

TURK TELEKOMUNIKASYON A.S.

Moderator: Onur Oz
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Operator: Thank you for standing by and welcome to the Turk Telekom Q3 2014 Financial and Operational Results call. At this time, all participants are in a listen-only mode. There will be a presentation followed by a question answer session at which time if you wish to ask a question, you will need to press star one on your telephone.

I must advise you that this conference is being recorded today on Thursday the 23rd of October, 2014. If you require technical support at any time, please press star and zero on your telephone keypad.

I would now like to hand the conference over to your speaker today, Onur Oz. Please go ahead, sir.

Onur Oz: Hello, everybody. Welcome to third quarter 2014 investor call. We're happy to have you today. Before we start the call, I will kindly (remind you to) read our notice on our second page of our presentation.

Without further ado, I will hand the call over to Turk Telekom CEO, Mr. Rami Aslan.

Rami Aslan: Hello. Good afternoon and good morning to those dialing from the U.S. and Eastern and Western coasts. Let's start with the highlights of the quarter before we get into the detailed business overview.

In the third quarter of 2014, we achieved a strong operational and financial performance with solid topline and EBITDA growth. Our mobile business once again delivered strong net additions with 447,000 subscribers of which 84 percent were postpaid. We grew our mobile

business revenues 18 percent year-on-year. In our broadband business, we also delivered a double digit growth rate which was driven by both subscribers and ARPU list.

Let me take you to the next slide to go over consolidated financial summary. Starting with slide four, on the revenue side, high growth areas (more than embody) took the lead in topline growth this quarter. We achieved 4.4 percent year-on-year revenue growth and excluding IFRIC 12 accounting adjustment which is related to our fiber upgrade, growth is even higher with 5.4 percent.

Our EBITDA performance matched revenues with 4.4 percent growth on an absolute basis. Both fixed and mobile businesses contributed to this performance. Our consolidated margin is 39 percent while we have 46 percent margin in fixed line business versus 45 percent a year ago and 19 percent in mobile business versus 18 percent a year ago. So, both fixed line and mobile margins delivered improvements year-on-year.

Our net income increased 35 percent year-on-year. However, we were affected by the U.S. dollar appreciation against the Turkish lira and booked some unrealized losses this quarter. Murat will give you more detail on this in the financial section.

Move on to slide five. Let me take you through our revenue breakdown as of Q3. Our revenues from fixed voice business is getting close to only one-fifth of total revenues and broadband, mobile and (corporate) data together make up almost 70 percent. At the same time, we continue our topline growth with a strong EBITDA margin, the transformation of our business from the fixed voice dominant state to a mobile diversified structure which is led by broadband and mobile; continues to progress smoothly.

On to slide six. Our broadband business delivered a double digit growth in the third quarter, reaching 922 million Turkish lira. Back to school season kickoff drove up both subscribers and ARPU. We recorded 87,000 net additions in the quarter which brought our total broadband subscriber numbers to 7.5 million. Over 1 million of these subscribers are on fiber tariffs now.

Our ARPU increased by almost 1 Turkish lira quarter by quarter to 41.4 Turkish lira in Q3. This demonstrates our (upswing ability). Another measure of resilience of our broadband business is the percentage of contracted subscribers which increased to 71 percent from 68 percent a year ago.

On the next two slides, I'd like to show you some important figures on our broadband business. Slide seven, Turk Telekom has by far the largest fiber network in Turkey. Our extensive investments since 2012 made our home path and customer reach unmatched. Utilizing this strength, we are moving more and more of our customers to higher speed access and providing them the real Internet experience with super-fast speed and reliable connectivity. As of the third quarter this year, 37 percent of our customers are using 16 megabits per second and higher speeds up from 12 percent last year.

Distinct revolution we are going through -- we are going to help our customers reach information online way faster than any other means and enrich their lives through education and entertainment.

Slide eight -- with speed comes appetite and capacity. Our average broadband subscriber uses 41 gigabytes data in a month. This demand helps us move more of our customers to unlimited packages. The ratio of unlimited package subscribers reached 84 percent of total subscribers in our base up from 78 percent last year. With unlimited packages, our customers increasingly up for higher usage levels and tariffs with above 50 gigabytes per usage reached 26 percent of the base up from 15 percent a year ago. All these figures demonstrate that we are providing our customers with bigger and better packages in a very efficient way.

Moving on to slide nine, here we have our fixed voice and access line figures. Our continuous efforts to control access line declines enabled improved subscriber figures. The first nine months of 2014 has been the best nine month period in terms of access line decline in the past four years. At the same time, our ARPU is resilient with the help of price adjustments that we applied.

Subsequent to the latest adjustment in July of this year, we recorded an increase in ARPU quarter on quarter (at least) 21.3 Turkish lira. As a result, our voice, our fixed voice revenue decline was 10 percent in the third quarter year-on-year which is a welcome improvement over last year's 12 percent rate.

Moving on to our mobile business on slide 10, as mentioned in the highlights, we have a very strong revenue growth in mobile with 18 percent year-on-year in the third quarter. Moreover, we recorded a 26 EBITDA growth year-on-year and reached 19 percent EBITDA margin. This is an improvement over last year's margin and the significance comes from the fact that (we keep) this in a period with very strong net additions.

Slide 11 -- our strong topline performance is backed by both continued net additions and growing ARPU. We reached 447,000 net additions growing our subscriber base by (15) percent year-on-year and reaching 16.2 million. This brings us to 1.7 million total net (assets) in 2014.

The majority of our net additions in third quarter came from postpaid customers and we increased our postpaid ratio to our base to 47 percent. As a third operator, we have the highest postpaid ratio in the market. Our blended ARPU grew to 22.9 Turkish lira in the third quarter up from 22.5 Turkish lira a year ago.

On slide 11, our sustained subscriber performance clearly shows that Avea is the most preferred operator in the market. Looking at mobile number portability results in the first half, we see that over 1 million subscribers on a net basis chose Avea over the other two operators. Of our 447,000 net additions in the third quarter, around half of them came through mobile number portability.

Another promising result we reached in churn rates. Historically, we historically have been in the double digit area when it comes to quarterly churn but we have improved this in single digit levels in the past couple of quarters. With the investments we made in our coverage, capacity, brand recognition, customer service and distribution network, we not only achieved high net additions but we also improved our capacity to keep our customers with us.

Finally, on page 13, a few words on our mobile data performance. Mobile data continues to be a strong driver in our service revenues. In the third quarter, we grew our mobile data revenues by 81 percent. With this increase, share of the mobile data in our service revenues reached 25 percent. We improved our smartphone penetration to 48 percent this quarter. We have already been leading the market in this area by a very large margin.

I will now hand over the call to Murat for a review of our company financials.

Murat Kırkgoz: Thank you, Rami. Good afternoon, good morning, everyone. Our third quarter revenues exceeded 3.5 (billion) growing (50) percent versus previous year and 6 percent previous quarter. Our EBITDA margin was slightly south of 39 percent and EBITDA reaching 1.362 billion growing 4 percent year-on-year despite (interim mainly) and one-off penalty charge.

The main thing that our operating profit in line with prior year at 869 million Turkish lira. The financial expenses of the quarter was minus 453 million Turkish lira. FX gains in the

second quarter were reverse to net FX loss due to appreciation of the dollar to 2.28 Turkish lira i.e. 7 percent devaluation versus year-end. Our quarterly net income is up at 319 million Turkish lira and year-to-date net income exceeded 1.5 billion, 44 percent over last year.

Moving to page 15, the -- this is the balance sheet and our net debt reduced to 6.8 billion end of September, reducing 500 million range versus year-end 2013 with the unrealized FX losses. We sustained our strong cash position following (bond) in second quarter thanks to robust cash flows of the third quarter.

Which on page 16 the report -- the cash flow from operating activities that increased to 1.4 billion and while the investments were 440 million in net of investing activities. Therefore, we had generated 280 million in cash following the 655 million debt repayments in the quarter.

The debt profile of our company had been still another long maturity to (3.9) years. And because breakdown is skewed more to the dollars of 72 percent following the bond of \$1 billion. We had recently converted \$500 million of this exposure to euros with cost currency swaps thus enjoying lower interest rates of the euro. The net debt to EBITDA decreased to 1.3 and our current ratio had improved to 1.4 end of third quarter.

Now I'll pass to Rami for his closing remarks.

Rami Aslan: Thank you, Murat. We would like to have a final comment before the Q&A. Our company decided to revise 2014 revenue growth guidance rate as 3.5 percent to 4.5 percent due to an expected drop in the full year IFRIC 12 accounting adjustment related revenue.

IFRIC 12 accounting adjustment is a non-operation revenue line booked in conjunction with upgrades or fixed line infrastructure such as upgrades from copper to fiber-based network. Revenue excluding IFRIC 12 adjustment is still expected to grow at 4 to 5 percent range. Our EBITDA and CapEx guidance are not affected by this revision. Starting from 2015, our company decided to exclude IFRIC 12 accounting adjustment related revenues from revenue guidance given to the investment community and to exclude this non-operational revenue line going forward.

This concludes our presentation and now we will hand over for the Q&A session.

Operator: Thank you. As a reminder, if you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press the hash key. Once again, that's star one to ask a question.

Your first question comes from the line Bayina Bashteva from Barclays. Please ask your question.

Bayina Bashteva: Hi. So, just two questions. So, on guidance, so, I -- if I understand correctly, so, the revenue growth for this year is now 3-and-a-half to 4-and-a-half percent, right? So, if I take a midpoint of the guidance, which is 4 percent, and extrapolate the revenue for the fourth quarter as well as EBITDA based on your guidance as well, that would lead to me to 11 percent year-over-year growth in the fourth quarter in revenue and about 13 percent growth in EBITDA. Both look to me quite optimistic. Would you -- would you please provide some color on this?

And on CapEx as well, it looks like you have underspent quite a lot in the first three quarters. So, it would mean that if you're going to maintain your full year of CapEx guidance of 2.1, it means, like, about half of it will be spent in the fourth quarter.

Rami Aslan: Second one is CapEx.

Murat Kirkgoz: Yes.

Rami Aslan: Should we start with the CapEx? I'll start with the CapEx and then I'll pass on to Murat, our CFO, for the first question.

As you know, CapEx is quite cyclical for us. And it's no change from the past years, as well. So, we are very confident that our CapEx is on track to be met and our CapEx finance will remain intact. We're in fact reviewing this regularly and we are confident that this number will be quite on the ball.

Murat Kirkgoz: Coming to the revenue guidance, for the fourth quarter, we're expecting a strong growth as a bigger share of our revenues is rising now for mobile which is a very high growth area and as well, the broadband. While voice -- fixed voice, which is a declining part which is representing almost one-fifth of our revenues now. So, that's why we are pretty much confident with the guidance that we are providing.

Bayina Bashteva: OK, thank you. And if I may, just one more question. So, this morning, there has been some news that Avea has secured 400 million of new loan. I just wanted to ask if you just can provide a little bit more color on what would be the ultimate use of the money -- either it would be sitting at Avea or at Turk Telekom level. Just curious will the money will eventually go. Thank you.

Murat Kirkgoz: Thank you for the question. It will be up swing to the shareholder level so (this) Turk Telekom. And that would be used as the next quarter's hard currencies cash outflows.

Bayina Bashteva: I'm sorry, what kind of outflows?

Murat Kirkgoz: It will be used to pay -- prepay -- repay the existing debt stock of the company and the existing shareholders loan at Turk Telekom. And so, this loan will be principally used to use to pay the shareholder loan back to Turk Telekom.

Bayina Bashteva: Back to Turk Telekom. But what -- the Turk Telekom will be doing with this money later?

Murat Kirkgoz: We keep it as cash and within the first quarter of next year for debt service or CapEx payment.

Bayina Bashteva: OK. But, I mean, is there -- would be there any concern that the money could go into dividends? Or it's not something that you can comment in the moment?

Murat Kirkgoz: It's for the purpose of debt and CapEx repayments and hard currency.

Bayina Bashteva: OK, thank you.

Operator: Thank you. Your next question comes from the line of Ranjan Sharma from JP Morgan. Please ask your question.

Ranjan Sharma: Hi. Good afternoon and thank you for the -- thank you for the presentation. Two questions, if I may. Firstly, on the FX exposure on the (lira) side, I mean, with all the talk of termination of QE or ending -- and potentially increasing interest rates, the lira might be volatile over the next one year period. Do you have any consideration of hedging effects exposure for the next one year or so?

And the second question is on your integration program -- if you can share any quantifiable objectives like revenue and cost synergies. Thank you.

Murat Kirkgoz: Thank you for your question. We are currently (seeking) a balance of the different hard currencies in our balance sheet. However, given the high interest rates in the Turkish lira, the hedging is extremely expensive. So, given the cost of hedging, we are currently maintaining our position to keep the existing currency exposure but with a mix of -- different mix of currencies in euros and in dollars.

Rami Aslan: The second question on integration -- first, let me just give you an idea why we're doing the integration. Really, we started this initiative to move from a product-centric to a customer-centric approach and to utilize our group-wide synergy and efficiency where applicable. And so, effectively offer a one-stop shop that truly fulfills all our customers' needs and requirements.

Now, back in late April, early May, we had our first phase of integration in the support functions focus with HR procurement, technology, operations, IT, et cetera. And in mid-September, we also did our phase two of integration where we had some changes in the customer-related departments -- consumer sales, corporate sales, consumer customer care and customer care and marketing. And in the upcoming period, we will continue to build on those -- on those two phases.

Now, to answer your question related to quantifying the impact of integration, as we mentioned in earlier calls, we had clearly a slight impact in 2014 and we expect the impact to continue to grow in 2015 and beyond.

On the cost side, we have seen great potential for the group because now we are using the best practices and combining them with a (scale) of the group. We've had on the procurement side in particular, we've seen a significant improvement in our cost structure and we had multiple projects that were done as a group. And we have realized very significant savings that exceed 20 and 30 percent in some cases.

So, we do see that these benefits will continue to be reaped in the future. And surely the impact started but it will be much more significant in 2015 and beyond.

We also see impact in the topline. We expect this impact to grow. I prefer not to give any guidance but I can tell you that the ability for us to sell for the entire spectrum of our product line is helping. Cannibalization between our products lines also is good news and the cross-sale

and ability to sell more than one product and be able to have a higher reach is improving. So, we expect that the potential will be higher. We will touch on that hopefully in the next call.

Ranjan Sharma: Thank you so much.

Operator: Thank you. Your next question comes from the line of Atinc Ozkan from Credit Suisse. Please ask your question.

Atinc Ozkan: Yes, thank you. This is Atinc from Credit Suisse. Two questions, please. The first -- both of them are related to your wire line broadband operations. Looking into the third quarter, 6 percent ARPU uplifts. Can you elaborate what was the real driver behind this as (the site) was (greater stagnant) over the past two quarters? Is it rather price-driven or is due to upselling, maybe due to (TV uptick)?

And my second question is regarding FATIH online education project. I don't think that you had commented regarding this recently if you could provide an update -- where we are and whether we are still considering to provide services in this project, I would really appreciate that. Thank you.

Rami Aslan: Thank you. I will pass to Mert Basar, our CMO in TTNET and I'll answer the second question when he ends.

Mert Basar: Thank you for the -- for the question. Yes, we had a very strong quarter in terms of subscribers and revenue and also on the ARPU side with the fixed broadband business. The major reason is, of course, the seasonality effect is important here. The September timeframe, which is the back-to-school timeframe, is an important thing -- is an important season for us which we deliver the good result there, especially focusing on the needs of the customers' back-to-school campaign. Using and utilizing our power on the -- on the value-added services which is (vitamin), the top selling and top use online education services in Turkey.

And also on the ARPU side, we managed to increase our ARPU with the help of upsell thanks to our investments in terms of infrastructure and fiber. Today, we can sell higher speeds and deliver higher speeds to our customers. As you know, we have increased our entry level speeds to 16 megabits per second and the ARPU hit the speedups as well as (quota) and fair usage (obsess) have that increase our ARPU.

I should also -- I should also claim that the prices -- the price rationalization was also important. We have been acting as a leader and we'll be acting -- will act as a leader in the -- in the last quarter of this year and most of upcoming quarters, as well. That also created a positive impact on our ARPU.

Rami Aslan: Thank you, Mert. On the FATIH project, the process to install the intranet in the schools continues. The total number of schools with intranet are going to be close -- is expected to be around 42,000 schools. The first phase was (September, the only one) about 2,200 schools amongst about (3.3000) schools and completed the setup for these intranet networks.

An additional 13,000 schools' intranet network was tendered in June of last year, 2014 as a second phase. And two other companies won the tender yet one of them had some problems and quit and there's no official announcement on tender is being made for a replacement. The remaining schools are expected to be tendered and the access line tenders hasn't been done yet. And we are the top contender in the upcoming access line building.

The project is progressing and it's critical for the country and we believe that will be on a fast track and our main benefit will be realized when it's fully effective and it starts pushing the broadband penetration in the country upwards. Thank you.

Atinc Ozkan: Thank you for those answers.

Operator: Thank you. Your next question comes from the line of Kiti Panpaskhava from (Numara). Please ask your question.

Kiti Panpaskhava: Thank you for the presentation. I would like to ask you a few questions on the debt side. First of all, in your third quarter results, minority put option liability was moved to the current liability pot. What I would like to ask is would you really have to pay those 523 million Turkish lira in the next 12 months? Or it's just an accounting treatment of this liability?

My second question is regarding your plans to maybe issue some bonds in 2014 or 2015. And my last one is about the dividends. Looking at your past performance, I can see that in 2011 and 2012, you basically paid dividends in the amounts which exceeded free cash flows for those periods so -- which was not the case in 2013. So, should we expect that you will return to the same practice of distributing more than your free cash flow? Or it's -- or you decided not to do it anymore? Thank you very much.

Rami Aslan: Thank you. Murat will answer the first two questions and I'll handle the third.

Murat Kirkgoz: Thank you, Rami. Thank you for the questions. Minority put option liability has been classified into first term due to the agreement between the parties. So, the measurement is solely on that one. We don't anticipate the cash outflow as long as the terms of this option has been realized, i.e., we don't have any intention or any (visible) IPO (for) next year. Therefore, this option is not exercisable unless there's a one-on-one agreement between parties.

We had issued a very successful bond in the first half of 2014. We are pretty much in a cash rich position. And also, we are delivering really good cash flows this year. The last quarter -- this quarter, our net free cash flows are 960 million. And our dividend payments for this year was 912 million for the full-year. So, as you noted, our (natural) cash flow is pretty strong. And the -- we would be a regular issuer in the bond market but we don't have any announced or planned date for our next bond issuance yet.

Rami Aslan: Just to add, I think Murat answered three questions -- directly, indirectly. But just to add, for the bond market, we of course started a program. But, you know, we'll continue to monitor the bond market to see how we can optimize our cost of funding and make sure that the availability of funding is strong, the tenders are stable and extended and also the replacement of more expensive debt is possible, as well.

On the -- just to elaborate on the last question related to the dividends, as you are right and we have confirmed that, 2013 we had dividend that's well below the free cash flow. We do not anticipate a dividend that will be lower -- or high, sorry, than the cash flow presented; very strong cash flow year, actually, in 2014, as well.

Kiti Panpaskhava: Thank you.

Rami Aslan: And just to also complete the question, the base of our dividend distribution after the articles and the shareholder agreement remains the net income of the company and the profit. Thank you.

Operator: Thank you. Your next question comes from the line of Mehmet Agyuz from Yapi Kredi. Please ask your question.

Mehmet Agyuz: Yes, hi. Thank you for the presentation. My question is about PSTN. I'm a bit puzzled about the KPIs you posted in the quarter where you did the pricing (fees), actually - what we see is the declining churn and actually not as much improvement in the ARPU. Could you talk about, you know, what the driver of this -- the ARPU for the remainder of the year?

And secondly, my question about this integration efforts. Is it technically mandatory for you to get back these shares -- (other) shares from (Ish Bank) for you to fully integrate? Or is it just a procedural step? Thank you.

Rami Aslan: I'll start with the second question and then I'll pass to the first question. On (Ish Bank), look, integration for us is -- is a very important project. And we remain as a group interested to acquire the stake of (Ish Bank), of course at the right terms. So, as when and this maybe come available, we came to pursue it. But we are of course mindful of the terms of this potential acquisition.

I'll just pass you for the PSTN to Mert Basar.

Mert Basar: Yes. Our ARPU level on PSTN is higher quarter-on-quarter. So, that's (how to signal) on the PSTN business. And the price increase will have its effect in the upcoming quarters, as well. So, we should watch on that.

And they have to be a part of this is -- as we are declining on the PSTN, this incentive in use, we are compensating a decline with our broadband business. So, our PSTN share of the total revenue is going down. And with a very healthy margin of broadband business is taking over.

Mehmet Agyuz: OK, thank you.

Operator: Thank you. Your next question comes from the line of Dalibor Varuska from Citigroup. Please ask your question.

Dalibor Varuska: Oh, hello. Good evening. Just a quick question on -- general question on conversions and the mobile business. I mean, I'm noticing your mobile business is actually performing very well in the last couple of quarters. And I'm just wondering to what extent -- I mean, if you can just comment on what do you think you're doing better now that you were not doing before or whether anything any changed in the external environment and to what extent fixed mobile conversions is playing or will be playing some role in this mobile success.

And if you can make any comments about your (foreign) mobile strategy in terms of pursuing market share versus profits or free cash flows, whatever that'd be useful as well. Thank you.

Rami Aslan: Great. I'll pass you to Dehsan Erturk (from) Avea.

Dehsan Erturk: Hello, Dalibor. Thank you for the opportunity. As you know, it's been, like, four years now Avea has been actually executing turnaround strategy. It all started with fixing the basics, providing the good service, good customer experience to the subscribers. And finally in the last actually 18 months or five to six quarters, we've been invested on (brand) as well as (net debt) distribution channel and customer experience.

Now, we see the positive effects of this combined investment on what matters for the mobile customers in the Turkish market, actually. You know we have four key priority segments. Youth segment, white collar segment --professionals, what I was going to say -- professional segments, premium subscribers that are really interested in high data usage and high ARPUs et cetera, and finally the public servants with a (heritage for) Avea actually and they are profitable and loyal, low-churn rate customers of Avea. So, we are concentrating on key segments -- those four. Key regions geographically -- the big cities Istanbul, Ankara and Izmir -- and we keep investing on network brand and customer experience.

So these combined actually brought us the success that you have mentioned in your question. In the last five quarters, when we take a look back in the -- when we began with the new symbol and the new brand positioning in the Turkish market, we see that a total of 2.3 million subscribers added to the subscriber base in the last five quarters. So, this actually brings an average quarterly methods of 468,000.

And also in (rate of) base growth, we see that Avea has been leading Turkish market in terms of base growth rate for the subsequent 12 -- last 12 quarters. And also, in service revenue growth, we see that in 2012 and in 2013, and also first half of 2014, Avea has been leading the market in terms of service revenue growth rate. That's what I'm going to say.

Rami Aslan: Thank you, Deshan.

Dalibor Varuska: Thank you. I just thought maybe if you could make some remark on conversions, as well -- if that's been kind of important, like, combining the fixed mobile -- not necessarily on the cost side but on the customer side?

Dehsan Erturk: Dalibor, it's early to say. Actually, we haven't been concentrated -- concentrating on the convergence offerings in the market. So, we are going to see what's going to happen.

Dalibor Varuska: Thank you.

Operator: Thank you. Your next question comes from the line of Vera Supedja from Erste Bank. Please ask your question.

Vera Supedja: Yes, good evening, everybody. Just would like to clarify regarding your last comment after the presentation regarding the guidance. Can you repeat that you would not include the construction revenue in the guidance? Or did I understand that correctly -- incorrectly?

The other question would be about secondary public offering that we heard from comments on the press about it. Do you -- can you clarify what is the latest status on this secondary public offering? And the third question is regarding IPTV. I was wondering why it's supposed to be growing by why is it declining sequentially? Thank you.

Rami Aslan: Thank you. I'll handle the first two questions and pass it to Mert for the third. You are right. We are including IFRIC -- revising the guidance to 3.5 to 4.5. So, that's including IFRIC because, you know, IFRIC is looking to be slower than expected. However, the guidance excluding IFRIC remains at 4 to 5 percent. That's the guidance that we're giving.

Now, on the SPO, there has been a discussion -- several discussions in the past few years and also recently that there could be a consideration for the SPO -- 6.6 percent or 6.8 percent. We haven't been advised or we haven't seen any discussions in this regard. But, you know, if there's anything that will be announced by the government, we'll be more than happy to assist them in this regard.

Mert Basar: This is Mert on TV business. We have faced a slight decline which we can call also flat. This is (not our path) in terms of summertime and people traveling. On the other hand, we keep -- we kept our momentum on that TV business and increased our customers on that.

What we really care is our revenues. Year-to-date with the IPTV business, we almost increased our business revenue 60 percent. So, as a group, we redefined TV business -- not an adjacent business anymore but as a core business. So, we will keep investing and you will hear from us more on (the effects).

Vera Supedja: Thank you.

Operator: Thank you. Your next question comes from the line of Herve Drouet from HSBC. Please ask your question.

Herve Drouet: Yes, good afternoon. My first question is regarding again the fixed line segment. I mean, I understand that now with the change of regulations, you have some room on pricing to increase pricing. When I looked at your numbers and KPIs, you know, especially for the third quarter, we haven't seen, you know, an uptick on the average revenue per line on the fixed line. I would have expected that to happen.

So, I was wondering -- I mean, is there currently some discount that are offsetting potential price increase, you know, in PSTN? Or you think that may fade away and as time goes by, we may see a bit of uptick, you know, on the average revenue per line even for the PSTN? So, that's my first question.

Second question is on the mobile segment. I was wondering if you can tell us accessories in your shop -- how much, you know, does it present in terms of revenue out of your total mobile revenue and how quickly it is -- it is growing.

Rami Aslan: Thank you. Deshan, do you want to start with the second, or...

Dehsan Erturk: Sure, sure. Hello again. The accessories for any (diverse related) business or service is not actually included in our revenues. So, this is only commercial (eastern) for our (billing) channel. So, in our financial statements, we don't see anything related with the accessories. Did I get the question wrong?

Herve Drouet: OK, and you don't book the net -- the net revenue out of this? I understand that on the gross revenue, you don't book it. But I would've thought the net -- the difference between -- you know, the net, you will -- you will the -- you are saying the net is too small to really be significant?

Dehsan Erturk: No, actually even if it was too big, we don't actually recognize it as revenue because this is a (commerce) between our (billing) channel and the...

Herve Drouet: OK.

Dehsan Erturk: And the (vendors) from other countries. We are not in (world-wide) channels.

Herve Drouet: OK, I see.

Murat Kirkgoz: On the fixed side, the voice business, we are once again seeing a Q-on-Q ARPU increase in our business. On the other hand, as we have increased the prices we have launched campaigns to smoothen the affects, especially to control the churn. So, we have launched a (preview cam) campaign. And also, when you increase the prices, the ARPUs does not immediately go up simply because you have a base of contracted customers. So, the positive effects will be seen in the upcoming quarters (without) major effect or major additional effects on the churn.

Herve Drouet: Right, OK. Thank you, I understand. Thanks.

Murat Kirkgoz: Thank you.

Operator: Thank you. Once again, if you wish to ask a question, please press star one on your telephone keypad. And your next question comes from the line of Bayina Bashteva from Barclays. Please ask your question.

Bayina Bashteva: Hi, just two more questions from me, if I may. So, on CapEx, when I ask you about this new loan at Avea, you have mentioned that you might use it for CapEx needs. So, I just wanted to clarify if you have any color on how much CapEx (will be) next year. Will it be probably flat to this year or it would be (some amount) higher? And finally, on short-term debt, it stands at 1.4 billion at the end of third quarter. Just curious how would you address that. Thank you.

Rami Aslan: Sorry, what was the second question?

Bayina Bashteva: On short-term debt.

Rami Aslan: I see. I'll pass this one to Murat just to answer the CapEx. We will provide our guidance for CapEx for 2015 in our first call of the year which will be in February. And that will give you the color. Unfortunately, I cannot give you guidance at this stage.

Bayina Bashteva: I understand. But in -- but in general like, you know, in the (power) number, that probably the trend will continue, right? That you will have to invest about 2 billion of (this) per year, right? That's your assumption?

Rami Aslan: It's a fair assumption. We don't expect dramatic changes to the trend, that's right.

Bayina Bashteva: OK, thank you.

Murat Kirkgoz: For the short-term (debt), we are sitting on a 2.1 billion cash which will increase up to 2.9 billion following the \$400 million debt drawdown (for there). So, that will be (more than plenty to) prepay the short-term portion of our long-term debt.

Bayina Bashteva: So, you would prefer to pay down the short-term debt with cash rather than going to banks and refinance those short-term (facilities)?

Murat Kirkgoz: We have potential (means) to -- for (new) borrowing and for capacity definitely and also appetite in the banking market. We also use ECAs to finance a portion of our CapEx. So, we have some short-term potential financing. But we (definitely) have sufficient amount of cash also to prepay or repay the short-term portion of our debt, as well.

Bayina Bashteva: As long as the dividends would not (get massively higher), as you said, right, before?

Murat Kirkgoz: Dividends are a function of our year and net income and that would be the (sign) of the (rerelease) -- the year-end is up.

Bayina Bashteva: Right, right, right. I was meaning more about the ability to pay the debt. But OK, great, thank you so much. This was a great call. Thank you.

Operator: Thank you. Once again, it's star one if you wish to ask a question. OK, there are no further questions at this time. If you would like to continue please, thank you.

Onur Oz: Thank you very much for everyone joining our call. If you guys have any follow-up questions, please get in touch with the IR team. And thanks again for joining and this ends our call today.

Operator: Thank you. That does conclude our conference for today. Thank you for participating. You may all now disconnect.

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