

TURKCELL ILETISIM HIZMETLERI A S
Form 20-F
April 30, 2009
Table of Contents

As filed with the Securities and Exchange Commission on April 30, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2008

OR

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

OR

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

Date of event requiring this shell company report

Commission File Number: 1-15092

TURKCELL ILETISIM HIZMETLERI A.S.

(Exact Name of Registrant as Specified in Its Charter)

TURKCELL

(Translation of Registrant's Name Into English)

Republic of Turkey

(Jurisdiction of Incorporation or Organization)

Turkcell Plaza

Mesrutiyet Caddesi No: 71

34430 Tepebasi

Istanbul, Turkey

(Address of Principal Executive Offices)

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Turkcell Plaza

Mesrutiyet Caddesi No: 71

34430 Tepebasi

Istanbul, Turkey

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

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

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

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

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

None

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

None

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

Ordinary Shares, Nominal Value TRY 1.000	2,200,000,000
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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. **Yes** **No**

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

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

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

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

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

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

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

Table of Contents**Table of Contents**

ITEM 1.	<u>IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	3
ITEM 2.	<u>OFFER STATISTICS AND EXPECTED TIMETABLE</u>	3
ITEM 3.	<u>KEY INFORMATION</u>	3
	<u>3.A Selected Financial Data</u>	3
	<u>3.B Capitalization and Indebtedness</u>	10
	<u>3.C Reasons for the Offer and Use of Proceeds</u>	10
	<u>3.D Risk Factors</u>	10
ITEM 4.	<u>INFORMATION ON THE COMPANY</u>	25
	<u>4.A History and Development of the Company</u>	25
	<u>4.B Business Overview</u>	25
	<u>4.C Organizational Structure</u>	71
	<u>4.D Property, Plant and Equipment</u>	71
ITEM 4A.	<u>UNRESOLVED STAFF COMMENTS</u>	72
ITEM 5.	<u>OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	72
	<u>5.A Operating Results</u>	77
	<u>5.B Liquidity and Capital Resources</u>	96
	<u>5.C Research and Development, Patents and Licenses, etc.</u>	100
	<u>5.D Trend Information</u>	101
	<u>5.E Off-Balance Sheet Arrangements</u>	101
	<u>5.F Tabular Disclosure of Contractual Obligations</u>	102
	<u>5.G Safe Harbor</u>	102
ITEM 6.	<u>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	103
	<u>6.A Directors and Senior Management</u>	103
	<u>6.B Compensation</u>	106
	<u>6.C Board Practices</u>	107
	<u>6.D Employees</u>	109
	<u>6.E Share Ownership</u>	110
ITEM 7.	<u>MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</u>	111
	<u>7.A Major Shareholders</u>	111
	<u>7.B Related Party Transactions</u>	113
	<u>7.C Interests of Experts and Counsel</u>	115
ITEM 8.	<u>FINANCIAL INFORMATION</u>	115
	<u>8.A Consolidated Statements and Other Financial Information</u>	115
	<u>8.B Significant Changes</u>	116
ITEM 9.	<u>THE OFFER AND LISTING</u>	117
	<u>9.A Offer and Listing Details</u>	117
	<u>9.B Plan of Distribution</u>	118
	<u>9.C Markets</u>	118
	<u>9.D Selling Shareholders</u>	118
	<u>9.E Dilution</u>	118
	<u>9.F Expenses of the Issue</u>	118
ITEM 10.	<u>ADDITIONAL INFORMATION</u>	118
	<u>10.A Share Capital</u>	118
	<u>10.B Memorandum and Articles of Association</u>	118
	<u>10.C Material Contracts</u>	125
	<u>10.D Exchange Controls</u>	125
	<u>10.E Taxation</u>	126
	<u>10.F Dividends and Paying Agents</u>	132
	<u>10.G Statement by Experts</u>	132
	<u>10.H Documents on Display</u>	132
	<u>10.I Subsidiary Information</u>	132

Table of Contents

ITEM 11.	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	132
ITEM 12.	<u>DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	134
ITEM 13.	<u>DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	134
ITEM 14.	<u>MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	134
ITEM 15.	<u>CONTROLS AND PROCEDURES</u>	134
ITEM 16.	<u>AUDIT COMMITTEE FINANCIAL EXPERT</u>	136
ITEM 16B.	<u>CODE OF ETHICS</u>	136
ITEM 16C.	<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	137
ITEM 16D.	<u>EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	137
ITEM 16E.	<u>PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	137
ITEM 16F.	<u>CHANGE IN REGISTRANT S CERTIFYING ACCOUNTANT</u>	137
ITEM 16G.	<u>CORPORATE GOVERNANCE</u>	137
ITEM 17.	<u>FINANCIAL STATEMENTS</u>	140
ITEM 18.	<u>FINANCIAL STATEMENTS</u>	140
ITEM 19.	<u>EXHIBITS</u>	141

Table of Contents

INTRODUCTION

This is the 2008 annual report for Turkcell Iletisim Hizmetleri A.S. (Turkcell), a joint stock company organized and existing under the laws of the Republic of Turkey. The terms we , us , our , and similar ones refer to Turkcell, its predecessors, and its consolidated subsidiaries except as the context otherwise requires.

Our audited consolidated financial statements as of December 31, 2008 and 2007 and for each of the years in the three-year period ended December 31, 2008 included in this annual report have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

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

FORWARD-LOOKING STATEMENTS

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

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

While we believe that the expectations reflected in these and other forward-looking statements are reasonable, actual results may differ materially from the expectations reflected in those statements due to a variety of factors, including, among others, the following:

competition in our main market;

regulations imposed by the Telecommunications Authority of Turkey, which, as of November 10, 2008, is called the Information and Communication Technologies Authority (hereinafter, the ICTA), that may require us to maintain certain minimum prices for our services, notably with respect to retail and interconnection pricing;

increased competition and/or the entrance of new direct and indirect competitors in the market due to regulatory changes in Turkey with respect to certain technologies;

Table of Contents

legal and regulatory restrictions imposed by regulatory authorities in Turkey, in particular following the enactment of the new Electronic Communications Law, which broadens the power of the ICTA;

economic recession and political developments in Turkey and internationally;

failure of the Turkish mobile telecommunications market to continue to develop, as a result of the current economic climate;

failure to successfully integrate and manage the opportunities we pursue, particularly related to our current mobile communications business and new 3G business, new business models, new technologies and international activities;

technological changes in the telecommunications market;

adverse effects on our competitiveness due to our designation by the ICTA as an operator holding significant market power in the mobile call termination services market and as an operator holding significant market power in access to GSM mobile networks and the call origination market ;

failure to abide by the requirements of our licenses or applicable regulations;

our current legal action against the Turkish Capital Markets Board (CMB);

legal actions and claims to which we are a party;

foreign exchange rate risks;

the influence of our controlling shareholders and disputes between them;

exposure to certain risks through our interests in associated companies;

our ability to deal with spectrum limitations;

potential liability and possible reduced usage of mobile phones as a result of alleged health risks related to base transmitter stations (BTSs) and the use of handsets;

our dependence on certain suppliers for network equipment and the provision of data services;

our dependence on certain systems and suppliers for IT services and our exposure to potential natural disasters, regular or severe IT failures, human error, hacking and IT migration risk;

our ability to retain key personnel;

financial risks in the event that our majority owned subsidiaries fail to meet some of their obligations set forth in the agreements related to their financing arrangements;

the current issuance and cancellation halt of American Depositary Shares (ADSs) by depositories in Turkey; and

effective internal control over financial reporting.

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

Table of Contents

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION

3.A Selected Financial Data

Our audited consolidated financial statements as of December 31, 2008 and 2007 and for each of the years in the three-year period ended December 31, 2008 included in this annual report have been prepared in accordance with IFRS as issued by the IASB.

The following information should be read in conjunction with Item 5. Operating and Financial Review and Prospects, our audited consolidated financial statements as of December 31, 2008 and 2007 and for each of the years in the three-year period ended December 31, 2008, and the related notes appearing elsewhere in this annual report.

Table of Contents

The following table presents our selected consolidated statement of operations, balance sheet and cash flow data as of and for each of the years in the four-year period ended December 31, 2008, presented in accordance with IFRS as issued by the IASB which has been derived from our audited consolidated financial statements as of and for the years ended December 31, 2008, 2007 and 2006. The information appearing under the caption Other Financial Data is not derived from the audited financial statements. The selected financial information as of and for the year ended December 31, 2004 is based on financial statements prepared in conformity with U.S. GAAP and should be read in conjunction with such consolidated financial statements including the notes, included in our previous Annual Report for the fiscal year ended December 31, 2005 filed with the U.S SEC on April 13, 2006.

	2008	2007	2006	2005
	(Million \$, except share data and other certain data)			
Selected Financial Data Prepared in Accordance with IFRS				
as Issued by the IASB				
Consolidated Statement of Operations Data				
Revenues				
Communication fees	6,576.9	5,976.9	4,406.7	4,295.9
Commission fees on betting business	176.2	181.3	172.4	112.5
Monthly fixed fees	65.1	54.8	57.6	54.9
Simcard sales	28.2	20.8	21.0	50.3
Call center revenues	16.6	12.9	10.2	10.1
Other revenues	107.4	81.9	32.4	4.3
Total revenues	6,970.4	6,328.6	4,700.3	4,528.0
Direct cost of revenues(1)	(3,409.0)	(3,103.4)	(2,627.9)	(2,701.6)
Gross profit	3,561.4	3,225.2	2,072.4	1,826.4
Other income	14.1	7.8	8.1	15.4
Administrative expenses	(309.3)	(252.8)	(154.9)	(154.0)
Selling and marketing expenses	(1,351.7)	(1,138.2)	(827.5)	(700.5)
Other expenses	(18.0)	(22.5)	(6.5)	(4.9)
Results from operating activities	1,896.5	1,819.5	1,091.6	982.4
Financial income	442.1	308.4	184.0	167.5
Financial expense	(136.8)	(551.1)	(108.0)	(191.2)
Net financial income/(expense)	305.3	(242.7)	76.0	(23.7)
Share of profit of equity accounted investees(2)	103.0	64.9	78.6	68.2
Profit before gain on net monetary position, net	2,304.8	1,641.7	1,246.2	1,026.9
Gain on net monetary position, net				11.0
Profit before income taxes	2,304.8	1,641.7	1,246.2	1,037.9
Income tax expense	(549.8)	(322.4)	(413.2)	(290.5)
Profit for the period	1,755.0	1,319.3	833.0	747.4
Attributable to:				
Equity holders of the Company	1,836.8	1,350.2	875.5	772.2
Minority interest	81.8	(30.9)	(42.5)	(24.8)
Profit for the period	1,755.0	1,319.3	833.0	747.4
Basic and diluted earnings per share(3)	0.834920	0.613710	0.397951	0.351021
Consolidated Balance Sheet Data (at period end)				
Cash and cash equivalents	3,259.8	3,095.3	1,598.6	808.2
Total assets	8,067.9	8,469.0	6,089.7	5,215.1
Long-term debt(7)	130.0	140.4	113.5	79.2
Total debt(8)	785.9	760.0	639.6	657.3
Total liabilities	2,624.3	2,537.8	1,971.8	1,524.8
Share capital	1,636.2	1,636.2	1,636.2	1,439.0
Total equity/net assets	5,443.6	5,931.2	4,117.9	3,690.3
Weighted average number of shares(3)	2,200,000,000	2,200,000,000	2,200,000,000	2,200,000,000
Consolidated Cash Flow Data				
Net cash from operating activities	1,674.4	2,156.2	1,854.9	1,072.6
Net cash used for investing activities	(695.2)	(440.5)	(632.5)	(659.2)
Net cash used for financing activities	(353.6)	(255.0)	(395.8)	(347.6)
Other Financial Data				
Dividends declared or proposed(4)(10)	726.2	502.3	411.9	342.2
Dividends per share (declared or proposed)(9)(10)	0.330079	0.228334	0.187227	0.155545
Gross margin(5)	51%	51%	44%	40%
Adjusted EBITDA(6)	2,580.3	2,627.1	1,820.0	1,722.2

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Capital expenditures	808.2	783.1	604.8	772.6
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Table of Contents

- (1) Direct cost of revenues includes payments for our current license fee and universal service fund, transmission fees, base station rents, billing costs, depreciation and amortization charges, technical, repair and maintenance expenses, roaming charges, interconnection fees, costs of Simcards sold, handset costs offered as part of our loyalty programs and personnel expenses related to our technicians.
- (2) Share of profit of equity accounted investees primarily includes the income (loss) related to our stake in Fintur Holdings B.V. (Fintur) and A-Tel Pazarlama ve Servis Hizmetleri A.S. (A-Tel), which is 41.45% and 50.00%, respectively. A-Tel 's operating results have been included in our consolidated financial statements since August 2006. Fintur currently holds all of our International mobile communications investments other than those related to our operations in Northern Cyprus, Ukraine and Belarus.