TURKCELL ILETISIM HIZMETLERI A S
Form 6-K
February 22, 2019

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 6-K
REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934
Report on Form 6-K dated February 22, 2019
Commission File Number: 001-15092

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

Aydınevler Mahallesi İnönü Caddesi No:20
Küçükyalı Ofispark
34854 Maltepe
Istanbul, Turkey

(Address of Principal Executive Offices)

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

Enclosure: A press release dated February 20, 2019 announcing Turkcell's Fourth Quarter 2018 results and Q4 2018 IFRS Report.

TURKCELL ILETISIM
HIZMETLERI

FOURTH QUARTER AND FULL YEAR
2018 RESULTS

"1440 STRATEGY LED TO SUPERIOR FINANCIAL

AND OPERATIONAL PERFORMANCE"

Fourth Quarter and Full Year 2018 Results

Contents

- Please note that all financial data is consolidated and comprises that of Turkcell Iletisim Hizmetleri A.S. (the "Company", or "Turkcell") and its subsidiaries and associates (together referred to as the "Group"), unless otherwise stated.

- We have three reporting segments:

  - "Turkcell Turkey" which comprises all of our telecom related businesses in Turkey (as used in our previous releases in periods prior to Q115, this term covered only the mobile businesses). All non-financial data presented in this press release is unconsolidated and comprises Turkcell Turkey only figures, unless otherwise stated. The terms "we", "us", and "our" in this press release refer only to Turkcell Turkey, except in discussions of financial data, where such terms refer to the Group, and except where context otherwise requires.

  - "Turkcell International" which comprises all of our telecom related businesses outside of Turkey.

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

- In this press release, a year-on-year comparison of our key indicators is provided, and figures in parentheses following the operational and financial results for December 31, 2018 refer to the same item as at December 31, 2017. For further details, please refer to our consolidated financial statements and notes as at and for December 31, 2018, which can be accessed via our website in the investor relations section (www.turkcell.com.tr).

- Selected financial information presented in this press release for the fourth quarter and for the full year 2017 and 2018 is based on IFRS figures in TRY terms unless otherwise stated.
- In accordance with our strategic approach and IFRS requirements, Fintur is classified as 'held for sale' and reported as discontinued operations as of October 2016. Certain operating data that we previously presented with Fintur included has been restated without Fintur.
- In the tables used in this press release totals may not foot due to rounding differences. The same applies to the calculations in the text.
- Year-on-year and quarter-on-quarter percentage comparisons appearing in this press release reflect mathematical calculation.

Fourth Quarter and Full Year 2018 Results

FINANCIAL HIGHLIGHTS

TRY million	Q417	Q418	y/y %	FY17	FY18	y/y %
Revenue	4,666	5,626	20.6%	17,632	21,292	20.8%
EBITDA[1]	1,739	2,239	28.8%	6,228	8,788	41.1%
EBITDA Margin (%)	37.3%	39.8%	2.5pp	35.3%	41.3%	6.0pp
Net Income	216	864	300.1%	1,979	2,021	2.1%

FULL YEAR HIGHLIGHTS

· Remarkable financial performance in a challenging macro environment:

o All-time high revenue and EBITDA at the Group level

o Group revenues up 21% year-on-year, 49% on two-year cumulative basis

o Group EBITDA up 41% year-on-year, 90% on two-year cumulative basis, EBITDA margin at 41.3%

o Strong group net income of TRY2,021 million

o Operational capex over sales ratio[2] at 18.5%, in line with our plan

o TRY1.9 billion dividends distributed

o Guidance delivered thanks to effective cost control measures and business model hedging strategy comprising three pillars; right pricing, FX & interest rate hedging and liquidity management

· Solid operational performance:

o 94% rise in digital services downloads worldwide to 169 million

o 347 thousand net postpaid mobile subscriber additions in 2018

o Data usage of 4.5G users at 8 GB in December

· 2019 Group guidance[3]; revenue growth target of 16%-18%, EBITDA margin target of 37%-40% and operational capex over sales ratio[2] of 16%-18%.

FOURTH QUARTER HIGHLIGHTS

· Strong financial results achieved:

o Group revenues and EBITDA up 20.6% and 28.8%, respectively leading to an EBITDA margin of 39.8%

o Group net income of TRY864 million; stable quarterly run-rate

- Operational momentum continued:

  - Mobile ARPU[4] growth of 15.8% year-on-year on the back of digital services focused strategy

  - Mobile multiplay subscriber ratio[5] reached 66.7%, up 10.9pp year-on-year; and multiplay with TV subscribers[6] reached 48.6%, up 4.2pp year-on-year

  - Leading NPS in the sector reflecting strong customer appreciation

- Binding agreement with respect to the transfer of our stake in Fintur to Sonera Holding B.V., the other shareholder of Fintur, signed on December 12, 2018; the deal is expected to be completed soon.

(1) EBITDA is a non-GAAP financial measure. See page 15 for the explanation of how we calculate Adjusted EBITDA and its reconciliation to net income.
(2) Excluding license fee
(3) Please note that this paragraph contains forward looking statements based on our current estimates and expectations regarding market conditions for each of our different businesses. No assurance can be given that actual results will be consistent with such estimates and expectations. For a discussion of factors that may affect our results, see our Annual Report on Form 20-F for 2017 filed with U.S. Securities and Exchange Commission, and in particular, the risk factor section therein
(4) Excluding M2M
(5) Share of mobile voice line users which excludes subscribers who have not used their line in the last 3 months. Multiplay refers to mobile customers who use voice, data and one of core digital services.
(6) Multiplay subscribers with TV: Fiber internet + IPTV users & fiber internet + IPTV + fixed voice users
For further details, please refer to our consolidated financial statements and notes as at and for December 31, 2018 which can be accessed via our website in the investor relations section (www.turkcell.com.tr).

COMMENTS BY KAAN TERZIOGLU, CEO

As Turkcell Group, we have concluded another successful year of operations, having taken firm steps in accordance with our digital business model. While our digital transformation has reached its 4th year, our 1440 strategy focused on creating value for every minute of our customers' lives, has led to superior performance, both in operational and financial terms. I am delighted that we have accomplished the vision we set as the "Digital Operator", having fulfilled the very definition of one, creating new business areas in a challenging environment, and reaching a point where this model is now extended to the wider world.

2018 was a year where challenging macroeconomic conditions shaped global and local markets, where global trade decelerated, the emerging markets saw capital outflows and the Turkish Lira depreciated against foreign currencies. And yet, we delivered a strong performance, actually exceeding our initial targets. Turkcell Group's total revenues grew 20.8% to TRY21.3 billion, while EBITDA[1] rose 41.1% to TRY8.8 billion leading to an EBITDA margin of 41.3%. 2-year cumulative growth in revenues reached 49% while EBITDA grew 90.2%. Despite the challenging macro environment, we reported a net income above that of 2017 at TRY2 billion. Our capital expenditures[2] were in line with our plans, at 18.5% of revenues.

As reflected by this solid set of results, our digital operator model and strong balance sheet and business model hedging strategies have successfully passed a significant stress test. I would like to share with you the main components of our strategy that have made this performance possible, and the progress we have achieved throughout the year.

We increased our share of 1440 minutes with our digital services

In 2018, we continued to expand and enrich our digital services portfolio with new features, a key pillar of our digital operator transition. We saw 169 million downloads of our digital services, receiving a higher share of our customers' 1440 minutes and creating greater value for them within those minutes.

Our digital communication and experience platform BiP has been equipped with two important capabilities this year. BiP now allows the use of two numbers on a single handset, as well as money transfer, in addition to its enriched messaging experience, multiuser video and voice call capability and subscription to service provider channels. We reached 34.6 million downloads and 11.5 million active users[3] of BiP on the back of rising customer appreciation in 2018.

fizy, over which 7 million songs were streamed daily in the fourth quarter, reached 3.2 million active users[3], while TV+ became one of Turkey's largest digital TV platforms with its customers reaching 3.4 million users[4]. Dergilik, now with international magazines in its portfolio, led evening editions of newspapers to be published once again in Turkey. Reaching 12.5 million active users[3], Dergilik continued to transform the publishing sector.

Turkey's search engine, Yaani, which we launched at the end of 2017, has been downloaded 7.6 million times to date, while its active users[3] have reached 3 million. Over Yaani, the web version of which we now also offer our customers, 2.7 million searches were performed on average every day.

In the attractive gaming market, we are committed to growth on multiple platforms including Playcell, BiP Gaming and TavlaGo. Playcell, a safe-zone for kids offering a variety of educational and entertaining games, had 18.7 million total visitors in 2018, while BiP Gaming users have reached 4.8 million as at the end of 2018.

We took effective steps to grow the digital economy

Our Fast Login application, which enables a secure and fast login experience to mobile applications, and mobile and online websites, has been used 232 million times to date by its 15.3 million registered users. Thanks to Fast Login, Turkey became the first market to meet the commercial sustainability criteria set by the GSMA (Global Mobile Operators Association) in digital authentication, an area we consider the cornerstone of the digital economy.

In techfin solutions, we strengthened the foundations of our business, deepened our competencies, and increased our customer interaction. One key focus, Paycell, continues its firm progress towards becoming one of the strongest players in the mobile payment world. The Paycell application has been downloaded 2.6 million times and more than 1 million Paycell Cards have been issued. Financell, our consumer finance company, continued to facilitate our customers' access to smart devices supporting them with the loans it provided. This year we expanded our competencies in financial services establishing Güvencell Sigorta, our insurance agency; the first insurance product offered to our customers was a health insurance package aimed at women.

Our traffic management, digital authentication and mobile payment solutions introduced for online and mobile content and service providers to grow e-commerce, offered a seamless digital experience to numerous entrepreneurs this year.

Our customers increasingly benefited from our products and services. We raised the bar in 4.5G.

The average data consumption of 4.5G users reached 7.6 GB on the back of our innovative mobile services. Turkcell Turkey's multiplay customer ratio[5] on the mobile front reached 66.7% with a 10.9 percentage point increase, while the ratio of multiplay with TV+ users[6] reached 48.6% in the fixed segment.

Our infrastructure investments enable our customers to take full advantage of the digital world. In April, we reached a new milestone by serving at speeds in excess of 1 Gbps on our 4.5G network.

We initiated our NB-IoT services, deploying our products on our infrastructure. We started to serve our customers with our NB-IoT featured device, Filiz, together with its application aimed at increasing agricultural productivity through remote monitoring.

As part of steps taken to ensure seamless and high-speed communication, we launched Superbox, our FWA (Fixed Wireless Access) product, to great appreciation from our customers. Moreover, we developed Dronecell, which will enable us to provide 4.5G services in areas where intensive data traffic is likely to be experienced. Dronecell, Turkey's first flying base station, will play an important role in ensuring uninterrupted communication to save lives, particularly in emergencies and disasters.

We opened up our digital model to the World, launching the digital export era.

In 2018, we also transferred our digital competencies to those countries where Turkcell Group operates. lifecell, the first operator to implement 4.5G in Ukraine, is taking firm steps towards becoming the national digital operator.

In accordance with our globalization vision, we aim to expand our digital footprint not only in the countries where we operate, but also throughout the wider world, by cooperating with other operators. Established for this purpose, our subsidiary lifecell Ventures was introduced to the international audience at the GSMA Mobile World Congress, the most prestigious event of our industry, in Barcelona in February 2018. lifecell Ventures conducted its first service export to Moldcell with BiP and lifebox.

Another important development of 2018 was the sale of Fintur subsidiaries, and ultimately the agreement to sell our stake in Fintur to Telia, signed in December. This transaction enhances our efficient balance sheet management and focus on growth through digital services, and will result in a cash inflow of EUR 350 million upon completion.

We created value for our investors with our digital model and business model hedging strategy

Strong operational performance combined with our Business Model Hedging strategy, enabled us to achieve strong profitability and create shareholder value, despite macroeconomic headwinds.

In a landmark development, with our 10-year, USD 500 million Eurobond issuance in April, we became the first Turkish company to issue a 10-year bond since 2015. This has strengthened our balance sheet under favorable financing conditions, while confirming market confidence in Turkcell. Going forward, we plan to keep the average tenure of our debt portfolio at 4-5 years. In addition to the bond issuance, we continued to strengthen our liquidity and diversify financing sources, while registering firsts for the market with vendor financing, lease certificates, asset-backed securities and other debt instruments.

5

On the back of hedging instruments, we maintained FX risk at a minimum level, generating solid profits, despite TL depreciation. Moreover, hedge accounting principles minimized volatility, allowing for predictable quarterly net profits throughout the year.

Including the TRY1.9 billion dividend paid out in 2018 with a yield of 7.2%, we have distributed nearly 60% of net profit recorded since 2010 to our shareholders.

We have invested in Turkey's future with our technology, social responsibility awareness and now, our Foundation.

We believe that investing in the future means investing in human capital. Accordingly, we welcomed 232 young friends to the Turkcell family within the scope of our GNCYTNK Project. Moreover, with the Whiz Kids project, we support the education of gifted children, while also supporting the education of children overcoming obstacles through the Education without Boundaries Project. We cooperate with DQInstitute in the area of DQ - Digital Intelligence, and help children to develop digital awareness in order to become confident digital citizens.

We support entrepreneurship through various projects and applications, primarily Beehive, our crowd funding platform.

"Hello Hope", our application dedicated to serving Syrian guests in Turkey, has reached nearly 1 million downloads. We will continue to leverage our technology for the benefit of those who most need it.

In this respect, we took another important step by establishing Turkcell Foundation. With a vision of developing Turkey into a technology producer, Turkcell Foundation aims to gather Turkcell's corporate social responsibility activities under one roof and work to increase employment opportunities by supporting scientists and the qualified labor force required across all fields of endeavor.

The future is already here and we are ready for it

The near future will be shaped by technologies such as 5G, artificial intelligence, block chain and augmented and artificial reality the world over. As Turkcell, we have launched strategic alliances with leading technology companies and universities domestically and abroad for the past two years with respect to our studies into 5G. Related activities continued in 2018.

The primary tool for processing the data generated by 5G will be artificial intelligence/machine learning technologies. As Turkcell, we are currently utilizing these technologies to enrich our applications, to make more effective and efficient contact with our customers, and to prevent identity fraud through image processing. Through our R&D Center and creative human capital, we will continue to employ artificial intelligence internally to the highest ethical standards in deploying our services.

Our digital transformation process will keep up the pace.

On the back of our solid fundamentals, in 2019, we target[7] Group revenue growth of 16% - 18%, an EBITDA margin of 37% - 40% and an operational capex to sales ratio[2] of 16% - 18%. Meanwhile, we will launch our DO1440 strategy at the GSMA Mobile World Congress next week.

I would like to thank all our stakeholders, primarily our shareholders, for their unyielding support during 2018, where we crowned our transformation process into a digital operator with notable achievements. I sincerely believe that our success story will continue with the trust and support of all our stakeholders in the upcoming period.

(1) EBITDA is a non-GAAP financial measure. See page 15 for the explanation of how we calculate Adjusted EBITDA and its reconciliation to net income.
(2) Excluding license fee
(3) 3-month active users
(4) IPTV users and OTT only cumulative active users
(5) Share of mobile voice line users which excludes subscribers who have not used their line in the last 3 months. Multiplay refers to mobile customers who use voice, data and one of core digital services.
(6) Multiplay subscribers with TV: Fiber internet + IPTV users & fiber internet + IPTV + fixed voice users
(7) Please note that this paragraph contains forward looking statements based on our current estimates and expectations regarding market conditions for each of our different businesses. No assurance can be given that actual results will be consistent with such estimates and expectations. For a discussion of factors that may affect our results, see our Annual Report on Form 20-F for 2017 filed with U.S. Securities and Exchange Commission, and in particular, the risk factor section therein

FINANCIAL AND OPERATIONAL REVIEW

Financial Review of Turkcell Group

Profit & Loss Statement (million TRY)	Quarter			Year		
	Q417	Q418	y/y %	FY17	FY18	y/y %
Revenue	4,666.0	5,626.3	20.6%	17,632.1	21,292.5	20.8%
Cost of revenue[1]	(2,315.7)	(2,607.3)	12.6%	(8,753.2)	(9,858.0)	12.6%
Cost of revenue[1]/Revenue	(49.6%)	(46.3%)	3.3pp	(49.6%)	(46.3%)	3.3pp
Gross Margin[1]	50.4%	53.7%	3.3pp	50.4%	53.7%	3.3pp
Administrative expenses	(67.3)	(198.2)	194.5%	(645.2)	(673.4)	4.4%
Administrative expenses/Revenue	(1.4%)	(3.5%)	(2.1pp)	(3.7%)	(3.2%)	0.5pp
Selling and marketing expenses	(544.1)	(500.8)	(8.0%)	(2,005.4)	(1,626.7)	(18.9%)
Selling and marketing expenses/Revenue	(11.7%)	(8.9%)	2.8pp	(11.4%)	(7.6%)	3.8pp
Net impairment loses on financial and contract assets	-	(81.0)	n.m	-	(346.4)	n.m
EBITDA[2]	1,738.9	2,239.0	28.8%	6,228.3	8,788.0	41.1%
EBITDA Margin	37.3%	39.8%	2.5pp	35.3%	41.3%	6.0pp
Depreciation and amortization	(700.5)	(1,287.0)	83.7%	(2,597.0)	(4,288.0)	65.1%
EBIT[3]	1,038.4	952.0	(8.3%)	3,631.3	4,500.0	23.9%
Net finance income / (costs)	(106.7)	(18.5)	(82.7%)	(322.9)	(1,687.0)	422.5%
Finance income	385.9	(1,225.9)	(417.7%)	818.3	1,932.1	136.1%
Finance costs[4]	(492.5)	1,207.4	(345.2%)	(1,141.2)	(3,619.1)	217.1%
Other income / (expense)	(625.8)	46.5	(107.4%)	(698.9)	(140.1)	(80.0%)
Non-controlling interests	(20.5)	(77.7)	279.0%	(58.6)	(156.3)	166.7%
Share of profit of equity accounted investees	-	0.3	n.m	-	(0.1)	n.m
Income tax expense	(69.5)	(38.7)	(44.3%)	(571.8)	(495.5)	(13.3%)
Net Income	215.9	863.9	300.1%	1,979.2	2,021.2	2.1%

(1) Excluding depreciation and amortization expenses.
(2) EBITDA is a non-GAAP financial measure. See page 15 for the explanation of how we calculate Adjusted EBITDA and its reconciliation to net income.
(3) EBIT is a non-GAAP financial measure and is equal to EBITDA minus depreciation and amortization expenses.
(4) Fair value loss and interest expense in relation to derivative instruments reported under finance cost were netted off from respective fair value gain and interest income in relation to derivative instruments reported under finance income. Historical periods were restated to reflect this change.

Revenue of the Group grew by 20.6% year-on-year in Q418. Turkcell Turkey's strong ARPU performance on the back of dedicated execution of our digital services-focused strategy as well as our focus on customer satisfaction was the main driver of this growth.

Turkcell Turkey revenues, comprising 85% of Group revenues, rose by 18.4% to TRY4,785 million (TRY4,041 million).

- Data and digital services revenues grew by 16.1% to TRY3,177 million (TRY2,735 million).

  - Higher number of data users, increased data consumption per user and rise in penetration of digital services along with upsell performance were the main drivers on the mobile front.

  - On the fixed front, a larger subscriber base and increased ratio of multiplay subscribers with TV were the main drivers.

- Wholesale revenues grew by 42.0% to TRY217 million (TRY153 million) on the back of increased carrier traffic and the positive impact of TRY depreciation on FX based revenues.

Turkcell International revenues, at 7% of Group revenues, increased 46.3% to TRY422 million (TRY288 million), mainly with the rise in lifecell and BeST revenues.

7

Other subsidiaries' revenues, at 7% of Group revenues, and which includes information and entertainment services, call center revenues and revenues from financial services rose by 24.3% to TRY419 million (TRY337 million). This was mainly driven by the increase in the consumer finance company's revenues to TRY247 million (TRY183 million) in Q418.
For the full year, Turkcell Group revenues rose by 20.8%.

Turkcell Turkey revenues grew by 18.2% to TRY18,266 million (TRY15,450 million).

- Data and digital services revenues grew by 16.4% to TRY11,997 million (TRY10,304 million).

- Wholesale revenues grew by 54.9% to TRY910 million (TRY587 million).

Turkcell International revenues rose by 36.5% to TRY1,457 million (TRY1,067 million).

Other subsidiaries' revenues grew by 40.8% to TRY1,570 million (TRY1,115 million).

Cost of revenue (excluding depreciation and amortization) declined to 46.3% (49.6%) as a percentage of revenues in Q418. This was mainly due to the decline in radio expenses (1.8pp), interconnection costs (1.0pp) and other cost items (1.6pp), despite the rise in TRX expenses (1.1pp) as a percentage of revenues.

The impact of new IFRS standards is TRY264 million positive in cost of revenue items in Q418.

For the full year, cost of revenue decreased to 46.3% (49.6%) as a percentage of revenues. This was mainly due to the decrease in radio costs (2.4pp), interconnection costs (0.8pp) and other cost items (1.4pp), despite the increase in TRX costs (1.3pp) as a percentage of revenues.

Administrative expenses was at 3.5% (1.4%) as a percentage of revenues in Q418. Administrative expenses included a positive impact of TRY133 million in Q417 due to the change we made in our doubtful receivable provision assumptions based on improvement in collection performance.

The impact of new IFRS standards is TRY10 million positive in administrative expenses in Q418.

For the full year, administrative expenses was at 3.2% (3.7%) as a percentage of revenues. As explained above administrative expenses included a positive impact of TRY133 million in 2017.

Please note that starting from Q418 net impairment expense recognized on receivables reported under administrative expenses was classified under net impairment loses on financial and contract assets item. Prior years' financials have not been restated to reflect this change. Net impairment expense recognized on receivables amounted to TRY45 million in Q418 and TRY205 million for the full year.

Selling and marketing expenses was at 8.9% (11.7%) as a percentage of revenues in Q418. Selling expenses and marketing expenses declined 2.0pp and 0.6pp, respectively as a percentage of revenues.

The impact of new IFRS standards is TRY169 million positive in selling and marketing expenses in Q418.

For the full year, selling and marketing expenses as a percentage of revenues was at 7.6% (11.4%). Selling expenses and marketing expenses decreased 2.5pp and 0.4pp, respectively as a percentage of revenues.

Please note that starting from Q418 frequency usage fees related to prepaid subscribers reported under selling and marketing expenses were classified under net impairment loses on financial and contract assets item. Prior years' financials have not been restated to reflect this change. Frequency usage fees related to prepaid subscribers amounted to TRY36 million in Q418 and TRY142 million for the full year.

Net impairment loses on financial and contract assets was at TRY81 million in Q418. The impact of new IFRS standards is TRY21 million positive in net impairment loses on financial and contract assets in Q418. For the full year, net impairment loses on financial and contract assets amounted to TRY346 million.

EBITDA[1] rose by 28.8% year-on-year in Q418 leading to a 2.5pp increase in EBITDA margin to 39.8% (37.3%). The impact of new IFRS standards on EBITDA is TRY476 million positive in Q418.

- Turkcell Turkey's EBITDA grew by 14.8% to TRY1,797 million (TRY1,566 million) with an EBITDA margin of 37.6% (38.8%) in Q418. The impact of new IFRS standards is TRY326 million positive.

- Turkcell International EBITDA[2] rose to TRY247 million (TRY64 million) leading to an EBITDA margin of 58.5% (22.2%). The impact of new IFRS standards is TRY146 million positive.

Fourth Quarter and Full Year 2018 Results

- The EBITDA of other subsidiaries rose by 79.0% to TRY195 million (TRY109 million) with the increasing contribution of our consumer finance company. The impact of new IFRS standards is TRY4 million positive.

(1) EBITDA is a non-GAAP financial measure. See page 15 for the explanation of how we calculate adjusted EBITDA and its reconciliation to net income.
(2) We started to capitalize the frequency usage fees of lifecell in Q418 in accordance with IFRS16 which led to a positive impact on Turkcell International EBITDA. The change was implemented retrospectively; impact regarding previous quarters of 2018 was booked in Q418.

For the full year, EBITDA grew by 41.1% resulting in an EBITDA margin of 41.3% (35.3%).

- Turkcell Turkey's EBITDA rose by 34.7% to TRY7,534 million (TRY5,594 million), while its EBITDA margin rose 5.0pp to 41.2% (36.2%).

- Turkcell International EBITDA increased to TRY613 million (TRY264 million), while the EBITDA margin reached 42.1% (24.7%).

- The EBITDA of other subsidiaries rose by 73.0% to TRY641 million (TRY370 million).

Depreciation and amortization expenses increased 83.7% in Q418. The impact of new IFRS standards is TRY356 million negative on depreciation and amortization expenses in Q418.

For the full year, depreciation and amortization expenses increased 65.1%.

Net finance expense declined to TRY18 million (TRY107 million) in Q418. Please note that the Group has started to apply hedge accounting as of July 1, 2018 for existing participating cross currency swap and cross currency swap transactions in accordance with the IFRS 9 hedge accounting requirement. Please see the IFRS report for details. Furthermore, the impact of new IFRS standards was TRY39 million negative on the net finance expense.

For the full year the net finance expense rose to TRY1,687 million (TRY323 million). This was mainly due to higher net foreign exchange losses and higher interest expenses resulting from a larger loan portfolio.

See Appendix A for details of net foreign exchange gain and loss.

Income tax expense declined 44.3% year-on-year in Q418. For the full year the income tax expense decreased by 13.3%. Please see Appendix A for details.

Net income of the Group rose to TRY864 million (TRY216 million) in Q418. Prudent financial risk management ensured a stable quarterly run-rate of net income during the year. Please note that the Q417 net income figure included a TRY575 million provision booked for tax settlement within the scope of Law No. 7061, which had a TRY500 million impact on net income after tax.

For the full year, we registered a net income of TRY2,021 million (TRY1,979 million). Solid operational performance and prudent financial risk management allowed us to register a strong net income for the full year, despite a challenging macro environment.

Total cash & debt: Consolidated cash as of December 31, 2018 decreased to TRY7,419 million from TRY8,749 million as of September 30, 2018. Excluding the FX swap transactions for TRY borrowing, 74% of our cash is in US$

and 26% is in EUR.

Consolidated debt as of December 31, 2018 decreased to TRY20,156 million from TRY23,055 million as of September 30, 2018. Please note that TRY1,414 million of our consolidated debt is comprised of lease obligations resulting from the implementation of IFRS 16.

· Consolidated debt breakdown excluding lease obligations resulting from the implementation of IFRS 16:

- Turkcell Turkey's debt was TRY13,717 million, of which TRY7,652 million (US$1,455 million) was denominated in US$, TRY5,775 million (EUR958 million) in EUR, TRY193 million (CNY254 million) in CNY and the remaining TRY96 million in TRY.

- The debt balance of lifecell was TRY925 million, of which TRY895 million (UAH4,728 million) was denominated in UAH and the remaining TRY30 million (EUR5 million) in EUR.

- Our consumer finance company had a debt balance of TRY4,096 million, of which TRY2,073 million (US$394 million) was denominated in US$, and TRY1,171 million (EUR194 million) in EUR with the remaining TRY853 million in TRY.

- TRY719 million of IFRS 16 lease obligations is denominated in TRY, TRY40 million (US$8 million) in US$, TRY195 million (EUR32 million) in EUR and the remaining balance in other local currencies (please note that the figures in parentheses refer to US$ or EUR equivalents).

TRY 11,565 million of our consolidated debt is set at a floating rate. Excluding the consumer finance business borrowings, TRY4,154 million of consolidated debt will mature within less than a year.

Net debt as of December 31, 2018 was at TRY12,736 million with a net debt to EBITDA ratio of 1.4 times. Excluding consumer finance company consumer loans, our telco only net debt was at TRY8,565 million with a leverage of 1.0 times.

Turkcell Group's short FX position was at US$224 million as at the end of Q418. (Please note that this figure takes into account advance payments and hedging, but excludes FX swap transactions for TL borrowing).

Capital expenditures: Capital expenditures, including non-operational items, amounted to TRY1,607.4 million (excluding the impact of new IFRS standards) in Q418.

For the full year, capital expenditures including non-operational items were at TRY4,643.8 million (excluding the impact of new IFRS standards).

In Q418 and FY18, operational capital expenditures (excluding license fees) at the Group level were at 25.7% and 18.5% of total revenues, respectively.

Capital expenditures (million TRY)	Quarter		Year	
	Q417	Q418	FY17	FY18
Turkcell Turkey	(1,716.6)	(1,479.3)	(3,821.5)	(3,793.0)
Turkcell International[1]	(82.8)	(121.6)	(246.6)	(831.0)
Other Subsidiaries[1]	(7.2)	(6.5)	(22.3)	(19.8)
Capex and License	(1,806.6)	(1,607.4)	(4,090.4)	(4,643.8)

(1) The impact from the movement of reporting currency (TRY) against local currencies of subsidiaries in other countries is included in these lines.

Fourth Quarter and Full Year 2018 Results

Operational Review of Turkcell Turkey

Summary of Operational Data	Quarter			Year		
	Q417	Q418	y/y %	FY17	FY18	y/y %
Number of subscribers (million)	36.7	36.7	-	36.7	36.7	-
Mobile Postpaid (million)	18.5	18.8	1.6%	18.5	18.8	1.6%
Mobile M2M (million)	2.3	2.4	4.3%	2.3	2.4	4.3%
Mobile Prepaid (million)	15.6	14.9	(4.5%)	15.6	14.9	(4.5%)
Fiber (thousand)	1,204.3	1,385.6	15.1%	1,204.3	1,385.6	15.1%
ADSL (thousand)	921.4	905.6	(1.7%)	921.4	905.6	(1.7%)
IPTV (thousand)	505.9	613.4	21.2%	505.9	613.4	21.2%
Churn (%)[1]						
Mobile Churn (%)[2]	2.4%	2.9%	0.5pp	1.9%	2.1%	0.2pp
Fixed Churn (%)	1.9%	2.2%	0.3pp	1.8%	1.8%	-
ARPU (Average Monthly Revenue per User) (TRY)						
Mobile ARPU, blended	30.4	35.0	15.1%	29.8	33.9	13.8%
Mobile ARPU, blended (excluding M2M)	32.3	37.4	15.8%	31.6	36.2	14.6%
Postpaid	43.8	49.5	13.0%	43.0	48.2	12.1%
Postpaid (excluding M2M)	49.6	56.4	13.7%	48.5	54.9	13.2%
Prepaid	15.1	17.4	15.2%	14.9	16.9	13.4%
Fixed Residential ARPU, blended	55.2	56.6	2.5%	53.6	55.7	3.9%
Average mobile data usage per user (GB/user)	4.3	5.9	37.2%	3.9	5.2	33.3%
Mobile MoU (Avg. Monthly Minutes of usage per subs) blended	353.4	356.4	0.8%	347.1	359.5	3.6%

(1) Presentation of churn figures has been changed to demonstrate average monthly churn figures for the respective quarters.

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

Our mobile subscriber base stood at 33.8 million by the end of the year. We registered 347 thousand net postpaid subscriber additions annually, while the share of postpaid subscribers reached 55.7% (54.2%) of our mobile subscriber base. Meanwhile, our prepaid subscribers declined by 676 thousand annually. Please note that 555 thousand prepaid subscribers, who last topped up between January and March, were disconnected in accordance with our churn policy in Q418.

Our fixed subscriber base reached 2.3 million on 166 thousand annual net additions. We registered 181 thousand annual net additions to our fiber subscribers. IPTV subscribers exceeded 613 thousand on 108 thousand annual net additions. Total TV subscribers including OTT only users reached 3.4 million[3] on 1.3 million annual additions. Turkcell TV+ mobile application downloads were at 11.8 million as of February.

In Q418, our average monthly mobile churn rate was at 2.9%. Excluding the impact of involuntarily deactivated prepaid mobile subscribers as explained above, our average monthly churn rate in Q418 would have been 2.4%. Our average monthly fixed churn rate was at 2.2% in Q418. For the full year, the average monthly mobile churn rate was at 2.1% and the average monthly fixed churn rate at 1.8%.

Mobile ARPU (excluding M2M) grew by 15.8% year-on-year in Q418, driven mainly by increased data and digital services usage and upsell performance. Mobile ARPU (excluding M2M) rose 14.6% for the full year.

Fixed Residential ARPU rose 2.5% in Q418 year-on-year and 3.9% for the full year, positively impacted by the rise in multiplay subscribers with TV[4] to 48.6% of total residential fiber subscribers.

Average mobile data usage per user rose by 37.2% in Q418 year-on-year and 33.3% for the full year, driven by higher data consumption of 4.5G users and rich digital services offerings. Accordingly, the average mobile data usage of 4.5G users was at 7.6 GB in Q418 and 8 GB in December.

4.5G compatible smartphones increased to 18 million on 2.3 million annual additions in 2018 comprising 80% of total smartphones on our network by the end of the year.

(3) IPTV users and OTT only cumulative active users
(4) Multiplay subscribers with TV: Fiber internet + TV users & fiber internet + TV + voice users

---

11

TURKCELL INTERNATIONAL

lifecell[1] Financial Data	Quarter			Year		
	Q417	Q418	y/y%	FY17	FY18	y/y%
Revenue (million UAH)	1,269.2	1,417.0	11.6%	4,876.0	5,268.5	8.0%
EBITDA (million UAH)	331.3	1,083.5	227.0%	1,326.5	2,762.2	108.2%
EBITDA margin (%)	26.1%	76.5%	50.4pp	27.2%	52.4%	25.2pp
Net income / (loss) (million UAH)	(179.6)	(730.1)	306.5%	(503.6)	(1,300.7)	158.3%
Capex (million UAH)[2]	414.3	933.3	125.3%	1,330.1	4,031.9	203.1%
Revenue (million TRY)	178.0	273.3	53.5%	664.7	924.0	39.0%
EBITDA (million TRY)	46.5	205.9	342.8%	180.7	489.4	170.8%
EBITDA margin (%)	26.1%	75.3%	49.2pp	27.2%	53.0%	25.8pp
Net income / (loss) (million TRY)	(25.2)	(126.3)	401.2%	(69.0)	(220.2)	219.1%

(1) Since July 10, 2015, we hold a 100% stake in lifecell.
(2) Excluding the impact of new IFRS standards

lifecell (Ukraine) revenues grew by 11.6% year-on-year in Q418 in local currency terms driven mainly by increased mobile data revenues with rising penetration of 4.5G users and higher data consumption. EBITDA in local currency terms increased to UAH1,084 million, which resulted in an EBITDA margin of 76.5%. This was led by effective cost control measures as well as the positive impact of new IFRS standards. Please also note that lifecell started to capitalize its radio frequency usage costs in Q418 in accordance with IFRS16, and that the overall impact including the retrospective adjustments for previous quarters of 2018, was booked in Q418.

lifecell revenues in TRY terms grew by 53.5% year-on-year, while its EBITDA rose to TRY206 million in Q418. The impact of new IFRS standards on lifecell's EBITDA is TRY125 million positive in Q418.

For the full year, lifecell revenues in local currency terms rose by 8.0% with an EBITDA margin of 52.4%. In TRY terms, lifecell registered revenue growth of 39.0% and an EBITDA margin of 53.0%.

lifecell Operational Data	Quarter			Year		
	Q417	Q418	y/y%	FY17	FY18	y/y%
Number of subscribers (million)[3]	11.1	9.9	(10.8%)	11.1	9.9	(10.8%)
Active (3 months)[4]	8.0	7.3	(8.8%)	8.0	7.3	(8.8%)
MOU (minutes) (12 months)	135.7	148.6	9.5%	129.4	144.9	12.0%
ARPU (Average Monthly Revenue per User), blended (UAH)	37.0	47.2	27.6%	33.8	42.8	26.6%
Active (3 months) (UAH)	52.3	63.1	20.7%	47.7	57.3	20.1%

(3) We may occasionally offer campaigns and tariff schemes that have an active subscriber life differing from the one that we normally use to deactivate subscribers and calculate churn.
(4) Active subscribers are those who in the past three months made a revenue generating activity.

lifecell's three-month active subscriber base declined to 7.3 million in Q418, mainly due to the declining multiple SIM card usage trend in the country. lifecell continued its strong ARPU performance registering 27.6% growth in Q418 on the back of increased mobile data consumption and price increases. The increasing share of higher ARPU customers preferring lifecell for its quality 4.5G and 3G networks and attractive digital services portfolio also contributed to the solid ARPU performance.

lifecell has continued to expand its 4.5G services in Q418. The penetration of 4.5G services continued to rise as reflected by the increased number of 3-month active 4.5G users, which reached 33% of total mobile data users. Overall, 3-month active data users on 3G and 4.5G networks in total exceeded 4 million, while average data consumption per user rose by 128% year-on-year, mainly with the higher data consumption of 4.5G users. Meanwhile, lifecell continued to lead the Ukrainian market with 75.9% smartphone penetration.

In line with Turkcell's global digital services strategy, lifecell continued to enrich its digital services portfolio launching new services in Q418, and increase the penetration of these services within its customer base. Moreover lifecell became first in Ukrainian market to deploy NB-IoT network for smart devices.

BeST[1]	Quarter			Year		
	Q417	Q418	y/y%	FY17	FY18	y/y%
Number of subscribers (million)	1.6	1.6	-	1.6	1.6	-
Active (3 months)	1.3	1.2	(7.7%)	1.3	1.2	(7.7%)
Revenue (million BYN)	30.4	32.9	8.2%	111.8	124.9	11.7%
EBITDA (million BYN)	1.8	12.7	605.6%	4.3	27.9	548.8%
EBITDA margin (%)	6.0%	38.6%	32.6pp	3.8%	22.3%	18.5pp
Net loss (million BYN)	(9.4)	(8.3)	(11.7%)	(42.0)	(37.0)	(11.9%)
Capex (million BYN)[2]	5.1	1.6	(68.6%)	13.3	9.1	(31.6%)
Revenue (million TRY)	58.2	83.8	44.0%	210.4	292.9	39.2%
EBITDA (million TRY)	3.5	31.3	794.3%	8.0	66.1	726.3%
EBITDA margin (%)	6.0%	37.4%	31.4pp	3.8%	22.6%	18.8pp
Net loss (million TRY)	(18.0)	(21.3)	18.3%	(79.2)	(86.0)	8.6%
Capex (million TRY)[2]	10.6	0.9	(91.5%)	25.4	22.2	(12.6%)

(1) BeST, in which we hold an 80% stake, has operated in Belarus since July 2008.
(2) Excluding the impact of new IFRS standards

BeST revenues rose by 8.2% year-on-year in Q418 in local currency terms, mainly driven by growth in mobile data and device sale revenues. BeST's EBITDA rose to BYN12.7 million, which resulted in an EBITDA margin of 38.6% positively impacted by the implementation of new IFRS standards.

BeST's revenues in TRY terms rose by 44.0% year-on-year in Q418, while its EBITDA margin increased to 37.4%. The impact of new IFRS standards on BeST's EBITDA is TRY30 million positive in Q418.

For the full year, revenues in local currency terms rose by 11.7% with an EBITDA margin of 22.3%. BeST registered revenue growth of 39.2% in TRY terms and an EBITDA margin of 22.6%.

BeST continued to increase the penetration of its 4G services, which leads to higher data consumption and allows for increased digital services usage. Accordingly, the average monthly data consumption of subscribers increased by 70% to 5.9 GB in Q418. BeST continued to increase the penetration of its digital services within its customer base, while expanding its digital services portfolio with additional services for all Belarus telecommunication market. BeST launched lifebox (personal cloud service) and TV+ (TV service), as well as lifecell Digital MIX offerings, which allows customers to curate different digital services on a single package.

Kuzey Kıbrıs Turkcell[3] (million TRY)	Quarter			Year		
	Q417	Q418	y/y%	FY17	FY18	y/y%
Number of subscribers (million)	0.5	0.5	-	0.5	0.5	-

Revenue	41.2	45.8	11.2%	158.2	180.1	13.8%
EBITDA	10.6	11.6	9.4%	53.0	58.8	10.9%
EBITDA margin (%)	25.7%	25.3%	(0.4pp)	33.5%	32.6%	(0.9pp)
Net income	7.7	8.9	15.6%	34.0	32.9	(3.2%)
Capex[4]	14.2	21.1	48.6%	41.8	51.0	22.0%

(3) Kuzey Kıbrıs Turkcell, in which we hold a 100% stake, has operated in Northern Cyprus since 1999.
(4) Excluding the impact of new IFRS standards

Fourth Quarter and Full Year 2018 Results

Kuzey Kıbrıs Turkcell revenues rose by 11.2% year-on-year in Q418, mainly on mobile data revenue growth, while EBITDA rose by 9.4%. The impact of new IFRS standards on Kuzey Kıbrıs Turkcell's EBITDA is TRY1.6 million positive in Q418.

For the full year, revenues rose by 13.8%, while EBITDA growth was 10.9% which led to an EBITDA margin of 32.6%.

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

On March 5, 2018, Fintur transferred its 51.3% total shareholding in Azertel Telekomunikasyon Yatirim Diş Ticaret A.Ş to Azerbaijan International Telecom LLC, a fully state-owned company of the Republic of Azerbaijan, for EUR221.7 million.

On March 20, 2018, Fintur completed the transfer of its 99.99% total shareholding in Geocell LLC to Silknet JSC, a joint stock company organized under the laws of Georgia, for a total consideration of US$153 million.

On December 12, 2018, Fintur signed a binding agreement and on December 21, 2018 completed the transfer of its 51% total shareholding in Kcell JSC to Kazakhtelecom JSC, a fixed line operator controlled by the government of the Republic of Kazakhstan through the sovereign wealth fund Samruk-Kazyna. The transaction implied an enterprise value of US$771 million for 100% shares.

These transactions have no impact on our financial statements since Fintur is classified as "assets held for sale" in our financials.

On December 12, 2018, Turkcell signed a binding agreement with respect to the transfer of its shares in Fintur to Sonera Holding B.V., the majority shareholder of Fintur. Based on the calculation over Fintur's financials as of November 30, 2018, the value of the transaction is anticipated to be approximately EUR 350 million. Following the regulatory procedures, the closing is expected in Q119 and the proceeds will be received.

Turkcell Group Subscribers

Turkcell Group subscribers amounted to approximately 48.9 million as of December 31, 2018. This figure is calculated by taking the number of subscribers of Turkcell Turkey and each of our subsidiaries. It includes the total number of mobile, fiber, ADSL and IPTV subscribers of Turkcell Turkey, and the mobile subscribers of lifecell and BeST, as well as those of Kuzey Kıbrıs Turkcell and lifecell Europe.

Turkcell Group Subscribers	Q417	Q318	Q418	y/y%	q/q%
Mobile Postpaid (million)	18.5	19.0	18.8	1.6%	(1.1%)
Mobile Prepaid (million)	15.6	15.9	14.9	(4.5%)	(6.3%)
Fiber (thousand)	1,204.3	1,331.3	1,385.6	15.1%	4.1%
ADSL (thousand)	921.4	917.6	905.8	(1.7%)	(1.3%)
IPTV (thousand)	505.9	581.5	613.4	21.2%	5.5%
Turkcell Turkey subscribers (million)[1]	36.7	37.8	36.7	-	(2.9%)

lifecell (Ukraine)	11.1	10.1	9.9	(10.8%)	(2.0%)
BeST (Belarus)	1.6	1.6	1.6	-	-
Kuzey Kıbrıs Turkcell	0.5	0.5	0.5	-	-
lifecell Europe[2]	0.3	0.2	0.2	(33.3%)	-
Turkcell Group Subscribers (million)	50.2	50.3	48.9	(2.6%)	(2.8%)

(1) Subscribers to more than one service are counted separately for each service.
(2) The "wholesale traffic purchase" agreement, signed between Turkcell Europe GmbH operating in Germany and Deutsche Telekom for five years in 2010, had been modified to reflect the shift in business model to a "marketing partnership". The new agreement between Turkcell and a subsidiary of Deutsche Telekom was signed on August 27, 2014. The transfer of Turkcell Europe operations to Deutsche Telekom's subsidiary was completed on January 15, 2015. Subscribers are still included in the Turkcell Group Subscriber figure. Turkcell Europe was rebranded as lifecell Europe on January 15, 2018.

Fourth Quarter and Full Year 2018 Results

OVERVIEW OF THE MACROECONOMIC ENVIRONMENT

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

	Quarter					Year		
	Q417	Q318	Q418	y/y%	q/q%	FY17	FY18	y/y%
GDP Growth (Turkey)	7.3%	1.6%	n.a	n.a	n.a	7.4%	n.a	n.a
Consumer Price Index (Turkey) (yoy)	11.9%	24.5%	20.3%	8.4pp	(4.2pp)	11.9%	20.3%	8.4pp
US$ / TRY rate								
Closing Rate	3.7719	5.9902	5.2609	39.5%	(12.2%)	3.7719	5.2609	39.5%
Average Rate	3.7942	5.5223	5.4369	43.3%	(1.5%)	3.6308	4.7577	31.0%
EUR / TRY rate								
Closing Rate	4.5155	6.9505	6.0280	33.5%	(13.3%)	4.5155	6.0280	33.5%
Average Rate	4.4747	6.4356	6.2121	38.8%	(3.5%)	4.1087	5.5977	36.2%
US$ / UAH rate								
Closing Rate	28.07	28.30	27.69	(1.4%)	(2.2%)	28.07	27.69	(1.4%)
Average Rate	27.05	27.43	28.18	4.2%	2.7%	26.64	27.32	2.6%
US$ / BYN rate								
Closing Rate	1.9727	2.1121	2.1598	9.5%	2.3%	1.9727	2.1598	9.5%
Average Rate	1.9812	2.0408	2.1307	7.5%	4.4%	1.9278	2.0338	5.5%

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

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

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

Turkcell Group (million TRY)	Quarter			Year		
	Q417	Q418	y/y%	FY17	FY18	y/y%
Adjusted EBITDA	1,738.9	2,239.0	28.8%	6,228.3	8,788.0	41.1%
Depreciation and amortization	(700.5)	(1,287.0)	83.7%	(2,597.0)	(4,288.0)	65.1%
Finance income	385.9	(1,225.9)	(417.7%)	818.3	1,932.1	136.1%
Finance costs	(492.5)	1,207.4	(345.2%)	(1,141.2)	(3,619.1)	217.1%
Other income / (expense)	(625.8)	46.5	(107.4%)	(698.9)	(140.1)	(80.0%)
Share of profit of equity accounted investees	-	0.3	n.m	-	(0.1)	n.m
Consolidated profit from continued operations before income tax & minority interest	305.8	980.4	220.6%	2,609.5	2,672.9	2.4%
Income tax expense	(69.5)	(38.7)	(44.3%)	(571.8)	(495.5)	(13.3%)
Consolidated profit from continued operations before minority interest	236.3	941.7	298.5%	2,037.8	2,177.4	6.9%
Discontinued operations	-	-	-	-	-	-
Consolidated profit before minority interest	236.3	941.7	298.5%	2,037.8	2,177.4	6.9%

Fourth Quarter and Full Year 2018 Results

NOTICE: This release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Safe Harbor provisions of the US Private Securities Litigation Reform Act of 1995. This includes, in particular, our targets for revenue, EBITDA and capex for 2019. More generally, all statements other than statements of historical facts included in this press release, including, without limitation, certain statements regarding the launch of new businesses, our operations, financial position and business strategy may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as, among others, "will," "expect," "intend," "estimate," "believe "continue" and "guidance".

Although Turkcell believes that the expectations reflected in such forward-looking statements are reasonable at this time, it can give no assurance that such expectations will prove to be correct. All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements. For a discussion of certain factors that may affect the outcome of such forward looking statements, see our Annual Report on Form 20-F for 2017 filed with the U.S. Securities and Exchange Commission, and in particular the risk factor section therein. We undertake no duty to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

The Company makes no representation as to the accuracy or completeness of the information contained in this press release, which remains subject to verification, completion and change. No responsibility or liability is or will be accepted by the Company or any of its subsidiaries, board members, officers, employees or agents as to or in relation to the accuracy or completeness of the information contained in this press release or any other written or oral information made available to any interested party or its advisers.

ABOUT TURKCELL: Turkcell is a digital operator headquartered in Turkey, serving its customers with its unique portfolio of digital services along with voice, messaging, data and IPTV services on its mobile and fixed networks. Turkcell Group companies operate in 6 countries – Turkey, Ukraine, Belarus, Northern Cyprus, Germany, Moldova. Turkcell launched LTE services in its home country on April 1st, 2016, employing LTE-Advanced and 3 carrier aggregation technologies in 81 cities. Turkcell offers up to 10 Gbps fiber internet speed with its FTTH services. Turkcell Group reported TRY21.3 billion revenue in FY18 with total assets of TRY42.8 billion as of December 31, 2018. It has been listed on the NYSE and the BIST since July 2000, and is the only NYSE-listed company in Turkey. Read more at www.turkcell.com.tr

For further information please contact Turkcell

Investor Relations	Corporate Communications:
Tel: + 90 212 313 1888	Tel: + 90 212 313 2321
investor.relations@turkcell.com.tr	Turkcell-Kurumsal-Iletisim@turkcell.com.tr

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

16

Fourth Quarter and Full Year 2018 Results

Appendix A – Tables

Table: Net foreign exchange gain and loss details

Million TRY	Quarter			Year		
	Q417	Q418	y/y%	FY17	FY18	y/y%
Turkcell Turkey	(284.7)	1,024.7	(459.9%)	(564.9)	(1,811.8)	220.7%
Turkcell International	(9.4)	5.7	(160.6%)	(8.3)	(117.9)	n.m
Other Subsidiaries	(62.7)	439.7	(801.3%)	(145.3)	(765.4)	426.8%
Net FX loss before hedging	(356.7)	1,470.1	(512.1%)	(718.5)	(2,695.0)	275.1%
Fair value gain on derivative financial instruments[1]	261.9	(1,551.9)	(692.6%)	316.8	1,223.3	286.1%
Net FX gain / (loss) after hedging	(94.8)	(81.8)	(13.7%)	(401.6)	(1,471.7)	266.5%

(1) Definition of fair value gain on derivative financial instruments has been extended to include the impact of interest income and expense in relation to derivative instruments and fair value of FX swaps engaged in during the period to manage operational cash flow balance.

Table: Income tax expense details

Million TRY	Quarter			Year		
	Q417	Q418	y/y%	FY17	FY18	y/y%
Current tax expense	(84.3)	(114.9)	36.3%	(438.0)	(655.0)	49.5%
Deferred tax income / (expense)	14.8	76.2	414.9%	(133.8)	159.5	(219.2%)
Income Tax expense	(69.5)	(38.7)	(44.3%)	(571.8)	(495.5)	(13.3%)

TURKCELL ILETISIM HIZMETLERI AS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

	Note	31 December 2018	31 December 2017
Assets			
Property, plant and equipment	11	11,116,316	9,665,408
Right-of-use assets	15	1,649,602	-
Intangible assets	12	10,050,172	8,340,410
Telecommunication licenses		5,774,763	5,720,398
Computer software		3,057,143	2,346,236
Other intangible assets		1,218,266	273,776
Investment properties	14	15,425	980
Trade receivables	19	115,001	155,634
Receivables from financial services	20	884,686	1,297,597
Contract assets	21	3,513	-
Deferred tax assets	18	152,732	96,060
Investments in equity accounted investees		19,413	-
Held to maturity investments		-	654
Other non-current assets	17	421,306	356,620
Total non-current assets		24,428,166	19,913,363
Inventories	22	180,434	104,102
Trade receivables	19	2,505,990	2,848,572
Due from related parties	38	13,533	5,299
Receivables from financial services	20	3,286,243	2,950,523
Contract assets	21	711,928	-
Derivative financial instruments	34	1,356,062	981,396
Held to maturity investments		-	11,338
Financial asset at fair value through profit or loss		9,409	-
Financial asset at fair value through other comprehensive income		42,454	-
Cash and cash equivalents	24	7,419,239	4,712,333
Other current assets	23	1,091,512	1,160,605
Subtotal		16,616,804	12,774,168
Assets classified as held for sale	16	1,720,305	1,294,938
Total current assets		18,337,109	14,069,106
Total assets		42,765,275	33,982,469
Equity			
Share capital	25	2,200,000	2,200,000

Share premium		269	269
Treasury shares	25	(141,534)	(56,313)
Additional paid-in capital		35,026	35,026
Reserves		2,503,537	1,542,679
Remeasurements of employee termination benefit		(34,871)	(44,776)
Retained earnings		11,359,317	11,312,276
Total equity attributable to equity holders of Turkcell Iletisim Hizmetleri AS ("the Company")		15,921,744	14,989,161
Non-controlling interests		131,810	55,927
Total equity		16,053,554	15,045,088

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

1

TURKCELL ILETISIM HIZMETLERI AS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

	Note	31 December 2018	31 December 2017
Liabilities			
Borrowings	28	13,119,636	8,257,995
Employee benefit obligations	29	224,747	197,666
Provisions	32	268,722	197,418
Deferred tax liabilities	18	862,360	651,122
Contract liabilities	31	131,598	-
Other non-current liabilities	27	364,610	409,337
Total non-current liabilities		14,971,673	9,713,538
Borrowings	28	7,035,909	4,278,154
Current tax liabilities		133,597	103,105
Trade and other payables	33	3,788,174	3,696,466
Due to related parties	38	45,331	6,980
Deferred revenue	30	8,948	193,831
Provisions	32	307,068	835,199
Contract liabilities	31	255,756	-
Derivative financial instruments	34	165,265	110,108
Total current liabilities		11,740,048	9,223,843
Total liabilities		26,711,721	18,937,381
Total equity and liabilities		42,765,275	33,982,469

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

TURKCELL ILETISIM HIZMETLERI AS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2018
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

	Note	2018	2017	2016
Revenue	5	20,350,557	17,026,401	14,100,863
Revenue from financial services	5	941,918	605,663	184,698
Total revenue		21,292,475	17,632,064	14,285,561
Cost of revenue	10	(13,785,448)	(11,073,465)	(9,166,384)
Cost of revenue from financial services	10	(360,545)	(276,709)	(70,223)
Total cost of revenue		(14,145,993)	(11,350,174)	(9,236,607)
Gross profit		6,565,109	5,952,936	4,934,479
Gross profit from financial services		581,373	328,954	114,475
Total gross profit		7,146,482	6,281,890	5,048,954
Other income	6	241,435	74,438	78,569
Selling and marketing expenses	10	(1,626,714)	(2,005,420)	(1,910,947)
Administrative expenses	10	(673,370)	(645,196)	(721,849)
Net impairment losses on financial and contract assets	10	(346,390)	-	-
Other expenses	6	(381,582)	(773,329)	(312,801)
Operating profit		4,359,861	2,932,383	2,181,926
Finance income	8	1,932,133	818,436	961,642
Finance costs	8	(3,619,091)	(1,141,302)	(1,134,441)
Net finance costs		(1,686,958)	(322,866)	(172,799)
Share of loss of equity accounted investees		(87)	-	-
Profit before income tax		2,672,816	2,609,517	2,009,127
Income tax expense	9	(495,481)	(571,758)	(423,160)
Profit from continuing operations		2,177,335	2,037,759	1,585,967
(Loss) from discontinued operations (attributable to owners of the Company)		-	-	(42,164)
Profit for the year		2,177,335	2,037,759	1,543,803
Profit for the year is attributable to:				
Owners of the Company		2,021,065	1,979,129	1,492,088
Non-controlling interests		156,270	58,630	51,715
Total		2,177,335	2,037,759	1,543,803
Basic and diluted earnings per share for profit attributable to owners of the Company (in full TL)	26	0.93	0.90	0.68

Basic and diluted earnings per share for profit from continuing operations attributable to owners of the Company (in full TL)	26	0.93	0.90	0.70	
Basic and diluted earnings/(losses) per share for profit /(loss) from discontinued operations attributable to owners of the Company (in full TL)		-	-	(0.02	)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.
3

TURKCELL ILETISIM HIZMETLERI AS

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

	Note	2018	2017	2016
Profit for the year		2,177,335	2,037,759	1,543,803
Other comprehensive income/(expense):				
Items that will not be reclassified to profit or loss:				
Remeasurements of employee termination benefits		12,699	(3,738)	(34,532)
Income tax relating to remeasurements of employee termination benefits		(2,794)	748	7,066
		9,905	(2,990)	(27,466)
Items that may be reclassified to profit or loss:				
Exchange differences on translation of foreign operations		424,817	27,959	63,920
Exchange differences arising from discontinued operations		425,371	72,190	154,552
Cash flow hedges – effective portion of changes in fair value		630,191	-	-
Cash flow hedges – reclassified to profit or loss	34	(611,035)	-	-
Cost of hedging reserve – changes in fair value		(390,267)	-	-
Cost of hedging reserve – reclassified to profit or loss		42,665	-	-
Income tax relating to these items		(154,409)	(107,299)	(87,381)
-Income tax relating to exchange differences		(226,667)	(107,299)	(87,381)
-Income tax relating to cash flow hedges	34	72,258	-	-
		367,333	(7,150)	131,091
Other comprehensive income/(loss) for the year, net of income tax		377,238	(10,140)	103,625
Total comprehensive income for the year		2,554,573	2,027,619	1,647,428
Total comprehensive income for the year is attributable to:				
Owners of the Company		2,398,930	1,968,102	1,594,465
Non-controlling interests		155,643	59,517	52,963
Total		2,554,573	2,027,619	1,647,428
Total comprehensive income for the year attributable to owners of the Company arises from:				
Continuing operations		1,957,396	1,903,109	1,496,209
Discontinued operations		441,534	64,993	98,256
Total		2,398,930	1,968,102	1,594,465

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

4

TURKCELL ILETISIM HIZMETLERI AS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

	Share capital	Treasury shares	Additional paid-in capital	Share premium	Legal Reeserve (*)	Hedging reserve	Cost of hedging reserve	Reserve for non-controlling interest put option (*)	Remeasurements of employee termination benefit	Foreign currency translation reserve (*)
Balance at 1 January 2016	2,200,000	-	35,026	269	1,211,352	-	-	(489,065)	(14,320)	138,824
Total comprehensive income/(loss):										
Profit for the year	-	-	-	-	-	-	-	-	-	-
Other comprehensive income/(loss):										
Foreign currency translation differences	-	-	-	-	-	-	-	(133,222)	-	263,065
Remeasurements of employee termination benefits	-	-	-	-	-	-	-	-	(27,466)	-
Other comprehensive income for the year, net of income tax	-	-	-	-	-	-	-	(133,222)	(27,466)	263,065
Total comprehensive income for the year	-	-	-	-	-	-	-	(133,222)	(27,466)	263,065
Transfers	-	-	-	-	(16,148)	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-
Change in fair value of non-controlling interests	-	-	-	-	-	-	-	128,090	-	-
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-

Acquisition of treasury shares (-) (Note 25)	-	(65,607)	-	-	-	-	-	-	-	-
Balance at 31 December 2016	2,200,000	(65,607)	35,026	269	1,195,204	-	-	(494,197)	(41,786)	401,889
Balance at 1 January 2017	2,200,000	(65,607)	35,026	269	1,195,204	-	-	(494,197)	(41,786)	401,889
Total comprehensive income/(loss):										
Profit for the year	-	-	-	-	-	-	-	-	-	-
Other comprehensive income/(loss):										
Foreign currency translation differences	-	-	-	-	-	-	-	(45,848)	-	37,811
Remeasurements of employee termination benefits	-	-	-	-	-	-	-	-	(2,990)	-
Other comprehensive loss for the year, net of income tax	-	-	-	-	-	-	-	(45,848)	(2,990)	37,811
Total comprehensive income for the year	-	-	-	-	-	-	-	(45,848)	(2,990)	37,811
Transfers	-	-	-	-	447,820	-	-	-	-	-
Dividends paid	-	9,294	-	-	-	-	-	-	-	-
Balance at 31 December 2017	2,200,000	(56,313)	35,026	269	1,643,024	-	-	(540,045)	(44,776)	439,700
Balance at 1 January 2018	2,200,000	(56,313)	35,026	269	1,643,024	-	-	(540,045)	(44,776)	439,700
Changes in accounting policy (Note 2)	-	-	-	-	-	-	-	-	-	-
Restated total equity at 1 January 2018	2,200,000	(56,313)	35,026	269	1,643,024	-	-	(540,045)	(44,776)	439,700
Total comprehensive income/(loss):										
Profit for the period	-	-	-	-	-	-	-	-	-	-

Other comprehensive income/(loss):										
Foreign currency translation differences	-	-	-	-	-	-	-	(270,147)	-	894,295
Remeasurements of employee termination benefits	-	-	-	-	-	-	-	-	9,905	-
Change in cash flow hedge reserve	-	-	-	-	-	(271,130)	14,942	-	-	-
Total other comprehensive income, net of income tax	-	-	-	-	-	(271,130)	14,942	(270,147)	9,905	894,295
Total comprehensive income/(loss)	-	-	-	-	-	(271,130)	14,942	(270,147)	9,905	894,295
Transfer to legal reserves	-	-	-	-	592,898	-	-	-	-	-
Acquisition of treasury shares (-) (Note 25)	-	(94,620)	-	-	-	-	-	-	-	-
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-
Dividends paid (Note 25)	-	9,399	-	-	-	-	-	-	-	-
Balance at 31 December 2018	2,200,000	(141,534)	35,026	269	2,235,922	(271,130)	14,942	(810,192)	(34,871)	1,333,995

(*) Included in Reserves in the consolidated statement of financial position.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.
5

TURKCELL ILETISIM HIZMETLERI AS

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2018
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

	Note	2018	2017	2016
Cash flows from operating activities:				
Profit before income tax from				
Continuing operations		2,177,335	2,037,759	1,585,967
Discontinued operations		-	-	(42,164)
Profit before income tax including discontinued operations		2,177,335	2,037,759	1,543,803
Adjustments for:				
Depreciation and impairment of property, plant and equipment and investment properties	11-14	1,894,445	1,501,579	1,281,539
Amortization of intangible assets	12	2,393,529	1,095,401	921,812
Net finance (income)/expense		983,881	165,387	(117,598)
Fair value adjustments to derivatives		(1,719,610)	(562,562)	(383,452)
Income tax expense	9	495,481	571,758	423,160
Gain on sale of property, plant and equipment		(43,727)	(33,837)	(25,010)
Unrealized foreign exchange losses on operating assets		2,954,304	966,340	545,287
Provisions		796,520	980,040	197,543
Share of profits of discontinued operations		-	-	42,164
Share of equity accounted investees		87	-	-
(Gain) on sale of subsidiary		(110,308)	-	-
Deferred revenue	30	54,391	131,486	(20,350)
		9,876,328	6,853,351	4,408,898
Change in operating assets/liabilities				
Change in trade receivables	19	273,110	613,404	1,197,053
Change in due from related parties	38	(5,870)	1,107	7,514
Change in receivables from financial services	20	(69,991)	(1,931,538)	(2,396,372)
Change in inventories	22	(76,883)	27,871	(62,090)
Change in other current assets	23	53,957	(198,268)	643,444
Change in other non-current assets	17	142,133	15,012	78,770
Change in due to related parties	38	40,072	(4,099)	4,302
Change in trade and other payables	33	(501,980)	(507,043)	(2,733,901)
Change in other non-current liabilities	27	(242,384)	(82,018)	(14,477)
Change in employee benefit obligations	29	(32,764)	(18,627)	15,151
Change in short term contract asset	21	(711,928)	-	-
Change in long term contract asset	21	(3,513)	-	-
Change in short term contract liability	31	255,756	-	-
Change in long term contract liability	31	131,598	-	-
Changes in other working capital		(981,764)	(265,518)	29,286
Cash generated from operations		8,145,877	4,503,634	1,177,578
Interest paid		(1,658,308)	(909,881)	(434,521)
Income tax paid		(657,715)	(492,487)	(135,920)

Net cash inflow from operating activities		5,829,854	3,101,266	607,137
Cash flows from investing activities:				
Acquisition of property, plant and equipment	11	(2,960,648)	(2,937,195)	(2,572,401)
Acquisition of intangible assets	12	(2,264,912)	(1,172,847)	(855,097)
Proceeds from sale of property, plant and equipment		103,864	58,740	49,639
Proceeds from advances given for acquisition of property, plant and equipment		(204,817)	205,580	(209,686)
Contribution of increase of share capital in joint ventures/associates		(19,500)	-	-
Proceeds from sale of subsidiary		118,528	-	-
Payments for held to maturity investment		(39,877)	(11,992)	-
Interest received		731,793	553,066	610,837
Net cash outflow from investing activities		(4,535,569)	(3,304,648)	(2,976,708)
Cash flows from financing activities:				
Dividends received for treasury share		9,399	-	-
Capital decrease in subsidiaries		-	-	(9,000)
Proceeds from derivative instruments		1,054,345	-	-
Repayments of derivative instruments		(710,522)	-	-
Proceeds from issues of loans and borrowings		44,341,070	24,102,643	9,381,318
Proceeds from issues of bonds		2,188,313	209,808	167,500
Repayment of borrowings		(43,987,127)	(22,265,088)	(4,932,768)
Repayment of bonds		(191,312)	(379,660)	-
Dividends paid to shareholders		(1,900,000)	(2,990,706)	-
Dividends paid to non-controlling interest in subsidiaries		(58,778)	(60,222)	(51,416)
Acquisition of treasury shares		(94,620)	-	(65,607)
(Increase)/decrease in cash collateral related to loans		(20,272)	(183,518)	349,004
Payments of lease liabilities		(1,164,879)	-	-
Net cash (outflow)/inflow from financing activities		(534,383)	(1,566,743)	4,839,031
Net (decrease)/increase in cash and cash equivalents		759,902	(1,770,125)	2,469,460
Cash and cash equivalents at 1 January		4,712,333	6,052,352	2,918,796
Effects of exchange rate changes on cash and cash equivalents		1,947,004	430,106	664,096
Cash and cash equivalents at 31 December	24	7,419,239	4,712,333	6,052,352

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

6

Notes to the consolidated financial statements

7

TURKCELL ILETISIM HIZMETLERI AS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2018
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

1. Reporting entity

Turkcell Iletisim Hizmetleri Anonim Sirketi (the "Company") was incorporated in Turkey on 5 October 1993 and commenced its operations in 1994. The address of the Company's registered office is Maltepe Aydinevler Mahallesi Inonu Caddesi No: 20, Kucukyali Ofispark/Istanbul. It is engaged in establishing and operating a Global System for Mobile Communications ("GSM") network in Turkey and regional states.

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

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

The Company is obliged to pay the ICTA a monthly treasury share equal to 90% of 15% of gross revenue and 10% is paid for a universal service fund. In addition, the Company pays annual contributions in an amount equal to 0.35% of net revenue to the ICTA's expenses and 5% of net revenue to ICTA as a frequency fee (TRx).

The Company's parent is Turkcell Holding A.S., which holds 51% of the Company's shares as of 31 December 2018. The main shareholders of Turkcell Holding A.S. are TeliaSonera Finland Oyj (Sonera), Cukurova Group and Alfa Telecom Turkey Limited ("Alfa") according to the information obtained from public sources.

After failure to comply with corporate governance principles for election of independent board members, the CMB appointed 3 independent board members and 4 members, of which 2 members were chosen from the independent nominees list submitted by Sonera, as board members who satisfy the independence criteria in 2013. On 29 March 2018, in accordance with the shareholder proposal at the Ordinary General Assembly, 3 new members were elected to serve for 3 years instead of 3 members who are appointed by the CMB and meet the independence criteria. Since a member of board of directors resigned from his assignment as of 11 July 2018, Turkcell's Board of Directors consists of a total of 6 non-executive members including 3 independent members as of 31 December 2018.

8

1. Reporting entity (continued)

The consolidated financial statements of the Company as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and a joint venture. 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 2018.

2. Basis of preparation and summary of significant accounting policies

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

(a) Compliance with IFRS

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

The accounting policies, presentation and methods of computation are consistent with those of the previous financial year and corresponding reporting period, unless otherwise stated.

The Group adopted IFRS 9, "Financial Instruments" and IFRS 15, "Revenue from Contracts with Customers" for the first time for the year commencing 1 January 2018. The Group also elected to early adopt IFRS 16, "Leases" for the first time for the year commencing 1 January 2018.

The impacts of adoption of IFRS 9, IFRS 15 and IFRS 16 on the consolidated financial statements are explained in Note 2.ae.i.

The General Assembly has the power to amend and reissue the financial statements. The consolidated financial statements as at and for the year ended 31 December 2017 were authorized for issue by the Board of Directors on 15 February 2018.

The consolidated financial statements as at and for the year ended 31 December 2018 were authorized for issue by the Board of Directors on 20 February 2019.

(b) Historical cost convention

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

- Derivative financial instruments

- Consideration payable in relation to the acquisition of Belarusian Telecom

9

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

(c) Functional and presentation currency

(i) Transactions and balances

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

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

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

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

(ii) Foreign operations

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average monthly exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognized in other comprehensive income and accumulated in the foreign currency translation reserve, in equity.

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

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

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

(d) Use of estimates and judgments

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

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

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

Allowance for doubtful receivables

The Group maintains an allowance for doubtful receivables for estimated losses resulting from the inability of the Group's subscribers and customers to make required payments. The Group bases the allowance on the likelihood of recoverability of trade receivables, receivables from financial services and other receivables; when there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of asset a loss event and that loss event had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. The allowance is periodically reviewed. The allowance charged to expenses is determined in respect of receivable balances, calculated as a specified percentage of the outstanding balance in each aging group, with the percentage of the allowance increasing as the aging of the receivable becomes older.

Capitalization and useful lives of assets

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

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

Gross versus net presentation of revenue

When the Group acts as principal in sale of goods or rendering of services, revenue from customers and costs with suppliers are reported on a gross basis. When the Group acts as agent in sale of goods or rendering of services, revenue from customer and costs with suppliers are reported on a net basis, representing the net margin earned. Whether the Group is acting as principal or agent depends on management's analysis of both legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and costs but do not impact reported assets, liabilities or cash flows.

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

(d) Use of estimates and judgments (continued)

Multiple element arrangements

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

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

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

Income taxes

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

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

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

Provisions, contingent liabilities and contingent assets

As detailed and disclosed in Note 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.

12

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

(d) Use of estimates and judgments (continued)

Annual impairment review

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

As at 31 December 2014, the Company has impaired its assets in Crimea region amounting to TL 19,897. As at 31 December 2018, there is no impairment on assets in Luhansk and Donetsk regions (31 December 2017: TL 10,872).

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

Consequently, the subsidiaries operating within Belarus and Ukraine may subject to foreign currency and interest rate risks related to borrowings, the subscriber’s purchasing power, liquidity and increase in corporate and personal insolvencies, that may not necessarily be observable in other markets. The accompanying consolidated financial statements contain the Company 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 Company’s expectations. As at 31 December 2018, the Group’s management believes that their approach is appropriate in taking all the necessary measures to support the sustainability of these subsidiaries’ businesses in the current circumstances and the achievability of the financials projections used in the impairment assessments.

Fair value measurements and valuation processes

Some of the Company’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 Company uses market-observable data to the extent it is available. Where Level 1 and 2 inputs are not available, the Company can engage third party qualified experts to perform the valuation, if necessary. The management works closely with the qualified external experts 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 35.

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

(d) Use of estimates and judgments (continued)

Contracted handset sales

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

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

(e) Changes in accounting policies

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

As at 31 December 2018, interest expense/income and fair value of derivative financial instruments are shown netted off on consolidated statement of profit or loss (Note 8). The Company has presented financials of 31 December 2017 and 2016 accordingly. This classification has no impact on operating profit, profit for the year and cash flow statement.

Interest expense and income for derivative financial instruments and option premium charges are shown net of under finance income (Note 8).

(f) Changes in accounting estimates

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

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

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

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

14

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

(h) Principles of consolidation and equity accounting

(i) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination comprises:
- the fair value of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- the fair value of any asset or liability resulting from a contingent consideration arrangement, and
- the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

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

(ii) Subsidiaries

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

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

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

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

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

Turkcell Finansman A.Ş. (“Turkcell Finansman”) sold financial loans amounting to TL 87,589 to Aktif Yatırım Bankası A.Ş. Turkcell Varlık Finansmanı Fund (“Fund”) founded by Aktif Yatırım Bankası A.Ş. on 14 April 2017 in order to create funds for issuance of Asset Backed Securities (“ABS”) which will be issued by the Fund in a structure where Turkcell Finansman will act as the source organization. Turkcell Finansman similarly sold second financial loans amounting to TL 89,607 to Aktif Yatırım Bankası A.Ş. Turkcell Varlık Finansmanı Fund (“Fund”) founded by Aktif Yatırım Bankası A.Ş. o 22 August 2017, third financial loans amounting to TL 90,272 on 16 February 2018 and fourth financial loans amounting to TL 56,716 on 20 December 2018. Turkcell Finansman transferred its contractual rights to receive cash flows from the financial loans that have been sold to the Fund resulting in de-recognition of the related assets from its consolidated financial statements. Moreover, the Company did not consolidate the Fund since the activities of the Fund are not controlled by the Company and the Fund has been defined as a structured entity.

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

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

(iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to the non-controlling and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

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

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

(iv) Business combinations under common control

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

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

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

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

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

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

(vi) Investments in associates and joint ventures

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

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. The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting.

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

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in that entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in (Note 16). The Group measures an associate that is classified as held for sale at the lower of its carrying amount at the date of classification as held for sale and fair value less costs of disposal. Equity accounting ceases once an associate is classified as held for sale.

(i) Financial instruments

(i) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

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

(i) Financial instruments (continued)

(ii) Recognition and derecognition

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

(iii) Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

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

(i) Financial instruments (continued)

(iv) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Loss allowances are measured on either the following bases.

- 12 month expected credit losses (ECLs): these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group applies lifetime ECL measurement for all group companies except Turkcell Finansman A.S. which applies both 12 month and lifetime ECL (general approach).

(v) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

Forward foreign exchange, interest rate and foreign exchange swaps (IRS, Cross Currency Swaps etc.) and option transaction fair values are calculated with market levels of interest rates and Central Bank of Republic of Turkey (CBRT) exchange rates via Bloomberg financial terminal. If market levels are not available for valuation date, fair value for forward contracts will be value of discounted future value of difference between contract price level and forward value of CBRT exchange rate with risk fee rates for the period. Interest rate and currency swaps will be valued with the difference of discounted cash flows of each leg of the swaps using risk free rates and CBRT exchange rates. Option transactions will be valued with option pricing models using risk free rates and CBRT exchange rates.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within OCI in the costs of hedging reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

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

(i) Financial instruments (continued)

(v) Derivatives and hedging activities (continued)

Cash flow hedges that qualify for hedge accounting (continued)

- Where the hedged item subsequently results in the recognition of a non-financial asset, both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss.

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

(viii) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position where the Group has a legally enforcable right to offset the recognized amounts, and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial instruments - Accounting policies applied until 31 December 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information for prior periods. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy. Accounting policies that changed on adoption of IFRS 9 are as follows. The Group's new accounting policies are explained above.

i) Classification

Until 31 December 2017, the Group classified its financial assets in the following categories:

· financial assets at fair value through profit or loss,

· loans and receivables,

· held-to-maturity investments, and

· available-for-sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

21

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

(i) Financial instruments (continued)

Financial instruments - Accounting policies applied until 31 December 2017 (continued)

(ii) Reclassification

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

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

(iii) Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9.

Subsequent to initial recognition, loans and receivables and held-to-maturity investments were carried at amortized cost using the effective interest method.

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

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

Details on how the fair value of financial instruments is determined are disclosed in Note 35.

(iv) Impairment

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

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

(i) Financial instruments (continued)

Financial instruments - Accounting policies applied until 31 December 2017 (continued)

(iv) Impairment (continued)

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

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

Impairment testing of trade receivables is described in Note 35.

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

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

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

(j) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See Note 35 for a description of the Group's impairment policies.

23

TURKCELL ILETISIM HIZMETLERI AS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2018
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

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

(l) Property, plant and equipment

(i) Recognition and measurement

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

Historical cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located, if any.

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

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

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

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

(ii) Subsequent costs

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

24

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

(l) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Land is not depreciated.

The estimated useful lives are as follows:

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

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

(iv) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

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

Other borrowing costs are expensed in the period in which they are incurred.

(m) Intangible assets

(i) Telecommunication licenses

Separately acquired telecommunication licenses are stated at historical cost adjusted for the effects of inflation during the hyperinflationary period, where applicable, less amortization and impairment losses.

Amortization

Amortization is recognized in the statement of profit or loss on a straight-line basis by reference to the license period. The useful lives for telecommunication licenses are as follows:

Telecommunications licenses	3 – 25 years

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

(m) Intangible assets (continued)

(ii) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software programmes are recognized as an expense as incurred.

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

- it is technically feasible to complete the software so that it will be available for use

- management intends to complete the software and use or sell it

- there is an ability to use or sell the software

- it can be demonstrated how the software will generate probable future economic benefits

- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and

- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software include employee costs and an appropriate portion of relevant overheads.

Research expenditure and development expenditure that do not meet the criteria above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

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

Amortization

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

Computer software	3 – 8 years

(iii) Other intangible assets

Other intangible assets that are acquired by the Group which have finite useful lives are stated at historical cost adjusted for the effects of inflation during the hyperinflationary period, where applicable, less amortization and impairment losses. Indefeasible Rights of Use ("IRU") are rights to use a portion of an asset's capacity granted for a fixed period of time. IRUs are recognized as intangible asset when the Group has specific indefeasible rights to use an identified portion of an underlying asset and the duration of the right is for the major part of the underlying asset's useful economic life. IRUs are amortized over the shorter of the underlying asset's useful economic life and the contract term.

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

(m) Intangible assets (continued)

(iii) Other intangible assets (continued)

Amortization

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

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

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

Goodwill

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

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

(n) Investment properties

Recognition and measurement

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

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

---

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

(n) Investment properties (continued)

Depreciation

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

Investment Property	25 – 45 years

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

(o) Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Cost of inventory is determined using the weighted average method and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Costs of purchased inventory are determined after deducting rebates and discounts. At 31 December 2018 and 2017, inventories mainly consisted of mobile phones, sim-cards, and other devices.

(p) Impairment of assets

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

(r) Employee benefits

(i) Short-term obligations

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

(ii) Termination benefits

In accordance with the labor law in Turkey, the Company and its subsidiaries in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire, are called up for military service or die. Such payments are calculated on the basis of 30 days' pay up to a of maximum full TL 5,434 as at 31 December 2018 (31 December 2017: TL 4,732), per year of employment at the rate of pay applicable at the date of retirement or termination. Termination benefits paid to key executive officers are presented as other expenses. Reserve for employee termination benefits is computed and reflected in the consolidated financial statements on a current basis. Discount rate used for calculating employee termination benefit as of 31 December 2018 is 4.41% (31 December 2017: 3.33%).The reserve is calculated by estimating the present value of future probable obligation of the Company and its subsidiaries in Turkey arising from retirement of employees. Reserve for employee termination benefits is calculated annually by independent actuaries using the projected unit credit method.

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

(r) Employee benefits (continued)

(iii) Defined contribution plans

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

(iv) Share-based payments

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

(v) Personnel bonus

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

(s) Provisions

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

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

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

Onerous contracts

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

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.

29

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

(t) Revenue

Revenue is recognized at the amount of the transaction price that is allocated to the performance obligation. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. Revenue is recognized when control is transferred to the customer.

Revenue from telecommunication services includes postpaid and prepaid revenue from voice, data, messaging and value added services, interconnect revenue, monthly fixed fees, SIM card sales and roaming revenue. An entity transfers control of a service over time and, therefore, satisfies a performance obligation and recognizes revenue from telecommunication services over time.

With respect to prepaid revenue, the Group generally collects cash in advance by selling prepaid top up to distributors. In such cases, the Group does not recognize revenue until subscribers use the telecommunication services.

Services may be bundled with other products and services and these bundled elements involve consideration in the form of a fixed fee or a fixed fee coupled with a continuing payment stream. A good or service is distinct if both of the following criteria are met:

- the good or service is capable of being distinct
- the promise to transfer the good or service is distinct within the context of the contract.

The arrangement consideration is allocated to each performance obligation identified in the contract on a relative stand-alone selling prices. If an element of a transaction is not a distinct, then it is accounted for as an integral part of the remaining elements of the transaction.

Revenue from device sales is recognized when control of the device has transferred, being when delivered to the end customer. For device sales made to intermediaries, revenue is recognized when control of the device has transferred, being when the products are delivered to the intermediary and the intermediary has no general right to return the device to receive a refund. If control is not transferred, revenue is deferred until sale of the device to an end customer by the intermediary or expiry of any right of return.

The Company, the distributors and dealers offer joint campaigns to the subscribers which may include the sale of device by the dealer and/or the distributor and the sale of communication service by the Company. In certain campaigns, dealers make the handset sale to the subscribers instalments of which will be collected by the Company based on the letters of undertaking signed by the subscribers. With the letter of undertaking, the dealer assigns its receivables from handset sale to the distributor and the distributor assigns its receivables to the Company.

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

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

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

(t) Revenue (continued)

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

Monthly fixed fees represent a fixed amount charged to postpaid subscribers on a monthly basis without regard to the level of usage. Fixed fees are recognized on a monthly basis when billed. Monthly fixed fees are included telecommunication services revenues.

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

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

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

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

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

Indicators that an entity is a principal:

- the entity is primarily responsible for fulfilling the promise to provide the specified good or service.
- the entity has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer
- the entity has discretion in establishing the price for the specified good or service.

31

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

(t) Revenue (continued)

The Company and the Ministry of Transport and Infrastructure of Turkey, Directorate General of Communications signed a contract to continue the contract to establish and operate mobile communication infrastructure and operation in uncovered areas, until 31 December 2019 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. As of 31 December 2018, the Company has recognized TL 376,765 (31 December 2017: TL 257,866) revenue from its operations related to this contract. Since the Company acts as principal, revenue and operating costs are reported on a gross basis in these consolidated financial statements.

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

Contract costs eligible for capitalization as incremental costs of obtaining a contract comprise commission on sale relating to postpaid contracts with acquired or retained subscribers. Contract costs are capitalized in the month of service activation if the Group expects to recover those costs. Contract costs comprise sales commissions to dealers and to own salesforce which can be directly attributed to an acquired or retained contract. Contract costs are classified as intangible assets in the consolidated financial statements. The asset is amortised on a straight line basis over the customer life time it relates to consistent with the pattern of recognition of the associated revenue.

Revenue - Accounting policies applied until 31 December 2017

The Group adopted the new standard on the required effective date using the modified retrospective method which requires the recognition of the cumulative effect of initially applying IFRS 15, as at 1 January, 2018, to retained earnings and not restate prior years. As a result, the comparative information provided continues to be accounted for in accordance with the Group’s previous accounting policy. Accounting policies that changed on adoption of IFRS 15 are as follows. The Group’s new accounting policies are explained above.

Contract cost
Contract costs were capitalized under prepaid expenses and amortised on a straight line basis over the contact term.

(u) Trade and other payables

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

(v) Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

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

(w) Income taxes

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Income tax expense is recognized in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g., the Research and Development Tax Incentive regime in Turkey or other investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognized for unclaimed tax credits that are carried forward as deferred tax assets.

(x) Earnings per share

The Group does not have any potential ordinary shares in issue, therefore basic and diluted earnings per share ("EPS") are equal. Since basic and diluted EPS are equal, the Group presents both basic and diluted EPS on one line described as "Basic and diluted EPS".

Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares. In Turkey, entities can increase their share capital by distributing "Bonus share" 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 when determining the weighted-average number of shares outstanding.

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

(y) 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 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 credited to profit or loss on a straight-line basis over the expected useful lives of the related assets.

(z) 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 of disposal.

An impairment loss is recognized for any initial or subsequent write-down of the asset to fair value less costs of disposal. A gain is recognized for any subsequent increases in fair value less costs of disposal of an asset, but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset is recognized at the date of derecognition.

An associate 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 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 of disposal. 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 statement of financial position.

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.

(aa) Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity instruments, for example as the result of a share buy-back plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

---

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

(ab) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

(ac) Subsequent events

Events after the reporting date; Includes all events between the reporting date and the date on which the financial statements are authorized for issue, even if any announcement of profit or other selected financial information has been made publicly disclosed.

In case of events requiring correction after the reporting date, corrects this new situation accordingly. Events that are not required to be adjusted subsequent to the reporting date are disclosed in the notes to the financial statements in the consolidated financial statements.

(ad) Leases

At inception of a contract, the Group assesses whether a contract is, or contains a lease. 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. To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

- the contract involved the use of an identified asset – this may be specified explicitly or implicitly
- the asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- the Group has the right to direct use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing the how and for what purpose the asset is used is predetermined, the Group has the right the use of asset if either:
- the Group has the right to operate the asset or;
- the Group designed the asset in a way that predetermines how and for what purpose it is used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Right of use asset

The Group recognizes a right-of use asset and a lease liability at the lease commencement date.

The right of use asset is initially recognized at cost comprising of:

- amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end date of the useful life of the right-of-use asset of the end date of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability (Note 28).

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

(ad) Leases

Lease Liability
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group' incremental borrowing rate. Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewable period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain to terminate early.

After initial recognition, the lease liability is measured (a) increasing the carrying amount to reflect interest on lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Where, (a) there is a change in the lease term as a result of reassessment of certainty to exercise an exercise option, or not to exercise a termination option as discussed above; or (b) there is a change in the assessment of an option to purchase the underlying asset, assessed considering the events and circumstances in the context of a purchase option, the Group remeasures the lease liabilities to reflect changes to lease payments by discounting the revised lease payments using a revised discount rate. The Group determines the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the its incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

Where, (a) there is a change in the amounts expected to be payable under a residual value guarantee; or (b) there is a change in the future lease payments resulting from a change in an index or a rate used to determine those payments, including change to reflect changes in market rental rates following a market rent review, the Group remeasures the lease liabilities by discounting the revised lease payments using an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In such case, the Group use revised discount rate that reflects changes in the interest rate.

The Group recognises the amount of the remeasurement of lease liability as an adjustment to the right of use asset. Where the carrying amount of the right of use asset is reduced zero and there is further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

The Group accounts for a lease modification as a separate lease if both:
- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

(ad) Leases (continued)

The Group as a Lessor

When the Group acts an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use-asset arising from the head lease, not with reference to the underlying asset.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

Leases - Accounting policies applied until 31 December 2017

The Group adopted IFRS 16 using modified retrospective approach - option 2 application under which the cumulative effect of initially applying the Standard recognised at the date of initial application at 1 January 2018. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy. Accounting policies that changed on adoption of IFRS 16 are as follows. The Group's new accounting policies are explained above.

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

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

(ae) New standards and interpretations

i) Amendments to IFRSs affecting amounts reported and/or disclosures in the consolidated financial statements

This note explains the impact of the adoption of IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases on the Group's consolidated financial statements.

The impacts of adoption of IFRS 9, IFRS 15 and IFRS 16 on the consolidated financial statements as at 31 December 2018 are stated as below. The adoptions of these standards do not have a significant impact on the consolidated other comprehensive income (OCI) and consolidated statement of cash flows.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

TURKCELL ILETISIM HIZMETLERI AS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2018
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

	31 December 2018 As reported	Effect Of Change Due to IFRS 9	Effect Of Change Due to IFRS 15	Effect Of Change Due to IFRS 16	31 December 2018 without Adoptions
Assets					
Property, plant and equipment	11,116,316	-	-	-	11,116,316
Right-of-use assets	1,649,602	-	-	1,649,602	-
Intangible assets	10,050,172	-	1,059,866	-	8,990,306
Investment properties	15,425	-	-	-	15425
Trade receivables	115,001	(608)	(3,513)	-	119,122
Contract assets	3,513	-	3,513	-	-
Receivables from financial services	884,686	-	-	-	884,686
Deferred tax assets	152,732	-	-	14,696	138,036
Investments in equity accounted investees	19,413	-	-	-	19,413
Other non-current assets	421,306	(228)	(10,849)	(161,426)	593,809
Total non-current assets	24,428,166	(836)	1,049,017	1,502,872	21,877,113
Inventories	180,434	-	-	-	180,434
Trade receivables	2,505,990	49,567	(703,742)	6,926	3,153,239
Due from related parties	13,533	67	-	-	13,466
Receivables from financial services	3,286,243	(40,463)	-	-	3,326,706
Derivative financial instruments	1,356,062	-	-	-	1,356,062
Held to maturity investments	-	(51,863)	-	-	51,863
Financial asset at fair value through profit or loss	9,409	9,409	-	-	-
Financial asset at fair value through other comprehensive income	42,454	42,454	-	-	-
Contract assets	711,928	-	711,928	-	-
Cash and cash equivalents	7,419,239	(2,364)	-	-	7,421,603
Other current assets	1,091,512	87	(137,997)	(312,872)	1,542,294
Subtotal	16,616,804	6,894	(129,811)	(305,946)	17,045,667
Assets classified as held for sale	1,720,305	-	-	-	1,720,305
Total current assets	18,337,109	6,894	(129,811)	(305,946)	18,765,972
Total assets	42,765,275	6,058	919,206	1,196,926	40,643,085
Equity					
Share capital	2,200,000	-	-	-	2,200,000
Share premium	269	-	-	-	269
Treasury shares (-)	(141,534)	-	-	-	(141,534)
Additional paid in capital	35,026	-	-	-	35,026
Reserves	2,503,537	(154)	8,958	(740)	2,495,473

Remeasurements of employee termination benefit	(34,871)	-	-	-	(34,871)
Retained earnings	11,359,317	4,989	667,946	(71,464)	10,757,846
Total equity attributable to equity holders of Turkcell Iletisim Hizmetleri AS (“the Company”)	15,921,744	4,835	676,904	(72,204)	15,312,209
Non-controlling interests	131,810	-	-	-	131,810
Total equity	16,053,554	4,835	676,904	(72,204)	15,444,019

TURKCELL ILETISIM HIZMETLERI AS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2018
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

	31 December 2018 As reported	Effect Of Change Due to IFRS 9	Effect Of Change Due to IFRS 15	Effect Of Change Due to IFRS 16	31 December 2018 without Adoptions
Liabilities					
Borrowings	13,119,636	-	-	902,285	12,217,351
Employee benefit obligations	224,747	-	-	-	224,747
Provisions	268,722	-	-	-	268,722
Deferred tax liabilities	862,360	1,223	193,854	-	667,283
Contract liabilities	131,598	-	131,598	-	-
Other non-current liabilities	364,610	-	(102,887)	-	467,497
Total non-current liabilities	14,971,673	1,223	222,565	902,285	13,845,600
Borrowings	7,035,909	-	-	366,845	6,669,064
Current tax liabilities	133,597	-	-	-	133,597
Trade and other payables	3,788,174	-	1,786	-	3,786,388
Due to related parties	45,331	-	17,951	-	27,380
Contract liabilities	255,756	-	255,756	-	-
Deferred revenue	8,948	-	(255,756)	-	264,704
Provisions	307,068	-	-	-	307,068
Derivative financial instruments	165,265	-	-	-	165,265
Total current liabilities	11,740,048	-	19,737	366,845	11,353,466
Total liabilities	26,711,721	1,223	242,302	1,269,130	25,199,066
Total equity and liabilities	42,765,275	6,058	919,206	1,196,926	40,643,085

TURKCELL ILETISIM HIZMETLERI AS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2018
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

	31 December 2018 As reported	Effect Of Change Due to IFRS 9	Effect Of Change Due to IFRS 15	Effect Of Change Due to IFRS 16	31 December 2018 without Adoptions
Revenue	20,350,557	-	(18,132)	-	20,368,689
Revenue from financial services	941,918	-	308	-	941,610
Total revenue	21,292,475	-	(17,824)	-	21,310,299
Cost of revenue	(13,785,448)	-	(329,447)	51,098	(13,507,099)
Cost of revenue from financial services	(360,545)	-	-	-	(360,545)
Total cost of revenue	(14,145,993)	-	(329,447)	51,098	(13,867,644)
Gross profit	6,565,109	-	(347,579)	51,098	6,861,590
Gross profit from financial services	581,373	-	308	-	581,065
Total gross profit	7,146,482	-	(347,271)	51,098	7,442,655
Other income	241,435	-	-	35,012	206,423
Selling and marketing expenses	(1,626,714)	141,527	523,210	51,208	(2,342,659)
Administrative expenses	(673,370)	225,778	-	50,724	(949,872)
Net impairment losses on financial and contract assets	(346,390)	(346,390)	-	-	-
Other expenses	(381,582)	-	-	(44,431)	(337,151)
Operating profit	4,359,861	20,915	175,939	143,611	4,019,396
Finance income	1,932,133	-	-	892	1,931,241
Finance costs	(3,619,091)	(14)	-	(230,663)	(3,388,414)
Net finance costs	(1,686,958)	(14)	-	(229,771)	(1,457,173)
Share of profit of equity accounted investees	(87)	-	-	-	(87)
Profit before income tax	2,672,816	20,901	175,939	(86,160)	2,562,136
Income tax expense	(495,481)	(4,764)	(38,015)	14,696	(467,398)
Profit for the period	2,177,335	16,137	137,924	(71,464)	2,094,738
Profit for the year is attributable to:					
Owners of the Company	2,021,065	16,137	137,924	(71,464)	1,938,468
Non-controlling interests (*)	156,270	-	-	-	156,270
Total	2,177,335	16,137	137,924	(71,464)	2,094,738
Basic and diluted earnings per share for profit attributable to owners of the Company (in full TL)	0.93	0.01	0.06	(0.03)	0.89

40

TURKCELL ILETISIM HIZMETLERI AS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2018
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

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

(ae) New standards and interpretations (continued)

i) Amendments to IFRSs affecting amounts reported and/or disclosures in the consolidated financial statements (continued)

IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has taken advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as at 1 January 2018.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements as stated below:

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	1 January 2018
Retained Earnings Opening – 31 December 2017	11,312,276
Increase in provision for receivables from financial services	(52,951)
Increase in provision for other financial assets	38,384
Deferred tax effect	3,419
Total impact of adoption in accordance with IFRS 9	(11,148)
Retained Earnings Opening – 1 January 2018 (Including IFRS 9- excluding IFRS 15)	11,301,128

On the date of initial application, 1 January 2018, the financial instruments of the Company were as follows, with any reclassifications noted;

Non-current financial assets	Original (IAS 39)	New (IFRS 9)	Original	New	Difference
Trade receivables	Amortized cost	Amortized cost	155,634	154,392	(1,242)
Receivables from financial services	Amortized cost	Amortized cost	1,297,597	1,297,597	-
Held to maturity investments	Held to maturity	Amortized cost	654	654	-
Current financial assets					
Trade receivables	Amortized cost	Amortized cost	2,848,572	2,888,862	40,290
Due from related parties	Amortized cost	Amortized cost	5,299	5,522	223

Receivables from financial services	Amortized cost	Amortized cost	2,950,523	2,897,572	(52,951)
Derivatives	FVPL	FVPL	981,396	981,396	-
Cash and cash equivalents	Amortized cost	Amortized cost	4,712,333	4,711,452	(881)
Held to maturity investments	Held to maturity	Amortized cost	11,338	11,332	(6)
Current financial liabilities					
Derivatives	FVPL	FVPL	110,108	110,108	-

41

TURKCELL ILETISIM HIZMETLERI AS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2018
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

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

(ae) New standards and interpretations (continued)

i) Amendments to IFRSs affecting amounts reported and/or disclosures in the consolidated financial statements (continued)

IFRS 9 Financial Instruments – Impact of adoption (continued)

Impairment of financial assets
The group recognizes impairment charges for financial assets that are subject to the expected credit loss model in accordance with IFRS 9 as below:

· Trade receivables resulting from operations
· Financial services receivables
· Cash and cash equivalents
· Financial investments
· Other receivables
· Other assets

Financial services receivables

On 1 January 2018, credit risks were assessed for these loans in accordance with the impairment methodology and TL (52,951) has been recognized under retained earnings.

The reconciliation of impairment provision and opening balances for financial services receivables as of 1 January 2018 is stated as below:

	1 January 2018
At 1 January 2018 (calculated under IAS 39)	72,992
Amounts restated through opening retained earnings	52,951
At 1 January 2018 (calculated under IFRS 9)	125,943
Current year provision at profit or loss statement – IFRS 9	190,509
Current year provision at profit or loss	202,998

statement if IAS 39 was
applied

Other financial assets
The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for its financial assets comprising of trade receivables and contract assets.

The reconciliation of impairment provision and opening balances for other financial assets as of 1 January 2018 is stated as below:

	1 January 2018
At 1 January 2018 (calculated under IAS 39)	705,440
Amounts restated through opening retained earnings	(38,384)
At 1 January 2018 (calculated under IFRS 9)	667,056
Current year provision at profit or loss statement-IFRS 9	418,799
Current year provision at profit or loss statement if IAS 39 was applied	427,211

42

TURKCELL ILETISIM HIZMETLERI AS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2018
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

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

(ae) New standards and interpretations (continued)

i) Amendments to IFRSs affecting amounts reported and/or disclosures in the consolidated financial statements (continued)

IFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group adopted the new standard on the required effective date using the modified retrospective method which requires the recognition of the cumulative effect of initially applying IFRS 15 as at 1 January 2018 to retained earnings and not restate prior years.

The impact of adoption of IFRS 15, "Revenue from contracts with customers" on retained earnings as of 1 January 2018 is stated as below:

	1 January 2018
Retained earnings 1 January 2018 - (including IFRS 9 effects-excluding IFRS 15 effects)	11,301,128
Recognition of asset for subscriber acquisition cost	830,011
Decrease in current assets and non-current assets	(132,920)
Deferred tax effect	(144,632)
Other	(22,437)
Adjustment to retained earnings from adoption of IFRS 15	530,022
Opening retained earnings 1 January 2018 - (including IFRS 9 and IFRS 15 effects)	11,831,150

Contract costs capitalized prior to IFRS 15 have been classified under prepaid expenses. As of 1 January 2018, contract costs amounting to 156,879 TL has been classified from prepaid expenses to intangible assets.
Details of contract costs and related accumulated depreciation for the period 1 January - 31 December 2018 has been disclosed under Note 12.

IFRS 16 Leases – Impact of adoption

Details of adoption on IFRS16 for the period 1 January - 31 December 2018 has been disclosed under Note 15.

The Group early adopted IFRS 16 with a date of initial application of 1 January 2018.

The Group adopted IFRS 16 using modified retrospective approach - option 2 application under which the cumulative effect of initially applying the Standard recognised at the date of initial application at 1 January 2018.

The amount of TL 542,179 of the right to use of the asset is attributable to the classification of the prepaid lease expenses accounted for under prepaid expenses before the application of IFRS 16.

43

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

(ae) New standards and interpretations (continued)

i) Amendments to IFRSs affecting amounts reported and/or disclosures in the consolidated financial statements (continued)

IFRS 16 Leases – Impact of adoption (continued)

On transition to IFRS 16, the Group elected to apply practical expedient to grandfather the assessment of which transitions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2018.

On transition the Group did not elect to apply recognition exemption for short-term leases by class of underlying assets and leases for low-value items which shall be applied lease-by-lease basis on both transition and subsequently.

As a lessee, the Group previously classified leases as operating and finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. At transition lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate at 1 January 2018. The Group measured right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments under IFRS 16 modified retrospective approach option 2 application and used the following practical expedients;

- Group applied a single discount rate to a portfolio of leases with similar characteristics

- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application

Used hindsight when determining the lease term when the contract contains options to renew or terminate the lease.

ii) Standards, amendments and interpretations applicable as at 31 December 2018

- Amendment to IFRS 15, 'Revenue from contracts with customers', effective from annual periodsbeginning 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.

TURKCELL ILETISIM HIZMETLERI AS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2018
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

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

(ae) New standards and interpretations (continued)

ii) Standards, amendments and interpretations applicable as at 31 December 2018 (continued)

- Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial Instruments'; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

- give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
- give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard IAS 39.

- 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.

- 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.

- Annual improvements 2014-2016; effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 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,
· IAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.

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.

TURKCELL ILETISIM HIZMETLERI AS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2018
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

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

(ae) New standards and interpretations (continued)

iii) Standards, amendments and interpretations that are issued but not effective as at 31 December 2018

- Amendment to IFRS 9, ‘Financial instruments’; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

- Amendment to IAS 28, ‘Investments in associates and joint venture’; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.

- IFRIC 23, ‘Uncertainty over income tax treatments’; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

- IFRS 17, ‘Insurance contracts’; effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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

(ae) New standards and interpretations (continued)

iii) Standards, amendments and interpretations that are issued but not effective as at 31 December 2018 (continued)

- Annual improvements 2015-2017; effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

  - IFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - IFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
  - IAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

- Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

  - use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
  - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

- Amendments to IAS 1 and IAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:
- i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- ii) clarify the explanation of the definition of material; and
- iii) incorporate some of the guidance in IAS 1 about immaterial information.

- Amendments to IFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

The Company does not expected material impact of new standards and interpretations on Company's accounting policies.

TURKCELL ILETISIM HIZMETLERI AS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2018
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

3. Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

The Group's risk management is carried out by a central treasury department ("Group Treasury) under policies approved by the Audit Committee. Group Treasury identifies, evaluates and manages financial risks in close co-operation with the Group's operating units. The Audit Committee provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. In addition, Risk Early Detection Committee was established in accordance with the New Turkish Commercial Code effective from 1 July 2012.

Credit risk

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 cash and cash equivalents, financial asset at fair value through profit or loss , derivative financial instruments, trade receivables, receivables from financial services, due from related parties and other assets (Note 35).

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 (Note 19).

In monitoring customer credit risk, customers are grouped according to whether they are subscribers, financial services customers, other corporate customers, 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 comprise of the general provision which is determined based on a loss event. Investments are preferred to be in liquid securities. The counterparty limits are set monthly 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 executed with local and international counterparties with whom the Group has signed international agreements and which have sound credit ratings.

The Group's policy is to provide financial guarantees only to subsidiaries and distributors. At 31 December 2018, guarantees of TL 4,988,580 were outstanding (31 December 2017: TL 3,720,954).

48

3. Financial risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the Group held deposits at call of TL 587,007 (2017: TL 603,553) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group’s liquidity reserve (Note 35) and cash and cash equivalents (Note 24) 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.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices 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 uses derivatives in order to manage market risks. All such transactions are carried at within the guidelines set by the Group Treasury.

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the USD, EUR and RMB. Foreign exchange risk arises from recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant Group entity. The Group holds a significant portion of its cash and cash equivalent in foreign currency in order to manage foreign exchange risk. In additional, derivative financial instruments are used to manage exposure to fluctuations in foreign exchange rates and as of 1 July 2018 the Company applies hedge accounting.

Foreign exchange risk arising from the net assets of the subsidiary Fintur is not managed by the Group.

Details of Company’s foreign exchange risk is disclosed in Note 35.

(ii) 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 loans. Floating rate exposures can be changed to fixed rate exposures based on short term and long term market expectations via financial derivatives. The use of financial derivatives is governed by the Group Treasury's policies approved by the Audit Committee, which provide written principles on the use of derivatives.

The Group's borrowings and receivables are carried at amortized cost. The borrowings are periodically contractually repriced (Note 35) and to that extent are also exposed to the risk of future changes in market interest rates.

4. Segment information

The Group has two reportable segments in accordance with its integrated communication and technology services strategy - Turkcell Turkey and Turkcell International. While some of these strategic segments offer the same types of services, 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 Iletisim Hizmetleri A.S. (“Turkcell Superonline”), Turkcell Satis ve Dijital Is Servisleri Hizmetleri A.S. (“Turkcell Satis”), group call center operations of Global Bilgi Pazarlama Danismanlık ve Cagri Servisi Hizmetleri A.S. (“Turkcell Global Bilgi”), Turktell Bilisim Servisleri A.S. (“Turktell”), Turkcell Teknoloji Arastirma ve Gelistirme A.S. (“Turkcell Teknoloji”), 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”), East Asian Consortium B.V. (“Eastasia”), Lifecell LLC (“lifecell”), Lifecell Ventures Coöperatief U.A (“Lifecell Ventures”), Beltel Telekomunikasyon Hizmetleri A.S. (“Beltel”), CJSC Belarusian Telecommunications Network (“Belarusian Telecom”), LLC UkrTower (“UkrTower”), LLC Global Bilgi (“Global LLC”), Turkcell Europe GmbH (“Turkcell Europe”), Lifetech LLC (“Lifetech”), Beltower LLC (“Beltower”) and Lifecell Digital Limited (“Lificell Digital”). 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, Turkcell Finansman A.Ş.(“ Turkcell Finansman”), Turkcell Özel Finansman A.Ş. (“TÖFAŞ”), Turkcell Enerji Cozumleri ve Elektrik Satıs Ticaret A.S (“Turkcell Enerji”) Paycell LLC (“Paycell”), Turkcell Sigorta Aracılık Hizmetleri A.Ş (“Turkcell Sigorta”), Türkiye’nin Otomobili Girişim Grubu Sanayi ve Ticaret A.Ş.(“Türkiye’nin Otomobili”) and Sofra Kurumsal ve Ödüllendirme Hizmetleri A.Ş.(“Sofra”).

The Board primarily uses adjusted EBITDA to assess the performance of the operating segments. Adjusted EBITDA definition includes revenue, cost of revenue 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 the consolidated profit for the year is included in the accompanying notes.

TURKCELL ILETISIM HIZMETLERI AS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2018
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

4. Segment information (continued)

	Turkcell Turkey		Turkcell International		All other segments		Intersegment eliminations		Consolid
	2018	2017	2018	2017	2018	2017	2018	2017	2018
Total segment revenue	18,265,777	15,450,136	1,456,980	1,067,078	1,933,831	1,187,454	(364,113)	(72,604)	21,292,4
Inter-segment revenue	(42,344)	(31,690)	(69,657)	(40,897)	(252,112)	(17)	364,113	72,604	-
Revenues from external customers	18,223,433	15,418,446	1,387,323	1,026,181	1,681,719	1,187,437	-	-	21,292,4
Adjusted EBITDA	7,534,291	5,593,837	612,697	263,962	665,470	374,314	(24,476)	(3,859)	8,787,98
Bad debt expense	(248,171)	49,468	(4,088)	(6,070)	(94,131)	(79,676)	-	-	(346,390

	Turkcell Turkey		Turkcell International		All other segments		Intersegment eliminations		Consolidated
	2017	2016	2017	2016	2017	2016	2017	2016	2017
Total segment revenue	15,450,136	12,787,592	1,067,078	874,692	1,187,454	661,923	(72,604)	(38,646)	17,632,064
Inter-segment revenue	(31,690)	(19,680)	(40,897)	(18,964)	(17)	(2)	72,604	38,646	-
Revenues from external customers	15,418,446	12,767,912	1,026,181	855,728	1,187,437	661,921	-	-	17,632,064
Adjusted EBITDA	5,593,837	4,160,861	263,962	235,348	374,314	222,849	(3,859)	451	6,228,254
Bad debt expense	49,468	(195,472)	(6,070)	(5,956)	(79,676)	(9,956)	-	-	(36,278)

TURKCELL ILETISIM HIZMETLERI AS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2018
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

4. Segment information (continued)

	2018	2017	2016
Profit for the period	2,177,335	2,037,759	1,543,803
Add(Less):			
Profit/(loss) from discontinued operations	-	-	42,164
Profit from continuing operations	2,177,335	2,037,759	1,585,967
Income tax expense	495,481	571,758	423,160
Finance income	(1,932,133)	(818,436)	(961,642)
Finance costs	3,619,091	1,141,302	1,134,441
Other income	(241,435)	(74,438)	(78,569)
Other expenses	381,582	773,329	312,801
Depreciation and amortization	4,287,974	2,596,980	2,203,351
Share of loss of equity accounted investees	87	-	-
Consolidated adjusted EBITDA	8,787,982	6,228,254	4,619,509

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.

	2018	2017	2016
Revenues			
Turkey	19,636,682	16,431,863	13,321,503
Ukraine	923,181	664,643	573,951
Belarus	293,181	209,884	149,005
Azerbaijan	268,471	174,021	108,329
Turkish Republic of Northern Cyprus	169,014	148,637	129,785
Germany	1,580	3,016	2,988
Netherlands	366	-	-
	21,292,475	17,632,064	14,285,561

Non-current assets	31 December 2018	31 December 2017
Turkey	21,037,351	18,098,228

Ukraine	2,751,277	1,408,783
Belarus	293,622	141,802
Turkish Republic of Northern Cyprus	177,380	138,371
Azerbaijan	-	13,663
Unallocated non-current assets	168,536	112,516
	24.428.166	19,913,363

TURKCELL ILETISIM HIZMETLERI AS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2018
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

5. Revenue

	Turkcell Turkey		Turkcell International		Other		Intersegment eliminations		Conso
	2018	2017	2018	2017	2018	2017	2018	2017	2018
Telecommunication services	16,752,587	14,236,174	1,281,595	952,246	-	-	56,485	72,604	17,97
Equipment revenues	1,337,495	1,089,699	101,350	69,801	-	-	-	-	1,438
Revenue from financial services	-	-	-	-	941,918	605,663	-	-	941,9
Call center revenues	-	-	9,763	7,706	211,195	224,973	17,786	-	203,1
Commission fees on betting business	-	-	-	-	200,315	181,886	-	-	200,3
Revenue from betting business	-	-	-	-	268,470	174,021	-	-	268,4
Other	175,695	124,263	64,272	37,325	311,933	911	289,842	-	262,0
Total	18,265,777	15,450,136	1,456,980	1,067,078	1,933,831	1,187,454	364,113	72,604	21,29

	Turkcell Turkey		Turkcell International		Other		Intersegment eliminations		C
	2017	2016	2017	2016	2017	2016	2017	2016	2
Telecommunication services	14,236,174	12,126,395	952,246	796,225	-	-	72,604	38,646	
Equipment revenues	1,089,699	579,820	69,801	44,532	-	-	-	-	
Revenue from financial services	-	-	-	-	605,663	184,698	-	-	
Call center revenues	-	-	7,706	7,084	224,973	191,480	-	-	
Commission fees on betting business	-	-	-	-	181,886	176,167	-	-	
Revenue from betting business	-	-	-	-	174,021	108,329	-	-	
Other	124,263	81,377	37,325	26,851	911	1,249	-	-	

Total	15,450,136	12,787,592	1,067,078	874,692	1,187,454	661,923	72,604	38,646

53

TURKCELL ILETISIM HIZMETLERI AS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2018
(All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units and are expressed in Turkish Liras unless otherwise stated.)

5. Revenue (continued)

	2018 Turkcell Turkey	Turkcell International	Other	Intersegment eliminations	Consolidated
Telecommunication Services	16,752,587	1,281,595	-	56,485	17,977,697
At a point in time	267,329	-	-	7,493	259,836
Over time	16,485,258	1,281,595	-	48,992	17,717,861
Equipment Related	1,337,495	101,350	-	-	1,438,845
At a point in time	1,330,808	101,350	-	-	1,432,158
Over time	6,687	-	-	-	6,687
Call Center	-	9,763	211,195	17,786	203,172
At a point in time	-	-	-	-	-
Over time	-	9,763	211,195	17,786	203,172
Commision fees on betting business	-	-	200,315	-	200,315
At a point in time	-	-	-	-	-
Over time	-	-	200,315	-	200,315
Revenue from betting business	-	-	268,470	-	268,470
At a point in time	-	-	-	-	-
Over time	-	-	268,470	-	268,470
Revenue from financial operations	-	-	941,918	-	941,918
At a point in time	-	-	38,955	-	38,955
Over time	-	-	902,963	-	902,963
All other segments	175,695	64,272	311,933	289,842	262,058
At a point in time	12,211	8,556	7,576	-	28,343
Over time	163,484	55,716	304,357	289,842	233,715
Total					