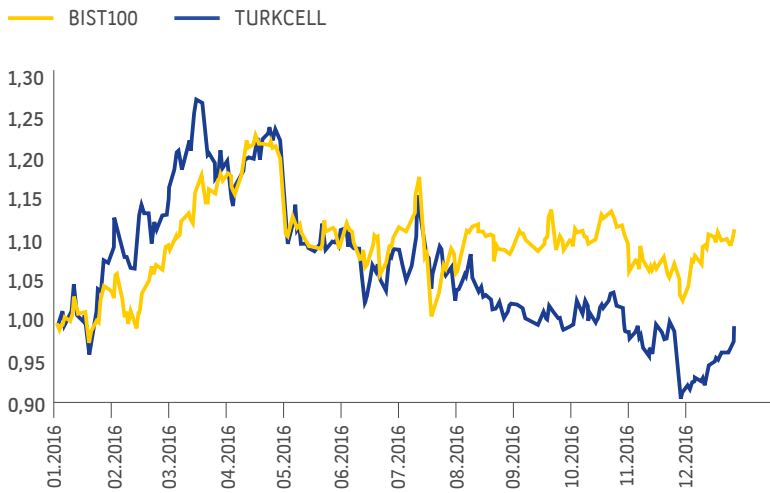
### Stock Exchange Symbols

Country	Stock Exchange	Ticker
Share	Borsa Istanbul	TCELL
ADR	NYSE	TKC
Bond	Irish Stock Exchange	ISIN: XS1298711729

\*Share prices are adjusted for dividend payments. (Source: Bloomberg)

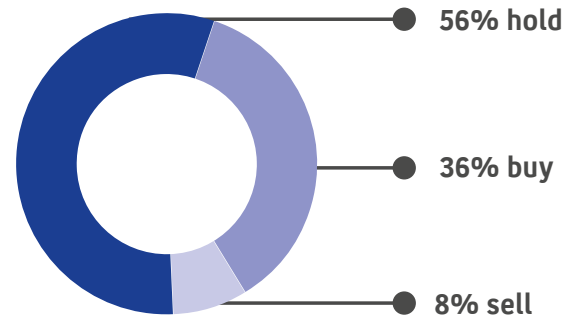


**SHARE PERFORMANCE (RELATIVE) 2016**



Source: Bloomberg

**Analyst Recommendations**



**OUR BUSINESS PRINCIPLES**

**We adopt corporate governance principles.**

The basic work policies adopted by the Turkcell Investor Relations Department include accessibility, rapid feedback to stakeholders and analysts, and the perpetual informing of stakeholders transparently, consistently and in a timely fashion. Accordingly, we disclose information to all investors through our user-friendly, up-to-date website, Investor Relations Application (IR App) and Twitter on a timely basis.

Investor Relations team members have a deep and active understanding of the Company and sector dynamics, and are able to clearly communicate the Company's story. The Turkcell Investor Relations team has an accurate knowledge and a grasp of its Company's strategies, while analyzing the business model and opportunities, and makes a difference by effectively communicating these strategies to investors. The inquiries and requests of investors and analysts are met rapidly and accurately within the framework of related legislation. As the Investor Relations Department, throughout 2016, we:

- held 271 meetings with analysts and institutional investment funds,
- held 27 investors meeting at the headquarters,
- participated in 13 conferences,
- We shared our financial results in 4 teleconferences during the year,
- Over 1,000 phone and email requests were received throughout the year, and we responded to all of them.

**The main topics of questions most frequently asked to the Investor Relations in 2016**

- 4.5G and its effects
- Our mobile and fixed convergence strategy
- Turkcell TV+ and content management
- Our global services
- Share performance and dividend
- Turkcell Finance Company and its benefits
- Merger and acquisitions and IPO
- Joint Venture Fiber Infrastructure Company
- Shareholder structure

36 analysts, almost half of who are from foreign companies, actively cover Turkcell. As of the end of 2015, there were 13 analysts with "buy", 20 analysts with "hold", and 3 analysts with "sell" recommendations.

**We work to provide the maximum benefit to Turkcell and our stakeholders.**

As Turkcell Investor Relations, our primary goal is to increase the market capitalization of our company and the trading volume of Turkcell's shares. Within this context, our target is to develop and deepen Turkcell's investor profile, and increase the weight and number of long-term investors in the institutional investor base.

On the other hand, investor relations standards are shaped by the constantly developing and intensifying needs of the capital markets. The implementation of any practice that carries a publicly-traded company one step further creates a strategically valuable differentiation between companies and, ultimately, contributes to the Turkish Capital Markets.

**Our focus is on creating value for our stakeholders.**

Our aim is to transparently share the value created by Turkcell with our stakeholders, be it through financial and operational performance, strategic priorities, or via our strong reputation and powerful brand management, always ensuring that the company is well understood.

**We make a difference with our communication.**

Turkcell believes in simultaneous and open communication with its stakeholders. As Turkcell Investor Relations, we use social media tools such as Twitter and the Investor Relations application as well as communication channels such as the web site and Public Disclosure Platform to provide extensive, accurate and timely information to our investors. With the Turkcell IR App, our investors and analysts can follow the most recent announcements, quarterly financial results, press releases, operational results, presentations and annual reports in both Turkish and English on iOS and Android based smartphones and tablets, at any time and from any location.

**We care about sustainability.**

In 2014, Borsa Istanbul launched the Sustainability Index. This index indicates each company's approach to significant sustainability-related issues important for both Turkey and the wider world, including global warming, the depletion of natural resources, including water, as well as healthcare, safety, and employment. In total, the index enables companies' activities and decisions to be assessed from an independent perspective, and then be confirmed by Borsa Istanbul. In the third year of the Sustainability Index comprising November 2016 - October 2017, Turkcell, one of the 43 companies in the index, has remained on it since its inception.

## CREDIT RATINGS

The clearest sign of the improvement in balance sheet structure and international market's confidence in Turkcell is the "investment grade" ratings Turkcell has maintained from three leading international credit rating agencies in 2016.

The clearest sign of a balanced improvement in balance sheet structure and international market confidence in Turkcell is the "investment grade" level ratings Turkcell has continued to receive ratings from three leading international credit rating agencies. Turkcell was also the only Turkish company to receive "investment grade" from 3 institutions. As a reflection of the company's rating, Turkcell Bonds are also evaluated at the "investment grade" level by all three rating institutions.

	S&P		Moody's		Fitch	
	Outlook	Grade	Outlook	Grade	Outlook	Grade
Last Update	November 2016		September 2016		August 2016	
Local Currency	Stable	BBB-	Stable	Baa3	Negative	BBB-
LT Foreign Currency	Stable	BBB-	Stable	Baa3	Negative	BBB-

### INVESTOR RELATIONS CONTACT INFORMATION

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Fax : +90 (216) 504 40 58,

E-mail : [investor.relations@turkcell.com.tr](mailto:investor.relations@turkcell.com.tr)

Web : <http://www.turkcell.com.tr/en/aboutus/investor-relations>

Address : Turkcell Küçükaly Plaza, Aydınevler Mahallesi İnönü Caddesi No:20 B Blok Küçükaly Ofispark, 34854 - Maltepe / ISTANBUL

## IMPORTANT DEVELOPMENTS AFTER THE REPORTING PERIOD

**JANUARY 2, 2017**

### *Announcement Regarding the Share Buy-back Transactions*

Within the scope of our Board of Directors' share buy-back decision on July 27, 2016, our company purchased a total of 2,159,500 shares at a price range of TRY 9.48 – 9.75 totaling TRY 20,871,994 on December 30, 2016. With this transaction, our ratio of shares in company capital has reached 0.310%.

The details of the transaction are listed below.

Transaction Date	Type of Transaction	Nominal Value of Shares Subject to Transaction (TRY)	Transaction Price (TRY/Unit)	Transaction Value (TRY)	Nominal Value of Shares Owned before Transaction (TRY)	Ratio of Shares Owned in Company Capital before Transaction (TRY)	Nominal Value of Shares Owned after Transaction (TRY)	Ratio of Shares Owned in Company Capital after Transaction (TRY)
30.12.2016	Buy	82	9.48	777	4,656,063	0.212%	4,656,145	0.212%
30.12.2016	Buy	40,699	9.49	386,234	4,656,145	0.212%	4,696,844	0.213%
30.12.2016	Buy	50,465	9.5	479,418	4,696,844	0.213%	4,747,309	0.216%
30.12.2016	Buy	91,500	9.51	870,165	4,747,309	0.216%	4,838,809	0.220%
30.12.2016	Buy	31,824	9.52	302,964	4,838,809	0.220%	4,870,633	0.221%
30.12.2016	Buy	45,000	9.53	428,850	4,870,633	0.221%	4,915,633	0.223%
30.12.2016	Buy	45,758	9.54	436,531	4,915,633	0.223%	4,961,391	0.226%
30.12.2016	Buy	63,215	9.56	604,335	4,961,391	0.226%	5,024,606	0.228%
30.12.2016	Buy	102,496	9.57	980,887	5,024,606	0.228%	5,127,102	0.233%
30.12.2016	Buy	16,000	9.58	153,280	5,127,102	0.233%	5,143,102	0.234%
30.12.2016	Buy	9,390	9.59	90,050	5,143,102	0.234%	5,152,492	0.234%
30.12.2016	Buy	81,259	9.6	780,086	5,152,492	0.234%	5,233,751	0.238%
30.12.2016	Buy	179,373	9.61	1,723,775	5,233,751	0.238%	5,413,124	0.246%
30.12.2016	Buy	36,350	9.63	350,051	5,413,124	0.246%	5,449,474	0.248%
30.12.2016	Buy	13,500	9.64	130,140	5,449,474	0.248%	5,462,974	0.248%
30.12.2016	Buy	20,082	9.65	193,791	5,462,974	0.248%	5,483,056	0.249%
30.12.2016	Buy	58,690	9.66	566,945	5,483,056	0.249%	5,541,746	0.252%
30.12.2016	Buy	77,713	9.67	751,485	5,541,746	0.252%	5,619,459	0.255%
30.12.2016	Buy	56,787	9.68	549,698	5,619,459	0.255%	5,676,246	0.258%
30.12.2016	Buy	35,934	9.69	348,200	5,676,246	0.258%	5,712,180	0.260%
30.12.2016	Buy	186,574	9.7	1,809,768	5,712,180	0.260%	5,898,754	0.268%
30.12.2016	Buy	108,100	9.71	1,049,651	5,898,754	0.268%	6,006,854	0.273%
30.12.2016	Buy	808,709	9.75	7,884,913	6,006,854	0.273%	6,815,563	0.310%

## IMPORTANT DEVELOPMENTS AFTER THE REPORTING PERIOD

### JANUARY 2, 2017

#### **Announcement Regarding the Merger of Our Affiliates through Acquisition**

Pursuant to our announcement dated 25.11.2015, merger of our affiliates, Lifecell Ventures Coöperatief U.A. (formerly known as Beltur Coöperatief U.A., "Lifecell Ventures") and Euroasia Telecommunications Holdings Coöperatief U.A. (formerly known as Euroasia Telecommunications Holdings B.V., "ETH") has been completed through the acquisition of ETH by Lifecell Ventures.

### JANUARY 23, 2017

#### **Announcement Regarding Investor Relations**

Yesim Tohma, who held the Investor Relations Executive position, and thus was a Corporate Governance Committee Member, has resigned from her position. As per the Article 11 of the Communiqué II-17.1 on Corporate Governance published by the Capital Markets Board of Turkey ("Communiqué"); Emre Alpman, who holds the licenses which are set forth in the Communiqué, has been appointed to her position. Contact details of the Investor Relations responsibilities are stated below.

#### **Zeynel Korhan Bilek**

*Investor Relations and Mergers&Acquisitions Director*

**e-mail:** korhan.bilek@turkcell.com.tr

**Tel:** +90 212 313 1888

#### **Emre Alpman**

*Capital Markets and Compliance Executive*

**e-mail:** emre.alpman@turkcell.com.tr

**Tel:** +90 212 313 2222

Capital Market Activities Advanced Level License No: 203743

Corporate Governance Rating Specialist License No: 700292

### JANUARY 24, 2017

#### **Announcement Regarding Application to the CMB for the Issuance Certificate of Asset-backed Securities**

Aktif Yatırım Bankası A.Ş. Turkcell Asset Finance Fund, founded by Aktif Yatırım Bankası A.Ş. and mandated to issue asset-backed securities with a structure in which our Company's 100% subsidiary Turkcell Finansman A.Ş. will be the originator, has applied to the Capital Markets Board of Turkey ("CMB") for the issuance certificate of asset-backed securities with an amount of up to TRY 100,000,000 within one year. Public disclosure will be made by our Company once the asset transfer is completed.

### JANUARY 30, 2017

#### **Announcement Regarding the Board of Directors' Resolution on Annual General Assembly**

Our Company's Board of Directors has decided:

- to call the Annual General Assembly Meeting of our Company pertaining to the year of 2016 to convene on March 30, 2017 at 10:00 am at the address of "Aydınevler Mahallesi, İnönü Caddesi, No:20, C Blok Conference Hall, Küçükyalı Ofispark, 34854, Maltepe/Istanbul" and to discuss the attached agenda; and
- to appoint PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş as the independent audit firm to audit our Company's accounts and operations for the year 2017 in accordance with Capital Markets Law, the Turkish Commercial Code, and related legislation and to submit this decision to the approval of our shareholders during the first Annual General Assembly Meeting of our Company.

#### **TURKCELL İLETİŞİM HİZMETLERİ A.Ş. AGENDA OF THE ANNUAL GENERAL ASSEMBLY MEETING FOR 2016**

- 1- Opening and election of the Presidency Board;
- 2- Authorizing the Presidency Board to sign the minutes of the meeting;
- 3- Reading the annual report of the Board of Directors relating to fiscal year 2016;
- 4- Reading the summary of the Independent Audit Firm's report relating to fiscal year 2016;
- 5- Reading, discussion and approval of the Turkish Commercial Code and Capital Markets Board balance sheets and profits/loss statements relating to fiscal year 2016;
- 6- Release of the Board Members individually from the activities and operations of the Company pertaining to the year 2016;
- 7- Informing the General Assembly on the donation and contributions made in the fiscal year 2016; discussion of and decision on Board of Directors' proposal concerning determination of donation limit to be made in 2017, starting from the fiscal year 2017;
- 8- Subject to the approval of the Ministry of Customs and Trade and Capital Markets Board; discussion of and decision on the amendment of Articles 3, 4, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 21, 24, 25 and 26 of the Articles of Association of the Company;
- 9- Election of new Board Members in accordance with related legislation and determination of the newly elected Board Members' term of office if there will be any new election;
- 10- Determination of the remuneration of the Board Members;
- 11- Discussion of and approval of the election of the independent audit firm appointed by the Board of Directors pursuant to Turkish Commercial Code and the capital markets legislation for auditing of the accounts and financials of the year 2017;

- 12- Decision permitting the Board Members to, directly or on behalf of others, be active in areas falling within or outside the scope of the Company's operations and to participate in companies operating in the same business and to perform other acts in compliance with Articles 395 and 396 of the Turkish Commercial Code;
- 13- Discussion of and decision on the distribution of dividend for the fiscal year 2016 and determination of the dividend distribution date;
- 14- Informing the shareholders regarding the guarantees, pledges and mortgages provided by the Company to third parties or the derived income thereof, in accordance with the Capital Markets Board regulations;
- 15- Closing.

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#### **JANUARY 30, 2017**

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##### ***Announcement Regarding the Amendment of Articles of Association***

Our Company's Board of Directors has decided on necessary actions to be taken to obtain the approval of the Capital Markets Board and the Ministry of Customs and Trade, for amendment of the Articles of Association as attached, in accordance with the principles of Capital Markets Law, the Turkish Commercial Code, and related legislation. Amendment of Articles of Association is subject to approval of the General Assembly.

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#### **JANUARY 30, 2017**

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##### ***Announcement Regarding the Board of Directors Resolution on Buy-Back of Securities***

Our Company's Board of Directors authorized the management to execute share buy-back transactions on July 27, 2016, within the scope of the announcements dated July 21, 2016 and July 25, 2016 made by the Capital Markets Board. The purpose was to protect our investors against potentially negative reflections on Turkey that could arise due to the instability perception in the short and medium term subsequent to the events on and after July 15, 2016, and/or due to potential global macroeconomic volatilities. In this context, it was resolved that the maximum fund amount set aside for share buy-back would be TRY 150 million and the maximum share number to be bought back would be determined so as not to exceed this amount.

Our Company's Board of Directors has decided to increase the above mentioned fund amount to TRY 300 million in order to be utilized for share buy-back, including our American Depositary Receipts (ADRs) being traded at the New York Stock Exchange (NYSE) and bond buy-back; and to buy, sell and/or redeem at the price and level that the management will determine, within the maximum fund amount set above.

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#### **FEBRUARY 16, 2017**

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##### ***Announcement Regarding the Signing of The Contract to Purchase Services to Add Mobile Broadband Services to the Existing GSM Infrastructure Under Universal Service Law and to Operate the New and Existing Networks Together***

Our Company and the Ministry of Transport, Maritime Affairs and Communications, Directorate General of Communications signed a contract to continue the contract, signed on 20.02.2013 to establish and operate mobile communication infrastructure and operation in uncovered areas, (Phase 1) until 31.12.2018 and to add mobile broadband services to the existing infrastructure providing GSM services under Universal Service Law and to operate the new and existing networks together.

Mobile broadband services will be added to the existing infrastructure established in accordance with Phase 1 in 1,799 rural locations. The new and the existing infrastructure will be operated together.

## IMPORTANT DEVELOPMENTS AFTER THE REPORTING PERIOD

### FEBRUARY 17, 2017

#### **Announcement Regarding the Registration and Announcement Application to Incorporate an Energy Company**

Turktell Bilgişim Servisleri A.Ş., our Company's %100 subsidiary, will make the registration and announcement application to incorporate a company with an initial capital of TRY 2,000,000 (TRY two million) in order to carry out activities with respect to electricity energy trade and wholesale and retail electricity sale.

<b>Board Decision Date for Acquisition:</b>	<b>28.11.2016</b>
Title of Non-current Financial Asset Acquired:	-
Field of Activity of Non-current Financial Asset whose Shares were being Acquired:	Electricity energy trade, wholesale and retail electricity sale.
Capital of Noncurrent Financial Asset:	TRY 2,000,000
Acquirement Way :	Incorporation
Date on which the Transaction was/will be Completed:	A license application to Energy Markets Regulatory Authority ("EMRA") will be made to obtain permission to operate following the completion of the incorporation of a company by means of registration and announcement.
Acquisition Conditions:	-
Nominal Value of Shares Acquired:	-
Purchase Price Per Share:	-
Total Purchasing Value:	-
Ratio of New Shares Acquired to Capital of Non-current Financial Asset (%):	-
Total Ratio of Shares Owned in Capital of Non-current Financial Asset After Transaction (%):	-
Total Voting Right Ratio Owned in Non-current Financial Asset After Transaction (%) :	-
Ratio of Non-current Financial Asset Acquired to Total Assets in Latest Disclosed Financial Statements of Company (%):	-
Effects on Company Operations:	-
Did Takeover Bid Obligation Arised?:	No
Will Exemption Application be Made, if Takeover Bid Obligation Arised?:	No
Title/ Name-Surname of Counter Party:	-
Relation with Counter Party if any :	-
Value Determination Method of Non-current Financial Asset:	-
Did Valuation Report be Prepared?:	No
Reason for not Preparing Valuation Report if it was not Prepared:	Not required by the legislation.
Value Determined in Valuation Report if Exists:	-
Reasons if Transaction wasn't/will not be performed in Accordance with Valuation Report:	-

### FEBRUARY 20, 2017

#### **Announcement Regarding the Change in Organizational Structure**

The titles of our Company's Senior Vice Presidents have been changed to Executive Vice President, and their functional groups have been re-positioned so as to report directly to the CEO as of March 1, 2017, to ensure a lean and more efficient management structure. Meanwhile, Banu İşçi Sezen, Senior Vice President responsible for Turkcell Academy, will continue in her role as the General Manager of Turkcell Academy.

**FEBRUARY 20, 2017****Announcement Regarding the Registration of the Incorporation of Turkcell Enerji Çözümleri ve Elektrik Satış Ticaret Anonim Şirketi**

The incorporation of Turkcell Enerji Çözümleri ve Elektrik Satış Ticaret Anonim Şirketi, whose field of activities are electricity energy trade and wholesale and retail electricity sales, has been registered. The registration application was announced on 17 February 2017.

<b>Board Decision Date for Acquisition:</b>	<b>28.11.2016</b>
Title of Non-current Financial Asset Acquired:	Turkcell Enerji Çözümleri ve Elektrik Satış Ticaret Anonim Şirketi
Field of Activity of Non-current Financial Asset whose Shares were being Acquired:	Electricity energy trade, wholesale and retail electricity sale.
Capital of Noncurrent Financial Asset:	TRY 2,000,000
Acquirement Way :	Incorporation
Date on which the Transaction was/will be Completed:	Turkcell Enerji Çözümleri ve Elektrik Satış Ticaret Anonim Şirketi has been incorporated on 20.02.2017. A license application to EMRA will be made in order to start operations.
Acquisition Conditions:	-
Nominal Value of Shares Acquired:	-
Purchase Price Per Share:	-
Total Purchasing Value:	-
Ratio of New Shares Acquired to Capital of Non-current Financial Asset (%):	-
Total Ratio of Shares Owned in Capital of Non-current Financial Asset After Transaction (%):	-
Total Voting Right Ratio Owned in Non-current Financial Asset After Transaction (%):	-
Ratio of Non-current Financial Asset Acquired to Total Assets in Latest Disclosed Financial Statements of Company (%):	-
Effects on Company Operations:	-
Did Takeover Bid Obligation Arised?:	No
Will Exemption Application be Made, if Takeover Bid Obligation Arised?:	No
Title/ Name-Surname of Counter Party:	-
Relation with Counter Party if any :	-
Value Determination Method of Non-current Financial Asset:	-
Did Valuation Report be Prepared?:	No
Reason for not Preparing Valuation Report if it was not Prepared:	Not required by the legislation.
Value Determined in Valuation Report if Exists:	-
Reasons if Transaction wasn't/will not be performed in Accordance with Valuation Report:	-

**FEBRUARY 20, 2017****Announcement Regarding the Capital Increase in Turktell**

At the Board of Directors of our 100% owned subsidiary Turktell Bilişim Servisleri A.Ş. ("Turktell"), it was decided to increase Turktell's issued capital of TRY 2,824,076,134 by TRY 150,000,000 in cash to TRY 2,974,076,134. The capital increase is registered by exercising our Company's pre-emption rights in its entirety.

**FEBRUARY 27, 2017****Announcement Regarding the Completion of the Sale Process of Turkcell Finansman A.Ş.'s Commercial Paper**

The sale process of our Company's %100 subsidiary Turkcell Finansman A.Ş.'s 179-day commercial paper\* with a nominal amount of TRY 150,000,000, maturity date of August 25, 2017 and an annual simple interest of 11.80% to qualified investors within Turkey, without public placement was completed on February 27, 2017. As of this date, in the scope of the announcement dated November 7, 2016, further announcements regarding the issuance will be made by Turkcell Finansman A.Ş.

This announcement appears for information purposes only. It does not constitute an offer to purchase or a solicitation of offers with respect to the securities. The securities have not been and will not be registered for sale with the authorities in any country outside of Turkey. In particular, the securities have not been and will not be registered under the US Securities Act of 1933.

\* Capital Markets Board's decision dated November 30, 2016, approving the issuance of domestic debt securities is for an amount up to TRY 1,500,000,000.

# 2016 FINANCIAL YEAR CORPORATE GOVERNANCE COMPLIANCE REPORT

Turkcell İletişim Hizmetleri A.Ş.'s ("Company") Corporate Governance Principles Compliance Report of the year 2016; has been prepared in accordance with the format specified with the decision n.2/35 published in the Capital Markets Board ("CMB")'s Weekly Bulletin n.2014/2 dated 27<sup>th</sup> of January 2014 and outlined in the sections given below.

## SECTION 1- STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

We have begun to implement corporate governance mechanisms in parallel with the corporate governance efforts that we launched as of the Company's IPO and accelerated in 2003 by establishing an Investor Relations Department; this step was based on the belief that maintaining high standards of corporate governance is crucial to the perpetuation of successful business practices and the generation of long-term economic value for the Company's shareholders.

Within the activity period that ended on the 31<sup>st</sup> of December 2016, our Company has adopted and implemented the corporate compliance principles specified in the annex of the Communiqué on Corporate Governance. On the other hand, considering the current situation, principles that are not yet complied with, so far have not led to any conflicts of interest between the stakeholders.

In the relevant sections of the report, necessary explanations are given regarding the principles that are not yet complied and complied with the corporate governance principles specified in the annex of the Communiqué on Corporate Governance, during the activity period that ended on the 31<sup>st</sup> of December 2016. Specific actions taken regarding compliance to the corporate governance principles within this period is summarized below;

Regarding the corporate governance principle 1.3.10 which specified in the annex of the Capital Markets Board ("CMB")'s Communiqué on Corporate Governance numbered II-17.1 ("Communiqué") and was applicable in the 2016 activity period; the Donation Policy of our Company which is accepted with our Company's Board of Directors' resolution n.1280 taken on the 28<sup>th</sup> of January 2016, was approved by the shareholders at the ordinary general assembly meeting held on the 29<sup>th</sup> of March 2016.

With our Company's Board of Directors' resolution n.1280 taken on the 28<sup>th</sup> of January 2016; in order to prevent bribery and corruption in all the activities of Turkcell and its affiliates, necessary principles, rules and risks were determined, decreased, and managed while responsibilities for providing information and reporting on this issue were determined. Thus, in order to protect the integrity and reputation of our Company, the "Anti-Bribery and Corruption Policy" was accepted and put into practice.

Within 2016, there were no related party transactions or significant transactions that were not approved by the independent members and thus had to be presented for the approval of the general assembly.

## SECTION 2 – SHAREHOLDERS

### Shareholding Structure (31<sup>st</sup> of December 2016)

SHAREHOLDER	NOMINAL VALUE (TRY THOUSAND)	SHARE (PERCENTAGE)
Turkcell Holding A.Ş.	1,122,000	51.00%
Free Float	1,077,004	48.95%
Other <sup>(*)</sup>	996	0.05%
<b>Total</b>	<b>2,200,000</b>	<b>100.00%</b>

Within the framework of the announcement made via Public Disclosure Platform ("KAP") on the 6<sup>th</sup> and 7<sup>th</sup> of December 2016; Sonera Holding B.V. made an application to the Merkezi Kayıt Kuruluşu A.Ş. (Central Registry Agency), to convert Turkcell shares into tradable shares with nominal value TRY 287,632,179.557 and that were registered in the Board.

(\*) The number of Company shares pledged by certain entities are 995,509 as of December 31, 2016.

### 2.1. Investor Relations Department

The communication between Turkcell İletişim Hizmetleri A.Ş. and its investors is maintained, in line with the corporate governance principles, through the Investor Relations Department which serve under the Investor Relations and Merger and Acquisition Directorate, reporting to the Deputy General Directorate of Finance. The duties stipulated in the article 11 of the Communiqué on Corporate Governance numbered II-17.1 are performed by our Company's full-time employees whose contact details are given below.

*Investor Relations and Merger and Acquisition Director: Zeynel Korhan Bilek*  
Address: Turkcell Küçükaly Plaza, Aydınevler Mahallesi İnönü Caddesi No:20 B Blok Küçükaly Ofispark 34854 Maltepe/İstanbul  
Phone: +90 (212) 313 18 88  
e-mail: korhan.bilek@turkcell.com.tr

*Investor Relations Executive: Yeşim Tohma<sup>(1)</sup>*  
Address: Turkcell Küçükaly Plaza, Aydınevler Mahallesi İnönü Caddesi No:20 B Blok Küçükaly Ofispark 34854 Maltepe/İstanbul  
Phone: +90 (212) 313 18 88  
e-mail: yesim.tohma@turkcell.com.tr  
Licenses: Capital Market Activities Level 3 License No: 210035Corporate Governance Rating License: 702144

Investor Relations and Business Development Directorate position was restructured as Investor Relations and Merger and Acquisition Directorate, and Zeynel Korhan Bilek was appointed to this position as of the 1<sup>st</sup> of November 2016. Until the 1<sup>st</sup> of November 2016, this position was assumed by Nihat Narin.

The main activities of the Investor Relations Department in 2016 are briefly summarized as follows:

- The maintenance of the records with respect to the correspondences between the investors and the Company as well as other information and documents has been ensured in a reliable, safe and up-to-date manner and the transactions at Central Registry Agency have been coordinated with the Legal Department.

<sup>(1)</sup>Due to Yeşim Tohma leaving her position; as of 23rd of January 2017, Capital Markets and Compliance Executive Emre Alpmann was appointed for the vacant position of Yeşim Tohma who was Investor Relations Department Executive and within this scope a Member of the Corporate Governance Committee.



- The questions addressed to the department and the shareholders' requests for the information regarding partnership during the reporting period, excluding those regarding undisclosed information considered as confidential and trade secret, have been responded in an open and transparent manner either face-to-face or through various communication means in accordance with the Disclosure Policy of the Company.
- Ordinary general assembly meeting convened in the respective term was held in cooperation with the related departments and the Legal Department in accordance with the provisions of the applicable law, Articles of Association and other internal rules and regulations.
- Methods to facilitate the participation of shareholders in the general assembly meeting and to strengthen communication during the meeting have been developed; an Investor Package containing documents, of which shareholders can make use, has been created; and the website is regularly updated so that shareholders can have constant and open information.
- The Company's shares performance, and domestic and international comparable Company financial and operational benchmark analyses have been conducted and the outcomes of these studies have also contributed to the Company's communication strategies.
- In addition to material disclosures made in accordance with the legislation, the coordination of the communication with the public has been ensured, meetings with investors and analysts have been made, additionally conferences, panels, seminars and road shows have been participated by paying regard to the fulfilment of obligations arising from the capital markets legislation including any issue related with the corporate governance and the public disclosure.

During 2016, the Investor Relations Department participated in 13 investor conferences; convened 27 investor meetings at the Company headquarter, and communicated with 271 analysts and investors. Over 1,000 information requests were received during the year via phone or e-mail, all of which were responded to.

The Investor Relations Department regularly provides the Board of Directors with a report regarding the operations which are carried out. Additionally, the strategy plan regarding the Investor Relation pertaining to the following year is presented to the CFO at the end of each year.

## 2.2. The Use of Shareholders' Rights to Obtain Information

No discrimination is made between the shareholders in using shareholders' right to obtain information and review. All shareholders have right to obtain information and review. In the Articles of Association, there is no provision, limiting the right to receive information.

The Company's shareholders and stakeholders made many requests for obtaining information concerning various subjects throughout the year 2016. These requests, excluding those concerning undisclosed information considered as confidential and trade secret, were responded in an open and transparent manner within the shortest time possible in accordance with the Disclosure Policy of the Company.

The Company launched its website ([www.turkcell.com.tr](http://www.turkcell.com.tr)) in 1996 and began to provide its both local and foreign shareholders the information foreseen for the website within the CMB's Corporate Governance Principles in both Turkish and English, under the Investor Relations section of the website allowing them to exercise their right to receive information. Updating and monitoring information posted on the Company's Investor Relations website was carried out under the responsibility of the Investor Relations Department.

As per the regulations, the disclosures made to the Public Disclosure Platform (KAP) to public disclosure were also provided to those registered in the Company's database by e-mail, social media and smartphone application, both in Turkish and in English.

During the year, no information or disclosures which could influence the exercising of shareholding rights were published on the website of the Company.

The appointment of a special auditor has not been separately included in the Company's Articles of Association since this is a right vested to the minority shareholders by law. During the period, no requests for the appointment of a special auditor were submitted.

## 2.3. General Assembly Meetings

Call for the general assembly meeting is made, in a manner that will make sure the Company reaches the maximum number of shareholders possible, minimum three weeks prior to the general assembly meeting date via Public Disclosure Platform (KAP), Electronic General Assembly System (EGKS), Company's corporate website and Turkish Trade Registry Gazette. Furthermore, before the general assembly meeting an "informative document" regarding the agenda items is prepared and publicly disclosed. All announcements and disclosures are made in conformity with the Turkish Commercial Code (TCC), capital markets legislation, CMB regulations and decisions, and the Articles of Association.

As per article 410 of the TCC, upon the call made by the Board of Directors of our Company, 2015 ordinary general assembly meeting of our Company was held on the 29<sup>th</sup> of March 2016 at the Company headquarter located at the address of Aydınevler Mahallesi, İnönü Caddesi, No:20/36, C Blok, Conference Hall, Küçükalyalı Ofispark, 34854, Maltepe, Istanbul.

The call for the general assembly meeting to be held on the 29<sup>th</sup> of March 2016 was made in conformity with the TCC, CMB Corporate Governance Principles and Articles of Association, and in a way that will cover the agenda items, via Turkish Trade Registry Gazette n.9025 published on 4<sup>th</sup> of March 2016 and Dünya newspaper published on 4<sup>th</sup> of March 2016 and Yeni Şafak newspaper published on 4<sup>th</sup> of March 2016, as well as the Electronic General Assembly System, the Company's [www.turkcell.com.tr](http://www.turkcell.com.tr) web address, and the Public Disclosure Platform; and within the stipulated timeframe by sending registered letter to registered shareholders, and informing them about the meeting date and agenda. Furthermore, within the scope of the Corporate Governance Principle n.1.3.1.1, all information such as the annual report, financial statements regarding the General Assembly, was made available for shareholders' review electronically on the Company website and physically at the Company headquarter. Simultaneously, a call was also made to the shareholders abroad. No media member was invited to the general assembly meeting, and the meeting results were immediately shared with the public.

Following items were included On the agenda of the general assembly meeting; approval of the balance sheets and profit-loss accounts regarding 2015 activities, release of the members of the Board of Directors for the relevant periods, discussion and approval of profit distribution for the relevant period, and determining the profit distribution date, approval of the amendments, made as per CMB's consent and Ministry's approval, to the Company's Articles of Association, in order to comply with the New Turkish Commercial Code n.6102 and the Capital Markets Law n.6362, determination of the term of office and election for the new members of the Board of Directors, determination of the remuneration of the members of the Board of Directors, appointment of an independent auditor for the year 2016, discussion and approval of the proposal regarding the Company's Donation Policy within the scope of the corporate governance principles, presentation of information on the aids and donations made in 2015, discussion and approval of the Board of Directors' proposal made with regard to determination of the upper limit of the donations to be made in 2016, starting from the beginning of 2016 accounting period; discussion and approval of the proposal to authorize – within the framework of CMB's Communiqué n.II-22.1 On Buy-Backed Shares – the Board of Directors share buy-back program, and authorization of the Board of Directors for carrying out the transactions which will be made within the scope of this program, authorization of the members of the Board of Directors of the Company in accordance with the provisions of article n.395 and n.396 of the TCC, informing the shareholders about the revenue or benefits obtained by, and collaterals, pledge, mortgage, and sureties given by the Company for the benefit of third parties within the framework of CMB regulations.

## 2016 FINANCIAL YEAR CORPORATE GOVERNANCE COMPLIANCE REPORT

The members of the Board of Directors, other relevant persons, the personnel and the auditors responsible for preparing the financial statements are present at the general assembly meeting in order to provide necessary information and answer any questions about the specific items on the agenda.

During the general assembly meeting, the chairman of the meeting has paid utmost attention to cover the agenda items in an objective and detailed manner with a clear and understandable method, and thus the shareholders were given opportunity to express their opinions, and ask questions under equal circumstances. During the general assembly meeting, shareholders' questions that do not interfere with trade secrets are directly answered. In case the question is not relevant to the agenda or in case it is too broad to be answered immediately, a written answer is given by the Investor Relations Department to such questions as soon as possible, and the answer is publicly disclosed. During the ordinary general assembly meeting held in 2015, no question was asked within this scope.

The proposal made considering our Company's cash projections, future expectations regarding its activities, investment plans, and the circumstances in the capital markets and in line with our Company's Board of Directors' resolution n.1294 taken on the 29<sup>th</sup> of March 2016, on distribution of dividend in cash, which corresponds to approximately 58% of the net distributable profit of the fiscal year 2015, was presented for the shareholders' approval and rejected by majority vote at the ordinary general assembly meeting held on the 29<sup>th</sup> of March 2016.

Our Company adopts and implements the corporate compliance principles. However, even the mandatory amendments, that must be made in order for the Articles of Association to comply with the principles and determined by the resolution of the Board of Directors and in line with CMB's approval, presented for the shareholders' approval at the ordinary general assembly meeting held on the 29<sup>th</sup> of March 2016 upon receiving Ministry of Customs and Trade's permission; sufficient decision quorum was not met and no resolution was reached within this regard, as a Board of Directors' decision to be resolved. The aim is to make the necessary amendments to the Articles of Association during the next general assembly meeting.

On the other hand, the process for electing independent members was not launched due to ongoing issues to be settled in court between the controlling shareholders of the Company. The item on the agenda of the ordinary general assembly meeting held on the 29<sup>th</sup> of March 2016, on the election of other members of the Board of Directors and determination of their term of office, could not be voted due to the fact that no candidates were nominated. In this context, the aim is to comply with the principle n.4.3.7 at the following general assembly meeting.

The proposal of the Board of Directors made within the framework of CMB's Communiqué (II-22.1) on Buy-Backed Shares and for the adoption of the Board of Directors' share buy-back program, and for the authorization of the Board of Directors to carry out the transactions which will be made within the scope of this program, was presented for the shareholders' approval and rejected by majority vote at the ordinary general assembly meeting held on the 29<sup>th</sup> of March 2016.

### 2.4. Voting Rights and Minority Rights

Pursuant to the Articles of Association of the Company, there are no privileges granted regarding the voting right for any group or shareholder.

The minority shareholders and stakeholders are not represented in the Board of Directors and the ratio stated in the TCC and CMB provisions concerning minority rights are applied.

However, three independent board members serve to represent all shareholders, particularly minority shareholders, and stakeholders equally.

The Company has no reciprocal shareholding relation with its affiliates and subsidiaries and thus no situation which would require voting rights stemming from such a relationship to freeze at the general assembly meeting has taken place as of December 31, 2016.

### 2.5. Dividend Rights

In the Articles of Association, there are no privileges granted on the participation to the Company's profit. All shares have equal right with respect to the right to receive dividend.

The Company has a specific and consistent Profit Distribution Policy that is determined considering the provisions of the TCC, Capital Markets Law, tax codes and other respective legislation and the Articles of Association. This policy was presented for the shareholders' approval at the general assembly meeting, and it was also included in the annual report and publicly disclosed on the Company's website.

The minimum information that will enable the investors to foresee the principles and procedures for distribution of the profit that will be made by the Company in the future, is included in the Company's Profit Distribution Policy that was set with the Board of Directors resolution taken on the 13<sup>th</sup> of May 2013, and revised, in accordance with the capital markets legislation, with the Board of Directors resolution n.1104 taken on the 18<sup>th</sup> of February 2014 to present for the approval of the general assembly. A balanced policy between the shareholders' and Company's benefits is pursued in Profit Distribution Policy, that is given below in full text.

Our Company's Profit Distribution Policy;

Our Company aims to distribute at least 50% of the distributable net profit in cash. This policy is subject to our Company's cash projections, future expectations regarding its activities, investment plans, and the circumstances in the capital markets. Regarding the issue of dividends, a separate resolution is taken by the Board of Directors for each accounting period and this resolution is subject to the approval of the general assembly. Dividend distribution shall be initiated on the date that will be determined by the general assembly, provided that dividend distribution is made until the end of the year in which the general assembly meeting is held. The Company, in conformity with the provisions of applicable legislation, may consider distributing advance dividend or distributing dividend in equal or varying payments.

Moreover; in order to create more added-value for its shareholders, the Company may consider buy-back of its own shares within the scope of the above mentioned circumstances and relevant legislation.

At the ordinary general assembly meeting held on the 29<sup>th</sup> of March, the proposal -considering our Company's cash projections, future expectations regarding its activities, investment plans, and the circumstances in the capital markets- of our Company's Board of Directors' accepted with resolution n.1294 taken on the 29<sup>th</sup> of March 2016, to distribute dividend in cash, which corresponds to approximately 58% of the net distributable profit of the fiscal year 2015, was presented for the shareholders' approval and rejected by majority vote.

### 2.6. Transfer of Shares

While there is no limitation in the Articles of Association of our Company with respect to the transfer of shares, the provisional article 4, clause 1, paragraph c, phrase 3 of the Authorizing Regulation in Electronic Communications Sector states that Information

and Communication Technologies Authority shall be informed with regard to "all share transfers, acquisitions and movements", within one month at the latest, and phrase 4 states that written approval of the Information and Communication Technologies Authority is required for "share transfers, acquisitions and movements resulting in change of control".

### SECTION 3 – PUBLIC DISCLOSURE AND TRANSPARENCY

#### 3.1. Corporate Website and Its Content

Turkcell's corporate website ([www.turkcell.com.tr](http://www.turkcell.com.tr)) was launched in 1996 in order to provide shareholders, stakeholders and the general public with information in an open, clear and timely manner. Turkcell has disclosed the Communiqué on Corporate Governance Principles as well as resolutions and announcements concerning the implementation of these principles published by the Capital Markets Board on the Company's corporate website under the Investor Relations section (<http://www.turkcell.com.tr/en/aboutus/investor-relations>) and regularly provides updates. The website content is also provided in English. The Company website additionally includes matters specified in the corporate governance principles.

#### 3.2. Annual Report

The independently audited annual report for the 2016 accounting period was prepared – in a detailed manner that will enable the public to reach full and accurate information about the Company activities and in accordance with the Article 518 and the third paragraph of Article 516 of the Turkish Commercial Code– including the minimum content stipulated in the Ministry of Customs and Trade "Regulation on Determining the Minimum Content of the Annual Reports of the Companies" provisions and the 8<sup>th</sup> Article of the Capital Markets Board ("CMB") Communiqué on "Principles Regarding Financial Reporting in the Capital Markets".

### SECTION 4 – STAKEHOLDERS

#### 4.1. Stakeholder Communication

Turkcell informs its stakeholders by organizing pre-scheduled and regular meetings such as communication meetings for employees, platforms where the employees can put across their ideas and provide their suggestions, supplier events for the members of the supply chain, business partner events for the partner companies of Turkcell for providing value-added services and dealership meetings. Information is shared at periodic meetings, and/or through e-mail and intranet system.

The Company has set policies and procedures to inform its employees and stakeholders.

It is possible for Turkcell customers to reach the Company for their questions through various communication channels. Questions can be communicated in writing or verbally through Turkcell Customer Services Call Centers and Video Customer Services at 532 or 5325320000, over Turkcell Service accounts on social media, complaint sites or via government institutions and organizations. Although the Company receives questions or complaints through various channels, these are directed to one center which handles and resolves them as necessary. The Company has established a necessary infrastructure for transferring complaints through relative channels and this infrastructure is continuously updated.

#### 4.2. Participation of Stakeholders to the Management

There is no special arrangement concerning the participation of stakeholders to the management; however, when required, stakeholders (themselves)/senior managers are invited to participate in Board of Directors meetings in order to provide information. Shareholders and other stakeholders are represented by independent members of the Board of Directors.

#### 4.3. Human Resources Policy

The main principles of our Company's Human Resources Policy are to provide high ethical standards determined by Turkcell Common Values and Business Ethic Rules by adopting the responsibilities of the employees against society, the market, the Company and each other.

Human Resources (HR) processes within the Company are developed by an Organizational Development team reporting to the Deputy General Directorate of Business Support, and the Turkcell Employee Relations Management Department executes these processes.

The duty and the authority of conducting employee relations have been assigned to Seyfettin Sağlam, the Executive Vice President of Business Support. The main tasks of the said individuals are to secure employee commitment, and to enhance organizational efficiency, to design all HR strategies, policies and implementations and to ensure their implementation in accordance with our strategic priorities.

Written procedures and guidelines concerning all human resources processes (recruitment, career movements, performance and talent management, human resource planning, compensation and benefits, organizational development and process improvements, internal communication) are available and these documents are kept in a portal that is accessible by all employees. Furthermore, employees are informed about these subjects on a regular basis via internal postings and e-mail.

In Recruitment, Training & Development, Performance and Talent Management, Career Management, Compensation and other human resources processes, all employees are treated equally in accordance with the equal opportunities policy without any discrimination of ethnicity, language, religion, race or gender.

In 2016, the Company had not received any complaints of discrimination from its employees.

Job descriptions, performance and rewarding criteria were determined with the internal guidelines of the Company and these documents are kept in a portal that is accessible by all employees.

#### 4.4. Code of Ethics and Social Responsibility

##### *Code of Ethics*

The Company's Code of Ethics has been regulated by Turkcell's internal directives of Common Values and Business Ethics Rules. Turkcell's Business Ethics Rules are in unity with Turkcell's policies, values and principles, and all employees including the senior management are requested to comply with them.

Each employee of Turkcell is obliged to notify the cases and the allegations which may constitute a contradiction with the rules and the regulations set forth in Turkcell's Common Values and Business Ethics Rules Handbook or which cause reasonable doubt or concern for constituting such a contradiction to Turkcell's Ethics Committee through suitable notification channels. Being a part of the stakeholders, the employees may directly inform the Audit Committee or indirectly inform them via internal forms on the intranet, or by telephone, or e-mail the Ethics Committee regarding transactions that are contrary to the legislation and are unethical. On the other hand, the transactions of other stakeholders such as customers and suppliers which are contrary to the legislation and are unethical are conveyed to the Ethics Committee or the Audit Committee by way of notification and complaint.

In general, the Code of Ethics is posted on the Company's corporate website, under the Investor Relations section under the Corporate Governance heading. These codes of ethic are complementary to other related policies, codes of conduct, and guides that have already been published or shall be published by the Company. Training programs and notifications are provided to employees through various channels during the year in order to increase their awareness and acknowledgement with respect to the Common Values and Business Ethics Rules.

Ongoing and new social responsibility projects of the Company in 2016 are listed below.

## 2016 FINANCIAL YEAR CORPORATE GOVERNANCE COMPLIANCE REPORT

### Contributions to Education

#### *Turkcell Scholarship Programs*

In 2016, more than 6 thousand students were supported with the scholarship programs granted by our Company.

#### *People without Boundaries*

In order to increase the competency of disabled children who need special education and to help them join in social life, our Company, in collaboration with the Turkish Ministry of Education, supports employment and disabled students' education with the "No Barrier Education Program". In 2015-2016, workshops and technology classes were established in 47 schools covered within this aim.

Moreover, in collaboration with Istanbul Social Enterprise, İBB and Metro Istanbul, "Turkcell Dialogue Museum" was turned into a permanent museum organizing the "Dialogue in the Dark" exhibition, which offered the opportunity to experience the visually impaired people's Istanbul, and the "Dialogue in Silence" exhibition, which gave the visitors the chance to step into the world of the hearing impaired.

#### *My Dream Companion*

Our Company provides a free service called My Dream Companion for the visually impaired to access information content such as current news, articles, audio books, education programs, magazines; giving them the opportunity to use audio navigation in shopping malls, and audio decoding technologies in cinemas.

Furthermore, Turkcell Academy provides visually impaired and hearing impaired individuals with special education under the "Education without Boundaries" category. Our Company, in collaboration with the Federation of the Hearing Impaired, organized "Turkish Sign Language" trainings and trainings that teach visually impaired individuals to use special smartphones with iOS and Android.

#### *Turkcell Whiz Kids Project*

The "Whiz Kids Project" was out into practice under the supervision of the Ministry of National Education for developing talented students with new generation technology and education. Within the scope of the project, for talented students to have project-based education after school in BİLSEMs (Science and Art Centers) through the 7 regions of Turkey, our Company created specially designed laboratories at 7 BİLSEMs targeting technological productivity with "do it yourself" culture.

A Power Alliance for Aid a goodwill protocol covering a TRY 5 million aid package, has been signed between the Turkish Red Crescent and our Company.

#### *Collaboration between Turkcell and Maya Foundation*

"Project Lift", a program designed and implemented by Turkey's Maya Foundation to rehabilitate Syrian child refugees in Turkey, was under the spotlight in Brussels on Thursday. The project became a topic of discussion at the European Parliament in a session hosted by the MEPs of the "Friends of Turkey" group. Later in the day, the art exhibition "Through a Child's Eyes: The Syrian Refugee Story" was officially opened with Turkcell's (NYSE:TKC) (BIST:TCELL) support in the prestigious Bozar Centre for Fine Arts in the capital of the European Union.

### Other

Our Company, represented the telecommunications community in the first-ever UN World Humanitarian Summit held in Istanbul on May 23<sup>rd</sup> and 24<sup>th</sup>. Our Company became the first telecommunication company in Turkey signing the "Humanitarian Connectivity Charter" launched by GSMA (World GSM Association) and supported by OCHA (the Office for the Coordination of Humanitarian Affairs).

### Contribution to Sports

For many years, our Company has continued its contribution so that sports develop in Turkey, and Turkish athletes and national teams are praised in national and international arenas. In 2016, our Company continued to support team sports such as basketball, football, sailing and cycling, and individual sports such as athletics, swimming, running, fishing and golf.

#### *Our Football and Basketball Sponsorships*

Since 2005, our Company has been the "Main Sponsor" for the sponsorship of our National Football Team. This year, our Company in collaboration with the Football Clubs Association, has also become the "Spor Toto Super League Official Communication Sponsor".

Furthermore in August, our Company also continued its support for football with the "Turkcell Super Cup" sponsorship.

At the same time, our Company continues to support the National Basketball Team for 14 years. This year, sponsorship support was given also to the Women's National Team within the scope of the contract that was extended until 2019.

#### *Visually Impaired National Football Team and Turkcell Sound Seers League*

Our Company continues to be the "Main Sponsor" of the Visually Impaired National Football Team, giving its name as the sponsor of the Turkcell Sound Seers League.

### Other Branches

Until 2020, as we plan to invest TRY 28 million in our Swimming and Athletics Performance Projects, that we launched in 2013 under the supervision of the Ministry of Youth and Sports, our Company continues to provide support in this direction.

Turkcell became the first brand to support the Turkish Olympic team in the history of our country as a result of the collaboration with the Ministry of Youth and Sports and General Directorate of Sports.

Moreover, the second Turkcell Gallipoli Marathon, Turkey's first thematic marathon, was held on the 2<sup>nd</sup> of October and a sapling was planted for each runner within the scope of the marathon as the "Turkcell Peace Forest" was established in Çanakkale. This project was combined with Letters to Çanakkale Project; 10 thousand saplings were planted in the pine forests of the Güzelyalı region, which had been destroyed in the fire.

Our Company became the technology and communication sponsor for the 52<sup>nd</sup> time Presidential Cycling Tour of Turkey.

Organizing events such as Turkcell Platinum Golf Challenge, Turkcell Platinum Bosphorus Cup and Turkcell Platinum Alaçatı International Fishing Tournament, our Company also supports many athletes under different branches.

## Contribution to Culture –Art

Our Company has been the Communication and Technology Sponsor of Istanbul Modern since 2012.

In 2014, our Company also became the Communication and Technology sponsor of Sakıp Sabancı Museum, and started offering ticket services to facilitate museum entrance with the "My Ticket on Mobile" (Biletim Cepte) service.

Our Company has organized 32 events under the name of Turkcell Starry Nights event, and has also become the main communication and technology sponsor of EXPO 2016 Antalya.

## Sustainability at Turkcell

As an integrated communication and technology company in Turkey, we are aware of our environmental responsibilities, and thus we locate our environmental impact areas and manage our operations with these areas in mind. We outline our projects that are managed with this vision, under three main topics. As we publicly shared the sustainability management approach of Turkcell İletişim Hizmetleri A.Ş. and its sustainability practices and performance in the operating period between January 1, 2014 and December 31, 2015, we also issued a comprehensive report to share our 2015 carbon footprint projects and outputs including CDP Turkey (Carbon Disclosure Project). Also in 2016, we fulfilled all responsibilities related to greenhouse gas standards and continued to be the first telecom operator in Turkey receiving the "ISO 14064 - Calculation and Reporting of Corporate Greenhouse Gas Emissions" certificate in 2015. As a consequence of our comprehensive projects in progress, we have been entitled to be listed in the BIST Sustainability Index for 2016-17.

## SECTION 5- BOARD OF DIRECTORS

### 5.1. Structure and Formation of the Board of Directors

According to the provisions of the second paragraph of article 17 of the Capital Markets Law No. 6362, Ahmet Akça, Atilla Koç and Mehmet Hilmi Güler have been appointed as the independent board members under the resolution no. 2013/8 of the CMB dated 11<sup>th</sup> of March 2013 for holding this office until the election of independent board members in place of them duly or until the adoption of a new resolution related thereto by the CMB in order to ensure the fulfilment of the requirement with respect to the election of independent board members among the Corporate Governance Principles; Mehmet Bostan and Bekir Pakdemirli have been appointed as the board members under the resolution no. 2013/27 of the CMB dated 15<sup>th</sup> of August 2013 pursuant to the provision of the sub-paragraph (k) of the first paragraph of the article 128 of the Capital Markets Law No. 6362 in place of the board members who have been elected in general assembly meeting dated 29<sup>th</sup> of April 2010 for a duty period of 3 years and whose duty periods have expired but their successors could not be elected by the shareholders to hold this office until election of new members by the Company's general assembly meeting in accordance with the legislation or appointment of other members by the CMB in addition to 3 independent board members appointed pursuant to the resolution no. 8/271 of CMB dated 11<sup>th</sup> of March 2013 and; Erik Jean Christian Antoine Belfrage and Jan Erik Jean Rudberg notified to the CMB by Sonera Holding BV have been appointed as the board members under the resolution no.2013/30 of the CMB dated 13<sup>th</sup> of September 2013 for 2 board memberships remained vacant as a result of ex-officio appointments made to the Board of Directors under resolutions no. 8/271 and 28/921 of the Board dated 11<sup>th</sup> of March 2013 and 15<sup>th</sup> of August 2013 respectively in order to hold this office until the election of new members by the Company's general assembly meeting in accordance with the legislation or appointment of other members by the CMB.

Following the appointment of the board members made by the CMB, the Board of Directors of Turkcell currently consists of 7 (seven) non-executive members meeting the independency criteria in total and 3 (three) of them are independent members.

Résumés of the members of the Board of Directors of our Company are given under the "Board of Directors" section in 2016 Annual Report, and there was no situation publicly disclosed on Company's corporate website that would breach independence of the independent members in this period.

For the Board of Directors Chairman and members to make business that interfere with Company activities, on their own account or on behalf of others, and to become partners in companies that make such business, general assembly's approval is required within the scope of Articles n.395 and n.396 of the TCC.

Members of the Board of Directors can freely communicate and express their views without any influence. There have been female members in the Board of Directors in the previous years; nevertheless, no target ratio (not less than 25%) and time for the presence of female members in the Board of Directors has been determined, and no policy in order to reach these targets has not been created yet.

Our Company has affiliate companies and subsidiaries. There is no restriction for the members of the Board of Directors of the Company to assume duties outside the Company in these companies' management due to the fact that such action would be for the benefit of the group. Duties of the members of the Board of Directors outside the Company are listed in the table above.

### 5.2. Principles of Activities of the Board of Directors

The agenda of the meetings of the Board of Directors is prepared by the Chairman of the Board of Directors, who takes into account requests made by members of the Board of Directors and executives. The Board of Directors met 9 times in total during the year 2016 via physical participation and teleconference. The overall rate of attendance at these meetings was 89%. The resolutions in the meetings were adopted with unanimity at a rate of 87%.

In order to assure proper attendance, Turkcell set the schedule of the Board meetings to be held in the following year at the end of the current year and notified the members within this regard. Thus, the members are offered the opportunity to schedule their activities according to their meetings, and the date of the next board meeting is also determined taking the requests of the members into account at each board meeting. In urgent matters, additional meetings can always be convened without waiting for the next meeting date. Invitations to the meetings are sent via e-mail. In line with the corporate governance principles, the secretariat which has been set up within the structure of the Board of Directors informs the board members by notifying the agenda of the meeting and the documents related to the agenda, writes and archives the discussions conducted by the Board members during the meetings on a report, and records the reasons of the counter votes regarding matters for which a different opinion has been expressed.

As per Articles of Association: board meetings are possible with there being a quorum of at least five members at the meeting. At board meetings, ordinary resolutions are taken with four affirmative votes at the meetings where five members are present and with five affirmative votes at the meetings where more than five members are present.

Neither the Chairman of the Board of Directors nor the Board members hold any preferential voting rights or the right to veto the resolutions made by the Board of Directors. All board members, including the Chairman, have equal voting power.

Powers and responsibilities of the members of the Board of Directors are clearly specified in the Articles of Association. These powers are used in conformity with the principles specified in the internal directive that was issued with our Board of Directors' resolution n.1269 taken on the 17<sup>th</sup> of December 2015, registered on the 25<sup>th</sup> of February 2016, and announced on the 2<sup>nd</sup> of March 2016 – as per the n.367 and n.371 of the TCC.

Any damage to the Company which may be caused by the failures of the Board members during the performance of their duties has been insured and the insurance limit in the September 2015 – September 2016 period was accepted as USD 400 million and USD 734,983.19 were paid as insurance premiums.

## 2016 FINANCIAL YEAR CORPORATE GOVERNANCE COMPLIANCE REPORT

BOD MEMBER NAME-SURNAME	DUTY	DUTIES WITHIN THE GROUP	DUTIES OUTSIDE THE GROUP: COMPANY NAME	DUTIES OUTSIDE THE GROUP: TITLE/POSITION	TERM OF OFFICE REMAINING TERM OF OFFICE
Ahmet Akça	Chairman of the Board of Directors	- lifecell LLC Chairman of the Board of Directors - Kule Hizmet and İşletmecilik A.Ş. Chairman of the Board of Directors	(1) Akça Lojistik Hizmetleri ve Ticaret A.Ş. (2) Bezmîâlem Vakıf Üniversitesi	(1) Chairman of the Board of Directors (2) Chairman of the Board of Trustees	Until replacement
Mehmet Hilmi Güler	Board Member	- Superonline İletişim Hizm. A.Ş. Chairman of the Board of Directors	(1) ICBC Turkey Bank A.Ş.	(1) Board Member	Until replacement
Atilla Koç	Board Member	-Kuzey Kıbrıs Turkcell Chairman of the Board of Directors -Kule Hizmet ve İşletmecilik A.Ş. Board Member	-	-	Until replacement
Mehmet Bostan	Board Member	-	(1) Vakıf Pension (2) Pension Supervision Center (3) Turkish Tennis Federation (4) Sovereign Wealth Fund of Turkey	(1) Board Member (2) Board Member & General Manager (3) Board Member (4) Chairman of the Board of Directors & General Manager	Until replacement
Bekir Pakdemirli	Board Member	- Fintur Holdings B.V. Representative of the Board Member - Kuzey Kıbrıs Turkcell Board of Directors Vice Chairman - TOHAŞ Chairman of the Board of Directors -Turkcell Finansman A.Ş. Chairman of the Board of Directors	(1) Adres Danışmanlık Ltd. Şti. (2) McCain Foods Limited (3) Tarkem Tarihi Kemeraltı A.Ş. (4) Anatolia Autism Foundation (5) Capital Markets Investors Association (6) Albaraka Türk Katılım Bankası A.Ş. (7) Gürtel Telekomünikasyon Yatırım ve Dış Ticaret A.Ş.	(1) Chief Consultant (2) Director (3) Board Member (4) Member of Board of Trustees (5) Association Member (6) Board Member (7) Board Member	Until replacement
Jan Erik Rudberg	Board Member	CJSC "Belarusian Telecommunication Network" Chairman of the Board of Directors	(1) Hogia AB (2) Kcell JSC (3) PJSC Megafon	(1) Chairman of the Board of Directors (Independent) (2) Chairman of the Board of Directors (Independent) (3) Board Member (Independent)	Until replacement
Erik Jean Christian Antoine Belfrage	Board Member	-lifecell LLC Board Member - Kule Hizmet ve İşletmecilik A.Ş. Board Member	(1) KIBI AB (2) Eramet Steel (3) Philippines Republic (Stokholm) (4) The International Council of Swedish Industry (5) International Chamber of Commerce - Corporate Responsibility and Fighting Corruption Committee (6) International Chamber of Commerce - Finance Committee (7) The Trilateral Commission (8) Sigtunaskolan Humanistiska Laroverket (Sigtuna School) (9) SEB Marcus Wallenberg (10) Investor AB Jacob Wallenberg	(1) Board Member (2) Board Member (3) Honorary Consul General (4) Chairman of the Board of Directors (5) Chairman (6) Vice Chairman (7) Board Member (8) Chairman (9) Advisor to Chairman (10) Advisor to Chairman	Until replacement

### 5.3. Number, Structure and Independence of the Committees Established Under the Board of Directors

In order for the Board of Directors to properly fulfill its duties and responsibilities the following committees have been established under the Board of Directors: Audit Committee, Corporate Governance Committee, Early Detection of Risks Committee, Compensation Committee, and Candidate Nomination Committee. Board of Directors determined the committees' tasks, their working principles and members, and relevant information was publicly disclosed as an outline on the Company website.

All members of the Audit Committee are independent members of the Board of Directors. Chairman of the Corporate Governance, Early Detection of Risk Committee, Compensation and Candidate Nomination Committee are also independent members of the Board of Directors. Early Detection of Risk Committee, Audit Committee and Candidate Committee are composed of three members; Corporate Governance Committee and the Candidate Nomination Committee composed of five members.

Throughout the financial year of 2016, the Audit Committee, Corporate Governance Committee, Compensation Committee and Early Detection of Risks Committee carried out their operations. The following resolutions were taken during the meeting of our Company's Board of Directors dated 19<sup>th</sup> of August 2013 regarding the distribution of work in the committees:

- the Audit Committee to be constituted of Ahmet Akça, Mehmet Hilmi Güler and Atilla Koç, our independent Board members; Ahmet Akça to be appointed as the chairman of the Committee;
- the Early Detection of Risks Committee to be constituted of Mehmet Hilmi Güler, Mehmet Bostan and Bekir Pakdemirli; Mehmet Hilmi Güler to be appointed as the chairman of the Committee;
- the Corporate Governance Committee<sup>(2)</sup> to be constituted of Mehmet Hilmi Güler, Mehmet Bostan and Bekir Pakdemirli; Mehmet Hilmi Güler to be appointed as the chairman of the Committee;
- the Compensation Committee to be constituted of Atilla Koç, Mehmet Hilmi Güler and Mehmet Bostan; Atilla Koç to be appointed as the chairman of the Committee;
- the Candidate Nomination Committee to be constituted of Ahmet Akça, Mehmet Hilmi Güler, Atilla Koç, Mehmet Bostan and Bekir Pakdemirli; Ahmet Akça to be appointed as the chairman of the Committee.

Due to the fact that the Chairman of the Board of Directors is an independent member, he also assumes position in the Audit Committee and the Candidate Nomination Committee while the General Manager does not assume any position in any of the committees.

As per the corporate governance principles, there are no executive members in the committees, except the "Investor Relations Department" executive and Investor Relations and Mergers and Acquisition Director in the Corporate Governance Committee. Due to the structure of the Board of Directors, members of the Board of Directors may assume duties in more than one committee.

Necessary resources and support is provided by the Board of Directors for the committees to fulfill their tasks and duties. Committees may invite necessary managers/directors to their meetings, and take their opinions.

<sup>(2)</sup>Investor Relations and Merger and Acquisition Director Zeynel Korhan Bilek and Investor Relations and Mergers and Acquisitions Department Executive Yeşim Tohma joined the committee on the 1st of November 2016. As of 23rd of January 2017, Capital Markets and Compliance Unit Executive Emre Alpman was appointed for the vacant position of Yeşim Tohma.

Committees convene frequently enough, and they prepare all work in writing, and keep record of all their activities. Reports covering the information about the activities of the committees and meeting results are presented to the Board of Directors.

Information about the committees established under the Board of Directors is available under the Corporate Governance topic of the Investor Relations Section on the Company's website ([www.turkcell.com.tr](http://www.turkcell.com.tr)).

### 5.4. Risk Management and Internal Control Mechanism

During the process of selecting the independent external auditor; the Audit Committee considers the competencies and independence status of the independent audit firms, and advises the Board of Directors presenting a report about the most suitable audit firm.

During our Company's Ordinary general assembly meeting held on 29<sup>th</sup> of March 2016, Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. was appointed as the Company auditor for auditing our Company's financial statements of 2016 as per the TCC. <sup>(3)</sup>

Moreover, the Internal Audit Function operates with the Board of Directors and is responsible for the auditing of Turkcell İletişim Hizmetleri A.Ş. and all of the group companies which are subsidiaries, and reports the results of the audit carried out in line with the International Standards for the Professional Practice of Internal Auditing to the Audit Committee. The auditing activities of the Internal Audit function mainly comprise of operational audits conducted pursuant to annual audit plans and audits in accordance with Article 404 of the Sarbanes-Oxley Act.

Operational audit activities are carried out according to annual audit plans prepared with respect to a risk based audit approach. Through conducting operational audits, Internal Audit function evaluates and improves effectiveness of risk management, control, and governance processes and provides assurance to help Turkcell accomplish its objectives.

On the other hand, as we are listed on the New York Stock Exchange in the United States, audits are conducted within the framework of the annual plan to provide assurance in terms of the adequacy and effectiveness of internal control system across Turkcell and Turkcell group companies, of which financials are consolidated, and whether this structure operates effectively, in compliance with the provisions of Article 404 of the Sarbanes-Oxley Act, which all publicly traded companies are required to comply with. All stages from the planning stage to the specified internal control insufficiencies and following and concluding actions of the audit activities carried out in accordance with said Article are reported to the Audit Committee, CEO and CFO at regular intervals.

The Internal Audit Unit also provides consultancy in current matters and matters requested by the management.

The Internal Audit Unit reports the compliance practices as per Sarbanes Oxley Rule Act Section 404 to the Audit Committee while Corporate Risk Management Unit reports to the Early Detection of Risks Committee. The Internal Audit mechanism operates with a risk based audit approach. Within this scope, functionally and institutionally probable risks are continuously monitored, where the risk analyses resulting from these conducted operations constitute the main input of audit activities.

<sup>(3)</sup>As of 12th of December 2016, Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.'s (Independent Auditor and Financial Consultant Company) tradename was changed to PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş..

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Furthermore, there is an Enterprise Risk Management (ERM) process which comprises identifying the risks that may affect Turkcell's performance in achieving its targets, coordinating risk analysis activities, planning necessary actions, sharing, reporting and following the outcomes with the Company management. The Enterprise Risk Management Unit is responsible for coordinating the ERM process under the supervision of the Group Internal Audit Directorate. The Turkcell Enterprise Risk Management Unit aims to develop an approach, where the risk management process is conducted in an integrated manner with the fundamental management processes. While enabling this, a framework associated with the process was identified in accordance with an Enterprise Risk Management procedure as per the COSO ERM framework and ISO 31000 standard. During the risk identification and evaluation period, different methods such as workshops, brainstorming sessions, reports from risk contacts, thorough interviews, research reports, etc. are used. Thus, the objective was to extensively identify, evaluate and effectively manage risks causing uncertainties.

As of the end of the financial year of 2012, the "Early Detection of Risks Committee" has been in operation in order to perform activities in a manner affiliated with the Board of Directors within the scope of article 378 of the TCC and the Communiqué on Corporate Governance of the CMB. The Early Detection of Risks Committee supports the Board of Directors by performing studies for the purpose of early diagnosis of the risks which may jeopardize the existence, development and continuity of the Company, implementing the necessary measures related with the identified risks and managing the risks. The Committee reports to the Board of Directors once every 2 months and the reports are sent to an independent audit Company. The Board of Directors regularly provides an evaluation regarding the risks affecting the Company through the Early Detection of Risks Committee.

The Enterprise Risk Management Unit is responsible for coordinating the risk assessment and risk avoidance activities at departments as well as reporting the results to the Early Detection of Risks Committee within the scope of Enterprise Risk Management methodology. During this process, the ownership of the risks and the responsibility of risk avoidance activities belong to the business and not transferred to the responsibility of the Enterprise Risk Management Unit.

In 2000, Turkcell formulated its business continuity plans in a manner also encompassing its technical operations and repositioned its business continuity plan as Business Continuity Management by broadening the extent thereof in 2004.

With the restructuring in 2011, the scope of the program expanded so as to comprise Turkcell Group companies and suppliers. Turkcell Group Business Continuity Management System has been structured and certified in a manner ensuring the continuity of our call, messaging, Internet and societal security services as per the "ISO 22301, Societal security - Business continuity management systems" standard. Regular drills are conducted for our business continuity plans formed by considering the customers' expectations, corporate policies and legal obligations in order to guarantee their operation in emergency cases.

Thanks to our geographically dispersed technical infrastructure, extensive coverage, solution partner network, mobile exchanges, additional capacity, emergency centers and extensive experience in handling emergencies enable us to minimize the impact of risks as much as possible and additionally, the experience of our Group companies in customer services, our high speed fiber-optic infrastructure, data storage services and our experienced software development teams allow us to effectively manage any disasters from another center, thereby ensuring the continuity of our activities.

### 5.5. Strategic Goals of the Company

With the vision of "Converged Communications and Technology Services Company with Globally Relevant Services"; as Turkcell Group, our aim is to be the converged telecom leader in Turkey, to become the leader in the region by being one of the top two in every country we are present, and to offer globally relevant services with over 100 million users. To achieve these goals, we have set our values as working together to create value for customers, colleagues, shareholders and ecosystem partners. We adopt a culture that gives value, works together to create value, and that focuses on superior customer experience, that differentiates with technology leadership and solution-oriented approach. Our strategy on this route is to strengthen our position in Turkey, expand in existing and new markets, develop and spread the digital services; and focus on sustainable shareholder return.

### 5.6. Financial Rights

The shareholders were informed with a separate agenda topic at the ordinary general assembly meeting held on 26<sup>th</sup> of March 2015 within the framework of the Remuneration Policy approved with the decision of the Company's Board of Directors and made public on the Company's website. During the financial year 2012 a Compensation Committee, which is responsible for determining the remuneration principles that apply to the Board members and senior management taking into account the long-term strategic goals of the Company, for setting out the remuneration criteria for the Board members and senior management's performance and makes compensation recommendations to the Board, had been established.

All rights, benefits and remuneration provided to board members and senior management on a cumulative basis and the criteria along with remuneration principles used in the determination of these are being shared with the public through the Company's Remuneration Policy and annual reports. Within this scope, the sum of the payments made to the members of the Board of Directors and executives within the framework of the Remuneration Policy is also publicly announced in the footnotes of our financial statements. Not presenting the benefits on a per-person basis did not lead to any conflict of interest.

The total benefit paid and provided to the key management personnel amounts to TRY 60 million 544 thousand for the financial year which ended on December 31, 2016.

In addition to their salaries, the Company provides fringe benefits to the directors and the executive officers as well as contributes to their pension plans. The Company is obliged to contribute to such pension plans at a certain percentage of the employee's salary.

With the scope of the resolution adopted at general assembly meeting dated 29<sup>th</sup> of April 2010 for the payment of net EUR 250,000 per year to the Chairman of the Board of Directors and net EUR 100,000 per year to each member of the Board of Directors during the period of their service, said payments are continued.

No loans, credits or assurances such as the surety for benefit are granted to board members and senior executives of the Company.



## CONCLUSION OF THE AFFILIATION REPORT

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### 01.01.2016-31.12.2016

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Conclusion of the Report on the relationship among the Parent Company and the subsidiaries as per the Article 199 of the Turkish Commercial Code:

“Details of the legal transactions of our Company with Turkcell Holding A.Ş. and its subsidiaries during the fiscal year 2016 are given in the above tables. There is neither any legal transaction made in favor of Turkcell Holding A.Ş, nor one of its subsidiaries, nor any action taken, or avoided in favor of Turkcell Holding A.Ş. or one of its subsidiaries upon directive from Turkcell Holding A.Ş.

Details of services provided and/or fixed asset purchases/sales performed under operational activities carried out between our Company and Turkcell Holding A.Ş. and/or its subsidiaries that are in full conformity with the market during the fiscal year 2016 are included in this Report.”

## TELECOMMUNICATIONS SECTOR IN TURKEY

The Information and Communication Technologies Authority (ICTA) established for the regulation and supervision of the telecommunication sector as an independent management authority has been in operation since August 2000.

According to the ICTA Market Data report, the number of players in the Turkish electronic communications sector was 615 as of the third quarter of 2016 and the number of authorizations given to these players numbers 994.

In the first three quarters of 2016, the total net sales revenues of mobile operators [Turkcell İletişim Hizmetleri A.Ş. ("Turkcell"), Vodafone Telekomünikasyon A.Ş. ("Vodafone"), Avea İletişim Hizmetleri A.Ş. ("Avea")] and Türk Telekomünikasyon A.Ş. ("Türk Telekom") were approximately TRY 26 billion, while the net sales revenues of other operators were realized at TRY 7.2 billion. The total amount of investments made in the same period was close to TRY 4.7 billion.

### MOBILE MARKET

There are 74.5 million mobile subscribers in total in our country, corresponding to a penetration rate of approximately 94.6% as of the end of September 2016. (Mobile penetration rate excluding the population aged 0-9 years: 107%).

In the third quarter of 2016, the number of 4.5G subscribers stood at 45.7 million, while the number of 3G subscribers decreased to 23.5 million. With 3G and 4.5G services, the number of mobile broadband subscribers increased to 49.0 million.

As of the third quarter of 2016, 50.8% of mobile subscribers were in postpaid tariffs while 49.2% were in prepaid tariffs. The number of prepaid mobile broadband subscribers was 22.8 million and the number of postpaid mobile broadband subscribers was 26.1 million, while the number of M2M subscribers reached 3.8 million.

In the third quarter of 2016, the number of mobile numbers ported decreased by 19.72% compared to the previous quarter and stood at 2.3 million. As of November 4, 2016, 98.4 million mobile number portability transactions were realized in total.

In terms of market share distribution based on the number of subscribers, Turkcell has a 44%, Vodafone a 31.3% and Avea a 24.7% market share. Approximately 89.3% of mobile subscribers are consumer and 10.7% are corporate subscribers.

Average monthly usage of mobile broadband was at 2.2 GB levels, while data usage of subscribers whose devices and SIM cards were compatible with the 4.5G service realized as 5.6 GB. Total mobile traffic volume for the third quarter of 2016 increased by 8.8% compared to the same period of last year, and registered at 62.1 billion minutes. As per the operators' traffic volume, the increase was 6.3% for Turkcell, 1.1% for Vodafone and 0.4% for Avea.

In terms of the revenues from subscribers, Turkcell's market share stood at 44.7%, Vodafone's 31.8% and Avea's 23.5%.

### INTERNET & BROADBAND MARKET

The number of broadband internet subscribers, which was around 6 million in 2008, had exceeded 59.1 million as of the end of the third quarter of 2016. In total, there was an increase in internet subscriptions of approximately 7.0% in comparison to the previous three-month term, and the general upward trend in the number of internet subscribers continued with the increase in mobile and fiber internet subscribers. Meanwhile, the annual rate of increase in the total number of internet subscribers was 26.5%. The number of xDSL subscribers approached 7.5 million and fiber subscribers exceeded 1.8 million. The total length of the fiber infrastructure of alternative operators had reached 61,317 km.

The total amount of revenue in relation to internet service providers in the third quarter of 2016 was approximately TRY 1.5 billion, remained same as previous quarter. The average monthly usage of fixed broadband internet subscribers reached 67.8 GB. Approximately 70.8% of fixed broadband subscribers in Turkey were seen to prefer packages offering connection of 10-30 Mbit/sec. The share of service provided with xDSL technology by alternative operators in the broadband industry was at 17.4% as of the second quarter of 2016.

### TV MARKET

As of the third quarter of 2016, there are 20 operators, which have the Cable Broadcast Service (CBS) authorization. While the number of Türksat's cable TV subscribers is 1,159,638; among the operators providing IP TV services, Superonline has 323,306 and TTNNet has 428,114 subscribers.

Among those operators authorized to provide satellite platform services, Digitürk, DSmart, Filbox and Tivibu are actively engaged in the operations.

### FIXED VOICE MARKET

As of the end of the second quarter of 2016, there are 11.08 million fixed telephone subscribers in our country, while the penetration ratio of the population is approximately 14.1%.

## COMPANY DEVELOPMENTS

**TURKCELL FİNANSMAN A.Ş. (“TFŞ”, acting as consumer finance company):** TFŞ has been granted the operational permit with the decision of the Banking Regulation and Supervision Agency (“BRSA”) dated 21.01.2016, numbered 6686 and published in the Official Gazette dated 29.01.2016. The operational permit has been granted within the framework of Article 7 of Financial Leasing, Factoring and Financing Companies Law No. 6361, as well as Article 5, Clause 2 of the Legislation regarding the Establishment and Operational Principles of Financial Leasing, Factoring and Financing Companies. As a financing company with an operational permit from the BRSA, in addition to Law No. 6361, TFŞ is subject to the provisions and related legislation of Law No. 5549 on the Prevention of the Laundering of Proceeds of Crime and Law No. 6502 on Consumer Protection. As of 2017, TFŞ will also be engaged in insurance agency activities related to consumer loans, and will be subject to insurance agency provisions in this context.

**TURKCELL ÖDEME HİZMETLERİ A.Ş. (“TÖHAŞ”, acting as payment service provider):** TÖHAŞ has been granted an operational permit following the BRSA decision of 12.08.2016, numbered 6984 and published in the Official Gazette dated 20.08.2016. The operational permit has been granted pursuant to Article 14, Clause 1 and Article 15, Clause 1 of Law No. 6493 on Payment and Security Settlement Systems, Payment Services and Electronic Money Institutions. With the publication of the aforementioned decision, TÖHAŞ has acquired the status of licensed “Payment Service Provider” and become Turkey’s first payment service provider offering “Mobile Payment Service”. TÖHAŞ is basically subject to the provisions and related legislation of Law No. 6493 together with Law No. 5549. As of 2017, TÖHAŞ will apply for an operational permit to operate as an Electronic Money Institution within the scope of the concerning Law, and along with the provision of the operational permit, it will be liable to the legislative provisions to which Electronic Money Institutions are subject.

**THE ASSOCIATION OF MOBILE TELECOMMUNICATION OPERATORS:** The Association of Mobile Telecommunication Operators was established with the participation of Turkcell, Vodafone and Avea, in order to improve the investment environment of the mobile telecommunication services sector in Turkey. Its objectives are also to ensure that global practices are best implemented in our country with sector stakeholders, public organizations and institutions, and to carry out activities and operations aimed at increasing the contribution of the sector to the economic development of our country.

**SHARED INFRASTRUCTURE COMPANY (“OAS”):** An investment model is being evaluated with key stakeholders of the electronic communications sector within the framework of related regulations; through which, our country’s national broadband and fiber household penetration and service quality targets are achieved, country resources are used in an effective and balanced manner, financial risks of investments are shared in cooperation with the private and public sectors, whereby the most effective operational opportunity is ensured.

### REGULATORY DEVELOPMENTS – SECTORAL REGULATION

**LAW ON THE PROTECTION OF PERSONAL DATA (“KVK”):** “Law on the Protection of Personal Data” number 6698 came into effect upon publication in the Official Gazette on 07.04.2016. Regulations regarding the “transfer of personal data, transferring abroad, rights of persons, application, complaint investigation, register, crimes, and misconducts”, which were delayed for six months as of the law’s effective date, came into force on 07.10.2016. One of the changes introduced by the Law was the establishment of the Personal Data Protection Board.

**CANCELLATION OF THE MINIMUM PRICE OBLIGATION FOR ON-NET UNIT PRICES (“ARMU”):** The minimum price obligation on voice and SMS services, applied by the ICTA exclusively to Turkcell since 2009, and negatively impacting our Company’s competitive strength, has been abolished with the decision dated 16.08.2016. Removal of the subject restriction applied to our tariffs and campaigns, will broaden our Company’s options in making offers best suited to our customers’ needs. The reasons for lifting the obligation were: developments in the mobile electronic communication market, the increasing importance of mobile internet service in the market, the widespread use of Over The Top (OTT) services that enable communication through the internet, the decreased importance of voice and SMS services in the market compared to the period when regulations were applied, as well as the drop in the ratio of on-net calls and the discrepancy between on-net and off-net pricing.

**REMOVAL OF THE MAXIMUM TARIFF OBLIGATION:** While Turkcell has been subject to the maximum tariff obligation since the signing date of the concession agreement, the liability has been abolished as a result of the lawsuits filed within the scope of the disputes.

**PRICING OF THE BITSTREAM ACCESS SERVICE AT IP LEVEL (IP VAE):** With the ICTA decision dated 11.12.2013, number 2013/DK-ETD/634, it was decided to switch to a pricing model based on “Port and Transmission” from a package based pricing in wholesale DSL tariffs received from Türk Telekom. Port and Transmission fees have been re-determined with the decision of ICTA dated 29.06.2016, number 2016/DK-ETD/327, and the latest transition date was set as October 1, 2016.

While the operators had been purchasing package-based wholesale tariffs defined by Türk Telekom prior to October 2016, they will be able to identify their own packages in the new period. Our Company has also transitioned to the new model as of October 1, 2016. This new model consists of the two cost items of “Port” (fixed fee paid per subscriber) and “Transmission” (charge on traffic generated by the subscribers). Due to the high Port and Transmission charges set for the new model, the ISPs cost of wholesale DSL is expected to rise. In order to create a fair competitive environment, sector stakeholders are working on a pricing scheme so as to include volume-based discounting (logarithmic) as in the global transmission fee examples.

## COMPANY DEVELOPMENTS

### ELECTRONIC COMMUNICATION SECTOR MARKET ANALYSIS:

Market analysis studies, realized at the latest every 3 years, have been initiated by the ICTA, and are expected to be completed by 2017.

The mobile and fixed markets analyzed within the study are as follows:

- Mobile Access and Call Origination Market,
- Mobile Call Termination Market,
- Fixed Call Termination Market,
- Fixed Call Origination Market,
- Wholesale Broadband Access Market including Bitstream,
- Physical Infrastructure Access Market.

The legal process to cancel Turkcell's designation and certain of its obligations, as an operator holding significant market power in the Access to Mobile Networks and Call Originating Markets, continues, and the mentioned obligations are anticipated to be abolished. This will enable the processes where MVNOs (Mobile Virtual Network Operators) are involved to continue on a solid commercial ground.

**EXEMPTION ON FIBER (FIBER HOLIDAY):** With a decision dated 3.11.2011, numbered 2011/DK-10/511; ICTA has decided Fiber Access Services to be exempted from the regulations for a period of 5 years, or until the ratio of fiber internet subscribers reaches 25% of the fixed broadband subscribers. The mentioned five-year period ended on October 3, 2016. The exemption is expected to be finalized and the fiber access services to be regulated in the market analysis process.

**ANNEX AMENDMENT ON THE ELECTRONIC COMMUNICATIONS LAW IN REGARDS TO THE ARTICLE REGULATING AUTHORITY OF THE BOARD:** According to Article 60 of the Electronic Communications Law entitled Competence of Authority and Administrative Sanctions, an amendment has been made on 15.08.2016. The amendment authorizes the Prime Ministry to set necessary measures and notify the ICTA for implementation in cases where any delay is inconvenient, based on one or more of the reasons stated in Article 22 of the Constitution; the ICTA President is then to immediately notify the operators, access providers, data centers and related content and location providers regarding the Prime Minister's decision on the measures it deems necessary.

**AMENDMENT IN REGULATION ON AUTHORIZATION:** Through the Regulation on Authorization related to the Electronic Communications Sector, various amendments have been made in regards to requirements for the authorization of companies and the obligations of those authorized companies. With the amendment to the regulation, the authorization conditions and procedures have been updated in line with the objectives of increasing the supervision of operators, increasing quality standards in the sector and reducing customer mistreatment.

### PROCEDURES AND PRINCIPLES RELATED TO SERVICES WITH LIMITED USAGE (KMSH) AND IMPLEMENTATION OF INVOICE UPPER LIMIT (FÜS):

According to the Procedures and Principles expected to become effective as of 01.12.2017: Fixed Telephony Service operators with 200,000 or more subscribers shall comply with the obligations of the KMSH notification; in international data usage, the data service shall be terminated at the limit

selected by the subscriber, unless the subscriber demands otherwise; on the condition that the subscriber does not request otherwise, advertising and promotion can be done at the end of the KMSH and FÜS SMSs; FÜS obligations shall be imposed on all subscribers unless the subscribers demand otherwise; and all operators shall establish a real-time charging system.

**REGULATION RELATED TO 80 GHZ (E-BAND) R/L USAGE FEES:** The decision to amend the Council of Ministers' decree dated 18/5/2009, numbered 2009/15001 on "the Determination of Minimum Values Regarding the Right of Usage Fees" has been published in the Official Gazette numbered 29818. Along with the decision; an 80% discount has been made on the fee of the 80 GHz (E-band) R/L Right of Usage, which is critical in meeting the high capacity needs of short distance communications over 4.5G, and a saving of up to 40% has been provided in national frequency allocations.

### DEVELOPMENTS REGARDING 4.5G AUTHORIZATION

**SUBSCRIPTION:** The Board Decision dated 18.02.2016, and numbered 2016/DK-THD/120 includes obligations in order for existing 2G and 3G subscriptions to be switched to 4.5G subscriptions. Accordingly, subscribers' verifiable approval shall be obtained via SMS, call center, internet and similar means; the offer for 4.5G subscription shall be made at most 4 times in one year; those subscribers, who will switch to 4.5G shall be informed in detail regarding the conditions of use, and subscription contracts shall be changed technology neutral.

**LOCAL PRODUCT OBLIGATION:** Operators that have been granted 4.5G authorization, have submitted their first reports in regards to their obligation to source local products in their network related investments. Accordingly, following the 4.5G authorization, operators shall provide their network related investments (hardware and software products related to network and communication services, including, but not limited to, base station, switches, router, etc.) from products determined to be of local content within the scope of Law No. 4734 and related legislation. The local product purchase obligation is defined in three periods: 30% for the first year, 40% for the second year and 45% for the third and subsequent years.

**INTER-OPERATOR FREQUENCY REPLACEMENT PLANNING:** The frequency planning studies to ensure that the existing frequencies of mobile electronic communications operators in the 900 MHz band and the frequencies allocated by the IMT authorization are consecutive, were finalized in February 2016.

**REGULATIONS REGARDING INFRASTRUCTURE NOTIFICATIONS:** With Board Decision number 2016/DK-SYD/157, the issues of how to issue notifications regarding 4.5G infrastructures were determined, and it has become possible to make calculations related to the TRx notifications and radio fees over TRx numbers "actually used". The regulation is positive in the sense that it encourages widespread use of higher-capacity, but lower-unit-cost equipment supporting all technologies, in the networks.

## **DEVELOPMENTS CONCERNING THE INSTALLATION AND OPERATION OF INFRASTRUCTURE FACILITIES**

The following developments have taken place in order to prevent the difficulties experienced in the installation and operation of Infrastructure Facilities.

### **INSTRUCTION WRITTEN BY THE MINISTRY OF TRANSPORT, MARITIME AFFAIRS AND COMMUNICATIONS (MTMAC), GENERAL DIRECTORATE OF COMMUNICATIONS DATED 19.10.2016, NUMBERED 77592;**

Along with this letter written by the General Directorate of Communications aimed at preventing obstacles during the establishment and operation of base stations during the State of Emergency (OHAL), and to ensure seamless communication, the following institutions were instructed;

- 1- An instruction by the MTMAC to Public Institutions and Organizations,
- 2- An instruction by the Energy Market Regulatory to energy distribution companies, for them to facilitate subscription transactions,
- 3- An instruction by the General Directorate of Forestry to facilitate the base station installation processes in forest areas.

## **DRAFT STUDIES**

### **DRAFT REGULATION ON CONSUMER RIGHTS IN THE ELECTRONIC COMMUNICATIONS SECTOR:**

Having dealt with a number of issues related to the provision of services to consumers by operators in the sector, and considered to be a framework regulation; the regulation on Consumer Rights in the Electronic Communications Sector is expected to be amended in accordance with changing market conditions and updated general consumer legislation.

### **DRAFT REGULATION ON VALUE ADDED SERVICES (VAS):**

In the draft regulation, certain liabilities deemed to potentially make the customer experience more difficult and result in a decline in VAS revenues, have been foreseen; such as approval from different media of the VAS purchase offered via WAP, double opt-in for all services in purchases via SMS, and regulation of VAS intermediated for collection. In this context, it is expected that regulations contributing to the development of the VAS market, and enabling it to compete with global OTTs, will be passed.

**DRAFT REGULATION ON FAIR USAGE POLICY (FUP):** With the draft regulation, it was aimed a more transparent informing of consumers in the provision of internet services was aimed at. Alternative regulations such as increasing speeds after FUP, removing FUP from fixed internet packages, etc. by the end of 2018 are being discussed.

### **REGULATIONS BEING PLANNED REGARDING ZONING LEGISLATION, MUNICIPALITIES AND INSTALLATION AND OPERATION OF ELECTRONIC COMMUNICATIONS INFRASTRUCTURE FACILITIES:**

A request has been made to the Ministry of Transportation and the Ministry of Environment and Urbanization in regards to the incompatibility of current legislation with our infrastructure facilities; its inability to be implemented practically and technically; and practices causing installation and operational problems due to duplicate processes. The Ministry of Environment and Urbanization is working on a regulation that takes into consideration the technical characteristics of the MTMAC and ICTA infrastructures, as well as the immovable properties established on the planning necessities and systems. Parallel to international practices, regulation classifies the systems, based on their physical characteristics, such as the area they occupy and their height, and sets forth gradual exemptions and/or facilities to eliminate duplicate processes.

Within the framework of the studies carried out by MTMAC and ICTA, the Ministry of Environment and Urbanization is also working on processes related to the right of way applications, excavation licenses and soil destruction costs of the fiber infrastructure. The studies include the general framework of information, documents and fees to be requested, the maximum periods for which permit applications can be concluded, and constitution of the higher application authority and ways and additionally the processes that are compatible with/applicable to the technical and physical essence of the electronic communications systems.

## TURKCELL GROUP: 2016 FINANCIAL & OPERATIONAL REVIEW

Our audited annual consolidated financial statements including our consolidated statements of financial position as of December 31, 2016 and 2015 and our consolidated statements of profit and loss, comprehensive income, changes in equity and cash flows for the two years in the period ended December 31, 2016 and the related notes included in this annual report have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Report"). The following financial and operational overview focuses principally on the developments and trends in our business in the full year 2016 and should be read in conjunction with the IFRS report. The figures are expressed in Turkish liras (TRY) unless otherwise stated. A year on year comparison of key indicators is provided and figures in parentheses following the operational and financial results for the year end 2016 refer to the same item for the year end of 2015 unless otherwise stated.

### TURKCELL GROUP: FINANCIAL SUMMARY

CONSOLIDATED PROFIT & LOSS STATEMENT (TRY MILLION)	2015	2016	CHANGE %
<b>Total Revenue</b>	<b>12,769.4</b>	<b>14,285.6</b>	<b>11.9%</b>
Direct cost of revenues <sup>(1)</sup>	(7,769.5)	(9,236.6)	18.9%
Depreciation and amortization	(1,667.8)	(2,203.2)	32.1%
<b>Gross Profit Margin</b>	<b>39.2%</b>	<b>35.3%</b>	<b>(3.9pp)</b>
Administrative expenses	(625.3)	(721.8)	15.4%
Selling and marketing expenses	(1,901.9)	(1,910.9)	0.5%
<b>EBITDA<sup>(2)</sup></b>	<b>4,140.5</b>	<b>4,619.5</b>	<b>11.6%</b>
<b>EBITDA Margin</b>	<b>32.4%</b>	<b>32.3%</b>	<b>(0.1pp)</b>
Net finance income/(expense)	(43.4)	(172.8)	298.2%
Finance expense	(799.5)	(1,237.6)	54.8%
Finance income	756.1	1,064.8	40.8%
Other income/(expense)	(225.9)	(234.3)	3.7%
Non-controlling interests	164.1	(51.7)	(131.5%)
Income tax expense	(667.1)	(423.2)	(36.6%)
Discontinued operations	367.3	(42.2)	(111.5%)
<b>Net Income</b>	<b>2,067.7</b>	<b>1,492.1</b>	<b>(27.8%)</b>

<sup>(1)</sup> Including depreciation and amortization expenses.

<sup>(2)</sup> EBITDA is a non-GAAP financial measure.

CONSOLIDATED BALANCE SHEET DATA (YEAR END) (TRY MILLION)	2015	2016	CHANGE %
Cash and cash equivalents	2,918.8	6,052.4	107.4%
<b>Total assets</b>	<b>26,207.3</b>	<b>31,600.2</b>	<b>20.6%</b>
Long term debt	3,487.8	6,935.1	98.8%
Total debt	4,214.2	9,781.2	132.1%
<b>Total liabilities</b>	<b>11,788.4</b>	<b>15,531.8</b>	<b>31.8%</b>
<b>Total equity</b>	<b>14,418.9</b>	<b>16,068.4</b>	<b>11.4%</b>

CONSOLIDATED CASH FLOW (MILLION TRY )	2015	2016	CHANGE %
<b>EBITDA</b>	<b>4,140.5</b>	<b>4,619.5</b>	<b>11.6%</b>
LESS:			
Capex and License	(8,536.2)	(3,494.7)	(59.1%)
Net interest Income	445.8	616.9	38.4%
Other	1,987.0	(3,020.0)	(252.0%)
Net Change in Debt	(225.3)	4,411.9	n.m
<b>Cash generated/(used)</b>	<b>(2,188.1)</b>	<b>3,133.6</b>	<b>(243.2%)</b>
<b>Cash balance before dividend payment</b>	<b>6,843.8</b>	<b>6,052.4</b>	<b>(11.6%)</b>
<b>Dividend paid</b>	<b>(3,925.0)</b>	<b>-</b>	<b>n.m</b>
<b>Cash balance after dividend payment</b>	<b>2,918.8</b>	<b>6,052.4</b>	<b>107.4%</b>
<b>PROFITABILITY AND SOLVENCY RATIOS (%)</b>	<b>2015</b>	<b>2016</b>	<b>CHANGE %</b>
Gross Profit Margin	39.2%	35.3%	(3.9pp)
EBITDA Margin	32.4%	32.3%	(0.1pp)
Net Profit Margin	16.2%	10.4%	(5.8pp)
Total Liability/Equity Ratio	81.8%	96.7%	14.9pp
Total Debt / EBITDA Ratio	101.8%	211.7%	109.9pp

**Revenue<sup>(1)</sup>:** Group revenues grew by 11.9% to TRY 14,286 million (TRY 12,769 million) in 2016.

- Turkcell Turkey revenues, constituting 90% of Group revenues, rose by 11.4% to TRY 12,788 million (TRY 11,481 million).
- Consumer segment revenues increased by 11.9% to TRY 10,216 million (TRY 9,127 million), while corporate segment revenues grew by 7.9% to TRY 2,192 million (TRY 2,032 million). Mobile data revenues rose by 65.1% to TRY 4,478 million (TRY 2,712 million), while fixed data revenues increased by 27.4% to TRY 1,054 million (TRY 828 million). Digital services revenues grew by 94.6% to TRY 1,282 million (TRY 659 million). Overall, data and digital services revenues rose by 62.3% to TRY 6,814 million (TRY 4,198 million).
- Wholesale revenues grew by 17.4% to TRY 453 million (TRY 386 million).
- Turkcell International revenues increased by 2.2% to TRY 875 million (TRY 856 million).
- Other subsidiaries<sup>(2)</sup> revenues rose by 44.2% to TRY 623 million (TRY 432 million). The consumer finance company recorded revenues of TRY 185 million for the full year.

**Direct cost of revenues:** Direct cost of revenues as a percentage of revenues rose to 64.7% (60.8%) mainly due to the rise in depreciation and amortization expenses (2.4pp) and retail sales related device costs (1.5pp) in 2016.

**Administrative expenses:** Administrative expenses as a percentage of revenues increased to 5.1% (4.9%) in 2016.

**Selling and marketing expenses:** Selling and marketing expenses as a percentage of revenues declined to 13.4% (14.9%) on the back of the decrease in selling expenses (0.8pp), and in other cost items (1.0pp), despite the increase in marketing expenses (0.3pp) in 2016.

**EBITDA:** EBITDA grew by 11.6% year-on-year with an EBITDA margin of 32.3% (32.4%) in 2016. Direct cost of revenues (excluding depreciation and amortization) and administrative expenses rose by 1.4pp and 0.2pp, respectively, while selling and marketing expenses fell by 1.5pp.

- Turkcell Turkey's EBITDA rose by 10.7% to TRY 4,161 million (TRY 3,760 million), while the EBITDA margin was at 32.5% (32.7%).
- Turkcell International EBITDA was at TRY 235 million (TRY 246 million), while the EBITDA margin was at 26.9% (28.7%).
- The EBITDA of other subsidiaries rose by 65.4% to TRY 223 million (TRY 135 million).

**Net finance expense:** Net finance expense rose to TRY 173 million (TRY 43 million), mainly due to higher translation losses and interest expenses in relation to loans and 4.5G payables, as well as the decline in interest income from time deposits in 2016.

**Asset held for sale and discontinued operations:** The Group believes that an exit from Fintur countries is deemed highly probable within one year and therefore Fintur should be classified as held for sale and reported as discontinued operations as at 1 October 2016.

**Income tax expense:** The income tax expense declined by 36.6% to TRY 423 million (TRY 667 million) of which TRY 201 million comprised current tax charges and TRY 222 million was the deferred tax expense recorded.

<sup>(1)</sup> Please refer to the notes to the consolidated financial statements for the definition of Turkcell Turkey, Turkcell International and other subsidiaries.

<sup>(2)</sup> "Other subsidiaries" is mainly comprised of our information and entertainment services, call center business revenues, financial services revenues and inter-business eliminations.

## TURKCELL GROUP: 2016 FINANCIAL & OPERATIONAL REVIEW

**Net income:** Group net income as per IFRS declined to TRY 1,492 million (TRY2,068 million) in 2016. This was mainly due to higher translation losses, increased interest expenses in relation to loans and 4.5G payables, the negative Fintur impact, a higher amortization expense due to the 4.5G license, the decline in interest income from time deposits and the expenses incurred to benefit from tax amnesty based on Article 6736.

**Total cash & debt:** Consolidated cash as of December 31, 2016 increased to TRY 6,052 million, of which TRY 2,841 million (USD 807 million) was denominated in USD, TRY 1,403 million (EUR 378 million) in EUR and TRY 1,700 million in TRY , despite the TRY 1.4 billion third instalment payment of the 4.5G license in Q416.

Consolidated debt as of December 31, 2016 rose to TRY 9,781 million from TRY 8,132 million as of September 30, 2016. This was mainly due to the higher debt portfolio of our consumer finance company through utilization of loans, as well as commercial paper issuance with a nominal amount of TRY 250 million. Meanwhile, the translation increase in the FX denominated debt portfolio of Turkcell Turkey, due to depreciation of TRY against USD and EUR, also led to a rise in our total consolidated debt.

- Turkcell Turkey's debt was TRY 7,605 million, of which TRY 3,668 million (USD 1,042 million) was denominated in USD, TRY 3,548 million (EUR 956 million) in EUR and the remaining TRY 388 million in TRY .
- The debt balance of lifecell was TRY 407 million, denominated in UAH.
- Our consumer finance company had a debt balance of TRY 1,763 million, of which TRY 93 million (EUR 25 million) was denominated in EUR.

TRY 5,578 million of our consolidated debt is set at a floating rate, while TRY 2,846 million will mature within less than a year. (Please note that the figures in parentheses refer to USD or EUR equivalents).

**Cash flow analysis:** Capital expenditures, including non-operational items were at TRY 3,495 million of which TRY 3,144 million was related to Turkcell Turkey and TRY 337 million to Turkcell International. The cash flow item noted as "other" included payment of the second and third instalments of the 4.5G license (TRY 2,704 million), payment to benefit from the tax amnesty based on Article 6736 (TRY 130 million) and the negative impact of increased advances given for fixed asset purchases (TRY 210 million), prepaid expenses (TRY 35 million) and the positive impact of the change in other working capital (TRY 59 million).

In 2016, operational capital expenditures (excluding license fees) at the Group level were at 23.0% of total revenues.

**Donations:** Turkcell İletişim Hizmetleri A.Ş. has donated TRY 75,136,159.54 to various associations, oundations and charitable organizations in 2016.



**PROFORMA NET INCOME - NET INCOME RECONCILIATION**

We use "proforma net income" as a means of presenting our net income net of certain non-operating items and items that we believe are non-recurring. We believe "proforma net income" facilitates performance comparisons from period to period and management decision making. We define "proforma net income" in this document as net income excluding FX gain/(loss) (including tax and minority impact), interest income on time deposits of Turkcell İletişim Hizmetleri, interest expense on loans & borrowings, Fintur impact, 4.5G license amortization and one-off items. Please note that this is a non-GAAP measure and that we may in future presentations change the scope of items that we deduct from net income to arrive at "proforma net income." The reconciliation of adjusted net income to income is as shown below.

Below table presents reconciliation of Turkcell Group proforma net income to net income per IFRS:

<b>Net income impacts (TRY million)</b>	<b>FY15</b>	<b>Net income impacts (TRY million)</b>	<b>FY16</b>
<b>Proforma net income</b>	<b>2,348</b>	<b>Proforma net income</b>	<b>2,522</b>
FX impact (net of tax and minority interest)	(404)	FX impact (net of tax)	(643)
Interest income (net of tax)	181	Interest income (net of tax)	403
Interest expense (net of tax)	(118)	Interest expense (net of tax)	(342)
<b>One-off impacts (net of tax)</b>		<b>One-off impacts (net of tax)</b>	
Commercial Agreement Termination	(118)	Coup attempt emergency communication packages	(48)
Turk Telekom Settlement	(51)	Expenses incurred in relation to tax amnesty	(136)
4.5G VAT receivables discount	(30)	4.5G VAT receivables discount	30
4.5G license amortization	(6)	4.5G license amortization	(260)
Fintur impact	349	Fintur impact	(40)
Other impacts	(83)	Other impacts	6
<b>Net income - IFRS</b>	<b>2,068</b>	<b>Net income - IFRS</b>	<b>1,492</b>

Below table presents reconciliation of Turkcell Turkey proforma net income to net income per IFRS:

<b>Net income impacts (TRY million)</b>	<b>FY15</b>	<b>Net income impacts (TRY million)</b>	<b>FY16</b>
<b>Proforma net income</b>	<b>2,291</b>	<b>Proforma net income</b>	<b>2,384</b>
FX impact (net of tax)	302	FX impact (net of tax)	(608)
Interest income (net of tax)	181	Interest income (net of tax)	403
Interest expense (net of tax)	(39)	Interest expense (net of tax)	(301)
<b>One-off impacts (net of tax)</b>		<b>One-off impacts (net of tax)</b>	
Commercial Agreement Termination	(118)	Coup attempt emergency communication packages	(48)
Turk Telekom Settlement	(51)	Expenses incurred in relation to tax amnesty	(136)
4.5G VAT receivables discount	(30)	4.5G VAT receivables discount	30
4.5G license amortization	(6)	4.5G license amortization	(260)
Other impacts	(46)	Other impacts	16
<b>Net income - IFRS</b>	<b>2,484</b>	<b>Net income - IFRS</b>	<b>1,480</b>

## TURKCELL GROUP: 2016 FINANCIAL & OPERATIONAL REVIEW

### OPERATIONAL REVIEW (TURKEY):

Summary of Operational Data	FY15	FY16	% CHANGE
<b>Number of subscribers (million)</b>	<b>35.8</b>	<b>35.3</b>	<b>(1.4%)</b>
Mobile Postpaid (million)	16.6	17.4	4.8%
Mobile M2M (million)	1.9	2.1	10.5%
Mobile Prepaid (million)	17.4	15.7	(9.8%)
Fiber (thousand)	899.4	1,043.9	16.1%
ADSL (thousand)	620.8	818.0	31.8%
IP TV (thousand)	223.7	359.7	60.8%
<b>Churn (%)</b>			
Mobile Churn (%)	27.3%	24.6%	(2.7pp)
Fixed Churn (%)	16.7%	18.9%	2.2pp
<b>ARPU (Average Monthly Revenue per User)</b>			
Mobile ARPU - Blended (TRY)	24.5	26.8	9.4%
Postpaid	38.5	39.2	1.8%
Postpaid (excluding M2M)	42.7	44.0	3.0%
Prepaid	12.4	13.9	12.1%
Fixed Residential ARPU, blended (TRY)	48.7	51.1	4.9%
<b>Average Mobile Data Usage per User (GB/user)</b>	<b>1.4</b>	<b>2.4</b>	<b>64.7%</b>
<b>Mobile MOU (Average Monthly Minutes of Usage per Subs)Blended</b>	<b>296.6</b>	<b>323.9</b>	<b>9.2%</b>

Our postpaid customers expanded by 797 thousand net additions, while prepaid customers declined by 1.8 million in 2016 in line with our strategy of focusing on valuable customers. Our total mobile customers were 33 million. Postpaid customers comprised 52.5% (48.7%) of total mobile customers. We reported 342 thousand annual net additions to our fixed customer base; 144 thousand were fiber and 197 thousand were ADSL customers. Accordingly, our fixed customers reached 1.9 million, while our fiber customers exceeded 1 million. IP TV customers reached 360 thousand on 136 thousand annual net additions.

Mobile churn declined 2.7pp on the back of our value focused customer strategy, and value propositions that meet our customers' needs. On the fixed side, the churn rate was at 18.9% (16.7%).

Mobile ARPU reached a record high of TRY 26.8 on 9.4% growth. Mobile ARPU growth was mainly driven by our upsell strategy, favourable change in customer mix, focus on high value customer groups, and increased package penetration. The triple play ratio<sup>(1)</sup>, which includes customers of voice, data and digital services combined reached 42% and contributed to the ARPU rise. Fixed residential ARPU rose 4.9% with the increase in multiplay customers with TV<sup>2</sup> to 36% of total residential fiber customers, along with upsell efforts.

We saw solid demand for our mobile data offerings with the introduction of 4.5G, which led to 64.7% growth in average mobile data usage per user. Average mobile data usage of 4.5G users increased to 5GB in December 2016.

Mobile MoU rose 9.2% with an increased postpaid base and upsell efforts.

Smartphone penetration on our network reached 64% with 3.1 million annual net additions. Accordingly, there were 19.2 million smartphones on our network at year end, with 55% being 4.5G enabled.

(1) Breakdown among mobile voice users which excludes subscribers who do not use their line in the last 3 months

(2) Multiplay customers with TV: Internet + TV users & internet + TV + voice users

## FORWARD LOOKING STATEMENTS

In 2016, we delivered on our guidance for consolidated revenue growth, EBITDA margin and operational capex/sales ratio (excluding license fees).

	2016	2017 GUIDANCE	MIDTERM TARGET (2017-2019)
Revenue Growth	12%	13%-15%	12%-14%
EBITDA Margin	32.3%	32%-34%	33%-35%
OP.CAPEX/Sales*	23.0%	~20%	~16% (in 2019)

In 2017, we target increasing our Group revenues by 13-15%, an EBITDA margin of 32-34%, and an operational capex to sales ratio of 20%.

In the medium term, between 2017-2019, we are targeting to have our Group revenues grow by 12-14%, with an EBITDA margin target of 33-35% and the operational capex to sales ratio to decline to 16% by 2019.

\* Excluding license fees.

Please note that above paragraphs contain forward looking statements based on our current estimates and expectations regarding market conditions for each of our different businesses. No assurance can be given that actual results will be consistent with such estimates and expectations. For a discussion of factors that may affect our results, see our Annual Report on Form 20-F for 2016 filed with U.S. Securities and Exchange Commission, and in particular, the risk factor section therein.

## REVIEW OF RISK ASSESSMENT

The headlines below with regards to financial, operational, strategic, legal and regulatory, reputational and business continuity risks are monitored within the context of our corporate risk governance practice:

- Any challenges in competition in the Turkish market where majority of our revenues are generated;
- The possibility of not attaining expected returns on new investments and new businesses;
- Regulatory decisions and changes in the regulatory environment;
- Any downturn in the macroeconomic environment or political instability in Turkey and internationally;
- Any regulatory and legal regulations having adverse effect on our operations in those countries where we have operations;
- Macroeconomic instability and currency fluctuations in those countries where we have operations;
- Foreign exchange rate risks and risks relating to our cash balance management that could significantly affect our results of operation;
- Increase in our borrowing requirements as a result of cash generated from operations and related costs;
- Limitations on spectrum as a scarce resource in mobile telecommunication systems and speculation regarding base transceiver stations;
- Turkcell's existing ownership structure and ongoing disagreements among our main shareholders;
- Our dependence on certain systems and third-party suppliers related to the products and services we provide;
- Transition period in case of a resignation of our key personnel, our partners and their employees;
- Resolutions in various claims and legal actions arising in the ordinary course of our business;
- Risk of errors, misconduct or omissions in financial reporting despite regular internal controls;
- Threats of natural disasters, cyber-attacks, sabotage and unplanned operational cuts risks towards our network and information technology infrastructure;
- Risk of decrease in our market share as a result of not being able to develop products and services that meet customers' needs and expectations;
- Risk of not being able to meet the expected increase in value as a result of falling behind of expected developments and improvements in sales channels and
- Risk of not being able to keep up with the advancement in technology and thus the risk of significant increase in investments.

### Risk Management and Internal Control Mechanism

During the process of selecting the independent external auditor; the Audit Committee considers the competencies and independence status of the independent audit firms, and advises the Board of Directors presenting a report about the most suitable audit firm.

During our Company's Ordinary general assembly meeting held on 29<sup>th</sup> of March 2016, Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. was appointed as the Company auditor for auditing our Company's financial statements of 2016 as per the TCC.

Moreover, the Internal Audit Function operates with the Board of Directors and is responsible for the auditing of Turkcell İletişim Hizmetleri A.Ş. and all of the group companies which are subsidiaries, and reports the results of the audit carried out in line with the International Standards for the Professional Practice of Internal Auditing to the Audit Committee. The auditing activities of the Internal Audit function mainly comprise of operational audits conducted pursuant to annual audit plans and audits in accordance with Article 404 of the Sarbanes-Oxley Act.

Operational audit activities are carried out according to annual audit plans prepared with respect to a risk based audit approach. Through conducting operational audits, Internal Audit function evaluates and improves effectiveness of risk management, control, and governance processes and provides assurance to help Turkcell accomplish its objectives.

On the other hand, as we are listed on the New York Stock Exchange in the United States, audits are conducted within the framework of the annual plan to provide assurance in terms of the adequacy and effectiveness of internal control system across Turkcell and Turkcell group companies, of which financials are consolidated, and whether this structure operates effectively, in compliance with the provisions of Article 404 of the Sarbanes-Oxley Act, which all publicly traded companies are required to comply with. All stages from the planning stage to the specified internal control insufficiencies and following and concluding actions of the audit activities carried out in accordance with said Article are reported to the Audit Committee, CEO and CFO at regular intervals.

The Internal Audit Unit also provides consultancy in current matters and matters requested by the management.

The Internal Audit Unit reports the compliance practices as per Sarbanes Oxley Rule Act Section 404 to the Audit Committee while Corporate Risk Management Unit reports to the Early Detection of Risks Committee. The Internal Audit mechanism operates with a risk based audit approach. Within this scope, functionally and institutionally probable risks are continuously monitored, where the risk analyses resulting from these conducted operations constitute the main input of audit activities.

Furthermore, there is an Enterprise Risk Management (ERM) process which comprises identifying the risks that may affect Turkcell's performance in achieving its targets, coordinating risk analysis activities, planning necessary actions, sharing, reporting and following the outcomes with the Company management. The Enterprise Risk Management Unit is responsible for coordinating the ERM process under the supervision of the Group Internal Audit Directorate. The Turkcell Enterprise Risk Management Unit aims to develop an approach, where the risk management process is conducted in an integrated manner with the fundamental management processes. While enabling this, a framework associated with the process was identified in accordance with an Enterprise Risk Management procedure as per the COSO ERM framework and ISO 31000 standard. During the risk identification and evaluation period, different methods such as workshops, brainstorming sessions, reports from risk contacts, thorough interviews, research reports, etc. are used. Thus, the objective was to extensively identify, evaluate and effectively manage risks causing uncertainties.

As of the end of the financial year of 2012, the "Early Detection of Risks Committee" has been in operation in order to perform activities in a manner affiliated with the Board of Directors within the scope of article 378 of the TCC and the Communiqué on Corporate Governance of the CMB. The Early Detection of Risks Committee supports the Board of Directors by performing studies for the purpose of early diagnosis of the risks which may jeopardize the existence, development and continuity of the Company, implementing the necessary measures related with the identified risks and managing the risks. The Committee reports to the Board of Directors once every 2 months and the reports are sent to an independent audit Company. The Board of Directors regularly provides an evaluation regarding the risks affecting the Company through the Early Detection of Risks Committee.

The Enterprise Risk Management Unit is responsible for coordinating the risk assessment and risk avoidance activities at departments as well as reporting the results to the Early Detection of Risks Committee within the scope of Enterprise Risk Management methodology. During this process, the ownership of the risks and the responsibility of risk avoidance activities belong to the business and not transferred to the responsibility of the Enterprise Risk Management Unit.

In 2000, Turkcell formulated its business continuity plans in a manner also encompassing its technical operations and repositioned its business continuity plan as Business Continuity Management by broadening the extent thereof in 2004.

With the restructuring in 2011, the scope of the program expanded so as to comprise Turkcell Group companies and suppliers. Turkcell Group Business Continuity Management System has been structured and certified in a manner ensuring the continuity of our call, messaging, Internet and societal security services as per the "ISO 22301, Societal security - Business continuity management systems" standard. Regular drills are conducted for our business continuity plans formed by considering the customers' expectations, corporate policies and legal obligations in order to guarantee their operation in emergency cases.

Thanks to our geographically dispersed technical infrastructure, extensive coverage, solution partner network, mobile exchanges, additional capacity, emergency centers and extensive experience in handling emergencies enable us to minimize the impact of risks as much as possible and additionally, the experience of our Group companies in customer services, our high speed fiber-optic infrastructure, data storage services and our experienced software development teams allow us to effectively manage any disasters from another center, thereby ensuring the continuity of our activities.



**TURKCELL İLETİŞİM HİZMETLERİ A.Ş. AND  
ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2016 AND INDEPENDENT  
AUDITOR'S REPORT**

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of Turkcell İletişim Hizmetleri A.Ş.

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows present fairly, in all material respects, the financial position of Turkcell İletişim Hizmetleri A.Ş. and its subsidiaries at December 31, 2016, and the results of their operations and their cash flows for the year then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control Over Financial Reporting appearing on Item 15 of the 2016 Annual Report to Shareholders. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

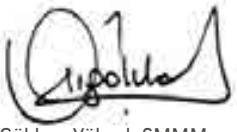
We also have audited the adjustments to reflect the discontinued operations to the 2015 and 2014 financial statements, as described in Note 17. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2015 and 2014 financial statements of the company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2015 and 2014 financial statements taken as a whole.



A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.



Gökhan Yüksel, SMMM  
Partner

Istanbul, Turkey  
March 20, 2017

# TURKCELL ILETISIM HIZMETLERI AS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### As at 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

	Note	31 December 2016	31 December 2015
<b>Assets</b>			
Property, plant and equipment	13	8,195,705	6,821,494
Intangible assets	14	8,235,989	8,232,637
<i>GSM and other telecommunication operating licenses</i>		6,160,536	6,505,739
<i>Computer software</i>		1,838,409	1,570,346
<i>Other intangible assets</i>		237,044	156,552
Investment properties	15	46,270	49,572
Other non-current assets	18	575,234	441,940
Investments accounted for using the equity method	16	-	981,939
Trade receivables	20	235,393	836,256
Receivables from financial services	21	909,466	-
Deferred tax assets		51,255	48,615
<b>Total non-current assets</b>		<b>18,249,312</b>	<b>17,412,453</b>
Inventories	22	131,973	75,471
Due from related parties	38	5,861	11,760
Trade receivables and accrued income	20	3,289,904	4,098,928
Receivables from financial services	21	1,486,906	-
Other current assets	23	770,135	1,689,686
Derivative instruments	33	390,958	216
Cash and cash equivalents	24	6,052,352	2,918,796
<b>Subtotal</b>		<b>12,128,089</b>	<b>8,794,857</b>
<b>Assets classified as held for sale</b>	<b>17</b>	<b>1,222,757</b>	<b>-</b>
<b>Total current assets</b>		<b>13,350,846</b>	<b>8,794,857</b>
<b>Total assets</b>		<b>31,600,158</b>	<b>26,207,310</b>
<b>Equity</b>			
Share capital		2,200,000	2,200,000
Share premium		269	269
Treasury shares (-)	25	(65,607)	-
Additional paid in capital		35,026	35,026
Reserves		1,102,896	861,111
Remeasurements of employee termination benefit		(41,786)	(14,320)
Retained earnings		12,780,967	11,272,731
<b>Total equity attributable to equity holders of Turkcell Iletisim Hizmetleri AS</b>		<b>16,011,765</b>	<b>14,354,817</b>
<b>Non-controlling interests</b>		<b>56,632</b>	<b>64,085</b>
<b>Total equity</b>		<b>16,068,397</b>	<b>14,418,902</b>
<b>Liabilities</b>			
Borrowings	28	6,935,102	3,487,786
Employee benefits	29	164,553	114,869
Provisions	31	187,541	130,619
Other non-current liabilities	27	427,547	366,670
Trade and other payables		-	1,270,610
Deferred tax liabilities	19	458,160	113,437
<b>Total non-current liabilities</b>		<b>8,172,903</b>	<b>5,483,991</b>
Borrowings	28	2,846,060	726,454
Current tax liabilities		71,638	12,855
Trade and other payables	32	4,101,991	5,283,070
Due to related parties	38	11,201	6,555
Deferred revenue	29	93,800	121,078
Provisions	30	192,442	152,115
Derivative instruments	33	41,726	2,290
<b>Total current liabilities</b>		<b>7,358,858</b>	<b>6,304,417</b>
<b>Total liabilities</b>		<b>15,531,761</b>	<b>11,788,408</b>
<b>Total equity and liabilities</b>		<b>31,600,158</b>	<b>26,207,310</b>

The accompanying notes on page 7 to 114 are an integral part of these consolidated financial statements.

# TURKCELL ILETISIM HIZMETLERI AS

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

### For the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

	Note	2016	2015	2014
Revenue	7	14,100,863	12,769,415	12,043,587
Direct costs of revenue	12	(9,166,384)	(7,769,483)	(7,383,947)
<b>Gross profit from non-financial operations</b>		<b>4,934,479</b>	<b>4,999,932</b>	<b>4,659,640</b>
Revenue from financial services	7	184,698	-	-
Direct costs of revenue from financial services	12	(70,223)	-	-
<b>Gross profit from financial operations</b>		<b>114,475</b>	<b>-</b>	<b>-</b>
<b>Gross profit</b>		<b>5,048,954</b>	<b>4,999,932</b>	<b>4,659,640</b>
Other income	8	78,569	44,454	58,929
Selling and marketing expenses	12	(1,910,947)	(1,901,859)	(1,974,608)
Administrative expenses	12	(721,849)	(625,279)	(562,694)
Other expenses	8	(312,801)	(270,446)	(135,177)
<b>Operating profit</b>		<b>2,181,926</b>	<b>2,246,802</b>	<b>2,046,090</b>
Finance income	10	1,064,794	756,039	955,401
Finance costs	10	(1,237,593)	(799,514)	(1,246,986)
<b>Net finance costs</b>		<b>(172,799)</b>	<b>(43,475)</b>	<b>(291,585)</b>
Monetary gain / (loss)		-	-	205,068
Share of profit of equity accounted investees		-	-	4,466
<b>Profit before income tax</b>		<b>2,009,127</b>	<b>2,203,327</b>	<b>1,964,039</b>
Income tax expense	11	(423,160)	(667,112)	(730,444)
<b>Profit from continuing operations</b>		<b>1,585,967</b>	<b>1,536,215</b>	<b>1,233,595</b>
<b>Profit/ (loss) from discontinuing operations</b>		<b>(42,164)</b>	<b>367,336</b>	<b>202,821</b>
<b>Profit for the year</b>		<b>1,543,803</b>	<b>1,903,551</b>	<b>1,436,416</b>
<b>Profit / (loss) attributable to:</b>				
Owners of Turkcell Iletisim Hizmetleri AS		1,492,088	2,067,654	1,864,640
Non-controlling interests <sup>(1)</sup>		51,715	(164,103)	(428,224)
<b>Profit for the year</b>		<b>1,543,803</b>	<b>1,903,551</b>	<b>1,436,416</b>
Basic earnings per share- Total group (in full TL)	26	0.68	0.94	0.85
Basic earnings per share- from continuing operations (in full TL)	26	0.70	0.77	0.76

<sup>(1)</sup> Profit attributable to non-controlling interests solely derives from continuing operations.

The accompanying notes on page 7 to 114 are an integral part of these consolidated financial statements.

# TURKCELL ILETISIM HIZMETLERI AS

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

	2016	2015	2014
<b>Profit for the year</b>	<b>1,543,803</b>	<b>1,903,551</b>	<b>1,436,416</b>
<b>Other comprehensive income / (expense):</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurements of employee benefits	(34,532)	(13,466)	(819)
Income tax relating to remeasurements of employee termination benefits	7,066	2,563	196
	(27,466)	(10,903)	(623)
<b>Items that may be reclassified to profit or loss:</b>			
Changes in cash flow hedge reserve	-	719	1,089
Exchange differences on translation of foreign operations	63,920	166,730	477,592
Exchange differences arising from discontinuing operations	154,552	(551,196)	(9,114)
Income tax relating to these items	(87,381)	(5,749)	(3,646)
	131,091	(389,496)	465,921
<b>Other comprehensive (loss) / income for the year, net of income tax</b>	<b>103,625</b>	<b>(400,399)</b>	<b>465,298</b>
<b>Total comprehensive income for the year</b>	<b>1,647,428</b>	<b>1,503,152</b>	<b>1,901,714</b>
<b>Total comprehensive income/ (loss) attributable to:</b>			
Owners of Turkcell Iletisim Hizmetleri AS	1,594,465	1,616,867	2,098,610
Non-controlling interests	52,963	(113,715)	(196,896)
<b>Total comprehensive income for the year</b>	<b>1,647,428</b>	<b>1,503,152</b>	<b>1,901,714</b>
<b>Total comprehensive income/ (expense) attributable to the owners arises from:</b>			
Continuing operations	1,496,209	1,798,094	1,711,654
Discontinued operations	98,256	(181,227)	190,060
	<b>1,594,465</b>	<b>1,616,867</b>	<b>1,901,714</b>

The accompanying notes on page 7 to 114 are an integral part of these consolidated financial statements.

# TURKCELL ILETISIM HIZMETLERI AS CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

	Attributable to equity holders of the Company										Total Equity	
	Share Capital	Treasury Shares	Additional Shares Paid-in Capital	Share Premium	Legal Reserve (*)	Cash Flow Hedge Reserves (*)	Non-Controlling Interest Put Option (*)	Non-Controlling Interest Termination Benefits	Foreign Currency Translation Reserve	Retained Earnings		Non-Controlling Interests
<b>Balance at 1 January 2014</b>	2,200,000	-	35,026	269	839,284	(1,808)	(762,081)	(2,794)	38,356	12,570,414	(181,531)	14,735,135
Total comprehensive income/(loss) Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	1,864,640	(428,224)	1,436,416
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-	-	231,328	(623)	230,705
Foreign currency translation differences	-	-	-	-	-	(78,394)	311,898	-	233,504	-	-	464,832
Re-measurements of employee termination benefit	-	-	-	-	-	-	(623)	-	-	(623)	-	(623)
Change in cash flow hedge reserve	-	-	-	-	-	1,089	-	-	-	-	1,089	1,089
<b>Total other comprehensive income/(loss), net of income tax</b>	-	-	-	-	-	1,089	(78,394)	(623)	311,898	-	233,970	465,298
Total comprehensive income/(loss)	-	-	-	-	-	1,089	(78,394)	(623)	311,898	1,864,640	(186,896)	1,901,714
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(8,172)
Change in fair value of non-controlling interest	-	-	-	-	-	-	-	-	-	(3,896)	(75)	(3,971)
Acquisition of non-controlling interest	-	-	-	-	-	-	82,043	-	-	-	-	82,043
Change in reserve for non-controlling interest put option	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2014</b>	2,200,000	-	35,026	269	839,284	(719)	(758,432)	(3,417)	350,254	14,431,158	(382,778)	16,710,645
<b>Balance at 1 January 2015</b>	2,200,000	-	35,026	269	839,284	(719)	(758,432)	(3,417)	350,254	14,431,158	(382,778)	16,710,645
Total comprehensive income/(loss) Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	2,067,654	(164,103)	1,903,551
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-	-	(440,603)	(390,215)	(830,818)
Foreign currency translation differences	-	-	-	-	-	719	(229,173)	(211,430)	-	-	-	(440,603)
Re-measurements of employee termination benefit	-	-	-	-	-	-	(10,903)	-	-	-	-	(10,903)
Change in cash flow hedge reserve	-	-	-	-	-	719	-	-	-	-	719	719
<b>Total other comprehensive income/(loss), net of income tax</b>	-	-	-	-	-	719	(229,173)	(10,903)	(211,430)	-	(450,787)	(400,399)
Total comprehensive income/(loss)	-	-	-	-	-	719	(229,173)	(10,903)	(211,430)	2,067,654	(113,715)	1,503,152
Transfer to legal reserves	-	-	-	-	-	-	-	-	-	(372,068)	-	(372,068)
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of non-controlling interest	-	-	-	-	-	-	498,540	-	-	(3,925,000)	(100,515)	(4,025,515)
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	-	(929,013)	-	(929,013)
Change in reserve for non-controlling interest	-	-	-	-	-	-	-	-	-	(929,013)	-	(929,013)
<b>Balance at 31 December 2015</b>	2,200,000	-	35,026	269	1,211,352	(489,065)	(489,065)	(14,320)	138,824	11,272,731	64,085	14,418,902
<b>Balance at 1 January 2016</b>	2,200,000	-	35,026	269	1,211,352	(489,065)	(489,065)	(14,320)	138,824	11,272,731	64,085	14,418,902
Total comprehensive income/(loss) Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	1,492,088	51,715	1,543,803
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency translation differences	-	-	-	-	-	-	(133,222)	-	263,065	-	1,248	131,091
Re-measurements of employee termination benefit	-	-	-	-	-	-	(27,466)	(27,466)	-	-	-	(27,466)
<b>Total other comprehensive income/(loss), net of income tax</b>	-	-	-	-	-	-	(133,222)	(27,466)	263,065	-	1,248	103,625
Total comprehensive income/(loss)	-	-	-	-	-	-	(133,222)	(27,466)	263,065	1,492,088	52,963	1,647,428
Transfer from legal reserves	-	-	-	-	-	-	-	-	-	16,148	-	16,148
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of treasury shares (-) (Note 25)	-	(65,607)	-	-	-	-	-	-	-	-	-	(65,607)
<b>Balance at 31 December 2016</b>	2,200,000	(65,607)	35,026	269	1,195,204	(494,197)	(494,197)	(41,786)	401,889	12,780,967	16,011,765	16,068,397

(\*) Included in Reserves in the consolidated statement of financial position.

The accompanying notes on page 7 to 114 are an integral part of these consolidated financial statements.

# TURKCELL ILETISIM HIZMETLERI AS

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

	Note	2016	2015	2014
<b>Cash flows from operating activities</b>				
Profit before income tax from				
Continuing operations		1,585,967	1,536,215	1,233,595
Discontinued operations		(42,164)	367,336	202,821
<b>Profit before income tax including discontinued operations</b>		<b>1,543,803</b>	<b>1,903,551</b>	<b>1,436,416</b>
<b>Adjustments for:</b>				
Depreciation and impairment of fixed assets and investment property	13	1,281,539	1,118,499	1,157,720
Amortization of intangible assets	14	921,812	549,251	481,737
Net finance (income)	10	(117,598)	(515,040)	(855,645)
Fair value gains on derivative financial instruments		(383,452)	-	-
Income tax expense	11	423,160	667,112	730,444
(Gain) on sale of property, plant and equipment				
Unrealized foreign exchange (loss)/ gain on operating assets				
Provisions	31	197,543	196,588	155,931
Share of profits/ (losses) of discontinued operations		42,164	(367,336)	(202,821)
Share of profit of equity accounted investees		-	-	(23,627)
Loss on sale of A-tel		-	-	902
Negative goodwill		-	-	(2,085)
Reversal of provision for equity accounted investees		-	-	(19,161)
Deferred revenue	30	(20,350)	8,095	(24,935)
		<b>4,408,898</b>	<b>4,126,951</b>	<b>3,768,021</b>
Change in trade receivables	20	1,197,053	(821,208)	(1,156,196)
Change in due from related parties	38	7,514	3,907	7,838
Change in receivables from financial operations	21	(2,396,372)	-	-
Change in inventories	22	(62,090)	(4,526)	(2,541)
Change in other current assets	23	643,444	(771,583)	(77,524)
Change in other non-current assets	18	78,770	(70,030)	(31,927)
Change in due to related parties	38	4,302	(20,530)	3,131
Change in trade and other payables	32	(2,733,901)	348,472	191,011
Change in other non-current liabilities	27	(14,477)	(14,088)	29,045
Change in employee benefits	29	15,151	5,125	12,842
Change in other working capital		29,286	23,423	(51,806)
		<b>1,177,578</b>	<b>2,805,913</b>	<b>2,691,894</b>
Interest paid		(434,521)	(153,529)	(94,107)
Income tax paid		(135,920)	(751,078)	(699,293)
Dividends received from discontinued operations		-	-	92,263
<b>Net cash generated by operating activities</b>		<b>607,137</b>	<b>1,901,306</b>	<b>1,990,757</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	13	(2,572,401)	(2,135,358)	(1,553,590)
Acquisition of intangible assets	14	(855,097)	(2,461,612)	(575,885)
Proceeds from sale of property, plant and equipment		49,639	24,192	28,094
Acquisition of subsidiary net off cash acquired		-	-	(27,900)
Proceeds from currency option contracts		-	1,070	2,770
Payment of currency option contracts premium		-	-	(33)
Proceeds from sale of A-tel		-	-	597
Change in property, plant and equipment advances		(209,686)	228,070	(236,042)
Change in financial assets		-	19,350	38,336
Interest received		610,837	761,328	945,663
<b>Net cash used in investing activities</b>		<b>(2,976,708)</b>	<b>(3,562,960)</b>	<b>(1,377,990)</b>
<b>Cash flows from financing activities</b>				
Acquisition of non-controlling interest		-	(267,920)	-
Capital decrease in subsidiaries		(9,000)	-	-
Proceeds from issuance of loans and borrowings		9,381,318	4,866,381	4,736,913
Proceeds from issuance of bonds		167,500	1,439,862	-
Repayment of borrowings		(4,932,768)	(6,551,001)	(4,635,652)
Dividends paid		(51,416)	(4,025,515)	(8,172)
Treasury shares		(65,607)	-	-
Change in non-controlling interest		-	-	(75)
Decrease/(increase) in cash collateral related to loans		349,004	(349,243)	-
<b>Net cash generated by/(used in) financing activities</b>		<b>4,839,031</b>	<b>(4,887,436)</b>	<b>93,014</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,469,460</b>	<b>(6,549,090)</b>	<b>705,781</b>
<b>Cash and cash equivalents at 1 January</b>		<b>2,918,796</b>	<b>9,031,881</b>	<b>8,128,418</b>
<b>Effects of foreign exchange rate fluctuations on cash and cash equivalents</b>		<b>664,096</b>	<b>436,005</b>	<b>197,682</b>
<b>Cash and cash equivalents at 31 December</b>	<b>24</b>	<b>6,052,352</b>	<b>2,918,796</b>	<b>9,031,881</b>

The accompanying notes on page 7 to 114 are an integral part of these consolidated financial statements.

# TURKCELL ILETISIM HIZMETLERI AS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### As at and for the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

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# TURKCELL ILETISIM HIZMETLERI AS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### As at and for the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

#### 1. REPORTING ENTITY

Turkcell Iletisim Hizmetleri Anonim Sirketi (the "Company") was incorporated in Turkey on 5 October 1993 and commenced its operations in 1994. The address of the Company's registered office is Maltepe Aydınevler Mahallesi İnönü Caddesi No: 20, Kucukyali Ofispark / İstanbul. It is engaged in establishing and operating a Global System for Mobile Communications ("GSM") network in Turkey and regional states.

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

On 26 August 2015, "Authorization Tender on IMT Services and Infrastructure" publicly known as 4.5G license tender, was held by the ICTA and the Company was awarded with a total frequency band of 172.4 MHz for 13 years. The tender price is EUR 1,623,460 (excluding VAT of 18%). IMT authorization period expires on 30 April 2029 and operators were be able to commence service delivery for 4.5G starting from 1 April 2016. 2x1.4 MHz frequency band in 900MHz spectrum and 2 units of 2x5 MHz frequency bands in 2100 MHz spectrum were commenced on 1 December 2015, while remaining packages were commenced on 1 April 2016. For details please refer to Note 14.

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

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

The Company's parent is Turkcell Holding A.S., which holds 51.0% of the Company's shares as of 31 December 2016. The main shareholders of Turkcell Holding A.S. are Sonera Holding B.V. ("Sonera"), Cukurova Group and Alfa Telecom Turkey Limited ("Alfa") according to the information obtained from public sources.



# TURKCELL ILETISIM HIZMETLERI AS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### As at and for the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

After failure to comply with corporate governance principles for election of independent board members, the CMB with its resolution dated 11 March 2013 appointed 3 independent board members. In addition, the CMB with its resolutions dated 15 August 2013 and 13 September 2013, announced the appointment of 4 members, of which 2 members were chosen from the independent nominees list submitted by Sonera, as board members who satisfy the independence criteria. All members shall serve as members until new members are elected by the general assembly or until the CMB announces a new resolution. After appointment of board members by the CMB, Turkcell board is comprised of 7 non-executive board members who satisfy the independence criteria and of which 3 are independent board members.

The consolidated financial statements of the Company as at and for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in an associate. Subsidiaries of the Company, their locations and their nature of operations are disclosed in Note 39. The Company's and each of its subsidiaries' and associate's financial statements are prepared as at and for the year ended 31 December 2016.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

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

The Company selected the presentation form of "function of expense" for the statement of profit or loss in accordance with International Accounting Standards ("IAS") 1 "Presentation of Financial Statements".

Authority for reissue and approval of consolidated financial statements belongs to the General Assembly. Consolidated financial statements are authorized for issue by the Board of Directors with the recommendation of Audit Committee of the Company.

The Group's audited consolidated financial statements prepared as at 31 December 2015 were approved by the General Assembly on 29 March 2016.

The consolidated financial statements as at and for the year ended 31 December 2016 were authorized for issue by the Board of Directors on 15 February 2017.

### (b) Basis of measurement

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

# TURKCELL ILETISIM HIZMETLERI AS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### As at and for the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 "Leases", transactions that are within the scope of IFRS 2 "Share based payments" and measurements that have some similarities with fair value but are not fair value, such as net realizable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### (c) Functional and presentation currency

The consolidated financial statements are presented in Turkish Lira ("TL"), rounded to the nearest thousand. Moreover, all financial information expressed in US Dollars ("USD" or "\$"), Euro ("EUR") and Ukrainian Hryvnia ("UAH") and Belarusian Ruble ("BYN", formerly coded "BYR") has been rounded to the nearest thousand. The functional currency of the Company and its consolidated subsidiaries located in Turkey and Turkish Republic of Northern Cyprus is TL. The functional currency of Financell BV ("Financell") is USD. The functional currency of Eastasian Consortium BV ("Eastasia"), Lifecell Ventures Coöperatief U.A. ("Lifecell Ventures"), Fintur Holdings BV ("Fintur") and Turkcell Europe GmbH ("Turkcell Europe") is EUR. The functional currency of lifecell LLC ("lifecell"), LLC Global Bilgi ("Global LLC") and UkrTower LLC ("UkrTower") is UAH. The functional currency of CJSC Belarusian Telecommunication Network ("Belarusian Telecom"), Lifetech LLC ("Lifetech") and Beltower LLC ("Beltower") is BYN. The functional currency of Azerinteltek QSC ("Azerinteltek") is Azerbaijan Manat.

Effective from 1 July 2016, Belarusian Ruble has been redominated by 10,000 and coded as "BYN", formerly known as "BYR".

#### (d) Use of estimates and judgments

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

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

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

# TURKCELL ILETISIM HIZMETLERI AS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### As at and for the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

#### *Allowance for doubtful receivables*

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

#### *Useful lives of assets*

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

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

#### *Gross versus net presentation of revenue*

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

# TURKCELL ILETISIM HIZMETLERI AS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### As at and for the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

#### *Multiple element arrangements*

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

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

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

#### *Income taxes*

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

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

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

# TURKCELL ILETISIM HIZMETLERI AS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### As at and for the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

#### *Provisions, contingent Liabilities and contingent Assets*

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

#### *Annual impairment review*

The Group tests annually whether goodwill and intangible asset not yet available for use have suffered any impairment in accordance with the accounting policy stated in Note 3. Additionally, the carrying amounts of Group's nonfinancial assets are reviewed at each reporting date to determine whether there is an indication of impairment. If any indication exists the assets recoverable amount is estimated in accordance with the accounting policy stated in Note 3. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates as discussed in Note 14.

As at 31 December 2014, Astelit has impaired its assets in Crimea region amounting to TL 17,951. The risk of further annexations of Luhansk and Donetsk regions still remain as a possibility. As at 31 December 2016, the net book value of non-current assets of the Group located in Donetsk and Luhansk amounts to TL 14,450 and TL 1,198 respectively (31 December 2015: TL 20,687 and TL 2,908 respectively).

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

Consequently, the subsidiaries operating within Belarus and Ukraine may subject to foreign currency and interest rate risks related to borrowings and the subscriber's purchasing power and liquidity and increase in corporate and personal insolvencies, that may not necessarily be observable in other markets. The accompanying consolidated financial statements contain the Group management's estimations on the economic and financial positions of its subsidiaries operating in Belarus and Ukraine. The future economic situation of Belarus and Ukraine might differ from the Group's expectations. As at 31 December 2016, the Group's management believes that their approach is appropriate in taking all the necessary measures to support the sustainability of these subsidiaries' businesses in the current circumstances.

#### *Fair value measurements and valuation processes*

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 and 2 inputs are not available, the Group can engage third party qualified valuers to perform the valuation, if necessary. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 34.

# TURKCELL ILETISIM HIZMETLERI AS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### As at and for the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

#### *Contracted handset sales*

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

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

#### **Changes in accounting policies**

Other than the adoption of the new and revised standards as explained in Note 3(v), and change in Company's reportable segments (Note 6) the Group did not make any major changes to accounting policies during the current year.

#### **Changes in accounting estimates**

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

The Group did not make any major changes to the accounting estimates during the current year.

#### **Comparative information and revision of prior period financial statements**

The consolidated financial statements of the Group have been prepared with the prior periods on a comparable basis in order to give consistent information about the financial position and performance. If the presentation or classification of the financial statements is changed, in order to maintain consistency, the financial statements of the prior periods are also reclassified in line with the related changes.

As at 31 December 2016, remeasurements of employee termination benefits and derivative instruments have been disclosed separately in financial statements, formerly disclosed under retained earnings, other current assets and borrowings respectively.

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The Company has for 2015 revised the manner in which it accounts for the cash paid to acquire the shares held by the non-controlling interest in Euroasia Telecommunications Holding BV ("Euroasia") in its statement of cash flows and has revised its presentation of 2015, resulting in a revision in net cash used in investing activities and net cash used in financing activities in the statement of cash flows. The Company believes that the changes to prior period are immaterial. The change in the statement of cash flows will not impact the Company's previously reported statement of income, statement of comprehensive income, statement of financial positions or "Cash and cash equivalents" at the end of any period. The effect of the change on the statement of cash flows is as follows:

For the year ended 31 December 2015:

	As previously reported	Revisions	As revised
Net cash from operating activities	1,901,306	-	1,901,306
Net cash from investing activities	(3,830,880)	267,920	(3,562,960)
Net cash from financing activities	(4,619,516)	(267,920)	(4,887,436)
Cash and cash equivalents	2,918,796	-	2,918,796

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

#### (a) Basis of consolidation

##### (i) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

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Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 "*Financial Instruments: Recognition and measurement*", or IAS 37 "*Provisions, Contingent Liabilities and Contingent Assets*", as appropriate, with the corresponding gain or loss being recognized in profit or loss.



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#### *(ii) Subsidiaries*

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

#### *(iii) Changes in the Group's ownership interests in existing subsidiaries*

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company. In this context, the Group's ownership interest in lifecell was increased to 100% in July, 2015 and the deficit representing the difference between the non-controlling interests derecognized and the consideration paid for the acquisition of shares amounting to TL 929,013 has been reduced from retained earnings in July 2015 and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

#### *(iv) Business combinations under common control*

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are excluded from the scope of IFRS 3 "Business Combinations". In business combinations under common control, assets and liabilities subject to business combination are accounted for at their carrying value in consolidated financial statements. Statements of profit or loss are consolidated starting from the year that the comparative financial statements are presented and financial statements of previous financial years are restated. Any positive or negative goodwill arising from such business combinations is not recognized in the consolidated financial statements. Residual balance calculated by netting off investment in subsidiary and the share acquired in subsidiary's equity accounted for as equity transactions (i.e. transactions with owners acting in their capacity as owners).

#### *(v) Transactions eliminated on consolidation*

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

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#### *(vi) Non-controlling interests*

Where a put option is granted by the Group to the non-controlling interests shareholders in existing subsidiaries that provides for settlement in cash or in another financial asset, the Group recognizes a liability for the present value of the estimated exercise price of the option. The interests of the non-controlling shareholders that hold such put options are derecognized when the financial liability is recognized. The corresponding interests attributable to the holder of the puttable non-controlling interests are presented as attributable to the equity holders of the parent and not as attributable to those non-controlling interests' shareholders. The difference between the put option liability recognized and the amount of non-controlling shareholders' interests derecognized is recorded under equity.

For the business combinations after 1 January 2009, subsequent changes in the fair value of the put option liability are recognized in profit or loss

#### *(vii) Investments in associates and joint ventures*

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 39 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount.

Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date the investment is classified as held for sale.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

#### **(b) Foreign currency**

##### *(i) Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in the statement of profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognized directly in equity.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

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#### *(ii) Foreign operations*

The consolidated financial statements are presented in Turkish Liras, which is the presentation currency of the Group. The Group started to use TL as the presentation currency starting from 31 December 2015 since the majority of the Group's income and expenses are in TL.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to TL from the functional currency of the foreign operation at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to TL at monthly average exchange rates excluding foreign operations in hyperinflationary economies which are translated to TL at exchange rates at the reporting date.

The income and expenses of foreign operations in hyperinflationary economies are translated to TL at the exchange rate at the reporting date. Prior to translating the financial statements of foreign operations in hyperinflationary economies, 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.

Foreign currency differences arising on retranslation are recognized directly in the foreign currency translation reserve, as a separate component of equity. Since 1 January 2005, the Group's date of transition to IFRS, such differences have been recognized in the foreign currency translation reserve.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

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#### (c) Financial instruments

##### (i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, borrowings, and trade and other payables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

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

- *Financial assets at fair value through profit or loss*

An instrument is classified as financial asset at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the statement of profit or loss.

#### • *Held-to-maturity financial assets*

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Held-to-maturity financial assets are held-to-maturity investments that are measured at amortized cost using the effective interest method, less any impairment losses.

Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories.

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

#### • *Other*

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

#### (ii) *Derecognition of financial assets*

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

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#### *(iii) Derivative financial instruments*

The Group holds derivative financial instruments to hedge its foreign currency risk exposures arising from operational, financing and investing activities. In accordance with its treasury policy, the Group engages in forward, swap, option and participating cross currency swap contracts. These derivatives are accounted as trading derivatives.

Embedded derivatives are separated from the host contract and accounted for separately if

a) the economic characteristics and risks of the host contract and the embedded derivative are not closely related, b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and c) the combined instrument is not measured at fair value through profit or loss.

Also the Group enters into derivative financial instruments to manage its exposure to interest rate, including interest rate collar. Further details of derivative financial instruments are disclosed in Note 33.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is immediately recognized in the statement of profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in statement of profit or loss depends on the nature of the hedge relationship.

#### *(iv) Financial liabilities and equity instruments*

##### *Classification as debt or equity*

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity item in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in/ from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

##### *Subordinated debt instruments*

The foreign subsidiaries of the Company have issued subordinated debt instruments to the Company. These instruments are treated as equity instruments in subsidiaries' separate financial statements and carried at historic cost in accordance with IAS 32 Financial Instruments: Presentation as it includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer.

##### *Financial liabilities*

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.



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#### *Financial liabilities at fair value through profit or loss*

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the finance income and cost line items. Fair value is determined in the manner described in Note 34.

#### *Other financial liabilities*

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### *Derecognition of financial liabilities*

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

#### *(v) Offsetting financial assets and financial liabilities*

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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#### (d) Property, plant and equipment

##### (i) Recognition and measurement

Items of property, plant and equipment are initially stated at cost less accumulated depreciation (see below) and accumulated impairment losses (see note 3(h)(ii)). Property, plant and equipment related to the parent and subsidiaries operating in Turkey are adjusted for the effects of inflation during the hyperinflationary period which ended on 31 December 2005. Since the inflation accounting commenced on 1 January 2011, property, plant and equipment related to the subsidiaries operating in Belarus are adjusted for the effects of inflation. However, decrease in inflation rate in subsequent years led the three-year cumulative rate as of the end of 2014 to decrease to 65%. Accordingly, the economy of Belarus was considered to transit out of hyperinflationary status and 2015 is determined to be appropriate to cease applying IAS 29. Therefore, subsidiaries operating in Belarus ceased applying IAS 29 in 2015.

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

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

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

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

##### (ii) Subsequent costs

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

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#### (iii) Depreciation

Depreciation is recognized in the statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term or their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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

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

Depreciation methods, useful lives and residual values are reviewed at least annually unless there is an indicator of impairment.

#### (e) Intangible assets

##### (i) GSM and other telecommunication operating licenses

GSM and other telecommunication operating licenses that are acquired by the Group are measured at cost adjusted for the effects of inflation during the hyperinflationary period, where applicable, less accumulated amortization (see below) and accumulated impairment losses (see note 3(h)(ii)). GSM and other telecommunication operating licenses related to the parent and subsidiaries operating in Turkey are adjusted for the effects of inflation during the hyperinflationary period which ended on 31 December 2005. Since the inflation accounting commenced on 1 January 2011 and ceased by 1 January 2015, GSM and other telecommunication operating licenses related to the subsidiaries operating in Belarus are adjusted for the effects of inflation until 1 January 2015.

##### Amortization

Amortization is recognized in the statement of profit or loss on a straight line basis primarily by reference to the unexpired license period. The useful lives for the GSM and other telecommunication operating licenses are as follows:

GSM and other telecommunications licenses	3 – 25 years
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#### *(ii) Computer software*

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

#### *Amortization*

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

Computer software	3 – 8 years
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#### *(iii) Other intangible assets*

Other intangible assets that are acquired by the Group which have finite useful lives are measured at cost adjusted for the effects of inflation during the hyperinflationary period, where applicable, less accumulated amortization (see below) and accumulated impairment losses (see note 3(h)(ii)). Other intangible related to the parent and subsidiaries operating in Turkey are adjusted for the effects of inflation during the hyperinflationary periods ceased by 31 December 2005. Since the inflation accounting commenced on 1 January 2011 and ceased by 1 January 2015, other intangible assets related to the subsidiaries operating in Belarus are adjusted for the effects of inflation until 1 January 2015.

Indefeasible Rights of Use ("IRU") correspond to the right to use a portion of the capacity of an asset granted for a fixed period of time. IRUs are recognized as an intangible asset when the Group has specific indefeasible right to use an identified portion of the underlying asset and the duration of the right is the major part of the underlying asset's economic life. IRUs are amortized over the shorter of the expected period of use and the life of the contract.

#### *(iv) Subsequent expenditure*

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset (that is purchased from independent third parties) to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in the statement of profit or loss as incurred. Capitalized costs generally relate to the application development stage; any other costs incurred during the pre and post-implementation stages, such as repair, maintenance or training, are expensed as incurred.

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Borrowing costs should be capitalized as part of cost of qualifying assets. Borrowing costs eligible for capitalization may include:

- interest on loans and borrowings calculated using the effective interest rate method as described in IAS 39 - *Financial Instruments: Recognition and Measurement*; and
- finance charges in respect of finance leases recognized in accordance with IAS 17 Leases.
- exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. Such borrowing costs are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. An entity shall cease capitalizing borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

An entity shall suspend capitalization of borrowing costs during extended periods in which it suspends active development of a qualifying asset.

Exchange differences arising from foreign currency borrowings should be capitalized.

The amount of borrowing costs that may be capitalized should lie between the following two amounts:

- actual interest costs denominated in the foreign currency, translated at the actual exchange rate on the date on which the expense is incurred; and
- notional borrowing costs based on commercial interest rates prevailing in the functional currency at the date of initial recognition of the borrowing.

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#### *Amortization*

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

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

Amortization methods, useful lives and residual values are reviewed at least annually unless there is an indicator of impairment.

#### *Goodwill*

From 1 January 2010 the Group has applied IFRS 3 (2008) "Business Combinations" in accounting for business combinations.

For acquisitions on or after 1 January 2010, the Group measures goodwill as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree) and the recognized amount of any non-controlling interests in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

When the excess is negative, a bargain purchase gain is recognized immediately in the statement of profit or loss.

#### *Subsequent measurement*

Goodwill is measured at cost less accumulated impairment losses if any. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset including goodwill, that forms part of the carrying amount of the equity accounted investees.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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#### *(v) Internally generated intangible assets – research and development expenditure*

Computer software includes internally generated capitalized software development costs that meet the definition of an intangible asset.

Expenditure on research activities is recognized as an expense under cost of sales in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to the statement of profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

#### *(vi) Derecognition of intangible assets*

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

#### **(f) Leased assets**

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

All other leases are operating leases and the leased assets are not recognized on the Group's statement of financial position.

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#### (g) Inventories

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses. The cost of inventory is determined using the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. As at 31 December 2016 and 2015, inventories mainly consist of mobile phones, sim-cards, and devices.

#### (h) Impairment

##### (i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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

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

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

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in the statement of profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in other comprehensive income. For available-for-sale equity investments carried at cost, the reversal is not permitted.

##### (ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible asset not yet available for use, the recoverable amount is estimated each year at the same time.



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

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined from the cash-generating unit to which corporate asset belongs.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, therefore, is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

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#### (i) Employee benefit obligations

##### (i) Retirement pay liability

In accordance with existing labor law in Turkey, the Company and its subsidiaries in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire, are called up for military service or die. Such payments are calculated on the basis of 30 days' pay up to a maximum full TL 4,297 as at 31 December 2016, per year of employment at the rate of pay applicable at the date of retirement or termination. Termination benefits paid to key executive officers are classified in other expenses. Reserve for retirement pay is computed and reflected in the consolidated financial statements on a current basis. The reserve has been calculated by estimating the present value of future probable obligation of the Company and its subsidiaries in Turkey arising from the retirement of the employees. The retirement pay liability is calculated annually by independent actuaries using the projected unit credit method.

##### (ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the statement of profit or loss when they are due.

The assets of the plan are held separately from the consolidated financial statements of the Group. The Company and other consolidated companies that initiated defined contribution retirement plan are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement plan is to make the specified contributions.

##### (iii) Share-based payment

The Company provides a cash-settled share-based payment plan for selected employees in return for their services. For cash-settled share-based payment plan, the Company measures the services received and the liability incurred at the fair value of the liability. Until the liability is settled, the Company remeasures the fair value of the liability at each reporting date and at the settlement date, with any changes in fair value recognised in profit or loss for the period. Cash-settled share-based payments are conditional upon meeting specified vesting conditions. As at 31 December 2016, the Company did not recognize any liability in the consolidated financial statements as vesting conditions for the year ended 31 December 2016 were not met.

#### (j) Provisions

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

##### Onerous contracts

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

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#### *Dismantling, removal and restoring sites obligation*

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

#### *Personnel bonus*

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

#### **(k) Revenue**

Revenue is recognized at the fair value of the consideration received or receivable, net of returns, trade discounts and rebates. Revenue from telecommunication services includes postpaid and prepaid revenue from, voice, data, messaging and value added services, interconnect revenue, monthly fixed fees, simcard sales and roaming revenue. Revenue from telecommunication services are recognized at the time services are rendered.

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

Services may be bundled with other products/services and these bundled services and products involve consideration in the form of fixed fee or a fixed fee coupled with a continuing payment stream. Total arrangement considerations relating to a bundled contract is allocated among the different units accounting the following criteria:

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

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

Revenue allocated to products given where the Group is the principal, which is included in other revenue, is recognized when the significant risks and rewards of ownership have been transferred to the buyer, collection is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue for device sales is recognised when the device is delivered to the end customer and the significant risks and rewards of ownership have transferred. For device sales made to intermediaries, revenue is recognised if the significant risks associated with the device are transferred to the intermediary and the intermediary has no general right to return the device to receive a refund. If the significant risks are not transferred, revenue recognition is deferred until sale of the device to an end customer by the intermediary or the expiry of any right of return.

The Company, the distributors and dealers offer joint campaigns to the subscribers which may include the sale of device by the dealer and/or distributor and a communication service to be provided by the Company. In particular campaigns, the dealer makes the handset sale to the subscribers whose instalments will be collected by the Company based on the letter of undertaking signed by the subscriber. With the letters of undertaking, the dealer assigns its receivables from device sale to the distributor and the distributor assigns its receivables to the Company.

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The Company pays the distributor the net present value of the instalments to be collected from the subscribers upfront and recognizes contracted receivable in its statement of financial position. The undue portion of assigned receivables from the distributors which were paid upfront by the Company is classified as "undue assigned contracted receivables" in trade receivables (Note 20). When monthly installment is invoiced to the subscriber, related portion is presented in "receivables from subscribers". The Company collects the contracted receivables in installments during contract period and does not recognize any revenue for the device in these transactions as the Company is not the principal for the sale of handset.

Starting from 2014, the subscribers has an option to buy the handset by bank loan whose instalments will be collected by the Company on behalf of the bank. The Company does not bear any credit risk in this type of transactions. Since the Company collects the receivables during the contract period and is agent for the sale of device in this bank loan structure, the Company does not recognize any revenue for the device in these transactions.

Monthly fixed fees represent a fixed amount charged to postpaid subscribers on a monthly basis without regard to the level of usage. Fixed fees are recognized on a monthly basis when billed. Monthly fixed fees are included telecommunication services revenues for the years ended 31 December 2016 and 2015.

Revenues from betting business mainly comprised of net takings earned to a maximum of 1.4% of gross takings, as a head agent of fixed odds betting games starting from 1 March 2009 and mobile agent revenues comprised of 7.25% of mobile agency turnover after deducting VAT and gaming tax as head agent starting from 23 March 2010. Revenues from betting business are recognized at the time all the services related with the games are fully rendered. Under the agreement signed with Spor Toto Teskilat Mudurlugu AS ("Spor Toto"), Inteltek Internet Teknoloji Yatirim ve Danismanlik AS ("Inteltek") is obliged to undertake any excess payout, which is presented on net basis.

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

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

Simcard sales are recognized upon delivery to distributors, net of returns, discounts and rebates. Simcard costs are also recognized upon sale of the simcard to the distributors. Simcard sales are included telecommunication services revenues for the years ended 31 December 2016 and 2015.

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

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

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

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

#### (l) Lease payments

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

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

Lease income from operating leases where the Group is a lessor is recognised as income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

#### *Determining whether an arrangement contains a lease*

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

#### (m) Finance income and costs

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

Finance costs comprise interest expense on borrowings, litigation late payment interest expense, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or option premium expense.

Foreign currency gains and losses are reported on a net basis. As further discussed in Note 34, the Group's exposure to foreign currency risk mainly results from cash and cash equivalents, trade receivables, borrowings, other non-current liabilities and trade and other payables.

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#### *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take considerable time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned by the temporary investment of the part of the borrowing not yet used is deducted against the borrowing costs eligible for capitalization.

To the extent that an entity borrows funds generally and uses them for the purpose of obtaining a qualifying asset, management determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

#### **(n) Transactions with related parties**

The definition of a related party includes the following persons and entities:

(a) A person (or a close member of that person's family) is related to the reporting entity if the person:

- has control or joint control over the reporting entity
- has significant influence over the reporting entity, or
- is a member of the key management personnel of the reporting entity, or of a parent of the reporting entity.

(b) The reporting entity is related to another entity if:

- The reporting entity and another entity are members of the same group (that is all entities within a group are related to each other)
- The reporting entity is an associate or joint venture of another entity. In this case reporting entity is related to all members of the group that another entity belongs to
- The reporting entity and another entity are joint ventures of the same third party
- The reporting entity is a joint venture of this third party and another entity is an associate of this third party (or vice versa)
- Another entity is a post-employment benefit plan for the benefit of employees of reporting entity or an entity related to reporting entity. If reporting entity is itself a post-employment benefit plan, any sponsoring employers are also related to reporting entity
- Another entity is controlled or jointly controlled by a person identified in (a) above
- A person who has control or joint control over reporting entity has significant influence over another entity or is a member of the key management personnel of another entity, or
- Another entity (or any member of the group of which another entity is a part) provides key management personnel services to reporting entity or reporting entity's parent.

Related party transactions are transfers of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

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#### (o) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Current tax is calculated using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future as the Group is able to control the reversal of the temporary difference. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

Interest and penalties assessed on income tax deficiencies are presented based on their nature.

#### (p) Earnings per share

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

In Turkey, companies can raise their share capital by distributing "Bonus Shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are treated as issued shares. Accordingly, the retrospective effect for such share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

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#### (q) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group has aggregated its operations under two reportable segments within the year 2015 in accordance with its integrated communication and technology services strategy as Turkcell Turkey and Turkcell International which represent economical integrity.

#### (r) Subscriber acquisition costs

The Group capitalizes directly attributable subscriber acquisition costs when the following conditions are met:

- the capitalized costs can be measured reliably;
- there is a contract binding the customer for a specific period of time; and
- it is probable that the amount of the capitalized costs will be recovered through revenue generated by the service contract, or, where the customer withdraws from the contract in advance, through the collection of the penalty.

Capitalized subscriber acquisition costs are amortized on a straight-line basis over the minimum period of the underlying contract. In all other cases, subscriber acquisition costs are expensed when incurred.

#### (s) Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are transferred to the statement of profit or loss on a straight-line basis over the expected useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred recognized in profit or loss in the period in which they become receivable.



# TURKCELL ILETISIM HIZMETLERI AS

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#### (t) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciations and any accumulated impairment losses.

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

#### (i) Depreciation

Depreciation is recognized in the statement of profit or loss on a straight-line basis over the estimated useful lives.

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

Investment Property	25 - 45 years
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Depreciation methods, useful lives and residual values are reviewed at least annually unless there is a triggering event.

#### (u) Non-current asset held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

An associate or joint venture must meet the conditions to be classified as held for sale. It is first measured in accordance with applicable standards. Such standard is IAS 28, and so the share of profits and remeasurement of carrying amounts are done in accordance with normal associate and joint venture rules up to the point of classification as held for sale. The associate or joint venture is then measured in accordance with IFRS 5. It is measured at the lower of carrying amount and fair value less costs to sell. Equity accounting is ceased from the date the held for sale criteria are met.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

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#### v) New standards and interpretations

##### (i) Amendments to IFRSs affecting amounts reported and/or disclosures in the consolidated financial statements

None.

##### ii) Standards, amendments and interpretations applicable as at 31 December 2016

- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:
  - IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
  - IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.
  - IAS 19, 'Employee benefits' regarding discount rates.
  - IAS 34, 'Interim financial reporting' regarding disclosure of information.
- Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- Amendments to IAS 27, 'Separate financial statements' on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Amendment to IFRS 10 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
- Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports.

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### As at and for the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

#### iii) Standards, amendments and interpretations effective after 31 December 2016

- Amendments to IAS 7 'Statement of cash flows' on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
- Amendments IAS 12 'Income Taxes', effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets.
- Amendments to IFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
- Amendment to IAS 40, 'Investment property' relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- Annual improvements 2014–2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:
  - IFRS 1, 'First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.
  - IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
  - IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- IFRIC 22, 'Foreign currency transactions and advance consideration', effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The Group is currently evaluating the impacts of the new pronouncements on its results, financial position and cash flows, which are not expected to be material, except for the following:
- IFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

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- Amendment to IFRS 15, 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
- IFRS 16 'Leases', effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- IFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

#### 4. DETERMINATION OF FAIR VALUES

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

##### (i) Investment property

The fair value of investment property is based on valuations performed by appointed independent registered appraisers taking into account valuation methods such as *market approach*, *discounted cash flow ("DCF") method*, *replacement cost method*, or *the combination of two or all of these methods* based on the applicability of the valuation method to the respective property. All these methods often provide different values for investment property, therefore the appraiser(s) reconcile the varying results and meld the results of the methods utilized in a reasonable way. Based on the valuation method utilized, appraisers estimate the value of investment property which best reflects the market conditions at the balance sheet date.

##### (ii) Investments in equity and debt securities

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

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#### (iii) Trade and other receivables and receivables from financial services

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

The rate used for discounting these assets is 8.5% as at 31 December 2016 (31 December 2015: 10.75%).

#### (iv) Derivatives

The fair value of forward exchange contracts, swap contracts and option contracts are based on their listed market price, if available. If a listed market price is not available, then fair values are derived from inputs other than quoted prices that are observable for the asset or liability or are derived by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds) or option pricing models.

#### (v) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements. The rate used for discounting non-derivative financial liabilities is 8.5% as at 31 December 2016 (31 December 2015: 10.75%).

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#### 5. FINANCIAL RISK MANAGEMENT

The Group practice is to centrally manage the Group's predetermined capital / debt ratios by capital injection or using available credit facilities. The Group obtains short and long-term borrowings according to the Group's financial needs and market predictions. Debt instruments include commercial bank loans to money market instruments and capital market instruments such as debt securities issued which are seldom used in order to maintain diversified source of financing. The Group's financial borrowing ratios are monitored for all transactions in order to prevent any negative effect on the Group's credit ratings.

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Please refer to Note 34 for additional information on the Group's exposure to risks.

#### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Additionally, the Company established a Risk Committee in accordance with the new Turkish Commercial Code effective from 1 July 2012.

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

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#### Credit risk

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

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

In monitoring customer credit risk, customers are grouped according to whether they are an individual or legal entity, aging profile, maturity and existence of previous financial difficulties. Trade receivables and accrued income are mainly related to the Group's subscribers. The Group's exposure to credit risk on trade receivables is influenced mainly by the individual payment characteristics of postpaid subscribers. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

This allowance includes the specific loss component that relates to individual subscribers exposures, and adjusted for a general provision which is determined based on the age of the balances and historical collection trends.

Investments are preferred to be in liquid securities. The counterparty limits are set depending on their ratings from the most credible rating agencies and the amount of their paid in capital and/or shareholders equity. Policies are in place to review the paid-in capital and rating of counterparties periodically to ensure credit worthiness.

Transactions involving derivatives are with counterparties with whom the Group has signed agreements and which have sound credit ratings.

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

The Group's policy is to provide financial guarantees only to subsidiaries and distributors. At 31 December 2016, TL 1,409,749 guarantees were outstanding (31 December 2015: TL 1,254,989).

#### Liquidity risk

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

Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facilities) and cash and cash equivalents on the basis of expected cash flows. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

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#### Market risk

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

The Group buys and sells derivatives in order to manage market risks. All such transactions are carried at within the guidelines set by the Group treasury and risk management.

#### Currency risk

The Group is exposed to currency risk on certain revenues such as wholesale revenues, purchases and certain operating costs such as roaming expenses and network related costs and resulting receivables and payables, borrowings, payable in relation to the acquisition of telecommunication license in Turkey, deferred payments related to the acquisition of Belarusian Telecom that is denominated in a currency other than the respective functional currencies of Group entities, primarily TL for operations conducted in Turkey. The currencies in which these transactions are primarily denominated are EUR and USD.

The Group holds a significant portion of cash portfolio in foreign currency to manage currency risk. Additionally, derivative financial instruments such as forward, swap and option contracts are used to hedge exposure to fluctuations in foreign exchange rates.

For the year ended 31 December 2015, TL depreciated against both USD and EUR by 25.4% and 12.7%, respectively. Whereas for the year ended 31 December 2016 TL depreciated against both USD and EUR by 21.0% and 16.8% respectively. For the year ended 31 December 2015, UAH depreciated against the USD by 52.2% compared to 31 December 2014 and 13.3% for the year ended 31 December 2016 compared to 31 December 2015. BYN depreciated against USD by 56.7% through 2015 compared to 31 December 2014 and for the year ended 31 December 2016 depreciated by 5.5% when compared to the exchange rates as at 31 December 2015.

#### Interest rate risk

The Group's exposure to interest rate risk is related to its financial assets and liabilities. The Group manage its financial liabilities by providing an appropriate distribution between fixed and floating rate debts. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings. The use of financial derivatives is governed by the Group's policies approved by the Audit Committee, which provide written principles on the use of financial derivatives consistent with the Group's treasury and risk management strategy. The Group also closely monitored various hedging alternatives to hedge interest risk with a minimum cost. Between June - August 2016 the Group converted its floating foreign currency interest rate liabilities into fixed TL liabilities via cross currency swaps and long term options.



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#### 6. OPERATING SEGMENTS

The Group has two main reportable segments in accordance with its integrated communication and technology services strategy as Turkcell Turkey, and Turkcell International. Some of these strategic segments offer the same types of services, however they are managed separately because they operate in different geographical locations and are affected by different economic conditions.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker function is carried out by the Board of Directors, however Board of Directors may transfer the authorities, other than recognized by the law, to the General Manager and other directors.

Turkcell Turkey reportable segment includes the operations of Turkcell, Turkcell Superonline, Turkcell Satis ve Dagitim Hizmetleri A.S. ("Turkcell Satis"), group call center operations of Global Bilgi Pazarlama Danisma ve Cagri Servisi Hizmetleri A.S. ("Turkcell Global Bilgi"), Turkcell Bilisim Servisleri A.S. ("Turktell"), Turkcell Teknoloji Arastirma ve Gelistirme A.S. ("Turkcell Teknoloji"), Turkcell Interaktif Dijital Platform ve Icerik Hizmetleri A.S. ("Turktell Interaktif"), Kule Hizmet ve Isletmecilik A.S. ("Global Tower"), Rehberlik Hizmetleri Servisi A.S. ("Rehberlik"), Turkcell Odeme Hizmetleri A.S. ("Turkcell Odeme") and Turkcell Gayrimenkul Hizmetleri A.S. ("Turkcell Gayrimenkul"). Turkcell International reportable segment includes the operations of Kibris Mobile Telekomunikasyon Limited Sirketi ("Kibris Telekom"), Eastasia, Euroasia, lifecell, Lifecell Ventures, Beltel, Belarusian Telecom, UkrTower, Global LLC, Turkcell Europe, Lifetech, Beltower and Fintur. The operations of these legal entities aggregated into one reportable segment as the nature of services are similar and most of them share similar economic characteristics. Other reportable segment mainly comprises the information and entertainment services in Turkey and Azerbaijan, non-group call center operations of Turkcell Global Bilgi and Turkcell Finansman AS ("TFS").

In first, second and third quarter of the year 2015, the operations of Turkcell Global Bilgi were included in Turkcell Turkey reportable segment. Since the Group changed its reportable segments which are the dominant source of information to evaluate the performance and to allocate resources in the fourth quarter of 2015, group call center operations of Global Bilgi were included in Turkcell Turkey reportable segment whereas non-group call center operations of Global Bilgi were included in Other reportable segment. Since the assets and liabilities of Turkcell Global Bilgi could not be allocated to group and non-group operations and are mainly related to group operations, total assets and liabilities of Turkcell Global Bilgi are reported under Turkcell Turkey reportable segment except trade receivables.

Information regarding the operations of each reportable segment is included below. Adjusted EBITDA is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Adjusted EBITDA definition includes revenue, direct cost of revenues excluding depreciation and amortization, selling and marketing expenses and administrative expenses.

Adjusted EBITDA is not a financial measure defined by IFRS as a measurement of financial performance and may not be comparable to other similarly-titled indicators used by other companies. Reconciliation of Adjusted EBITDA to consolidated profit before income tax and profit for the period in the accompanying notes.

# TURKCELL İLETİSİM HİZMETLERİ AŞ

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	Turkcell Turkey		Turkcell International		Other		Intersegment Eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Consumer segment revenue	10,216,023	9,127,329	-	-	-	-	-	-	10,216,023	9,127,329
Corporate segment revenue	2,191,506	2,031,743	-	-	-	-	-	-	2,191,506	2,031,743
Other Turkcell Turkey revenue	380,063	321,818	-	-	-	-	-	-	380,063	321,818
Turkcell International revenue	-	-	874,692	856,147	-	-	-	-	874,692	856,147
Other revenue	-	-	-	-	661,923	458,563	-	-	661,923	458,563
Eliminations	-	-	-	-	(38,646)	(26,185)	(38,646)	(26,185)	(38,646)	(26,185)
<b>Total Revenue</b>	<b>12,787,592</b>	<b>11,480,890</b>	<b>874,692</b>	<b>856,147</b>	<b>661,923</b>	<b>458,563</b>	<b>(38,646)</b>	<b>(26,185)</b>	<b>14,285,561</b>	<b>12,769,415</b>
Reportable segment adjusted EBITDA	4,160,861	3,759,590	235,348	245,959	222,849	134,484	451	511	4,619,509	4,140,544
Depreciation and amortization	(1,986,702)	(1,457,020)	(202,080)	(200,765)	(13,683)	(10,183)	(886)	218	(2,203,351)	(1,667,750)
Capital expenditure	3,144,391	7,751,746	336,728	770,211	13,811	14,273	(270)	-	3,494,660	8,536,230
Bad debt expense	(195,472)	(187,963)	(5,956)	(8,292)	(9,956)	(333)	-	-	(211,384)	(196,588)

	Turkcell Turkey		Turkcell International		Other		Intersegment Eliminations		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Consumer segment revenue	9,127,329	8,282,297	-	-	-	-	-	-	9,127,329	8,282,297
Corporate segment revenue	2,031,743	1,907,373	-	-	-	-	-	-	2,031,743	1,907,373
Other Turkcell Turkey revenue	321,818	290,556	-	-	-	-	-	-	321,818	290,556
Turkcell International revenue	-	-	856,147	1,137,907	-	-	-	-	856,147	1,137,907
Other revenue	-	-	-	-	458,563	457,847	-	-	458,563	457,847
Eliminations	-	-	-	-	(26,185)	(32,393)	(26,185)	(32,393)	(26,185)	(32,393)
<b>Total Revenue</b>	<b>11,480,890</b>	<b>10,480,226</b>	<b>856,147</b>	<b>1,137,907</b>	<b>458,563</b>	<b>457,847</b>	<b>(26,185)</b>	<b>(32,393)</b>	<b>12,769,415</b>	<b>12,043,587</b>
Reportable segment adjusted EBITDA	3,759,590	3,326,389	245,959	281,011	134,484	154,643	511	(248)	4,140,544	3,761,795
Monetary gain	-	-	-	205,068	-	-	-	-	-	205,068
Depreciation and amortization	(1,457,020)	(1,311,591)	(200,765)	(319,204)	(10,183)	(8,847)	218	185	(1,667,750)	(1,639,457)
Capital expenditure	7,751,746	1,982,343	770,211	158,001	14,273	4,452	-	-	8,536,230	2,144,796
Bad debt expense	(187,963)	(141,477)	(8,292)	(14,470)	(333)	16	-	-	(196,588)	(155,931)

# TURKCELL İLETİSİM HİZMETLERİ AŞ

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	As at 31 December 2016 and 2015									
	Turkcell Turkey		Turkcell International		Other		Intersegment Eliminations		Total	
	2016	2015	2016	2015	2016	2015	2016	2015		
Reportable segment assets	20,068,266	20,701,617	1,693,844	1,460,983	2,508,008	85,884	(49,406)	(10,921)	24,220,712	22,237,563
Assets classified as held for sale	-	-	1,222,757	-	-	-	-	-	1,222,757	-
Investments accounted for using the equity method	-	-	-	981,939	-	-	-	-	-	981,939
Reportable segment liabilities	4,426,175	6,868,877	595,576	481,338	229,754	105,460	(32,063)	(10,089)	5,219,442	7,445,586

# TURKCELL ILETISIM HIZMETLERI AS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### As at and for the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

	31 December 2016	31 December 2015	31 December 2014
Turkcell Turkey adjusted EBITDA	4,160,861	3,759,590	3,326,389
Turkcell International adjusted EBITDA	235,348	245,959	281,011
Other	222,849	134,484	154,643
Intersegment eliminations	451	511	(248)
Consolidated adjusted EBITDA	4,619,509	4,140,544	3,761,795
Finance income	1,064,794	756,039	955,401
Finance costs	(1,237,593)	(799,514)	(1,246,986)
Other income	78,569	44,454	58,929
Other expenses	(312,801)	(270,446)	(135,177)
Monetary gain	-	-	205,068
Share of profit of equity accounted investees	-	-	4,466
Depreciation and amortization	(2,203,351)	(1,667,750)	(1,639,457)
<b>Consolidated profit before income tax</b>	<b>2,009,127</b>	<b>2,203,327</b>	<b>1,964,039</b>
Income tax expense	(423,160)	(667,112)	(730,444)
<b>Profit from continuing operations</b>	<b>1,585,967</b>	<b>1,536,215</b>	<b>1,233,595</b>

	31 December 2016	31 December 2015
<b>Assets</b>		
Total assets for reportable segments	21,762,110	22,162,600
Other assets	2,508,008	85,884
Intersegment eliminations	(49,406)	(10,921)
Assets classified as held for sale	1,222,757	-
Investments accounted for using the equity method	-	981,939
Cash and cash equivalents	6,052,352	2,918,796
Deferred tax assets	51,255	48,615
Other unallocated assets	53,082	20,397
Consolidated total assets	<b>31,600,158</b>	<b>26,207,310</b>

	31 December 2016	31 December 2015
<b>Liabilities</b>		
Total liabilities for reportable segments	5,021,751	7,350,215
Other liabilities	229,754	105,460
Intersegment eliminations	(32,063)	(10,089)
Borrowings	9,781,162	4,214,240
Deferred tax liabilities	458,160	113,437
Other unallocated liabilities	72,997	15,145
Consolidated total liabilities	<b>15,531,761</b>	<b>11,788,408</b>

# TURKCELL ILETISIM HIZMETLERI AS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### As at and for the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

#### Geographical information

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

	31 December 2016	31 December 2015	31 December 2014
<b>Revenues</b>			
Turkey	13,321,503	11,779,345	10,735,138
Ukraine	573,951	571,630	765,410
Azerbaijan	108,329	145,654	179,628
Belarus	149,005	141,219	151,845
Turkish Republic of Northern Cyprus	129,785	125,668	135,954
Germany	2,988	5,899	75,612
	<b>14,285,561</b>	<b>12,769,415</b>	<b>12,043,587</b>

	31 December 2016	31 December 2015
<b>Non-current assets</b>		
Turkey	16,548,162	15,032,606
Ukraine	1,211,789	993,546
Belarus	291,498	224,784
Turkish Republic of Northern Cyprus	117,243	116,180
Azerbaijan	13,563	14,727
Unallocated non-current assets <sup>(1)</sup>	67,057	1,030,610
	<b>18,249,312</b>	<b>17,412,453</b>

<sup>(1)</sup> Unallocated non-current assets as at 31 December 2015 comprises of "investments accounted for using the equity method" which are accounted in "assets classified as held for sale" as at 31 December 2016.

#### 7. REVENUE

	2016	2015	2014
Telecommunication services	12,883,974	11,972,443	11,259,956
Equipment revenues	624,352	254,582	241,470
Revenue and commission fees on betting business	284,496	277,525	297,918
Call center revenues	198,564	187,840	165,714
Revenue from financial services	184,698	-	-
Other	109,477	77,025	78,529
	<b>14,285,561</b>	<b>12,769,415</b>	<b>12,043,587</b>

# TURKCELL ILETISIM HIZMETLERI AS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### As at and for the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

#### 8. OTHER INCOME AND EXPENSE

Other income amounts to TL 78,569, TL 44,454 and TL 58,929 for the years ended 31 December 2016, 2015 and 2014, respectively.

Other expenses amount to TL 312,801, TL 270,446 and TL 135,177 for years ended 31 December 2016, 2015 and 2014 respectively.

Other income for the years ended 31 December 2016 and 2015 mainly consist of fixed asset sales gain and reversal of legal provisions. Other income for the year ended 31 December 2014 mainly consists of reversal of provision for equity accounted investees amounting to TL 19,161.

Other expenses for the year ended 31 December 2016 mainly consist of commercial agreements termination expenses, donations and litigation expenses (Note 37).

Other expenses for the year ended 31 December 2015 mainly consist of commercial agreements termination expenses and litigation expenses.

Other expenses as of 31 December 2014 mainly consist of payments and provisions for the penalties imposed by ICTA for not complying with relevant regulations as explained in Note 34 and payments regarding to litigation expenses to consolidated financial statements.

#### 9. PERSONNEL EXPENSES

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Wages and salaries <sup>(*)</sup>	1,450,262	1,317,655	1,185,382
Increase in liability for long-service leave <sup>(**)</sup>	32,977	30,593	32,435
Contributions to defined contribution plans	7,722	8,364	7,876
	<b>1,490,961</b>	<b>1,356,612</b>	<b>1,225,693</b>

<sup>(\*)</sup> Wages and salaries include compulsory social security contributions and bonuses.

<sup>(\*\*)</sup> The remeasurements of employee termination benefit losses for the years ended 31 December 2016 and 2015 and 2014 amounting to TL 34,532, TL 13,466 and 819 respectively, are reflected in other comprehensive income.

# TURKCELL ILETISIM HIZMETLERI AS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### As at and for the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

#### 10. FINANCE INCOME AND COSTS

Recognized in the statement of profit or loss:

	2016	2015	2014
Interest income on bank deposits	158,206	303,221	650,780
Interest income on financial assets measured at amortized cost	520,465	449,889	295,512
Changes in the fair value of derivative financial instruments	385,560	1,070	2,770
Discount interest income	74,522	13,865	6,339
Other interest income	563	1,859	955,401
Finance income	1,064,794	756,039	(1,110,833)
			(120,414)
Net foreign exchange loss	(782,463)	(489,320)	
Interest expense on financial liabilities measured at amortized cost	(343,290)	(224,724)	
Interest expense on participating cross currency swap	(93,038)	-	-
Litigation late payment interest expense	-	(68,083)	(6,963)
Option premium expense	(10,114)	(2,290)	(33)
Other	(8,688)	(15,097)	(8,743)
Finance cost	(1,237,593)	(799,514)	(1,246,986)
<b>Net finance income / (costs)</b>	<b>(172,799)</b>	<b>(43,475)</b>	<b>(291,585)</b>

Capitalization rates and amounts other than borrowings made specifically for the purpose of acquiring a qualifying asset are 9.9%, 9.7% and 12.8%, TL 76,899 and TL 75,315 and TL 15,320 for the years ended 31 December 2016, 2015 and 2014 respectively. Weighted average capitalization rate for general borrowings is 86% as at 31 December 2016 (31 December 2015: 48% and 31 December 2014: 36%).

Finance income for the years ended 31 December 2016, 2015 and 2014 are mainly attributable to interest income from contracted handset sales, changes in fair value of derivative financial instruments and interest income on bank deposits.

Finance cost for year ended 31 December 2016 is mainly attributable to financing cost of borrowings and 4.5G license fee payable.

Foreign exchange loss mainly includes foreign exchange losses on borrowings, 4.5G license payable and bonds issued amounting to TL 764,697, TL 264,953 and TL 263,516, respectively whereas the Company has a foreign exchange income amounting to TL 604,597 from its main operations.

Finance cost for the years ended 31 December 2015 and 2014 is mainly attributable to foreign exchange losses in Belarusian Telecom operating in Belarus and foreign exchange losses in lifecell operating in Ukraine. Foreign exchange losses from Belarusian Telecom and lifecell exclude foreign exchange losses arising in the foreign operations' individual financial statements which have been recognized directly in equity in the foreign currency translation differences in the consolidated financial statements in accordance with accounting policy for net investment in foreign operations as disclosed in Note 3b.

# TURKCELL ILETISIM HIZMETLERI AS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### As at and for the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

#### 11. INCOME TAX EXPENSE

	2016	2015	2014
Current income tax expense	(200,663)	(591,297)	(709,437)
Deferred income tax expense	(222,497)	(75,815)	(21,007)
<b>Total income tax expense</b>	<b>(423,160)</b>	<b>(667,112)</b>	<b>(730,444)</b>

#### Income tax recognized directly in equity

	Before tax	Tax (expense) / benefit	Net of tax
<b>2016</b>			
Foreign currency translation differences	218,472	(87,381)	131,091
Change in cash flow hedge reserve	-	-	-
Remeasurements of employee termination benefits	(34,532)	7,066	(27,466)
	<b>183,940</b>	<b>(80,315)</b>	<b>103,625</b>

<b>2015</b>			
Foreign currency translation differences	(384,466)	(5,749)	(390,215)
Change in cash flow hedge reserve	719	-	719
Remeasurements of employee termination benefits	(13,466)	2,563	(10,903)
	<b>(397,213)</b>	<b>(3,186)</b>	<b>(400,399)</b>

<b>2014</b>			
Foreign currency translation differences	468,478	(3,646)	464,832
Change in cash flow hedge reserve	1,089	-	1,089
Remeasurements of employee termination benefits	(819)	196	(623)
	<b>468,748</b>	<b>(3,450)</b>	<b>465,298</b>



# TURKCELL ILETISIM HIZMETLERI AS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### As at and for the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

#### Reconciliation of effective income tax expense

The reported income tax expense for the years ended 31 December 2016 and 2015 are different than the amounts computed by applying the domestic tax rate to profit before income tax of the Company, as shown in the following reconciliation:

	2016	2015	2014
Profit for the year	1,543,803	1,903,551	1,436,416
Total income tax expense	423,160	667,112	730,444
Profit before income tax <sup>(1)</sup>	1,966,963	2,570,663	2,166,860
<b>Income tax using the Company's domestic tax rate of 20%</b>	<b>(393,393)</b>	<b>(514,133)</b>	<b>(433,372)</b>
Difference in overseas tax	(15,935)	(52,688)	(51,277)
Effect of exemptions <sup>(2)</sup>	104,244	62,163	39,274
Non-deductible expenses and permanent differences	(78,571)	(16,104)	(72,484)
Utilization of previously unrecognized tax losses	1,253	22,863	377
Unrecognized deferred tax assets <sup>(3)</sup>	(30,616)	(198,364)	(255,048)
Adjustment of current tax of prior years	(8,176)	-	-
Deferred tax effect related to investment in subsidiaries	-	32,926	-
Other	(1,966)	(3,775)	42,086
<b>Total income tax expense</b>	<b>(423,160)</b>	<b>(667,112)</b>	<b>(730,444)</b>

<sup>(1)</sup> Including profit from discontinued operation before income tax.

<sup>(2)</sup> Mainly comprises of research and development tax credit.

<sup>(3)</sup> Mainly comprises of tax losses for which no deferred tax asset has been recognized.

The income taxes payable amounting to TL 71,638 and TL 12,855 as at 31 December 2016 and 2015, respectively, represents the amount of income taxes payable in respect of related taxable profit for the years ended 31 December 2016 , 2015 and 2014, respectively netted off with advance tax payments.

The Turkish entities within the Group are subject to corporate tax at the rate of 20%. In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns at the end of April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years. Advance tax returns are filed on a quarterly basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting tax exempt income.

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

# TURKCELL ILETISIM HIZMETLERI AS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### As at and for the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

With the amendment made in Article 10 of the Corporate Tax Law No. 5520 considering with the amendment made in Article 35 of the Law No. 5746 on Supporting Research and Development Activities, the R&D allowances to be calculated on research and development expenditures has been increased from 40% to 100%. Aforementioned law was become effective as of 1 April 2008. According to this law, companies subject to corporate income tax can consider 100% of the expenditures that has been made during research and development activities for searching new technologies and information during the determination of tax basis starting from the April 2008. As total 100% of the research and development expenditures made for 2015 and 2014 should be subject to R&D allowances.

#### 12. EXPENSES BY NATURE

The following table compares expenses by nature for the years ended 31 December 2016 and 2015.

##### Cost of sales:

	2016	2015	2014
Depreciation and amortization	(2,203,351)	(1,667,750)	(1,639,457)
Treasury share	(1,491,503)	(1,418,683)	(1,331,102)
Interconnection and termination cost	(1,420,233)	(1,326,990)	(1,316,577)
Radio cost	(1,057,618)	(911,454)	(829,698)
Personnel expenses	(859,143)	(734,725)	(655,742)
Gsm equipment expenses	(427,081)	(187,789)	(181,472)
Universal service fund	(192,045)	(182,508)	(160,266)
Transmission costs	(139,185)	(113,574)	(106,405)
Roaming expenses	(128,429)	(108,102)	(92,189)
Outsource expenses	(94,419)	(143,226)	
Direct cost of revenue from financial services <sup>(1)</sup>	(68,546)	-	-
Billing and archiving cost	(61,647)	(55,056)	(82,530)
Other	(1,187,826)	(1,062,852)	(988,509)
	<b>(9,236,607)</b>	<b>(7,769,483)</b>	<b>(7,383,947)</b>

<sup>(1)</sup> As at 31 December 2016, depreciation and amortization expenses includes depreciation and amortization expenses related to the financial services amounting to TL 1,677.

##### Selling and marketing expenses:

	2016	2015	2014
Selling expenses	(757,869)	(783,234)	(858,766)
Marketing expenses	(518,382)	(428,596)	(451,373)
Personnel expenses	(354,380)	(381,582)	(358,334)
Prepaid subscriber frequency usage fees	(186,530)	(191,408)	(186,171)
Other	(93,786)	(117,039)	(119,964)
	<b>(1,910,947)</b>	<b>(1,901,859)</b>	<b>(1,974,608)</b>

# TURKCELL ILETISIM HIZMETLERI AS

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(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

#### Administrative expenses:

	2016	2015	2014
Personnel expenses	(277,438)	(240,305)	(211,616)
Bad debt expense	(211,384)	(196,588)	(155,931)
Consultancy expense	(54,315)	(43,995)	(46,131)
Rent expense	(30,314)	(23,924)	(17,292)
Collection expense	(20,827)	(17,533)	(29,759)
Maintenance and repairment expenses	(20,315)	(23,424)	(23,861)
Travel and entertainment expenses	(18,913)	(13,484)	(14,807)
Other	(88,343)	(66,026)	(63,297)
	<b>(721,849)</b>	<b>(625,279)</b>	<b>(562,694)</b>

## TURKCELL İLETİSİM HİZMETLERİ AŞ

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

#### 13. PROPERTY, PLANT AND EQUIPMENT

Cost	Balance as at 1 January 2016	Additions	Disposals	Transfers	Impairment expenses/ (reversals)	Effects of movements in exchange rates	Balance as at 31 December 2016
Network infrastructure (All operational)	11,302,326	615,041	(518,827)	2,312,011	-	186,757	13,897,308
Land and buildings	389,366	26,603	(32)	102,311	-	1,454	519,702
Equipment, fixtures and fittings	586,463	37,545	(19,291)	10,079	-	2,936	617,732
Motor vehicles	33,676	2,710	(2,946)	71	-	625	34,136
Leasehold improvements	306,176	5,663	(374)	-	-	296	311,761
Construction in progress	1,005,358	1,979,449	(454)	(2,426,303)	-	8,473	566,523
<b>Total</b>	<b>13,623,365</b>	<b>2,667,011</b>	<b>(541,924)</b>	<b>(1,831)</b>	<b>-</b>	<b>200,541</b>	<b>15,947,162</b>
<b>Accumulated depreciation</b>							
Network infrastructure (All operational)	5,976,699	1,139,343	(501,719)	-	42,682	186,575	6,843,580
Land and buildings	140,627	17,395	-	-	488	841	159,351
Equipment, fixtures and fittings	462,618	47,001	(15,229)	-	28	3,188	497,606
Motor vehicles	29,704	2,723	(2,926)	-	-	751	30,252
Leasehold improvements	192,223	28,349	(374)	-	-	470	220,668
<b>Total</b>	<b>6,801,871</b>	<b>1,234,811</b>	<b>(520,248)</b>	<b>-</b>	<b>43,198</b>	<b>191,825</b>	<b>7,751,457</b>
<b>Total property, plant and equipment</b>	<b>6,821,494</b>	<b>1,432,200</b>	<b>(21,676)</b>	<b>(1,831)</b>	<b>(43,198)</b>	<b>8,716</b>	<b>8,195,705</b>

Depreciation expenses for the years ended 31 December 2016, 2015 and 2014 amounting to TL 1,278,009, TL 1,112,039 and TL 1,154,814 respectively including impairment losses are recognized in direct cost of revenues.

The impaired network infrastructure mainly consists of damaged or technologically inadequate GSM and fixed line infrastructure investments.

The impairment losses on property, plant and equipment for the periods ended 31 December 2016, 2015 and 2014 are TL 43,198 and TL 18,567, respectively and recognized in depreciation expense.

The network infrastructure mainly consists of GSM service and fixed line infrastructure investments.

## TURKCELL İLETİSİM HİZMETLERİ AŞ

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

Cost	Balance as at 1 January 2015	Additions	Disposals	Transfers	Impairment expenses/ (reversals)	Transfers to Investment Property	Effects of movements in exchange rates	Balance as at 31 December 2015
Network infrastructure (All operational)	10,918,769	358,297	(652,051)	1,061,692	-	-	(384,381)	11,302,326
Land and buildings	516,724	20,167	-	310	-	(144,268)	(3,567)	389,366
Equipment, fixtures and fittings	564,429	57,204	(30,632)	1,467	-	-	(6,005)	586,463
Motor vehicles	35,807	883	(1,609)	-	-	-	(1,405)	33,676
Leasehold improvements	228,530	30,008	(23,575)	72,460	-	-	(1,247)	306,176
Construction in progress	444,200	1,715,044	(877)	(1,136,521)	(2,523)	-	(13,965)	1,005,358
<b>Total</b>	<b>12,708,459</b>	<b>2,181,603</b>	<b>(708,744)</b>	<b>(592)</b>	<b>(2,523)</b>	<b>(144,268)</b>	<b>(410,570)</b>	<b>13,623,365</b>
<b>Accumulated depreciation</b>								
Network infrastructure (All operational)	5,900,269	1,016,762	(647,280)	-	17,990	-	(311,042)	5,976,699
Land and buildings	231,044	15,950	-	-	(2,851)	(101,634)	(1,882)	140,627
Equipment, fixtures and fittings	456,100	42,062	(29,998)	-	9	-	(5,555)	462,618
Motor vehicles	29,615	2,872	(1,474)	-	-	-	(1,309)	29,704
Leasehold improvements	197,835	15,826	(20,610)	-	896	-	(1,724)	192,223
<b>Total</b>	<b>6,814,863</b>	<b>1,093,472</b>	<b>(699,362)</b>	<b>-</b>	<b>16,044</b>	<b>(101,634)</b>	<b>(321,512)</b>	<b>6,801,871</b>
<b>Total property, plant and equipment</b>	<b>5,893,596</b>	<b>1,088,131</b>	<b>(9,382)</b>	<b>(592)</b>	<b>(18,567)</b>	<b>(42,634)</b>	<b>(89,058)</b>	<b>6,821,494</b>

# TURKCELL ILETISIM HIZMETLERI AS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### As at and for the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

#### Leased assets

The Group leases equipment under a number of finance lease agreements. At the end of each lease period, the Group has the option to purchase the equipment at a beneficial price. As at 31 December 2016, net carrying amount of fixed assets acquired under finance leases amounted to TL 89,425 (31 December 2015: TL 91,395).

#### 14. INTANGIBLE ASSETS

##### Turkcell 2G License

On 27 April 1998, the Company signed the License with the Turkish Ministry, under which it was granted a GSM license, which is amortized over 25 years with a carrying amount of TL 287,390 as at 31 December 2016 (31 December 2015: TL 333,272). The amortization period of the license will end in 2023.

##### Turkcell 3G License

On 30 April 2009, the Company signed a license agreement with ICTA which provides authorization for providing IMT 2000/UMTS services and infrastructure. The Company acquired the A type license providing the widest frequency band for a consideration of EUR 358,000 (excluding VAT). The license is effective for a duration of 20 years starting from 30 April 2009. The carrying amount as at 31 December 2016 is TL 474,486 and the amortization period of the license will end in 2029 (31 December 2015: TL 512,958).

##### Turkcell 4.5G License

On 26 August 2015, "Authorization Tender on IMT Services and Infrastructure" publicly known as 4.5G, license tender, was held by the Information Technologies and Communication Authority. The Company has been awarded for 13 years with; 172.4 MHz frequency band for EUR 1,623,460 (equivalent to TL 6,022,874 as at 31 December 2016) (excluding VAT).

IMT authorization period expires on 30 April 2029 and operators started to commence service delivery as at 1 April 2016. 2x1.4 MHz frequency band in 900MHz spectrum and 2 units of 2x5 MHz frequency band in 2100 MHz spectrum are in operation as at 1 December 2015 and have been recorded as GSM and other telecommunication operating licenses. Remaining packages amounting to EUR 1,235,520 (equivalent to TL 4,583,656 as at 31 December 2016) are in operation as at 1 April 2016 and have been recorded as GSM and other telecommunication licenses. As at 31 December 2016, the carrying amount of 4.5G License is TL 4,930,765 (31 December 2015: TL 5,222,687).

Tender price amounting to EUR 1,623,460 (equivalent to TL 6,022,874 as at 31 December 2016) (excluding VAT of 18%) will be paid semi-annually by four equal installments total of which are amounting to EUR 1,655,290 (equivalent to TL 6,140,960 as at 31 December 2016) including interest and excluding VAT of 18%. On 26 October 2015, the Company made the payment amounting to TL 1,321,873 for the original amount of EUR 413,823 as first installment and total VAT amounting to TL 933,447 for the original amount of EUR 292,223 in cash. Payment was made on effective selling rate of exchange as at 26 October 2015. Second installment payment was made on 25 April 2016 amounting to EUR 413,823 (equivalent to TL 1,319,682 as at transaction date).

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Third installment payment was made on 25 October 2016 amounting to EUR 413,823 (equivalent to TL 1,384,403 as at transaction date). Last installment will be made on 27 April 2017.

As at 31 December 2016, payables related to 4.5G license amounting to TL 1,522,615 are classified in trade and other payables in current liabilities (31 December 2015: TL 2,591,235 in current liabilities and TL 1,270,610 in non-current liabilities).

Within the scope of the Decree Law No. 683 published on 23 January 2017, the Company will be able to pay EUR denominated 4.5G license obligation in Turkish liras converted at the buying exchange rate announced by the Central Bank of the Republic of Turkey on 2 January 2017 upon request of the Company.

#### lifecell 3G License

3G License tender in Ukraine was held on 23 February 2015. lifecell submitted a bid of UAH 3,355,400 (equivalent to TL 434,276 as at 31 December 2016) and was awarded the first lot for 15 years, which is the 1920-1935 / 2110-2125 MHz frequency band. The license payment was made on 19 March 2015. The cost of 3G license has been presented in GSM and other telecommunication operating licenses as at 31 December 2016.

In May 2015, lifecell made the payment amounting to UAH 357,568 (equivalent to TL 46,279 as at 31 December 2016) for the first installment of conversion of spectrum from military use and conditionally committed approximately UAH 479,009 (equivalent to TL 61,996 as at 31 December 2016) for the remaining installments of the conversion. Committed amount will be subject to change according to the inflation rates at the date of the payments.

#### Impairment testing for long-lived asset

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Long-lived assets were tested for impairment as at 31 December 2016.

#### lifecell

Independent appraisals were obtained for fair values to determine recoverable amount for lifecell. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets, cash generating units. As at 31 December 2016, impairment test for long-lived assets of lifecell is made on the assumption that lifecell is the cash generating unit.

As the recoverable amounts based on the value in use of cash generating units was higher than the carrying amount of cash-generating units of lifecell, no impairment was recognized. Sensitivity analysis was performed on the change in WACC by +0.5%/-0.5% (31 December 2015: +0.5%/-0.5%). The assumptions used in value in use calculation of lifecell were:

A 28.7% post-tax WACC rate for 2017 to 2021, a 27.9% post-tax WACC rate for after 2021 and a 6.0% terminal growth rate were used to extrapolate cash flows beyond the 5-year forecasts based on the business plans. The pre-tax rate for disclosure purposes was 30.0%.

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#### Belarusian Telecom

The aggregate carrying amount of goodwill arising from the acquisition of Belarusian Telecom was totally impaired as at 31 December 2011. The cumulative impairment loss recognized in the statement of profit and loss is TL 228,774.

Independent appraisals were obtained for fair values to determine recoverable amount for Belarusian Telecom. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets, cash generating units. As at 31 December 2016, impairment test for long-lived assets of Belarusian Telecom is made on the assumption that Belarusian Telecom is the cash generating unit.

As the recoverable amounts based on the value in use of cash generating units was higher than the carrying amount of cash-generating units of Belarusian Telecom, no impairment was recognized. Sensitivity analysis was performed on the change in WACC by +0.5%/-0.5% (31 December 2015: +0.5%/-0.5%). The assumptions used in value in use calculation of Belarusian Telecom were:

A 29.4% post-tax WACC rate for 2017 to 2021, a 28.7% post-tax WACC rate for after 2021 and a 10.0% terminal growth rate were used to extrapolate cash flows beyond the 5-year forecasts based on the business plans. The pre-tax rate for disclosure purposes was 30.9%.

#### Impairment testing for cash-generating units containing goodwill

Goodwill allocated to cash generating units and carrying values of all cash generating units are annually tested for impairment. The recoverable amounts (that is, higher of value in use and fair value less cost to sell) are normally determined on the basis of value in use, applying discounted cash flow calculation. Independent appraisals were obtained for fair values to determine recoverable amounts for Belarusian Telecom as at 31 December 2016, the date of the goodwill impairment test.

In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of growth in adjusted EBITDA, calculated as results from operating activities before depreciation and amortization and other income / (expenses), timing and quantum of future capital expenditure, long term growth rates, and the selection of discount rates to reflect the risks involved.

#### Turkcell Superonline

As at 31 December 2016, the aggregate carrying amount of goodwill allocated to Turkcell Superonline is TL 32,834 (31 December 2015: TL 32,834). Impairment testing of goodwill allocated to Turkcell Superonline has not been performed since the carrying amount of goodwill does not have a significant impact on the financial statements on the grounds of materiality level.



# TURKCELL İLETİSİM HİZMETLERİ AŞ

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#### 14. INTANGIBLE ASSETS

	Balance at 1 January 2016	Additions	Disposals	Transfers	Impairment	Effects of movements in exchange rates	Balance at 31 December 2016
<b>Cost</b>							
GSM and other telecommunication operating licenses	3,950,729	34,494	(4)	4,021,090	-	33,122	8,039,431
Computer software	5,342,056	329,836	(6,444)	390,248	-	20,709	6,076,405
Transmission lines	71,506	96	-	-	-	-	71,602
Central betting system operating right	11,907	-	-	74	-	-	11,981
Indefeasible right of usage	42,132	3,885	-	-	-	-	46,017
Brand name	7,040	-	-	-	-	-	7,040
Customer base	15,512	-	-	-	-	-	15,512
Goodwill	32,834	-	-	-	-	-	32,834
Other	29,713	8,607	(184)	185	-	-	38,321
4-5G license not yet available for use	3,984,954	33,316	-	(4,018,270)	-	-	-
Construction in progress	52,597	478,179	-	(391,496)	-	3,595	142,875
<b>Total</b>	<b>13,540,980</b>	<b>888,413</b>	<b>(6,632)</b>	<b>1,831</b>	<b>-</b>	<b>57,426</b>	<b>14,482,018</b>
<b>Accumulated amortization</b>							
GSM and other telecommunication operating licenses	1,429,944	445,069	(4)	-	-	3,886	1,878,895
Computer software	3,771,710	454,111	(2,972)	-	-	15,147	4,237,996
Transmission lines	52,058	3,615	-	-	2,530	-	58,203
Central betting system operating right	9,663	925	-	-	-	-	10,588
Indefeasible right of usage	15,446	3,339	-	-	-	-	18,785
Brand name	5,104	704	-	-	-	-	5,808
Customer base	10,111	1,175	-	-	-	-	11,286
Other	14,307	9,693	(183)	-	651	-	24,468
<b>Total</b>	<b>5,308,343</b>	<b>918,631</b>	<b>(3,159)</b>	<b>-</b>	<b>3,181</b>	<b>19,033</b>	<b>6,246,029</b>
<b>Total intangible assets</b>	<b>8,232,637</b>	<b>(30,218)</b>	<b>(3,473)</b>	<b>1,831</b>	<b>(3,181)</b>	<b>38,393</b>	<b>8,235,989</b>

Amortization expenses on intangible assets other than goodwill years ended 31 December 2016 and 2015 are TL 921,812 and TL 549,251 respectively including impairment losses and recognized in direct cost of revenues.

The impairment losses on intangible assets for the years ended 31 December 2016 and 2015 are TL 3,181 and nil respectively and recognized in amortization expense.

Computer software includes internally generated capitalized software development costs that meet the definition of an intangible asset. The amount of internally generated capitalized cost is TL 126,916 for the years ended 31 December 2016 (31 December 2015: TL 123,067).

The amortisation expense related to internally generated capitalized software development costs for the years ended 31 December 2016 and 2015 are TL 30,148 and TL 28,560, respectively and recognized in direct cost of revenue.

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	Balance at 1 January 2015	Additions	Disposals	Transfers	Effects of movements in exchange rates	Balance at 31 December 2015
<b>Cost</b>						
GSM and other telecommunication operating licenses	2,334,822	9,092	(31,263)	1,653,536	(15,458)	3,950,729
Computer software	4,730,454	377,853	(4,155)	279,213	(41,309)	5,342,056
Transmission lines	62,789	8,717	-	-	-	71,506
Central betting system operating right	11,758	149	-	-	-	11,907
Indefeasible right of usage	42,132	-	-	-	-	42,132
Brand name	7,040	-	-	-	-	7,040
Customer base	15,512	-	-	-	-	15,512
Goodwill	32,834	-	-	-	-	32,834
Other	22,370	7,111	-	232	-	29,713
4.5G license not yet available for use	-	5,230,471	-	(1,245,517)	-	3,984,954
Construction in progress	3,414	736,817	-	(686,872)	(762)	52,597
<b>Total</b>	<b>7,263,125</b>	<b>6,370,210</b>	<b>(35,418)</b>	<b>592</b>	<b>(57,529)</b>	<b>13,540,980</b>
<b>Accumulated amortization</b>						
GSM and other telecommunication operating licenses	1,332,732	125,258	(31,263)	-	3,217	1,429,944
Computer software	3,393,650	406,652	(2,297)	-	(26,295)	3,771,710
Transmission lines	48,530	3,528	-	-	-	52,058
Central betting system operating right	8,786	877	-	-	-	9,663
Indefeasible right of usage	12,552	2,894	-	-	-	15,446
Brand name	4,400	704	-	-	-	5,104
Customer base	8,690	1,421	-	-	-	10,111
Other	6,390	7,917	-	-	-	14,307
<b>Total</b>	<b>4,815,730</b>	<b>549,251</b>	<b>(33,560)</b>	<b>-</b>	<b>(23,076)</b>	<b>5,308,343</b>
<b>Total intangible assets</b>	<b>2,447,395</b>	<b>5,820,959</b>	<b>(1,858)</b>	<b>592</b>	<b>(34,451)</b>	<b>8,232,637</b>

# TURKCELL İLETİŞİM HİZMETLERİ AŞ

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#### 15. INVESTMENT PROPERTY

The Group transferred various properties from owner occupied asset to investment property to earn rental income and/or for capital appreciation in 2016.

#### Determination of the fair value of the Group's investment properties

The fair value of the Group's investment properties as at 31 December 2016 has been arrived at on the basis of a valuation carried out on the respective dates by independent valuation companies which are authorized by the Capital Markets Board, and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value of these investment properties was determined using a variety of valuation methods which are: *direct capitalization approach and income capitalization approach, cost approach* and market approach. In estimating the fair value of the properties, the highest and best use of the property is its current use.

The rental income obtained during the year ended 31 December 2016 is TL 2,317 (31 December 2015: TL 1,836 and 31 December 2014: TL 1,102). Total direct operating expense from investment property during the year ended 31 December 2016 is TL 22 (31 December 2015: TL 126 and 31 December 2014: TL 119).

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2016 and 2015 are as follows:

31 December 2016	Level 1	Level 2	Level 3	Valuation Method
Investment properties in İstanbul:				
- İstanbul Tepebasi	-	-	321,835	Direct capitalization
- Kucukcekmece	-	-	12,890	Cost approach
Investment properties in Gebze	-	-	12,558	Income capitalization
Investment properties in İzmir	-	-	42,315	Cost approach
Other investment properties	-	-	17,419	Market approach
Other investment properties	-	-	8,946	Cost approach
Other investment properties	-	-	2,410	Direct capitalization
<b>Total</b>	<b>-</b>	<b>-</b>	<b>418,373</b>	

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31 December 2015	Level 1	Level 2	Level 3	Valuation Method
Investment properties in Istanbul:				
- Istanbul Tepebasi	-	-	310,070	Direct capitalization
- Kucukcekmece	-	-	12,240	Market approach & Cost approach
Investment properties in Gebze	-	-	11,802	Income capitalization
Investment properties in Izmir	-	-	39,867	Market approach
Other investment properties	-	-	22,281	Market approach
Other investment properties	-	-	5,199	Cost approach
<b>Total</b>	<b>-</b>	<b>-</b>	<b>401,459</b>	

Significant unobservable inputs and sensitivity of the respective investment properties based on the valuation method are as follows:

Fair value of the investment property which is measured based on the "direct capitalization" approach will increase / (decrease) significantly, when there is a significant decrease/ (increase) in capitalization rate and a significant increase/ (decrease) in current market rentals. Capitalization rate is calculated by dividing comparable properties' annual net operating income by the selling price of the respective properties.

In the "income capitalization" approach, a significant increase/ (decrease) in rentals will cause a significant increase/ (decrease) in the fair value. In addition, a slight decrease/ (increase) in risk premium and discount rate which are calculated by considering the current market conditions will cause a significant increase/ (decrease) in the fair value.

In the "cost approach", a significant increase/ (decrease) of construction costs and miscellaneous costs of any similar properties in the market will cause a significant increase/ (decrease) in the fair value.

In the "market approach", a significant increase/ (decrease) in the market value of any properties which are located in the similar areas with similar conditions will cause a significant increase (decrease) in the fair value.

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	31 December 2016	31 December 2015
<b>Cost value</b>		
Opening balance	164,467	20,199
Addition	1,005	-
Transfer from tangible fixed assets <sup>(*)</sup>	-	144,268
Ending balance	165,472	164,467
<b>Accumulated depreciation</b>		
Opening balance	(114,895)	(6,801)
Transfer from tangible fixed assets	-	(101,634)
Charge for the year and impairment during the period <sup>(**)</sup>	(3,530)	(6,460)
Other	(777)	-
Ending balance	(119,202)	(114,895)
<b>Carrying value</b>	<b>46,270</b>	<b>49,572</b>

<sup>(\*)</sup> The real estates of the Group, which are held for obtaining rental or appreciation income as at 31 December 2015, are classified as investment property.

<sup>(\*\*)</sup> Depreciation expenses on investment properties for the year ended 31 December 2014 amounting to TL 2,906 including impairment losses are recognized in direct cost of revenues. The impairment losses on investment property for the year ended 31 December 2016 is nil (31 December 2015: TL 2,592 and 31 December 2014: TL 2,364 and recognized in depreciation expense).



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#### A-Tel

The Company accounted its joint venture A-Tel by applying equity method accounting until 27 August 2014. The Company's investment in A-Tel amounts to TL 46,624 as at 31 December 2013. In accordance with Settlement Protocol signed with Bereket Holding A.Ş. (formerly known as Bilgin Holding A.Ş.) on 27 August 2014, it has been decided to pay a compensation amounting to TL 30,428 to A-Tel and TL 19,161 has been recorded as other income after the elimination as a result of the decline in initial provision accrued amount from TL 68,750 to TL 30,428. Bereket Holding A.Ş. and Savings Deposits Insurance Funds ("SDIF") have waived from the lawsuit regarding alleged loss occurred from termination of Service Provider Agreement.

Additionally, Turkcell's whole stake in A-tel has been transferred to Bereket Holding A.Ş. for a consideration of TL 31,025 within the context of the Share Sale Agreement signed on 27 August 2014. Loss on sale amounting to TL 902 was recognized in the statement of profit or loss as detailed below:

	<b>31 December 2014</b>
Share sale price	31,025
Less: carrying amount of investment on the date of sale	(31,927)
<b>Loss recognized</b>	<b>(902)</b>

#### 17. ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS

##### *Disposal of Fintur*

##### *Classification*

The Group believes that an exit from Fintur countries is deemed highly probable within one year and therefore Fintur should be classified as held for sale and reported as discontinued operations as at 1 October 2016. The Group is committed to plan to exit from Fintur operations in relevant jurisdictions and initiated an active program to locate a buyer for its associate.

##### *Presentation*

Fintur is classified as held for sale and discontinued operations and therefore disclosed separately on a single line as discontinued operations in the consolidated statements of comprehensive income and the consolidated statements of cash flows. Investment in Fintur is presented as held for sale in the consolidated statement of financial position. Comparative periods in the consolidated statements of comprehensive income and the consolidated statements of cash flows are restated to reflect the classification of Fintur as discontinued operations.

##### *Measurement*

Equity accounting for Fintur ceased from 1 October 2016, and in accordance with IFRS 5, Fintur has been measured at the lower of carrying amount and fair value less costs to sell. As at 31 December 2016, carrying value of investment in Fintur is TL 1,222,757 (31 December 2015: TL 981,939) which is lower than the fair value less costs to sell indicating that no impairment is required as at 31 December 2016.

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The reconciliation of Profit and loss statement of Fintur is listed below (The summary of financial statements are presented in USD);

	1 January - 30 September 2016	1 January- 31 December 2015	1 January-31 December 2014
Revenue	617,214	1,325,535	1,801,432
Cost of sales	(369,104)	(674,334)	(802,969)
Gross profit	248,110	651,201	998,463
Selling and marketing expenses	(69,983)	(123,244)	(190,534)
General and administrative expenses	(69,818)	(95,380)	(95,123)
Other operating income/ (expenses), net	(31,258)	(23,850)	(161,353)
Operating profit	77,051	408,727	551,453
Finance income/ (expense), net	(61,203)	162,357	(17,317)
Profit before income tax	15,848	571,084	534,136
Total income tax	(30,947)	(128,121)	(133,773)
Profit for period	(15,099)	442,963	400,363
Attributable to:			
-owners of the parent	(28,695)	327,194	227,988
-non-controlling interests	13,596	115,769	172,375
Profit for period	(15,099)	442,963	400,363

#### 18. OTHER NON-CURRENT ASSETS

	2016	2015
Advances given for fixed assets <sup>(1)</sup>	217,658	7,972
Prepaid expenses	183,029	175,543
Receivables from Public Administration (Note 37)	72,848	72,848
Deposits and guarantees given	29,201	23,671
VAT receivable	28,772	121,905
Others	43,726	40,001
	<b>575,234</b>	<b>441,940</b>

<sup>(1)</sup> Includes fixed asset advances given related to 4.5G license capital expenditure as at 31 December 2016.

The dividend received amounting to TL 92,263 related to the discontinued operations have been classified in operating cash flows in the statement of cash flows in 2014.



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#### 19. DEFERRED TAX ASSETS AND LIABILITIES

##### Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities as at 31 December 2016 and 2015 are attributable to the following:

	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Property, plant & equipment and intangible assets	3,516	9,172	(532,547)	(303,063)	(529,031)	(293,891)
Investment	33,242	34,765	(90,209)	(69,502)	(56,967)	(34,737)
Provisions and employee terminaton benefit	55,288	70,206	-	-	55,288	70,206
Trade and other payables	57,686	36,632	-	-	57,686	36,632
Tax credit carry forwards (Investment tax credit)	1,508	29,799	-	-	1,508	29,799
Tax Allowance	32,200	-	-	-	32,200	-
Other items	65,905	142,344	(33,494)	(15,175)	32,411	127,169
<b>Tax assets / (liabilities)</b>	<b>249,345</b>	<b>322,918</b>	<b>(656,250)</b>	<b>(387,740)</b>	<b>(406,905)</b>	<b>(64,822)</b>
Net of tax	(198,090)	(274,303)	198,090	274,303	-	-
<b>Net tax assets / (liabilities)</b>	<b>51,255</b>	<b>48,615</b>	<b>(458,160)</b>	<b>(113,437)</b>	<b>(406,905)</b>	<b>(64,822)</b>

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Movement in temporary differences as at 31 December 2016 and 2015 are attributable to the following:

	<b>2016</b>	<b>2015</b>
<b>Opening balance</b>	<b>(64,822)</b>	<b>(1,240)</b>
Income statement charge	(222,497)	(75,815)
Tax charge relating to component of other comprehensive income	(7,066)	5,196
Prior year corporate tax basis differences	(109,640)	-
Exchange differences	(2,880)	7,037
<b>Closing balance, net</b>	<b>(406,905)</b>	<b>(64,822)</b>

As at 31 December 2016, expiration of unrecognized tax losses is as follows:

<b>Expiration Date</b>	<b>Amount</b>
2017	998
2018	4,726
2019	172
2020	53
2021	74
2022	271,606
2023	127,199
2024-2026	1,098,108
Indefinite	1,551,055
<b>Total</b>	<b>3,053,991</b>

The financial losses arising from lifecell and Belarus Telekom are TL 1,433,685 (31 December 2015: TL 1,319,313) and TL 1,496,699 (31 December 2015: TL 1,200,185), respectively.

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#### 20. TRADE RECEIVABLES AND ACCRUED INCOME

	31 December 2016	31 December 2015
Receivables from subscribers	1,223,183	1,218,126
Undue assigned contracted receivables	1,215,314	2,216,010
Accrued income	558,169	393,049
Accounts and checks receivable	293,238	271,743
	<b>3,289,904</b>	<b>4,098,928</b>

Trade receivables are shown net of allowance for doubtful debts amounting to TL 964,080 as at 31 December 2016 (31 December 2015: TL 816,071). The change in allowance for trade receivables and due from related parties is disclosed in Note 38.

Letters of guarantee received with respect to the accounts and checks receivable are amounted to TL 156,647 and TL 134,798 as at 31 December 2016 and 2015, respectively.

The undue assigned contracted receivables are the remaining portion of the assigned receivables from the distributors related to the handset campaigns which will be collected from subscribers in instalments by the Company. When monthly instalment is invoiced to the subscriber, related portion is transferred to "Receivables from subscribers". The Company measures the undue assigned contracted receivables at amortized cost, bears the credit risk and recognizes interest income throughout the contract period.

The accrued income represents revenue accrued for subscriber calls (air-time) which have not been billed and will be billed within one year. Due to the volume of subscribers, there are different billing cycles; accordingly, an accrual is made at each period end to accrue revenue for rendered but not yet billed. Contracted receivables related to handset campaigns, which will be invoiced after one year is presented under non-current trade receivables amounting to TL 217,492 (31 December 2015: TL 834,833).

The accounts and checks receivable represents receivables from distributors and roaming receivables.

The Group's exposure to currency risks and impairment losses related to trade receivables are disclosed in Note 34.

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#### 21. RECEIVABLES FROM FINANCIAL SERVICES

	31 December 2016	31 December 2015
Current receivables from financial services	1,486,906	-
Non- current receivables from financial services	909,466	-
	<b>2,396,372</b>	<b>-</b>

The change in allowance for receivables from financial services is disclosed in Note 34.

Starting from 2016 the Company and distributors started to offer the option to buy a device through Turkcell Financing loan, which will be collected by the Company. The Group carries a risk of collection in these transactions. Turkcell Finansman collects the purchased credit from the subscriber during the contract period, and does not record revenue related to the device since it is not the main contractor in the device sale.

#### 22. INVENTORY

	31 December 2016	31 December 2015
Mobile phones	79,782	31,469
Devices	31,929	15,708
SIM cards	11,852	13,723
Materials for tower construction	786	7,999
Other	7,624	6,572
	<b>131,973</b>	<b>75,471</b>

Cost of inventories incurred as expense and recognized in cost of sales for the years ended 31 December 2016, 2015 and 2014 are amount to TL 579,400, TL 277,489 and TL 295,708 respectively.

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#### 23. OTHER CURRENT ASSETS

	31 December 2016	31 December 2015
Prepaid expenses	294,540	290,063
Prepayment for subscriber acquisition cost	108,628	98,656
Advances given to suppliers	57,020	34,554
Receivables from tax office	52,561	1,618
VAT receivable	49,211	763,844
Special communication tax to be collected from subscribers	36,940	32,755
Receivables from ministry of transport, maritime affairs and communications (Note 37)	32,299	29,782
Restricted cash	289	349,243
Other	138,647	89,171
	<b>770,135</b>	<b>1,689,686</b>

Prepaid expenses mainly comprises prepaid rent expenses and frequency usage fees.

Subscriber acquisition costs are subsidies paid to dealers for engaging a fixed term contract with the subscriber that require a minimum consideration.

As at 31 December 2015, VAT receivable mainly results from 4.5G license VAT payment made as at 26 October 2015 amounting to TL 933,447.

As at 31 December 2015, restricted cash amounting to TL 349,243 represents the time deposits at a local bank as guarantees in connection with the loans utilized by lifecell.

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#### 24. CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Cash in hand	223	453
Cheques received	-	3
Banks	6,051,472	2,912,741
- Demand deposits	569,826	572,895
- Time deposits	5,481,646	2,339,846
Investment funds, bonds and bills	657	5,599
<b>Cash and cash equivalents</b>	<b>6,052,352</b>	<b>2,918,796</b>

As at 31 December 2016, the average maturity of time deposits is 49 days (31 December 2015: 27 days).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 34.

#### 25. EQUITY

##### *Share capital*

As at 31 December 2016, common stock represented 2,200,000,000 (31 December 2015: 2,200,000,000) authorized, issued and fully paid shares with a par value of TL 1 each. In accordance with the Law No. 5083 with respect to TL, on 9 May 2005, par value of each share is registered to be TL 1. In this respect, share capital presented in the consolidated financial statements refers to nominal amount of share capital registered by trade registry.

The holders of shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

As at 31 December 2016, total number of pledged shares hold by various institutions is 995,509 (31 December 2015: 995,509).

##### *Capital contribution*

Capital contribution comprises the contributed assets and certain liabilities that the government settled on behalf of the Group that do not meet the definition of a government grant which the government is acting in its capacity as a shareholder.

##### *Translation reserve*

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign and domestic operations from their functional currencies to presentation currency of TL.

##### *Fair value reserve*

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognized or the asset is impaired.

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#### *Legal reserve*

Under the Turkish Commercial Code, Turkish companies are required to set aside first and second level legal reserves out of their profits. First level legal reserves are set aside 5% of the distributable income per statutory accounts each year. The ceiling on the first legal reserves is 20% of the paid-up capital. The reserve requirement ends when the 20% of paid-up capital level has been reached. Second legal reserves correspond to 10% of profits actually distributed after the deduction of the first legal reserves and the minimum obligatory dividend pay-out (5% of the paid-up capital). There is no ceiling for second legal reserves and they are accumulated every year. In this respect, legal reserve presented in the consolidated financial statements refers to nominal amount of legal reserve.

#### *Cash flow hedging reserve*

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognized and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

#### *Reserve for non-controlling interest put option liability*

The reserve for non-controlling interest put option liability includes the difference between the put option liability granted to the non-controlling shareholders in existing subsidiaries recognized and the amount of non-controlling interest derecognized. Since the current option relates to the business combinations before 1 January 2009, subsequent changes in the fair value of the put option liability other than unwind of discount and associated foreign exchange gains and losses are also recognized in this reserve.

#### *Treasury shares*

The Company has purchased 6,815,563 shares back with a price range of full TL 8.92 to 9.99 as part of the share buyback decision on 27 July 2016. Total of the transactions are TL 65,607. Treasury shares are deducted from Equity.

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### As at and for the year ended 31 December 2016

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#### *Dividends*

##### *Turkcell:*

On 23 March 2016, the Company's Board of Directors has proposed a dividend distribution for the year ended 31 December 2015 amounting to TL 1,200,000 (equivalent to USD 340,987 as at 31 December 2016), which represented approximately 58% of distributable income. This represents a gross cash dividend of full TL 0.5454545 (net TL 0.4636364) (equivalent to full USD 0.15 and USD 0.13 respectively as at 31 December 2016) per share. This dividend proposal was discussed and rejected at the Ordinary General Assembly of Shareholders held on 29 March 2016.

##### *Inteltek:*

According to the resolution of the Extraordinary General Assembly Meeting of Inteltek held on 22 June 2015 and 11 November 2015, Board of Directors decided to pay dividend amounting to TL 205,648 from the profit realized in years 2012, 2013 and 2014 and the nine months of period of 2015. The dividend payments were completed in 2015.

According to resolution of Extraordinary General Assembly Meeting of Inteltek held on 24 March 2016, the shareholders resolved capital decrease amount of TL 20,000. The payment to the shareholders was executed on 30 June 2016.

According to the resolution of the Extraordinary General Assembly Meeting of Inteltek held on 30 June 2016, Board of Directors decided to pay dividend amounting to TL 53,586 from the profit realized in 2015 (remaining amount after deducting advance dividends paid in November 2015 amounting to TL 32,192) and TL 20,455 from the profit realized for six months period of 2016. In addition, Board of Directors decided to pay dividend from legal reserves amounting to TL 25,710 which can be distributed after capital reduction. The dividend payments were completed as at 31 December 2016.

##### *Azerinteltek:*

According to the resolution of the General Assembly Meeting of Azerinteltek held in 2014 and 2015, Azerinteltek's Board of Directors has decided to pay the dividend accrued for fourth quarter of 2014 and 2015 amounting to AZN 5,895 (equivalent to TL 11,736 as at 31 December 2016). Dividend payments have been completed in 2015.

According to resolution of the General Assembly Meeting of Azerinteltek held in 2016, Board of Directors decided to pay advance dividend amounting to AZN 4,793 (equivalent to TL 9,542 as at 31 December 2016) from the profit realized for the first nine months of 2016). Dividend payments have been completed in 2016.



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#### 26. EARNINGS PER SHARE

The calculations of basic earnings per share were based on the profit attributable to ordinary shareholders for the years ended 31 December 2016, 2015 and 2014 of TL 1,492,088, TL 2,067,654 and TL 1,864,640 respectively and a weighted average number of shares outstanding for the years ended 31 December 2016, 2015 and 2014 is 2,193,184,437, 2,200,000,000 and 2,200,000,000 respectively calculated as follows:

	2016	2015	2014
Numerator:			
Net profit for the period attributed to owners	1,492,088	2,067,654	1,864,640
Denominator:			
Weighted average number of shares <sup>(*)</sup>	2,193,184,437	2,200,000,000	2,200,000,000
<b>Basic earnings per share- Total group (in full TL)</b>	<b>0.68</b>	<b>0.94</b>	<b>0.85</b>

<sup>(\*)</sup> Note 25- Treasury shares

	2016	2015	2014
Numerator:			
Net profit for the period attributed to owners	1,534,252	1,700,318	1,661,819
Denominator:			
Weighted average number of shares <sup>(*)</sup>	2,193,184,437	2,200,000,000	2,200,000,000
<b>Basic earnings per share-from continuing operations (in full TL)</b>	<b>0.70</b>	<b>0.77</b>	<b>0.76</b>

<sup>(\*)</sup> Note 25- Treasury shares

#### 27. OTHER NON-CURRENT LIABILITIES

	2016	2015
Consideration payable in relation to acquisition of Belarusian Telecom	295,062	235,281
Deferred revenue	74,241	83,889
Deposits and guarantees taken from agents	58,244	47,500
	<b>427,547</b>	<b>366,670</b>

Consideration payable in relation to the acquisition of Belarusian Telecom represents the present value of the long-term contingent payment to the seller. Payment of \$100,000 (equivalent to TL 351,920 as at 31 December 2016) is contingent on the financial performance of Belarusian Telecom, and based on management's estimations, expected to be paid during the first quarter of 2020 (31 December 2015: the first quarter of 2020). Discount rate of 5.6% used for the present value calculation of the consideration payable in relation to acquisition of Belarusian Telecom as at 31 December 2016 (31 December 2015: 5.1%).

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### As at and for the year ended 31 December 2016

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#### 28. BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about the Group's exposure to foreign currency for interest bearing loans, see Note 34.

	31 December 2016	31 December 2015
<b>Non-current liabilities</b>		
Unsecured bank loans	5,300,756	2,086,871
Secured bank loans	3,580	4,262
Finance lease liabilities	41,539	36,449
Debt securities issued	1,589,227	1,360,204
	<b>6,935,102</b>	<b>3,487,786</b>
<b>Current liabilities</b>		
Unsecured bank facility	1,581,135	130,109
Secured bank facility	-	311,682
Current portion of unsecured bank loans	922,867	196,385
Current portion of secured bank loans	2,054	1,930
Current portion of finance lease liabilities	6,575	5,389
Debt securities issued	333,429	80,959
	<b>2,846,060</b>	<b>726,454</b>

The Company signed a loan agreement with BNP Paribas, Citibank, HSBC, ING and Intesa Sanpaolo SpA for an amount of USD 500,000 (equivalent to TL 1,759,600 as at 31 December 2016) and EUR 445,315 (equivalent to TL 1,652,074 as at 31 December 2016) with an availability period until 30 June 2016 to be utilized by the Company and its subsidiaries for the purpose of funding infrastructure investments and any other potential investment opportunities. Each respective unsecured loan has 2 years grace period, 5 years maturity, principal repayment every 6 months and an annual interest rate of 3 month LIBOR/EURIBOR+2%. As at 31 December 2016, the Company has utilized USD 500,000 and EUR 445,315 under this agreement.

## TURKCELL İLETİSİM HİZMETLERİ AŞ

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Terms and conditions of outstanding loans are as follows:

	31 December 2016				31 December 2015			
	Currency	Interest rate type	Nominal interest rate	Year of maturity	Carrying amount	Nominal interest rate	Year of maturity	Carrying amount
Unsecured bank loans	USD	Floating	Libor+2.0%- Libor+2.6%	2017-2020	1,984,533	Libor+2.6%	2017	189,542
Unsecured bank loans	EUR	Floating	Euribor+1.2%- Euribor+2.2%	2018-2025	3,593,110	Euribor+2.2%	2019-2025	1,585,939
Unsecured bank loans	TL	Fixed	10.4%-12.6%	2017-2018	1,819,944	8.3%-10.9%	2016-2017	507,775
Unsecured bank loans	UAH	Fixed	13.5%-18.6%	2017	407,171	20%	2016	130,109
Secured bank loans (*)	UAH	Fixed	-	-	-	25%	2016	311,682
Secured bank loans (**)	BYN	Fixed	12%-16%	2020	5,634	12%-16%	2016-2020	6,192
Debt securities issued	USD	Fixed	5.8%	2025	1,683,700	5.8%	2025	1,441,163
Debt securities issued	TL	Fixed	10.7%	2017	238,956	-	-	-
Finance lease liabilities	EUR	Fixed	3.4%	2017-2024	48,034	3.4%	2016-2024	41,750
Finance lease liabilities	USD	Fixed	18%-28%	2017-2018	80	18%-28%	2016-2018	88
					<b>9,781,162</b>			<b>4,214,240</b>

(\*) Secured by the blocked deposit amounting to USD 120,114 (equivalent to TL 349,243 as at 31 December 2015), in connection with the loans utilized by lifecell.

(\*\*) Secured by the Government of the Republic of Belarus.

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Finance lease liabilities are payable as follows:

	31 December 2016			31 December 2015		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	7,908	1,333	6,575	6,627	1,238	5,389
More than one year	46,365	4,826	41,539	42,357	5,908	36,449
	<b>54,273</b>	<b>6,159</b>	<b>48,114</b>	<b>48,984</b>	<b>7,146</b>	<b>41,838</b>

#### 29. EMPLOYEE BENEFITS

IAS 19 "Employee Benefits" requires remeasurements of employee termination benefit valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. As detailed in Note 9, such remeasurements of employee termination benefit gains/losses are recognized within other comprehensive income starting from 31 December 2012. The retirement pay liability is calculated annually by independent actuaries using the projected unit credit method. The liability for this retirement pay obligation is recorded in the accompanying consolidated financial statements at its present value using a discount rate 3.43% depending on the expected payout date (31 December 2015: between 4.55% and 4.80%).

As at 31 December 2016 and 2015, unused vacation pay provision for the Group are TL 43,798 and TL 40,434 respectively.

Movement in the reserve for employee termination benefits as at 31 December 2016 and 2015 are as follows:

	2016	2015
Opening balance	74,435	58,238
Provision set during the period	25,933	17,670
Remeasurements of employee termination benefit loss	34,532	13,466
Unwind of discount	8,361	4,190
Payments made during the period	(22,506)	(19,129)
Closing balance	120,755	74,435

Remeasurements of employee termination benefit loss amounting to TL 34,532 has been reflected in other comprehensive income for the year ended 31 December 2016 (31 December 2015: TL 13,466 remeasurements of employee termination benefit loss and 31 December 2014: TL 819 remeasurements of employee termination benefit loss).

The liability is not funded, as there is no funding requirement.

Obligations for contributions to defined contribution plans are recognized as an expense in the consolidated statement of profit or loss as incurred. The Group incurred TL 7,722, TL 8,364 and TL 7,876 in relation to defined contribution retirement plan for the years ended 31 December 2016, 2015 and 2014 respectively.

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As at 31 December 2016 and 2015, sensitivity analysis is performed for the significant assumptions of defined benefit obligation:

31 December 2016	Discount Rate		Inflation Rate	
	1% increase	1% decrease	1% increase	1% decrease
<b>Sensitivity Level</b>				
Change	(14.7%)	18.1%	18.6%	(15.1%)
Net effect to defined benefit obligation	(17,751)	21,857	22,460	(18,234)

31 December 2015	Discount Rate		Inflation Rate	
	1% increase	1% decrease	1% increase	1% decrease
<b>Sensitivity Level</b>				
Change	(9.4%)	10.8%	11.2%	(9.5%)
Net effect to defined benefit obligation	(7,021)	8,007	8,323	(7,097)

### 30. DEFERRED REVENUE

Deferred revenue primarily consists of right of use sold but not used by prepaid subscribers and it is classified as current as at 31 December 2016 and 2015. The amount of deferred revenue is TL 93,800 and TL 121,078 as at 31 December 2016 and 2015, respectively.

### 31. PROVISIONS

*Non-current provisions:*

	Obligations for dismantling, removing and site restoration		Total
	Legal		
Balance at 1 January 2015	161,293	117,093	278,386
Provision made/ (reversed) during the year <sup>(1)</sup>	(155,792)	12,622	(143,170)
Unwind of discount	-	3,308	3,308
Transfer to current provision	(1,398)	-	(1,398)
Effect of change in foreign exchange rate	-	(6,507)	(6,507)
Balance at 31 December 2015	4,103	126,516	130,619

	Obligations for dismantling, removing and site restoration		Total
	Legal		
Balance at 1 January 2016	4,103	126,516	130,619
Provision made/ (reversed) during the year	4,312	52,031	56,343
Unwind of discount	-	(1,308)	(1,308)
Transfer to current provision	(1,526)	-	(1,526)
Effect of change in foreign exchange rate	-	3,413	3,413
Balance at 31 December 2016	6,889	180,652	187,541

<sup>(1)</sup> Regarding to the settlement made with Turk Telekom Group (Note 32 and Note 37), the Company has reversed legal provision amounting to TL 156,864 as at 31 December 2015.

Legal provisions are set for the probable cash outflows related to legal disputes.

Obligations for dismantling, removing and site restoration provisions are mainly resulted from operations in Turkey. The rate used for these provisions is 5.4% as at 31 December 2016 (31 December 2015: 4.8%).

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

It is expected that the obligations for dismantling, removing and site restoration will be realized in accordance with the useful life of GSM services materials.

The above mentioned additions to obligations for dismantling, removing and site restoration during the period are non-cash transactions recorded against property, plant and equipment.

#### Current provisions:

	Legal	Bonus	Total
Balance at 1 January 2015	8,111	121,463	129,574
Provision made/ (reversed) during the year	2,811	178,416	181,227
Provisions used during the year	(1,861)	(155,491)	(157,352)
Unwind of discount	13	126	139
Transfer to non-current provision	1,398	-	1,398
Effect of change in foreign exchange rate	(212)	(2,659)	(2,871)
Balance at 31 December 2015	<b>10,260</b>	<b>141,855</b>	<b>152,115</b>

	Legal	Bonus	Other	Total
Balance at 1 January 2016	10,260	141,855	-	152,115
Provision made/ (reversed) during the year	140,457	251,005	785	392,247
Provisions used during the year	(134,019)	(220,269)	-	(354,288)
Transfer to non-current provision	1,526	-	-	1,526
Effect of change in foreign exchange rate	42	800	-	842
Balance at 31 December 2016	18,266	173,391	785	192,442

Legal provisions are set for the probable cash outflows related to legal disputes. In Note 37, under legal proceedings section, detailed explanations are given with respect to legal provisions.

The bonus provision totaling to TL 173,391 comprises mainly the provision for the year ended 31 December 2016 and is planned to be paid in February 2017.

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#### 32. TRADE AND OTHER PAYABLES

The breakdown of trade and other payables as at 31 December 2016 and 2015 is as follows:

	2016	2015
Payables to suppliers	1,718,788	1,555,767
4.5G license payable	1,522,615	2,591,235
Taxes and withholdings payable	302,346	319,542
License fee and ICTA share accrual	262,748	216,602
Selling and marketing expense accrual	58,879	68,531
Accrual for Evrensel Project (Note 37)	-	39,767
Payables regarding the legal settlement with Turk Telekom Group	-	309,250
Other	236,615	182,376
	4,101,991	5,283,070

Balances payables to suppliers are arising in the ordinary course of business.

4.5G license payables are related to the frequency bands which the Company has been awarded with, from Authorization Tender on IMT Services and Infrastructure tender.

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

In accordance with the license agreement, Turkcell pays 90% of the treasury share, which equals 15% of its gross revenue, to the Turkish Treasury and 10% of the treasury share as universal service fund to the Turkish Ministry.

Selling and marketing expense accrual is mainly resulted from services received from third parties related to marketing activities of the Group which are not yet invoiced.

Turkcell and Turk Telekom Group agreed to settle ongoing lawsuits and disputes as at 31 December 2015. In this regard, Turkcell agreed to make a payment of TL 309,250 (including VAT and special communication tax) to Turk Telekom Group. The payment was made on 14 January 2016.

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#### 33. DERIVATIVE INSTRUMENTS

Details of currency and interest swap contracts are given below:

Currency and Interest swap contracts					
Buy			Sell		
Foreign currency	Notional Amount	Foreign currency	Notional Amount	Fair value (TL)	Maturity
TL	18,455	EUR	5,000	86	3 January 2017
TL	73,400	EUR	20,000	598	24 Mar 2017
TL	824,750	EUR	250,000	116,674	12 April 2021
TL	328,600	EUR	100,000	47,949	12 April 2021
TL	495,000	EUR	150,000	81,534	12 April 2021
TL	435,000	USD	150,000	84,416	16 September 2020
TL	293,500	USD	100,000	51,481	16 September 2020
<b>Total current derivative financial instruments assets</b>				<b>382,738</b>	

Total current derivative financial instruments assets includes 8,220 TL interest income.

Details of currency forward contracts as at 31 December 2015 is given below:

Currency forward contracts Buy			
Foreign currency	Notional Amount	Fair value (TL)	Maturity
USD	57,732	216	4 January 2016



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#### Currency and Interest swap contracts as at 31 December 2016

Buy		Sell		Fair value (TL)	Maturity
Foreign currency	Notional Amount	Foreign currency	Notional Amount		
TL	21,009	USD	5,960	(55)	3 January 2017
TL	7,050	USD	2,000	(18)	3 January 2017
<b>Total current derivative financial instruments liabilities</b>				<b>(73)</b>	

As at 31 December 2016, total current derivative financial instruments liabilities includes 40,367 TL interest expense accrual additionally.

#### Currency and Interest swap contracts as at 31 December 2015

Buy		Sell		Fair value (TL)	Maturity
Foreign currency	Notional Amount	Foreign currency	Notional Amount		
EUR	180,000	USD	196,961	(769)	4 January 2016
EUR	277,000	USD	303,218	(1,521)	4 January 2016
<b>Total current derivative financial instruments liabilities</b>				<b>(2,290)</b>	

#### Currency forward contracts as at 31 December 2016

Buy		Fair value (TL)	Maturity
Foreign currency	Notional Amount		
USD	30,071	(1,286)	28 February 2017
<b>Total current derivative financial instruments liabilities</b>		<b>(1,286)</b>	

# TURKCELL ILETISIM HIZMETLERI AS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### As at and for the year ended 31 December 2016

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#### 34. FINANCIAL INSTRUMENTS

##### Credit risk

##### Exposure to credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

		2016	2015
Trade receivables	20	3,525,297	4,935,184
Receivables from financial services	21	2,396,372	-
Cash and cash equivalents*	24	6,052,129	2,918,343
Other current assets**	23	93,376	394,089
Other non-current assets**	18	-	12,687
Due from related parties-current	38	5,861	11,760
Currency and interest swap contracts		390,958	-
		12,463,993	8,272,063

\* Cash on hand is excluded from cash and cash equivalents.

\*\* Non-financial instruments such as prepaid expenses and advances given are excluded from other current assets and other non-current assets.

The maximum exposure to credit risk for trade receivables arising from sales transactions including those classified as due from related parties at the reporting date by type of customer is:

	2016	2015
Receivable from subscribers	3,061,130	4,600,214
Receivables from financial services	2,396,372	-
Receivables from distributors and other operators	376,204	283,095
Other	93,824	63,635
	5,927,530	4,946,944

The aging of trade receivables and due from related parties as at 31 December 2016 and 2015:

	2016	2015
Not past due	3,138,051	4,508,081
1-30 days past due	184,484	197,250
1-3 months past due	101,069	125,497
3-12 months past due	107,554	116,116
	3,531,158	4,946,944

The aging of receivables from financial operations as at 31 December 2016 and 2015:

	2016	2015
Not past due	2,350,375	-
1-30 days past due	14,787	-
1-3 months past due	1,746	-
3-12 months past due	29,464	-
	2,396,372	-

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#### Impairment losses

The change in allowance for trade receivables and due from related parties as at 31 December 2016 and 31 December 2015 is as follows:

	31 December 2016	31 December 2015
Opening balance	816,373	727,732
Impairment loss recognized	452,767	445,482
Collection made	(251,553)	(248,894)
Effect of change in foreign exchange rate	5,038	(2,563)
Amounts written-off	(58,314)	(105,384)
Closing balance	964,311	816,373

The impairment loss recognized of TL 452,767 for the year ended 31 December 2016 relates to its estimate of incurred losses in respect of trade receivables and due from related parties(31 December 2015: TL 445,482).

Trade receivables and due from related parties are reserved in an allowance account until the Group can determine that the amounts are no longer collectible. When this becomes probable the Group reverses the allowance and writes-off the receivable.

The change in allowance for receivables from financial operations as at 31 December 2016 and 31 December 2015 is as follows:

	31 December 2016	31 December 2015
Opening	-	-
Impairment loss recognized	11,593	-
Collection made	(1,423)	-
<b>Closing</b>	<b>10,170</b>	<b>-</b>

#### Liquidity risk

Current cash debt coverage ratio as at 31 December 2016 and 2015 is as follows:

	2016	2015
Cash and cash equivalents	6,052,352	2,918,796
Current liabilities	7,358,858	6,304,417
Current cash debt coverage ratio <sup>(*)</sup>	82%	46%

<sup>(\*)</sup> Fluctuation between cash debt coverage ratios as at 31 December 2016 and 2015 resulted from the dividend paid in 2015, current portions of 4.5G license payable and debt securities issued (Note 25, 32 and 28 respectively).

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The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	31 December 2016					31 December 2015							
	Carrying Amount	Contractual cash flows	6 month or less	6-12 Months	1-2 years	2-5 years	More than 5 Years	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 Years
<b>Non-derivative financial liabilities</b>													
Secured bank loans	5,634	(7,691)	(1,123)	(1,077)	(2,015)	(3,476)	-	317,874	(319,116)	(1,050)	(1,997)	(5,025)	-
Unsecured bank													
Loans	7,804,758	(8,458,901)	(1,332,478)	(1,330,322)	(1,433,790)	(3,187,687)	(1,174,624)	2,413,365	(2,753,323)	(311,931)	(647,846)	(523,845)	(1,242,669)
Finance lease Liabilities	48,114	(54,276)	(70)	(7,840)	(6,648)	(19,859)	(19,859)	41,838	(48,885)	(6,622)	(5)	(15,897)	(21,161)
Debt securities issued	1,922,656	(2,824,066)	(288,767)	(48,767)	(97,535)	(292,604)	(2,086,393)	1,441,163	(2,289,736)	(41,797)	(83,594)	(250,780)	(1,871,768)
Trade and other payables*	3,241,402	(3,266,123)	(3,266,123)	-	-	-	-	5,726,862	(5,825,730)	(3,195,806)	(1,314,962)	-	-
Due to related parties	11,201	(11,201)	(11,201)	-	-	-	-	6,555	(6,555)	-	-	-	-
Consideration payable in relation to acquisition of Belarusian													
Telecom (Note 27)	295,062	(351,920)	-	-	-	(351,920)	-	235,281	(290,760)	-	-	(290,760)	-
<b>Derivative financial liabilities</b>													
Currency and interest swap contracts	40,440	46	46	-	-	-	-	2,290	(2,159)	-	-	-	-
Buy	-	28,059	28,059	-	-	-	-	-	1,452,163	-	-	-	-
Sell	-	(28,013)	(28,013)	-	-	-	-	-	(1,454,322)	-	-	-	-
Currency forward contracts	1,286	(1,286)	(1,286)	-	-	-	-	(216)	(390)	-	-	-	-
Buy	-	105,826	105,826	-	-	-	-	-	167,862	-	-	-	-
Sell	-	(107,112)	(107,112)	-	-	-	-	-	(168,252)	-	-	-	-
<b>TOTAL</b>	<b>13,370,553</b>	<b>(14,975,418)</b>	<b>(4,011,002)</b>	<b>(1,388,006)</b>	<b>(1,539,988)</b>	<b>(3,855,546)</b>	<b>(3,280,976)</b>	<b>10,185,012</b>	<b>(11,544,826)</b>	<b>(1,384,846)</b>	<b>(2,053,699)</b>	<b>(1,086,307)</b>	<b>(3,135,598)</b>

\* Advances taken, license fee accruals, taxes and withholding payable are excluded from trade and other payables.

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### As at and for the year ended 31 December 2016

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#### Exposure to currency risk

The Group's exposure to foreign currency risk based on notional amounts is as follows:

	31 December 2015	
	USD	EUR
<b>Foreign currency denominated assets</b>		
Other non-current assets	2,576	2,131
Due from related parties-current	3,553	207
Trade receivables and accrued income	21,536	29,947
Other current assets	141,385	6,200
Cash and cash equivalents	618,831	17,911
	<b>787,881</b>	<b>56,396</b>
<b>Foreign currency denominated liabilities</b>		
Loans and borrowings-non current	(63,152)	(499,911)
Debt securities issued-non- current	(467,810)	-
Other non-current liabilities	(96,481)	-
Loans and borrowings-current	(2,066)	(12,328)
Debt securities issued-current	(27,844)	-
Trade and other payables-current	(264,091)	(833,791)
Trade and other payables-non-current	-	(399,865)
Due to related parties	(312)	(141)
	<b>(921,756)</b>	<b>(1,746,036)</b>
<b>Exposure related to derivative instruments</b>		
Currency swap contracts	(500,179)	457,000
Currency forward contracts	57,732	-
<b>Net exposure</b>	<b>(576,322)</b>	<b>(1,232,640)</b>
	31 December 2016	
	USD	EUR
<b>Foreign currency denominated assets</b>		
Other non-current assets	244	2,131
Due from related parties-current	1,210	388
Trade receivables and accrued income	14,178	61,841
Other current assets	19,929	7,144
Cash and cash equivalents	807,372	378,057
	<b>842,933</b>	<b>449,561</b>
<b>Foreign currency denominated liabilities</b>		
Loans and borrowings-non current	(483,910)	(959,482)
Debt securities issued-non- current	(451,588)	-
Other non-current liabilities	(99,273)	-
Loans and borrowings-current	(80,029)	(21,985)
Debt securities issued-current	(26,845)	-
Trade and other payables-current	(175,083)	(425,992)
Due to related parties	(398)	(334)
	<b>(1,317,126)</b>	<b>(1,407,793)</b>
<b>Exposure related to derivative instruments</b>		
Currency and interest swap contracts	257,960	525,000
Currency forward contracts	(30,071)	-
<b>Net exposure</b>	<b>(246,304)</b>	<b>(433,232)</b>

Within the scope of the Decree Law No. 683 published on 23 January 2017, the Company will be able to pay EUR denominated 4.5G license obligation in Turkish liras converted at the buying exchange rate announced by the Central Bank of the Republic of Turkey on 2 January 2017 upon request of the Company.

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The following significant exchange rates are applied during the period:

	Average Rate		Closing Rate	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
USD/TL	3.0059	2.7271	3.5192	2.9076
EUR/TL	3.3179	3.0219	3.7099	3.1776
USD/BYN (*)	1.9846	15,917	1.9585	18,569
USD/UAH	25.5570	21.7893	27.1909	24.0007

(\*) The official currency of the Republic of Belarus has redenominated on 1 July 2016. As a result, BYR 10,000 has become BYN 1 starting from 1 July 2016.

#### Sensitivity analysis

The basis for the sensitivity analysis to measure foreign exchange risk is an aggregate corporate-level currency exposure. The aggregate foreign exchange exposure is composed of all assets and liabilities denominated in foreign currencies. The analysis excludes net foreign currency investments. 10% strengthening of the TL, UAH, BYN against the following currencies as at 31 December 2016 and

31 December 2015 would have increased / (decreased) profit or loss before by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss	
	31 December 2016	31 December 2015
USD	86,679	167,572
EUR	160,725	391,683

10% weakening of the TL, UAH, BYN against the following currencies as at 31 December 2016 and 31 December 2015 would have increased / (decreased) profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss	
	31 December 2016	31 December 2015
USD	(86,679)	(167,572)
EUR	(160,725)	(391,683)

# TURKCELL ILETISIM HIZMETLERI AS

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### As at and for the year ended 31 December 2016

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#### Interest rate risk

As at 31 December 2016 and 2015 the interest rate profile of the Group's interest-bearing financial instruments was:

	Note	31 December 2016		31 December 2015	
		Effective Interest Rate	Carrying Amount	Effective interest rate	Carrying Amount
<b>Fixed rate instruments</b>					
Time deposits	24				
USD		3.6%	2,817,650	2.6%	1,787,190
EUR		2.0%	1,383,978	2.6%	54,814
TL		11.0%	1,243,843	12.8%	481,264
Other		11.1%	36,175	16.6%	16,578
Restricted cash	23				
TRY		-	-	2.3%	349,243
Finance lease obligations	28				
USD		20.7%	(80)	20.5%	(88)
EUR		3.4%	(48,034)	3.4%	(41,750)
Unsecured bank loans	28				
TL fixed rate loans		12.1%	(1,819,944)	10.2%	(507,775)
UAH fixed rate loans		15.0%	(407,171)	24.4%	(130,109)
Secured bank loans					
BYN fixed rate loans		11.9%	(5,634)	11.9%	(6,192)
UAH fixed rate loans		-	-	29.1%	(311,682)
Trade and other payables <sup>(1)</sup>					
EUR fixed rate payables	32	2.6%	(1,522,615)	2.6%	(3,861,845)
Debt securities issued	28				
USD		5.8%	(1,683,700)	5.8%	(1,441,163)
TRY		10.7%	(238,956)	-	-
<b>Variable rate instruments</b>					
USD floating rate loans	28	3.2%	(1,984,533)	3.1%	(189,542)
EUR floating rate loans		2.3%	(3,593,110)	2.4%	(1,585,939)

<sup>(1)</sup> Includes 4.5G license payables related to the frequency bands which the Company has been awarded with.

# TURKCELL ILETISIM HIZMETLERI AS

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#### Sensitivity analysis

##### Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates as at 31 December 2016 would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis is performed on the same basis as at 31 December 2016 and 2015.

	Profit or loss		Equity	
	100 bps increase	100 bps decrease	100 bps increase	100 bps decrease
<b>31 December 2016</b>				
Variable rate instruments (financial liability)	(55,776)	55,776	-	-
Cash flow sensitivity (net)	(55,776)	55,776	-	-
<b>31 December 2015</b>				
Variable rate instruments (financial liability)	(17,755)	17,755	-	-
Cash flow sensitivity (net)	(17,755)	17,755	-	-

#### Fair values

##### *Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis*

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.



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			Fair values	
	31 December 2016	31 December 2015	Fair Value hierarchy	Valuation Techniques
Currency swap contracts	611	(2,290)	Level 2	Pricing models based on discounted cash flow analysis using the applicable yield curve
Participating cross currency swap contracts <sup>(1)</sup>	382,054	-	Level 3	Pricing models based on discounted cash flow analysis using the observable yield curve
Currency forward contracts	(1,286)	216	Level 2	Pricing models based on period end foreign currency rates.
Consideration payable in relation to acquisition of Belarusian Telecom <sup>(2)</sup>	(295,062)	(235,281)	Level 3	Net present value

There were no transfers between levels in the period.

<sup>(1)</sup> Participating cross currency swap contracts include EUR-TL interest and currency swap contracts, EUR put and call options, amounting to nominal value of EUR 500,000 in total and also USD-TL interest and currency swap contracts and put and call options amounting to nominal value of USD 250,000 in total. Regarding this contract, TL 40,367 accrual of interest expense and TL 8,220 accrual of interest income has been reflected to financial statements as at 31 December 2016. Since bid-ask spread is unobservable input; in valuation of currency and interest swap contracts, prices in bid-ask price range which were considered the most appropriate were used instead of mid prices. If mid prices were used in the valuation the fair value of currency and interest swap contracts would be lower amounting to TL 23,291 as at 31 December 2016.

<sup>(2)</sup> Discount rate of 5.6% used for the present value calculation for the consideration payable in relation to acquisition of Belarusian Telecom as of 31 December 2016 (31 December 2015: 5.1%). Company management expects consideration payable to be paid during the first quarter of 2020 (31 December 2015: the first quarter of 2020).

Reconciliation of Level 3 fair value of the Group's financial assets and financial liabilities that are measured at fair value on recurring base is stated below:

#### Participating cross currency swap contracts:

	31 December 2016
Opening balance	-
Total gains or losses: in profit or loss	382,054
<b>Closing balance</b>	<b>382,054</b>

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#### Consideration payable in relation to acquisition of Belarusian Telecom:

	2016	2015
Opening balance	235,281	163,234
Total gains or losses:		
in profit or loss	59,781	72,047
<b>Closing balance</b>	<b>295,062</b>	<b>235,281</b>

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

The categories of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required) are stated below:

	Note	31 December 2016		31 December 2015	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Assets carried at amortized cost</b>					
Other non-current assets**	18	-	-	12,687	12,687
Due from related parties-short term	38	5,861	5,861	11,760	11,760
Trade receivables and accrued income*	20	3,525,297	3,525,297	4,935,184	4,935,184
Receivables from financial services	21	2,396,372	2,396,372	-	-
Other current assets**	23	93,376	93,376	393,873	393,873
Currency forward contracts	23	-	-	216	216
Currency and interest swap contracts	23	8,220	8,220	-	-
Cash and cash equivalents***	24	6,052,352	6,052,352	2,918,796	2,918,796
		12,081,478	12,081,478	8,272,516	8,272,516
<b>Liabilities carried at amortized cost</b>					
Loans and borrowings-long term	28	(5,345,875)	(5,345,875)	(2,127,582)	(2,127,582)
Loans and borrowings-short term	28	(2,512,631)	(2,512,631)	(645,495)	(645,495)
Debt securities issued***	28	(1,922,656)	(1,921,199)	(1,441,163)	(1,430,409)
Trade and other payables****	32	(3,241,402)	(3,241,402)	(5,726,862)	(5,726,862)
Due to related parties	38	(11,201)	(11,201)	(6,555)	(6,555)
Currency and interest swap contracts	28	(40,440)	(40,440)	(2,290)	(2,290)
Currency forward contracts	28	(1,286)	(1,286)	-	-
		(13,075,491)	(13,074,034)	(9,949,947)	(9,939,193)

\* Includes non-current trade receivables amounting to TL 235,393 (31 December 2015: TL 836,256).

\*\* Non-financial instruments such as prepaid expenses and advances given are excluded from other current assets and other non-current assets.

\*\*\* Fair value of cash and cash equivalents and debt securities issued are classified as level 1 and fair value of other financial assets and liabilities are classified as level 2.

\*\*\*\* Advances taken, taxes, withholdings payable and accruals are excluded from trade and other payables.

The methods used in determining the fair values of financial instruments are discussed in Note 4.

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#### 35. OPERATING LEASES

The lease contracts, which mainly comprise leases of radio, transmission, office and internet capacity, expire on various dates. The Group does not have right to purchase the leased asset at the end of the lease period. Price escalation clauses of renewal conditions in operational lease agreements differ according to various conditions.

The future minimum lease payments under non-cancellable leases are as follows:

	2016	2015
Less than one year	163,336	163,526
Between one and five years	345,374	206,030
More than five years	101,328	7,478
	<b>610,038</b>	<b>377,034</b>

Payments recognized as an expense:

	2016	2015	2014
Minimum lease payments	837,575	751,816	573,973
Contingent lease payments	-	1,733	2,848
<b>Total</b>	<b>837,575</b>	<b>753,549</b>	<b>576,821</b>

Payments are recognized under cost of sales and administration expenses for the years ended 31 December 2016, 2015 and 2014.

#### 36. GUARANTEES AND PURCHASE OBLIGATIONS

As at 31 December 2016, outstanding purchase commitments with respect to the acquisition of property, plant and equipment, inventory and purchase of sponsorship, rent and advertisement services amount to TL 915,868 (31 December 2015: TL 2,752,139). Payments for these commitments are going to be made in a 5 year period.

As at 31 December 2016, the Group is contingently liable in respect of bank letters of guarantee obtained from banks given to customs authorities, private companies and other public organizations, provided guarantees to private companies and financial guarantees to subsidiaries totaling to TL 2,370,724 as at 31 December 2016 (31 December 2015: TL 2,058,810).

As at 31 December 2016, the amounts the Company has commitments regarding lifecell's 3G license purchases amounted to UAH 479,009 (equivalent to TL 61,996 as at 31 December 2016). (31 December 2015: UAH 426,311 (equivalent to TL 51,646 as at 31 December 2015)).

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#### 37. COMMITMENTS AND CONTINGENCIES

The following disclosures comprise of material legal lawsuits, investigations and in-depth investigations against the Company.

##### License Agreements

###### *Turkcell:*

On 27 April 1998, the Company signed the Agreement for grant of concession for the establishment and Operation of the Pan-European Mobile Telephone System, GSM (hereinafter referred to as the "License Agreement") with the Turkish Ministry. In accordance with the License Agreement, the Company was granted a 25 year license for the provision of GSM services for a license fee of \$500,000.

###### 3G License

On 30 April 2009, the Company signed a separate License Agreement with ICTA which provides authorization for providing IMT 2000/UMTS services and establishment and operation of the required infrastructure. Turkcell acquired the A license providing the widest frequency band for a consideration of EUR 358,000 (excluding VAT). The license is effective for duration of 20 years starting from 30 April 2009. According to the agreement, Turkcell has provided IMT 2000/UMTS services starting from 30 July 2009.

###### 4.5G License

The 4.5 licensing process is finalized by signing of IMT License Commitments Document by Turkcell and therefore, ICTA granted Turkcell 4.5G License on 27 October 2015. The 4.5G License is effective for 13 years until 30 April 2029. According to the License, Turkcell started to provide 4.5G services on 1 April 2016.

###### *Belarusian Telecom:*

Belarusian Telecom owns a license issued on 28 August 2008 for a period of 10 years and was valid till 28 August 2018. According to the Sale and Purchase Agreement signed, the State Property Committee of the Republic of Belarus committed to grant the license from the acquisition date of 26 August 2008 for a period of 10 years. In accordance with the Edict of the President of the Republic of Belarus dated 26 November 2015, numbered 475, the license is now issued without limitation of the period of validity. Starting from 1 March 2016, the license is valid from the date of the licensing authority's decision on its issue and for an unlimited period. Under the terms of its license, Belarusian Telecom is required to gradually increase its geographical coverage until the end of 2018. Belarusian Telecom has fulfilled all coverage requirements except covering all Belarusian settlements. The number of uncovered settlements is 657 out of a total of 22,552 settlements.

# TURKCELL ILETISIM HIZMETLERI AS

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#### *lifecell:*

lifecell owns twelve activity licenses, for GSM 900, GSM 1800, a technology neutral license, issued for 3G, one license for international and long-distance calls and eight PSTN licenses for eight regions in Ukraine. As at December 28, 2016, lifecell owned 27 frequency use licenses for IMT-2000 (UMTS), GSM-900, GSM-1800, CDMA-800 microwave Radiorelay and Broadband Radio Access, which are regional and national. 3G activity and frequency licenses were issued in March 2015, reissued due to company name change in March 2016 and are valid for 15 years. Additionally, lifecell holds a specific number range – three NDC codes for mobile networks, twelve permissions on a number resource for short numbers, eleven permissions on a number resource for SS-7 codes (7 regional and 4 international), one permission on a number resource for Mobile Network Code, nine permissions on a number resource for local ranges for PSTN licenses, two permissions on a service codes for alternative routing selection for international and long-distance fixed telephony and one permission on a code for global telecommunication service "800".

#### *Inteltek:*

On 12 August 2008, Spor Toto conducted a tender which allowed private companies to organize fixed odds and paramutual betting games based on sports competitions. Inteltek gave the best offer for the tender. On 29 August 2008, Inteltek signed a contract with Spor Toto, receiving the rights to operate the fixed odds and paramutual betting games based on sports competitions for the next ten years. New commission rate, which is 1.4% of the takings arising from the operation of the fixed odds and paramutual betting games based on sports competitions (until 1 March 2009, commission rate was 7% of gross takings), is applicable starting from March 2009. As at 31 December 2016, Inteltek has a letter of guarantee of TL 159,752 (31 December 2015: TL 159,752) provided to Spor Toto.

Inteltek has a mobile agency agreement with Spor Toto, receiving the rights to assign mobile sub agencies to operate the fixed odds and paramutual betting games based on sports competitions. As at 31 December 2016, Inteltek has a letter of guarantee of TL 25,000 (31 December 2015: TL 25,000) provided to Spor Toto for mobile agency agreement. The targeted payout is 50% of the turnover balance including VAT. The fact that Inteltek is obliged to pay the difference between the realized and the targeted payout balances, whenever the pool balance falls negative, creates an excess payment risk.

#### *Kibris Telekom:*

On 27 April 2007, Kibris Telekom signed the License Agreement for Installation and Operation of a Digital, Cellular, Mobile Telecommunication System ("Mobile Communication License Agreement") with the Ministry of Communications and Public Works of the Turkish Republic of Northern Cyprus which is effective from 1 August 2007, replacing the previous GSM-Mobile Telephony System Agreement dated 25 March 1999. In accordance with the Mobile Communication License Agreement, Kibris Telekom was granted an 18 year GSM 900, GSM 1800 and IMT 2000/UMTS license for GSM 900, GSM 1800 frequencies while the usage of IMT 2000/UMTS frequency bands is subject to the fulfillment of certain conditions.

On 14 March 2008, Kibris Telekom was awarded a 3G infrastructure license at a cost of \$10,000 including VAT, which was paid at the end of March 2008. Under the terms of the license, the system had to be operational by mid-October 2008. In 2010, Kibris Telekom has completed the radio transmission (air link) project providing direct international voice and data connection with mainland and started using it from the third quarter of 2010. The Project is the only direct connection in Turkish Republic of Northern Cyprus besides Telecommunication Authority.

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#### *Azerinteltek:*

Azerinteltek, in which Inteltek's shareholding is 51%, was established on 19 January 2010, and authorized to organize, operate, manage and develop the fixed-odds and para-mutual sports betting games by the Ministry of Youth and Sports of Azerbaijan for a period of 10 years. The agreement signed with Azeridmanservis which is founded by the Ministry of Youth and Sports of Azerbaijan is renewed with the same terms and conditions in accordance with the new legislation enforced in Azerbaijan regarding the betting games based on sports on 30 September 2010. Azerinteltek officially commenced sports betting games on 18 January 2011. On 4 March 2015, Azerinteltek authorization of organizing, operating, managing and developing the fixed-odds and para-mutual sports betting games of was extended till 2 March 2025.

Since January 1, 2013, Azerinteltek was authorized for the sales of lottery tickets as a main distributor by Azerlotereya. As at 1 January 2016, the authorization for the sales of lottery tickets has extended for one year.

Management believes that the Group is in compliance with the terms and conditions of the license agreements in all material respects as at 31 December 2016 and 2015.

#### **37.1 ONEROUS CONTRACTS**

Universal Project that the Company started on 17 January 2013, in order to construct and operate a mobile communication infrastructure in rural areas not covered by 2G network for the Ministry of Transport, Maritime Affairs and Communications , has been completed as of 3 March 2016. The Company has continued to provide operational services after 3 March 2016. Since the management of the Company anticipates that TL 32,299 arising from the services provided after the contract period can be collected, no provision is recognized in the consolidated financial statements as at and for the period ended 31 December 2016.

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#### 37.2 Dispute on Treasury Share Amounts

The Concession Agreement signed by the Company on 27 April 1998 has been renewed by virtue of the Provisional Article 2 of the Law No. 4673 and it was entered into force on 13 February 2002 upon signature by BTK; certain amendments have been made after the enactment of the Law No. 5398 dated 3 July 2005; subsequently, the agreement has been renewed on 25 February 2009 after the additional frequency band tender for GSM 900 dated 20 June 2008. The Company also signed another concession agreement on 30 September 2009 for rendering 3G mobile telecommunication services.

The Company is obliged to pay each month 90% of, 15% of its monthly gross sales; with the exception of the interest for late payment of the amounts charged to its subscribers and of the indirect taxes, fiscal obligations such as fees and duties and the invoiced amounts recorded in the accounts to the Treasury as treasury share and 10% of the remaining as the universal services share to the Ministry of Transport, Maritime Affairs and Communications. The Company is also obliged to pay once a year 0,35% of its gross sale as the Authority contribution share.

As per Article 51 titled as "Applicable Law and Settlement of Disputes" of the 2G Concession Agreement, the parties agreed that the disputes shall be settled by three arbitrators to be appointed in accordance with the arbitration rules of the International Chamber of Commerce. According to the said provision, the disputes arising from the scope, execution and termination of the agreement shall be first referred to the Licensing Coordination Committee; if it is not settled by this way within 30 days; one of the parties shall notify the other party by a letter on the outline, reasons of the dispute and its intention to commence arbitration proceedings; if the dispute cannot be settled within 15 days as of such notification, the dispute shall be solved by arbitration.

As per Article 45 titled as "Applicable Law and Settlement of Disputes" of the 3G Concession Agreement, the Council of State is authorized to solve the disputes arising from the agreement and its annexes thereof.

The Undersecretariat of Treasury alleged that the Company made deficient treasury payments in the past and sent requests for payment and BTK requested penalty fee over the alleged underpaid treasury share amounts. The Company took legal steps to object to these requests and legal proceedings are ongoing. The maximum loss of the Company, excluding the interest for late payment arising from these disputes, for 2G Concession Agreement and 3G Concession Agreement could be TL 374,936 and TL 49,634, respectively.

Based on the management opinion, the probability of an outflow of resources embodying economic benefits to settle the obligation is uncertain, thus, no provision is recognized in the consolidated financial statements as at and for the period ended 31 December 2016 (31 December 2015: None).

#### 37.3 Dispute on Special Communication Tax

Large Tax Payers Office levied Special Communication Tax (SCT) and tax penalty on the Company amounting to TL 527,639 in total, of which SCT amounting 211,056 and penalty amounting to TL 316,583 based on the claim stated on Tax Investigation Reports prepared for the years 2008-2012, that the Company should pay Special Communication Tax over the prepaid card sales made by the distributors. The Company filed 60 lawsuits in the Tax Courts for the cancellation of each tax and tax penalty claim.

Respective Courts accepted 24 of the cases filed for the cancellation of the fined tax assessment prepared for the year 2008 and 2009. Large Taxpayer Office appealed the decisions. The Company replied these requests. The Council of State decided that there is no need to grant a decision by the reason of waiver during the appeal process.

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The Court partially accepted 12 of the cases filed for the cancellation of the fined tax assessment prepared for the year 2011. The Company appealed the decisions regarding the parts against the Company. The Large Tax Payers Office appealed the decisions regarding the parts against the Large Tax Payers Office. The Council of State rejected the stay of execution requests, made during the appeal process by the Company. The appeal process is pending.

The Large Tax Payers Office has collected TL 80,355 (TL 77,480 and TL 2,875 overdue interest) calculated for the parts against the Company for the assessment of the SCT for the year 2011 by offsetting the receivables of the Company from Public Administrations. No provision for the aforementioned amount is recognized in the consolidated financial statements so that it was shown in other receivables.

The Court partially accepted 12 of the cases filed for the cancellation of the fined tax assessment prepared for the year 2010. The Company appealed the decisions regarding the parts against the Company. The Council of State rejected the stay of execution requests, made during the appeal process by the Company. The Council of State decided that there is no need to grant a decision by the reason of waiver during the appeal process.

The Court rejected the other 12 cases filed for the cancellation of the fined tax assessment (TL 122,802), related to the year 2012. The Company appealed the respective decisions. The Council of State partially accepted the Company's request for the stay of execution of the First Instance Court's decisions during the appeal process. The Council of State decided that there is no need to grant a decision by the reason of waiver during the appeal process.

As per the Law no. 6736, the Company filed applications for the restructuring of penalties and interest on the SCT regarding the dispute on the tax amount for the years 2008, 2009, 2010, 2011 and 2012. Tax Office accepted the restructuring applications for the years 2008, 2009, 2010, 2012 and the Company paid the restructuring amount of TL 117,058. Within this scope the Company submitted the waiver petition to the Tax Office related with the cases for these years. On the other hand, Tax Office rejected the application for the restructuring of the SCT regarding the dispute on the tax amount for the year 2011. The Company filed a case for the cancellation of aforementioned rejection act of Tax Office for the year 2011. The case is pending.

Limited tax investigation has been performed for the year 2013, regarding the aforementioned case and no notification has been received regarding the result of the investigation by the Company.

Based on the probable payment including interest in case of restructuring the SCT for the year 2013 as per the Law no. 6736, the Company accrued provisions in the consolidated financial statements as at and for the period ended 31 December 2016 amounting to 14,866 TL (31 December 2015: None).



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#### 37.4 Investigation initiated by ICTA on subscription numbers and radio utilization and usage fees

ICTA commenced in-depth investigations, against the GSM operators, on the accuracy of the subscriber numbers report for the terms, 2004-2009, 2010-2011 and 2012 which are the key input for the calculation and payment of radio utilization and usage fees. As a result of the investigations, ICTA imposed 3 separate administrative fines to the Company amounting TL 8,251 in total. The administrative fines were paid within 1 month following the notification of the decision of ICTA, with 25% discount. The Company filed lawsuits for the cancellation of aforementioned administrative fines and ICTA's administrative acts implied on the Company for the collection of the radio utilization and a usage fee which was claimed to have been paid deficiently. The cases are pending.

ICTA filed 4 lawsuits on 13 October 2014, 23 December 2014, 3 March 2015 and 11 April 2016 for the collection of the total amount of TL 113,353. The amount which was alleged that the Company paid deficiently by the ICTA decision took upon the investigation for the periods 2004 – 2009, 2010 – 2011, and 2012 on the radio utilization and usage fees, with its accrued interest, which will be calculated.

The Courts decided to take expert report for the cases dated 13 October 2014, 23 December 2014 and

3 March 2015. The Courts decided to consolidate the lawsuits filed by ICTA on 13 October 2014 and

23 December 2014. The expert report has been notified to the Company, for the case dated

13 October 2014. The expert committee has requested additional information and documents from the parties with this report. The Company submitted its objections and declarations against the expert report and the Court decided to take an additional expert report. The cases are pending.

On the other hand, as a result of the investigation on the same subject for the period of 2013, ICTA has imposed an administrative fine to the Company in the amount of TL 2,989 and decided that the deficiently paid amount of TL 21,191 should be collected from the Company. The amount of TL 2,241 administrative fine which was issued on 27 September 2016 have been paid within 1 month following the notification of the decision of ICTA, and 25% discount have been applied. The Company filed a lawsuit for the cancellation of aforementioned administrative fine and ICTA's administrative acts implied on the Company for the collection of the radio utilization and usage fees which was claimed to have been paid deficiently. The case is pending.

On the other hand, as a result of the investigation on the same subject for the period of 2014, ICTA has decided that the deficiently paid amount of TL 124 should be collected from the Company. On 29 December 2016 Company applied to ICTA and appealed the decision to ICTA Board again.

Based on the management opinion, the probability of an outflow of resources embodying economic benefits is uncertain, thus, no provision is recognized in the consolidated financial statements as at and for the period ended 31 December 2016 (31 December 2015: None).

# TURKCELL İLETİSİM HİZMETLERİ AŞ

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#### 37.5 Disputes regarding the Law on the Protection of Competition

With the decision dated 6 June 2011 and numbered 230 established on the grounds of the investigation initiated by the Competition Board on the grounds that the Company violated the competitive environment through abusing its dominant position in the Turkish mobile market and infringements of Article 4 and 6 of the Law No. 4054, it was decided to apply administrative fine amounting to TL 91,942 on the Company. A lawsuit was filed in the Council of State for the stay of execution and the cancellation of the execution of Article 4 and 6 by the Company.

The Council of State accepted the Company's request for stay of execution for the part of the Competition Board decision related to the administrative fine amounting to TL 91,942 but rejected the request for the part of the decision stating that the Company abused its dominant position with its practices subject to the Competition Board decision and has to end this violation. The Competition Board objected to the decision for the accepted part and the Company objected to the decision for the rejected part. The Plenary Session of Administrative Law Divisions of the Council of State cancelled the stay of execution decision and decided to send the file back to the first instance court so as to be examined for the reasons related to the basis of the Competition Board's stay of execution decision. Upon this decision, the Council of State rejected the Company's stay of execution request. The Company objected to the decision. The objection was rejected. Vodafone demanded to be accepted to the case, as the intervening party. The Company also objected to this demand too. The Court accepted the Vodafone's demand to intervene. The hearing took place on 8 March 2016. The Court granted an interim decision after the hearing and requested some information and documents from the Competition Authority. The Competition Authority responded to the interim decision. The Company submitted its statements against the petition of the Competition Authority.

On 8 March 2012, payment order has been sent to the Company by the Tax Office. The Company filed a lawsuit for the stay of execution and cancellation of the payment order on 13 March 2012. The Court accepted the lawsuit and cancelled the payment order. Tax Office appealed the decision. The Company replied the appeal request. Appeal process is still pending.

Doğan Dagitim Satis Pazarlama Odeme Aracilik ve Tahsilat Sistemleri A.S. filed a lawsuit against the Company on 5 June 2012 claiming TL 110,484 together with up to 3 times of the loss amount to be determined by the court for its material damages by reserving its rights for surpluses allegedly on the ground that the Company caused that damage by its applications to its sub-distributors which constituted a violation of the law no. 4054 and that violation was proved by the Competition Board decision in which the Board imposed TL 91,942 administrative fine to the Company. The court decided to wait for the Council of State's final decision. The Court dismissed the interim decision on the expectation of the Council of State files, appointed the day of the hearing and decided to request information on the latest status of the files. The case is still pending.

MobilTel İletişim Hizmetleri Sanayi ve Ticaret A.Ş. filed a lawsuit against the Company on 17 August 2012 claiming TL 500 together with up to 3 times of the loss amount to be determined by the court for its material damages by reserving its rights for surpluses allegedly on the ground that the Company gives exclusive competence to its sub-dealers and that violation was proved by the Competition Board decision in which the Board imposed TL 91,942 administrative fine to the Company and that MobilTel was not able to sale any product to the sub-dealers which were given exclusive competence by the Company. The court decided to obtain an expert report and to wait for the Council of State's final decision. The lawsuit is pending.

Pamuk Elektronik whose dealership agreement was terminated initiated a lawsuit with a claim of a compensation three times of its alleged damages due to the Company's actions falling within the scope of the Competition Board's administrative monetary fine in the amount of TL 91,942 and also with a compensation claim in the amount of TL 2,100 due to the alleged unjust termination of the agreement. The Company submitted its reply petition within the time limits.

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The Court dismissed the case based on the ground that the dispute should be settled by arbitration since there is an arbitration clause in the agreement. Pamuk Elektronik appealed this decision, the Company submitted its response to appeal request. Subsequently, the Court of Appeal affirmed the dismissal decision of the first instance. Pamuk Elektronik requested the correction of this decision but the Court of Appeal declined such request. Pamuk sent a notification to the Company to commence the arbitration proceeding; the Company sent a response thereto. The request for arbitration filed by Pamuk Elektronik has been received and reply petition has been submitted within the time limit. The case is pending.

Based on the management opinion, the probability of an outflow of resources embodying economic benefits is uncertain, thus, no provision is recognized in the consolidated financial statements as at and for the period ended 31 December 2016 (31 December 2015: None).

#### 37.6 Other Ongoing Lawsuits

Within consolidated financial statements prepared as of 31 December 2016, obligations which are related to following ongoing disputes have been evaluated.

Based on the management opinion, the probability of an outflow of resources embodying economic benefits is uncertain, thus, no provision is recognized in the consolidated financial statements as at and for the period ended 31 December 2016 (31 December 2015: None).

Subject	31 December 2016 Anticipated Maximum Risk (excluding accrued interest)	31 December 2015 Anticipated Maximum Risk (excluding accrued interest)	31 December 2016 Provision	31 December 2015, Provision
Dispute related with the Ministry of Customs and Trade	116,000	-	-	-
Disputes related with ICTA	22,544	22,149	-	-

#### 38. RELATED PARTIES

##### *Transactions with key management personnel:*

Key management personnel comprise the Group's key management executive officers and members of board of directors.

As at 31 December 2016 and 2015, none of the Group's executive officers has outstanding personnel loans from the Group.

In addition to their salaries, the Group also provides non-cash benefits to executive officers and contributes to a post-employment defined plan on their behalf. The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits.

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Total compensation provided to key management personnel is TL 60,544, TL 66,876 and TL 32,817 for the years ended 31 December 2016, 2015 and 2014 respectively as listed below;

	31 December 2016	31 December 2015	31 December 2014
Short-term benefits	50,001	52,767	28,020
Termination benefits	10,064	13,454	4,200
Long-term benefits	479	655	597
	<b>60,544</b>	<b>66,876</b>	<b>32,817</b>

The Company has agreements or protocols with several of its shareholders, consolidated subsidiaries and affiliates of the shareholders.

Due from related parties – short term	31 December 2016	31 December 2015
MegaFon OJSC (“Megafon”)	1,387	1,592
Hobim Bilgi Islem Hizmetleri AS (“Hobim”)	1,223	-
GSM Kazakhstan Ltd (“Kazakcell”)	937	1,662
Vimpelcom OJSC (“Vimpelcom”)	586	5,223
Telia Sonera International Carrier AB (“Telia”)	577	722
Azercell Telekom MMC (“Azercell”)	446	633
Krea Icerik Hizmetleri ve Produksiyon AS (“Krea”) <sup>(1)</sup>	-	83
Millenicom Telekomunikasyon AS (“Millenicom”) <sup>(2)</sup>	-	784
Other	705	1,061
	<b>5,861</b>	<b>11,760</b>

<sup>(1)</sup> Krea shares held by Cukurova Group were acquired by BeIN Media Group LLC on 26 August 2016.

<sup>(2)</sup> Millenicom shares held by Cukurova Group were acquired by EWE Turkey Holding on 21 January 2016.

Due from related parties short term is shown net of allowance for doubtful debts amounting to TL 231 as at 31 December 2016 (31 December 2015: TL 302 and 31 December 2014: TL 80)

Due from Megafon, Telia, Vimpelcom, Azercell and Millenicom resulted from telecommunications services such as interconnection and roaming.

Due from Hobim mainly resulted from advances given for game materials.

Due from Kazakcell, mainly resulted from the software services and telecommunications services such as interconnection and roaming.

Due from Krea resulted from rental circuit system, corporate internet services and data center services.

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<b>Due to related parties – short term</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Hobim	6,260	3,491
Kyivstar GSM JSC ("Kyivstar")	2,382	1,375
Megafon	892	171
Geocell LLC ("Geocell")	445	144
Other	1,222	1,374
	<b>11,201</b>	<b>6,555</b>

Due to Hobim mainly resulted from rendering invoice printing services and subscription documents services.

Due to Kyivstar , Megafon and Geocell mainly resulted from rendering telecommunications services such as interconnection and roaming.

The Group's exposure to currency risk related to due from / (due to) related parties is disclosed in Note 34.

#### *Transactions with related parties*

Intragroup transactions that have been eliminated are not recognized as related party transaction in the following table:

<b>Revenue from related parties</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Sales to Kyivstar			
Telecommunications services	30,964	41,728	69,469
Sales to Vimpelcom			
Telecommunications services	20,775	20,489	48,360
Sales to Telia			
Telecommunications services	15,761	16,955	17,936
Sales to Megafon			
Telecommunication services	11,773	14,958	30,394
Sales to Krea <sup>(*)</sup>			
Call center services, fixed line services, rent and interest charges	3,422	4,831	10,746
Sales to Azercell			
Telecommunication services	2,585	4,183	5,485
Sales to Millenicom <sup>(**)</sup>			
Telecommunications services	997	8,861	10,898
Sales to KVK Teknoloji <sup>(***)</sup>			
Simcard and prepaid card sales	-	217,080	428,234
Sales to other related parties	3,149	6,049	47,426
	<b>89,426</b>	<b>335,134</b>	<b>668,948</b>

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Related party expenses	2016	2015	2014
Charges from Kyivstar			
Telecommunications services	47,595	49,608	69,947
Charges from Hobim			
Invoicing and archiving services	31,832	29,570	36,160
Charges from Krea			
Digital television broadcasting services	5,975	15,826	12,931
Charges from Megafon			
Telecommunications services	3,162	4,342	12,688
Charges from Vimpelcom			
Telecommunications services	2,721	4,348	13,642
Charges from Telia			
Telecommunications services	2,499	3,409	15,100
Charges from Azercell			
Telecommunications services	1,361	28	3,157
Charges from Millenicom			
Telecommunications services	180	5,418	7,491
Charges from KVK Teknoloji			
Dealer activation fees and others	-	76,743	112,776
Charges from other related parties	8,317	9,733	65,834
	<b>103,642</b>	<b>199,025</b>	<b>349,726</b>

(<sup>1</sup>) Krea income and expenses include the transactions until 26 August 2016.

(<sup>2</sup>) Millenicom income and expenses include the transactions until 21 January 2016.

(<sup>3</sup>) KVK Teknoloji's shares held by Cukurova Group have been acquired by MV Holding on 6 July 2015. KVK Teknoloji income and expenses include the transactions until 6 July 2015.

#### *Transactions with Kyivstar:*

Kyivstar, an entity under common control with Alfa, is rendering and receiving telecommunications services such as interconnection and roaming.

#### *Transactions with Vimpelcom:*

Vimpelcom, an entity under common control with Alfa, is rendering and receiving telecommunications services such as interconnection and roaming.

#### *Transactions with Telia:*

Telia, a subsidiary of Sonera, is rendering and receiving telecommunications services such as interconnection and roaming.

#### *Transactions with Megafon:*

Megafon, a subsidiary of Sonera, is rendering and receiving telecommunications services such as interconnection and roaming.

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#### *Transactions with Krea:*

Çukurova Holding has signed a share purchase agreement with BeIN Media Group LLC related to the sale of their shares in Krea. Share transfer has finalized as at 26 August 2016.

Krea, a direct-to-home digital television service company under the Digiturk brand name.

There are no specific agreements between Turkcell and digital channels branded under Digiturk name. Every year, as in every other media channel, standard ad spaces are purchased on a spot basis. Also, Krea provides instant football content related to Spor Toto Super League to the Company to be delivered to mobile phones and tablets.

The Company has agreements for fixed telephone, leased line, corporate internet, and data center services provided by the Company's subsidiary Turkcell Superonline.

#### *Transactions with Azercell:*

Azercell, a subsidiary of Sonera, is rendering and receiving telecommunications services such as interconnection and roaming.

#### *Transactions with Millenicom:*

Millenicom shares held by Cukurova Group were acquired by EWE Turkey Holding on 21 January 2016. Millenicom is rendering and receiving telecommunications services such as interconnection and roaming.

#### *Transactions with Hobim:*

Hobim, one of the leading data processing and application service provider companies in Turkey, is owned by Cukurova Group. The Company has entered into invoice printing and archiving agreements with Hobim under which Hobim provides the Company with monthly invoice printing services, manages archiving of invoices and subscription documents. Prices of the agreements are determined through alternative proposals' evaluation.

#### *Transactions with KVK Teknoloji:*

KVK Teknoloji shares held by Cukurova Group were acquired by MV Holding on 6 July 2015. The Company has a distributorship agreement with KVK Teknoloji.

# TURKCELL İLETİŞİM HİZMETLERİ AŞ

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#### 39. SUBSIDIARIES

The Group's ultimate parent company is Turkcell. Subsidiaries of the Company as at 31 December 2016 and 31 December 2015 are as follows:

Subsidiaries Name	Country of Incorporation	Business	Effective Ownership Interest	
			31 December 2016 (%)	31 December 2015 (%)
Kıbrıs Telekom	Turkish Republic of Northern Cyprus	Telecommunications	100	100
Turkcell Global Bilgi	Turkey	Customer relations management	100	100
Turktell	Turkey	Information technology, value added GSM services investments	100	100
Turkcell Superonline	Turkey	Telecommunications	100	100
Turkcell Satis	Turkey	Sales and delivery	100	100
Eastasia	Netherlands	Telecommunications investments	100	100
Turkcell Teknoloji	Turkey	Research and development	100	100
Global Tower	Turkey	Telecommunications infrastructure business	100	100
Turkcell Interaktif <sup>(1)</sup>	Turkey	Content services	-	100
Financell <sup>(2)</sup>	Netherlands	Financing business	100	100
Rehberlik	Turkey	Directory Assistance	100	100
Lifecell Ventures <sup>(3)</sup>	Netherlands	Telecommunications investments	100	100
Beltel	Turkey	Telecommunications investments	100	100
Turkcell Gayrimenkul	Turkey	Property investments	100	100
Global LLC	Ukraine	Customer relations management	100	100
UkrTower	Ukraine	Telecommunications infrastructure business	100	100
Turkcell Europe	Germany	Telecommunications	100	100
Turkcell Odeme <sup>(4)</sup>	Turkey	Payment services	100	100
Euroasia <sup>(5)</sup>	Netherlands	Telecommunication investments	-	100
lifecell <sup>(6)</sup>	Ukraine	Telecommunications	100	100
TFS <sup>(7)</sup>	Turkey	Consumer financing services	100	100
Beltower <sup>(8)</sup>	Republic of Belarus	Telecommunications Infrastructure business	100	-
Belarusian Telecom	Republic of Belarus	Telecommunications	80	80
Lifetech	Republic of Belarus	Research and development	78	78
Inteltek	Turkey	Information and Entertainment Services	55	55
Azerinteltek <sup>(9)</sup>	Azerbaijan	Information and Entertainment Services	28	28

<sup>(1)</sup> As at 28 December 2016, merger of subsidiaries, Turkcell Superonline and Turkcell Interaktif has been completed through the acquisition of Turkcell Interaktif by Turkcell Superonline.

<sup>(2)</sup> As at 21 December 2016, Board of Directors resolved to liquidate Financell.

<sup>(3)</sup> The trade name of Beltur Coöperatief U.A. has changed as "Lifecell Ventures Coöperatief U.A." as at 18 August 2016.

<sup>(4)</sup> As at 12 August 2016, Turkcell Odeme has received official authorization from Banking Regulation and Supervision Agency. As at 20 February 2017 the trade name of Turkcell Odeme Hizmetleri A.S has changed as Turkcell Odeme ve Elektronik Para Hizmetleri A.S.

<sup>(5)</sup> As at 30 December 2016, merger of subsidiaries, Lifecell Ventures and Euroasia has been completed through the acquisition of Euroasia by Lifecell Ventures

<sup>(6)</sup> The trade name of Astelit has changed as "lifecell LLC" as at 2 February 2016.

<sup>(7)</sup> As at 22 October 2015, the consumer financing company is incorporated and has received official authorization as at 21 January 2016. As at 21 September 2016, Turkcell Finansman has authorized its brand name as "Financell".

<sup>(8)</sup> As at 19 December 2016, Beltower has been incorporated in Republic of Belarus.

<sup>(9)</sup> Inteltek has directly or indirectly effective ownership interest rate 51% in total on Azerinteltek.



# TURKCELL ILETISIM HIZMETLERI AS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### As at and for the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

Details of non-wholly owned subsidiaries that have material non-controlling interests to the Company are disclosed below:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interest		Profit / (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Inteltek	Turkey	45.00%	45.00%	39,346	38,362	50,863	63,819
lifecell <sup>(*)</sup>	Ukraine	-	-	-	(209,323)	-	-
Individually immaterial subsidiaries with non-controlling interest				12,369	6,858	5,769	266
				51,715	(164,103)	56,632	64,085

<sup>(\*)</sup> Figures for the year 2015 represent the amounts acquired till the date of acquisition of 44.96% shares of lifecell from SCM.

Summarized financial information in respect of Inteltek is set out below. The summarized financial information below represents amounts before intragroup eliminations.

## TURKCELL ILETISIM HIZMETLERI AS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### As at and for the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

#### Inteltek

	31 December 2016	31 December 2015
Current assets	191,199	203,028
Non-current assets	17,367	25,068
Current liabilities	30,516	31,135
Non-current liabilities	65,020	55,141
Equity attributable to owners	113,030	141,820
	<b>2016</b>	<b>2015</b>
Revenue	178,408	139,077
Expenses	(90,973)	(53,829)
<b>Profit for the year</b>	<b>87,435</b>	<b>85,248</b>
Other comprehensive income / (loss) for the year	(618)	(379)
Dividend paid to non-controlling interests	(44,888)	(92,542)
Net cash inflow from operating activities	69,497	66,055
Net cash inflow from investing activities	17,470	27,355
Net cash outflow from financing activities	(119,751)	(205,648)
Effects of foreign exchange rate fluctuations on cash and cash equivalents	18,213	11,795
<b>Net cash outflow</b>	<b>(14,571)</b>	<b>(100,443)</b>

#### Euroasia

	2015 <sup>(1)</sup>
Revenue	259,537
Expenses	(725,114)
<b>Profit for the year</b>	<b>(465,577)</b>
Other comprehensive income / (loss) for the year	122,386
Net cash inflow from operating activities	213,957
Net cash inflow from investing activities	(616,340)
Net cash outflow from financing activities	417,498
Effects of foreign exchange rate fluctuations on cash and cash equivalents	(49,158)
<b>Net cash outflow</b>	<b>(34,043)</b>

<sup>(1)</sup> Figures for the year 2015 represent the amounts acquired till the date of acquisition of 44,96% shares of Euroasia from SCM.

# TURKCELL ILETISIM HIZMETLERI AS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### As at and for the year ended 31 December 2016

(Amounts expressed in thousands of Turkish Liras unless otherwise indicated except share amounts. Currencies other than Turkish Liras are expressed in thousands unless otherwise indicated.)

#### 40. SUBSEQUENT EVENTS

Within the scope of the Decree Law No. 683 published on 23 January 2017, the Company will be able to pay EUR denominated 4.5G license obligation in Turkish liras converted at the buying exchange rate announced by the Central Bank of the Republic of Turkey on 2 January 2017 upon request of the Company.

Aktif Yatırım Bankası A.S. Turkcell Asset Finance Fund, founded by Aktif Yatırım Bankası A.S. and mandated to issue asset-backed securities with a structure in which our Company's 100% subsidiary Turkcell Finansman. will be the originator, has applied to the Capital Markets Board of Turkey ("CMB") for the issuance certificate of asset-backed securities with an amount of up to TRY 100,000 within one year.

The Company and the Ministry of Transport, Maritime Affairs and Communications, Directorate General of Communications signed a contract to continue the contract, signed on 20 February 2013 to establish and operate mobile communication infrastructure and operation in uncovered areas, (Phase 1) until 31 December 2018 and to add mobile broadband services to the existing infrastructure providing GSM services under Universal Service Law and to operate the new and existing networks together. Mobile broadband services will be added to the existing infrastructure established in accordance with Phase 1 in 1,799 rural locations. The new and the existing infrastructure will be operated together

The incorporation of Turkcell Enerji Cozumleri ve Elektrik Satıs Ticaret A.S, whose field of activities are electricity energy trade and wholesale and retail electricity sales, has been registered. The Company has been incorporated on 20 February 2017.

## OUR OFFICES

CITY	LOCATION	ADDRESS
İSTANBUL	HEADQUARTERS	Aydınevler Mahallesi İnönü Caddesi Küçükyalı Ofispark No: 20 Maltepe/İstanbul
İSTANBUL	TURKCELL ACADEMY	Meşrutiyet Caddesi No: 71 Beyoğlu/İstanbul
İSTANBUL	MALTEPE PLAZA	Yeni Mah. Pamukkale Sok. No: 3 Soğanlık Mevkii-Kartal/İstanbul
İSTANBUL	MALTEPE TECHNOLOGY PLAZA	Soğanlık Yeni Mah. Pamukkale Sokak No: 11 Kartal/İstanbul
İSTANBUL	TURKCELL TECHNOLOGY PLAZA	Aydınevler Mahallesi İnönü Caddesi Küçükyalı Ofispark No: 20 Maltepe/İstanbul
İSTANBUL	DAVUTPAŞA PLAZA	Davutpaşa Cad. Serçekale Sok. No: 2 Zeytinburnu/İstanbul
İSTANBUL	DUDULLU DATA CENTER	Organize Sanayi Bölgesi Nato Yolu 4. Cadde No: 1 Dudullu-Ümraniye/İstanbul
İSTANBUL	LEVENT OFFICE	Büyükdere Cad. Harman Sok. No: 8 Levent/İstanbul
İSTANBUL	KARTAL PLAZA	Topselvi Mah. Dipçik Sok. No: 31 Kartal/İstanbul
İSTANBUL	HALKALI WAREHOUSE	Merkez Mah. Dere Boyu Cad. No: 8/8 Halkalı/İstanbul
İSTANBUL	MAHMUTBEY OMC	Mahmutbey Mah. İnönü Caddesi No: 89 Bağcılar/İstanbul
ADANA	ADANA PLAZA	Turhan Cemal Berikel Bulvarı No: 212 Seyhan/Adana
ADAPAZARI	SAKARYA OMC	Miktat Paşa Mah. Kamelya Sok. Kule Binası Sakarya/Adapazarı
ANKARA	ANKARA PLAZA	Eskişehir Yolu 9. Km. No: 2 64 Söğütözü/Ankara
ANKARA	ANKARA CİNNAH PLAZA	Cinnah Caddesi No: 15 Çankaya/Ankara
ANKARA	BAŞKENT OMC	İvedik Mahallesi 1323 Cadde No: 37 Yenimahalle/Ankara
ANTALYA	ANTALYA PLAZA	915. Sokak No: 3 Kızıltoprak/Antalya
BALIKESİR	BALIKESİR OMC	Kuvai Milliye Mahallesi 194. Sokak No: 15/A Balıkesir
BURSA	BURSA PLAZA	Organize Sanayi Bölge Müd. Kırmızı Cad. No: 4 TSE Yanı Nilüfer/Bursa
DENİZLİ	DENİZLİ OMC	Bozburun Mah. 7014 Sok. No: 5 Merkezefendi/Denizli
DIYARBAKIR	DIYARBAKIR PLAZA	Urfa Yolu 6. Km Bağlar/Diyarbakır
ERZURUM	ERZURUM PLAZA	Ilıca Yolu Organize Sanayi Bölgesi 4. Sok No: 10 Erzurum
ESKİŞEHİR	ESKİŞEHİR OFFICE	Batıkent Mahallesi, Çamören Sokak No: 8 Tepebaşı/Eskişehir
EDİRNE	EDİRNE NDC	Şükürpaşa Mah. Kıyık Caddesi Dörtayka Mevkii Edirne
GAZİANTEP	GAZİANTEP OMC	Kocaoğlan Mah. Demokrasi Bulvarı No: 185/1 Şahinbey/Gaziantep
HATAY	HATAY OMC	Güzelbirtlik Mah. Yunus Emre Cad. No: 11-B Güzelburç/Hatay
İZMİR	İZMİR PLAZA (New)	367/7. Sokak No: 12 Kazım Direk Mah. Bornova/Izmir
İZMİR	İZMİR OMC	Ankara Asfaltı No: 64 Kazım Dirik Mh. Bornova/Izmir
İZMİT	GEBZE DC	Gebze OSB Tembelova Mevkii Mah. 3.300 Sok. Yan Yol No: 3344 Gebze/Kocaeli
İZMİT	İZMİT OMC	Yahyakaptan Mah. Bahçeşehir Sokak No: 30 Yahyakaptan Izmit/Kocaeli
KAYSERİ	KAYSERİ PLAZA	Kayseri Organize Sanayi Bölgesi 13. Cadde No:16 Melikgazi/Kayseri
KONYA	KONYA OMC	Horozluhan Mah. Sıhhiye Sok. No: 6 1. Org San. Selçuklu/Konya
MALATYA	MALATYA OMC	Hoca Ahmet Yesevi Mah. 7. Sok. Mahrukatçılar Sitesi No: 34 Merkez/Malatya
MERSİN	MERSİN OMC	Portakal Mah. 80050 Sok. No: 3 Toroslars/Mersin
MUĞLA	BODRUM OFFICE	Atatürk Bulvarı No: 210 Koçtaş Yanı Kobnacık Bodrum/Muğla
MUĞLA	MUĞLA OMC	Musluhittin Mah. Atatürk Bulvarı No: 61 Muğla
SAMSUN	SAMSUN PLAZA	Mimar Sinan Mah. 160. Sok. No: 18 Atakum/Samsun
TRABZON	TRABZON PLAZA	Çukurçayır Mah. Hasan Turfanda Yolu No: 1 Çukurçayır/Trabzon
TEKİRDAĞ	ÇORLU WAREHOUSE AND OMC	Yulaflı Mah. Hacı Şeremet Mevkii Çorlu/Tekirdağ
VAN	VANSANTRAL	Yeni Mah. Sahil Sokak. No: 71 Edremit/Van
ZONGULDAK	EREĞLİ OMC	Merkez Ören Köyü Bozoklar Mevkii No: 47/1 Karadeniz Ereğli/Zonguldak

## GLOSSARY

Abbreviation	Term Extension	Explanation
2G	Second Generation	The second generation telecommunication system, which used digital data stream for the first time, additionally providing packet-based data communication and voice and data services.
3G	Third Generation	A third generation mobile telecommunication system established according to IMT-2000/UMTS standards, or standards developed based on these standards.
4.5G		A generation containing technologies of more advanced features than standard 4G technology.
4x4 MIMO	Multi-input multi-output	A technology developed to improve performance using multiple antennas simultaneously.
5G	Fifth Generation	A generation containing technologies having more advanced features than standard 4G technology.
Access Transport		Access Transport Access and carrier network type providing high capacity
ARPU	Average Revenue Per User	Average monthly revenue generated per mobile subscriber.
Base Station		A fixed transceiver device in each cell of a mobile communications network enabling communication between mobile phones and radio signals within the cell.
Carrier Aggregation		A technique allowing more bandwidth and consequently higher speeds to be obtained by joining frequencies called carriers.
Datacenter Interconnect		A technology that enables different data centers to serve, connecting to each other.
DL 256 QAM		The data transmission speed is increased by the coding of a sign in the DL direction over 8 bits (using high modulation)
FDD	Frequency Division Duplex	A technique using different frequency bands in sending and receiving processes within communication.
GSM	Global Mobile Communication System	This is a digital mobile communication system, standardized by the European Communications Standards Institute and based on digital transmission with roaming and the cellular network structure being used in Europe, Japan and various other countries. GSM systems operate at frequency bands of 900 Mhz and 1800 Mhz.
GSMA		The GSM Association is a community consisting of mobile operators and telecom-related companies with the aim of standardizing and developing the Mobile Telecommunications Sector.
IMT Spectrum	International Mobile Telecommunication Spectrum	
ITU	The International Telecommunication Union	An international standardization institution with headquarters in Geneva that determines many standards in telecommunication.
LTE	Long Term Evolution	Technology that ensures to achieve very high speeds by combining carriers in the same or different frequency bands.
LTE-A	Long Term Evolution - Advanced	A mobile communications standard comprising advanced features such as carrier coupling, which enables mobile broadband speed of over 150 MBps in LTE.
M2M	Machine to Machine	Machine to Machine is the general name of the technology that allows devices to exchange information and conduct transactions without human intervention.
Mbps	Megabits per Second	A data transmission speed. 1 Mbps equals 2 (20) bpse.
MHz	Mega Hertz	A unit of frequency.
NGMN	Next Generation Mobile Network	An organization (Next Generation Mobile Networks Association), of which Turkcell is a member, and which several operators, suppliers and universities in the world are a part of, giving direction to technology standards and technology producing companies in relation to operator requirements.
Ooakla Speed Test	A speed measurement application	An application that measures instant internet speed in fixed or mobile networks.
Overlay Network		A term used to describe networks, which are installed on the existing network and that use the existing infrastructure, but are independently located networks (e.g. IP network installed on the transmission network).
Roaming		A mobile communications feature enabling the subscribers of a network to use their own mobile phones and numbers within the coverage area of another operator.
SDN-Ready Network	Software Define Network	IP network architecture, which can be programmed with software. Technology that ensures the control of IP networks with a centralized software and application based routing.
SMS	Short Message Service	A mobile communication system allowing users to receive and send messages that can be constituted of both alphabetic and numerical characters of up to 160 characters, to and from mobile phones through a short message service.
On-net		A call originating from an operator network and ending on the same operator network.
TAS	Turkish Accounting Standarts	
Ultra Fast Convergency		Technology that enables the transition on the back up line to be realized very quickly.
VoLTE	Voice over LTE	IP based high quality audio technology through a 4.5G network.
VPN	Virtual Private Network	Technology that can provide secure connectivity through the Internet, or another network and serve point-to-point, or point-to-multipoint.
WiFi	Wireless Connection Area	A standard generated for the transfer of data through wireless cables. Laptops, smart phones, PCs, etc. having a receiver and transmitter of WiFi standard can benefit from wireless broadband internet services.





**Turkcell İletişim Hizmetleri A.Ş.**

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**Trade Register Number:** 304844



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