

**TURK TELEKOM**

**Moderator: Onur Oz**  
**July 23, 2015**  
**1:00 p.m. GMT**

Operator: This is conference # 954120.

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Turk Telekom Q2 2015 results. At this time, all participants are in a listen-only mode. There will be a presentation, followed by a question and 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 today's call is being recorded, Thursday July 23, 2015.

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

Onur Oz: Good afternoon. Thank you everyone for being with us today. This is Onur Oz, Head of Investor Relations in Turk Telekom. We will be discussing the second quarter results with you today. But before we start the discussion I'd like to kindly remind you to please take a look at the second page of our presentation where we have a notice about the information we're going to read.

Today's speakers are Rami Aslan, CEO of Turk Telekom Group and Murat Kirkgoz, CFO of Turk Telekom Group.

Without further , I will pass the call on to Rami.

Rami Aslan: Good afternoon and good morning to some of you. This is Rami Aslan. Thank you for joining us today. We are very glad to share with you our second quarter results. We had another strong quarter in our operations and let me run you through the quarter's highlights after which we can go into more details in the following slides.

In the mobile business we had almost 100,000 net additions, which was predominantly driven by postpaid subscribers. This quarter we reached 50 percent postpaid subscriber ratio in our mobile business which solidifies our increased focus on high value customers.

Another metric that supports our revenue growth is our smartphone penetration. It reached this quarter 62 percent. As you know we have been leading this market for a long time in those two metrics and we are proud that we continue our leadership despite being the smallest operator in the market.

In broadband we had about 70,000 net adds, most of which came from our fiber-based products. Our upselling initiatives continue to help us grow our ARPU in broadband which is a 2.5 percent year on year growth in the second quarter.

Our adjusted consolidated revenues increased 6.2 percent and reached TRY3.46bn. You'll remember the adjustment is related to taking out the non-operational accounting revenues in conjunction with upgrading our networks.

Our consolidated EBITDA also grew by 5.4 percent and revealed an EBITDA margin of 37.4 percent in Q2. If you look at the components you'll notice a 4 percentage point year on year improvement in the mobile EBITDA margin reaching 18 percent this quarter, while a maintained strong fixed margin remains at 46 percent.

On the next slide, slide 4, we have a summary table of the financials. The only part we haven't touched yet in this table is the net income and CapEx.

Our net income continued depreciation in TL, tough at a much lower pace – although at a much lower pace, in Q2 had a negative impact in our net income

which we realized at TRY335m, 50 percent decline – 58 percent decline year on year.

While CapEx spending typically is not uniform among quarters, in Q2 our investments picked up pace and reached TRY467m.

Moving on to slide 5. The notable shift of our revenues into high growth areas continued this quarter. As of Q2, 72 percent of our total revenues came from high growth businesses such as mobile, broadband and corporate data.

Also notable is the fact that revenues from fixed voice business are now less than one-fifth of our business. We are glad that we are managing fixed voice decline in a way that it does not hamper our top line growth as it did with many other fixed line incumbents, and at the same time, it did not have any major impact on our consolidated EBITDA margins.

Slide 6. Strong ARPU and subscriber dynamics continued in our broadband business in Q2. A 70,000 net subscriber additions together with a 2.5 percent increase in ARPU supported our revenue growth of 6 percent in the business. We are glad to be able to focus on upselling and premium positioning which brings growth in both subscribers and ARPU in broadband.

Slide 7. Upselling dynamics were also strong in the second quarter of the year. Our push towards higher speed and higher capacity packages will continue. The second quarter – as of the second quarter, almost 60 percent of our customers are in up to 16 megabits per second or higher speed packages, while 89 percent of TTNET customers choose unlimited capacity packages.

With unlimited, increasing number of our customers prefer higher fair usage packages above 50 gigabytes. Fair usage package subscribers are now 28 percent of our base.

Moving to slide 8. Our fiber network, which is by far the largest in the country, continued to expand in the second quarter of the year. Our fiber-to-the-cabinet homepass reached 8.2m, while fiber-to-the-home-and-building homepass was 3.1m.

We have also increased fiber customer numbers and reached 1.25m subscribers in FTTH, FTTB and FTTC customers.

However, having the largest fiber footprint in the country is significant for us in the context of next generation mobile technologies as well. In order to run the most efficient and robust mobile network with the next generation technologies such as 4G LTE Advanced and 5G later, supporting the mobile backhaul with fiber is crucial. We believe that this will set us apart from the competition, in addition to the superior experience we aim to provide our mobile customers.

Slide 9. On July 1 we have launched our satellite platform which, together with our current IPTV platform, will offer a distinct TV experience to customers all over Turkey. Arguably, the most exciting football organizations of the year, the UEFA Champions League and Europa League, are starting in August and we are very happy to be able to provide this content with our customers exclusively.

In addition to exclusive premium sports content, Tivibu provides customers with multiscreen viewing experience, over 200 TV channels and a huge content archive with premium movies, shows, kids' content and documentaries.

Our initiatives in TV make good sense in the context of our business portfolio. As Turkey's integrated telecoms services provider, having a stronger TV business supports our overall convergence strategy.

Moving on to slide 10. Our corporate data business share in fixed line business continued to grow and reached 15 percent in Q2. Our unique position in corporate data stems from our ability to deliver integrated telecom solutions in both fixed line and mobile segments.

In addition to tailored solutions for different sized businesses in Turkey, our business in corporate segment is further strengthened by innovative initiatives such as Smart City and E-Health services.

Corporate business revenues grew 23 percent year on year in Q2, which was higher than its typical mid-teen growth rate due to additional projects taken on in the quarter, especially around our WiMax product.

Moving to slide 11. Fixed voice revenue decline in Q2 was 10 percent. While decline in fixed voice business continued as expected, we are able to offset the loss mainly with growth in broadband and corporate data businesses. The decline rate in the past five quarters improved compared to in prior periods from around 12 percent to 10 percent levels. Our efforts to smooth out the transition from voice to data in the fixed line domain will continue as well.

On to slide 12 for the mobile business. Our mobile business continues its robust revenue growth this quarter with 15 percent year on year. Moreover, EBITDA grew 45 percent and we reached an EBITDA margin of 18 percent in Q2, which is a 4 percentage point improvement over the last year's number.

Looking into mobile subscriber trends in slide 13. Number of subscribers in our mobile network reached 16.7m with a net addition of almost 100,000 in the second quarter. Our net additions reached almost 1m since Q2 of last year.

Subscriber additions in Q2 were driven by postpaid net adds. We had 200,000 postpaid additions into our network in Q2 which carried our postpaid subscriber ratio to 50 percent; by far the largest in Turkey. In fact, this sets the stage for us to be the first and only postpaid majority mobile operator in the country.

Our blended ARPU increased 6 percent year on year which also contributed to our top line growth in mobile.

On slide 14 we have more color on net subscriber add and churn dynamics. In the first half of the year we had 410,000 net adds while our average quarterly churn improved to 8 percent levels from 12 percent a few years ago.

On mobile number portability we continued to grab a good portion of subscribers who are leaving the incumbent operator. Considerable

investments we made in our mobile business continue to bear fruit as we enjoy more customers in our network whose satisfaction levels continue to significantly improve.

Moving on to my last slide, slide 15, on mobile data. Mobile data continued to be the engine of growth in our mobile business. It grew 48 percent year on year in Q2. Mobile data, excluding SMS and value-added services, constitutes almost one-third of our mobile service revenues as of the second quarter of the year.

Two main factors support our growth in mobile data. First, our best-in-class data offers and, secondly, our leadership in smartphone penetration. As of the second quarter, our smartphone penetration again reached 62 percent.

I will now hand you to the CFO Murat to review the financials.

Murat Kirkgoz: Thank you, Rami. Good morning and good afternoon to everyone. In the second quarter we reported about TRY3.5bn revenues, gathering 7 percent growth versus prior year.

EBITDA in the same quarter increased by 5 percent to TRY1.32bn and our EBITDA margin remained solid at 37.4 percent.

Our operating profit resulted at TRY788m, and net income is TRY335m, a 22 percent EBIT margin and 10 percent net income margin.

I move to page 17. On the balance sheet, at the asset side, we are maintaining around TRY2bn of strong cash position post TRY1.8bn dividend payments in the second quarter.

Company Current ratio stands at a healthy 1.4 at the end of Q2.

This quarter we reflected the fair value of the anticipated Avea share purchase agreement with Is Bank at the end of Q1. Once the regulatory permits are done, the value of this will be classified to proper long-term liability lines in the balance sheet which you can find details in the Note 13.

I will give more color on the leverage and net debt in a while. Now moving to cash flow.

We have generated about TRY1.2bn strong cash flow from operations in the second quarter yielding to a rolling last 12 months TRY2.5bn of unlevered free cash flow from our operations.

I'm on page 19. Here we are presenting the details of our debt profile. From last year's second quarter to this year's second quarter, our gross debt in hard currency had reduced by about \$400m from \$4.3b to \$3.9b, but due to the devaluation of the Turkish throughout the period, the gross debt in Turkish reads at TRY10.4b.

In the second quarter we have focused on risk management initiatives and rebalancing the currency mix of our debt through cross-currency swaps. We have completed, as of the reporting date of these financials, conversion of the four years' \$500m bond to Turkish lira, cross-currencies, and the 10-years \$500m portion to euros, which gives us a more balanced currency exposure which we can see on the right graph before and after the cross-currencies, how the debt is composed.

Post dividend payments, our leverage stands at a comfortable level of 1.6 at the end of the second quarter. And prior to the dividend payments, the figure should be read around 1.26.

Now I am passing to Rami for his closing remarks.

Rami Aslan: Thank you, Murat. We are open to answer your questions. We are available and we can start with the first question.

Operator: If you would like to ask a question, please press star one on your telephone and wait for your name to be announced. You can cancel this request by pressing the hash key. Once again, that's star one to ask a question.

Your first question comes from the line of Koray Pamir of Deutsche Securities.

Koray Pamir: Thank you very much for the presentation. Two questions. Could you please elaborate on your convergence efforts in the second quarter and for the rest of the year, in the sense that in terms of the number of shops and in terms of the number of bundled offerings that you'll have in the market?

Secondly, in terms of smartphone penetration, do you have a particular target in mind for the end of 2015 and, if possible, for 2016 as well? Thank you.

Rami Aslan: Thank you for your questions. Clearly, we continue to converge and we are very pleased that our integration effort has come to this point in a very smooth and efficient way. We've started to capture a lot of the integration benefits be it on the top line growth.

We're starting to see the impact as well as, if you compare it to last year, as well as the momentum is helping us, and also in terms of cost efficiencies as well. So we are very pleased with that.

In terms of the number of shops, so far we have completed over 300 shops at the end of last month and we should reach in excess of 800 by year end. So we are moving at a very good speed right now and we are really converting our shops to state-of-the-art and it allows us, of course, to offer converged services and be very efficient in our efforts in smart bundling.

I call it smart bundling because we are very focused on the best use of bundles, more on the ability to cross-sell and upsell and ensure that we can provide our portfolio to our customers and cross-sell to our customers across the entire Group in the most efficient way and to drive the top line growth.

On the smartphone penetration, we are very pleased with the 62 percent and we believe that it's an extremely, very good achievement to date and we will continue our effort to continue to lead the market by a very large gap.

And we are able to cooperate with many partners such as Samsung for example, where we are co-bundling the devices and we have launched recently our Intouch series in cooperation with different providers as well.

So we are on the right track to continue to capture higher penetration and to continue to lead by a large gap with the market and the competition.

Koray Pamir: Thank you.

Operator: Your next question comes from the line of Ranjan Sharma of JPMorgan.

Ranjan Sharma: Hi. Good afternoon. It's Ranjan Sharma from JPMorgan. Thank you for the presentation. Two questions from my side. Firstly on the pending 4G spectrum auctions. If you can share are there any updates on that front?

And secondly on your TV offerings. If you can share what your strategy is with respect to your Pay TV? Is this going to be loss-leader to drive adoption of converged services or how are you going to price this? Thank you.

Rami Aslan: Thank you, Ranjan. I'll start with the first question. On the 4G spectrum, as you know 4G was anticipated for Q2 of the year and it was later delayed by about three months. So now it is scheduled for August 26.

We believe that this target is on track and intact and we are waiting for the imminent announcements on that by our regulator and the concerned parties and we are ready and preparing for that date. And that will definitely allow us to continue to work towards our full integration and ability to use our integration in the most efficient way. So we look forward to that spectrum allocation and process.

In terms of the TV and TV offerings, we will transform our TV business from a retention tool into a revenue generator. So it will also have a significant impact on our cross-sell activities and ability. TV is a very important part of our convergence strategy. As you know content is very important in our business and TV is a very key player here.

The acquisition, the recent acquisition that we started, we won for the UEFA Championship League and Europa League, which was announced late last year but it will be effective in August of this year, so next month. The broadcasting rights will be enabling us to attract significantly Pay TV subscribers and push our ARPU upwards as well.

And in addition to IPTV we built a satellite platform. As you know we have announced that we are building that in the beginning of the year and we are very happy to say that we are ready and we provided – we are already providing our customers with the most extensive TV offering in the entire market. So that's on the TV Ranjan. Thank you.

Ranjan Sharma: Thank you so much.

Operator: Your next question comes from the line of Kathleen Middlemiss of UBS London.

Kathleen Middlemiss: Thank you very much. Just can you give some guidance on your full year CapEx? Has it changed at all?

Rami Aslan: Well in general, I will not answer only for CapEx, but in general our guidance looks healthy and we stand by our guidance. So, of course, as you know we have given guidance excluding the bid for the spectrum and that remains intact.

We are really capturing a lot of the efficiencies caused by our integration despite the fact that we have a devaluation of the currency. We are able to be much more efficient and that is giving us sufficient headway to maintain our CapEx along the lines of our guidance levels.

In Q3 probably we'll be in a better position to firm up everything, but we stand by our guidance both on the other metrics, including the CapEx

Kathleen Middlemiss: Thank you.

Operator: Your next question comes from the line of Vibhor Kumar of Citi, Mumbai.

Vibhor Kumar: Yes, hi. Thank you so much for the opportunity. I have just one question on the guidance and that's on EBITDA. Looking at the H1 performance, the EBITDA stands at TRY2.65bn, and converting that, the full year could be around TRY5.3bn and your EBITDA guidance is on TRY5.1bn to TRY5.2bn. So do you still expect some kind of risks in terms of product profitability, especially the competitive pressure in mobile from Vodafone and all of those other operators? Thank you.

Rami Aslan:

You know we are very pleased with the first half, first of all, despite the fact that we are going through a total reorganization and integration. We managed to have a smooth transition and we were very pleased with that. And I believe that this will help us tremendously for, not only the next six months, but definitely the years to come.

The guidance you know I'd rather be cautiously optimistic rather than tell you well we're going to revise something upwards right now. But we do stand by it, as I mentioned in the previous question. We do believe that we will have a very healthy year.

If we see, it's a little bit premature to give you indications, but if we see that we need to make an adjustment we will do that in Q3. But as things stand, we are quite comfortable where we are.

Vibhor Kumar: OK. Thank you so much for the answers.

Operator: Your next question comes from the line of Atinc Ozkan of Credit Suisse.

Atinc Ozkan: Yes, thank you. Thank you for the presentation. I have two questions, two initial questions. The first one is on the regulatory approval process related to your Avea minority buyout transaction. When should we expect this, i.e. do you really expect this to be approved before year end?

And in relation to that, I think it was in your full year financial footnotes you do disclose a significant, sizeable deferred tax asset related to Avea's tax losses that I believe are not today usable ...

Rami Aslan: Can you repeat the second question?

Atinc Ozkan: Of course. My second question is related to Avea's deferred tax asset which is disclosed in your full year financial's footnotes. I believe it's around TRY2.6bn.

Please confirm me whether this is as of today usable, i.e. deductible for Turk Telekom's consolidated taxes, i.e. can you deduct that? I remember it is not possible. And if not, what are the conditions for you to be able to use these tax assets in order to milk potential tax benefits in the future? Thank you.

Rami Aslan: Thanks. First of all, with regards to the 10 percent İş Bank acquisition, or our acquisition of İş Bank's 10 percent stake in Avea, I'm happy to say that BTK has actually provided its approvals. So we're in the middle of the process - of the approval process.

But BTK had a two-layer approval which we have received and they have confirmed the same to the competition authorities. So we're now in the process of awaiting the competition authority. We don't anticipate any surprises to be honest, but they're going through the course of the approval process and we believe that it is a few weeks away at most, so this should be imminent in the very near future.

The deferred tax assets, they're not available immediately. Maybe, Murat, do you want to say something?

Murat Kirkgoz: Sure. In Turkey, each corporate is at tax payer status. that pays tax according to corporate's profits and losses. So we had recognized about TRY255mn deferred tax assets of Avea in our balance sheet.

And unless a single entity's losses cannot be used on a consolidated level. So there is no immediate use of such assets or creating a tax shield due to the Avea losses.

Atinc Ozkan: Would there be any tax benefits, usable tax benefits, if Avea was a division of Turk Telekom, i.e. if two two entities would merge, theoretically?

Murat Kirkgoz: Theoretically, yes.

Rami Aslan: Of course that would be the case. On top of that, Avea itself, if it turns into a profitable business, then you can also use that immediately. And we do believe that the new spectrum will be a game changer for us so we are very optimistic that this will be of great value to the Group.

Atinc Ozkan: OK. Thank you very much for the detailed color. Much appreciated.

Operator: Your next question comes from the line of Ivan Kim of VTB Capital.

Ivan Kim: Good afternoon. Two questions from my side, please. Firstly, I know this question pops up from time to time. But are you getting to the level of the market share in the mobile business where you'd be content with that and would focus more maybe on profitability and efficiency or something else?

And then my second question is on your PSTN retention campaigns. Can you please just elaborate a little on what those are? And do you think these retention campaigns, although they are called campaigns, would be pretty much indefinite? now? Thank you.

Rami Aslan: I'll pass the second question to my colleague.

But on the first question for the market share, we continue to focus on both to be honest. At the end of the day we are doing both. We are delivering both. We are gaining in margin. As you know our margin 15, 18 months was around 11 percent. Now we're up to 18 percent, 19 percent. So we're very pleased with that.

But we are not satisfied sufficiently, so we expect to continue to improve in that domain. At the same time we would like to continue to capture scale and we are focusing on that as well.

So we are trying to keep a balance. As you have seen we have demonstrated in the last few quarters that we are growing in both and we do believe that we

have reached a good scale. But at the same time, we do believe that there is an opportunity to continue to grow on the market shares as well.

Ivan Kim: And just if I may follow up on that. So the margins I guess improved mostly exactly because you're growing scale. So I'm just trying to understand when this kind of scale will be sufficient for you to maybe cut back on marketing and things like that, because marketing, for example I say, it's not the only line. But the marketing I would say I think is probably higher than it could have been given the size of your business.

Rami Aslan: What was the last statement, sorry? Is it margin you're referring to.

Ivan Kim: Marketing expenses. So basically, marketing expenses, I guess is just higher than they could have been given the size of your business. I'm just trying to understand when the scale would be sufficient for you to think last about the revenue share I would say.

Rami Aslan: Look, we will have there, but we're not there yet. So we'll continue to ramp up there. But we do believe that still there is a scale improvement potential and this is more long term for us. So we're not thinking of quarter or half a year.

We're thinking in the long term. And we do believe that we are at a good scale and there's room for a little bit more as well. So we want to capture that and we want to use our advantage and our ability and our integration, cross-sell et cetera that will really help us, whether it's in the consumer or the corporate space.

Operator: 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. You can cancel this request by pressing the hash key.

Your next question comes from the line of Ondrej Cabejsek of Wood & Company.

Ondrej Cabejsek: Hi. Thanks for taking my question. I have two. Firstly, you say that your smartphone penetration, your subscriber base, is the highest in the country. I

would just like to ask what percentage of this, or what part of this are smartphones that are 4G ready?

And what is your strategy in terms of commercializing the 4G license acquisitions because you say you're counting on that being quite a big impact? So whether you're thinking of pricing these tariffs more expensive, for example.

And my second question is maybe a follow-up on Ivan's previous questions related to the EBITDA margin on mobile and commercial costs. But the conclusion, that I just understand, if that's correct, the focus from now on is more likely to be on slow but steady expansion of the customer base maybe in the extent which we saw this quarter and more on the – so, therefore, more on the EBITDA margin, if that's the correct understanding. Thank you.

Rami Aslan: Thank you. By the way, we haven't answered the second question of the previous question, so we'll do that at the end. Sorry, we moved on to your question. So let me answer your questions first and then we'll come back to the PSTN question on the retention campaigns.

The 62 percent smartphone question, we don't have the exact number. But I can tell you that it is – the bulk of the smartphone universe is actually 4G ready. So we are very pleased with that because the latest campaigns and the latest 4G, or the latest smartphones that we have been launching, are all 4G ready.

So that should be pretty consistent. Our own Intouch 4 is 4G ready as well, so that is one of the largest drivers of our growth as well. So we are happy and ready for the 4G launch.

EBITDA margin. You know I think maybe I did not satisfy your earlier question and that's why you're asking it. I'll try to do a better job this time.

You see, we want to grow the subscriber base definitely. I wouldn't call it slow growth. Maybe Q2 was not as strong as previous quarters. But we are expecting to continue to grow significantly and at a good pace.

Also add to that the cross-sell capabilities that we're now implementing. So you know Q2 had a few particularities as well because as part of the integration we really have evolved the team, the leadership, the N minus 1 and N minus 2 levels as well. This is all now intact. So, clearly, we are extremely well positioned for the second half in that scale.

Postpaid upsell is a very important element as well and we don't want to miss on that. And that is something that we'll continue to focus on and do.

But, this said, we are not driven only by this metric. So profitability is very important to us and we have demonstrated that. We're not trying to tell you what we're going to do in the future only. I believe that we have done that quarter over quarter that we are growing both and we are very focused on profitability. And 18 percent is a great improvement from 11 percent, but we are still focused to improve further as well.

Ondrej Cabejsek: Thank you. And could you maybe just answer on the follow-up question on the commercialization strategy for the 4G licenses, or for the 4G coverage, if there's any plans of, for example, discriminating between 4G and 3G usage with your subscriber base? Thank you.

Rami Aslan: I'm sorry, but I'm not allowed. If you allow us maybe this is something I would rather do and implement and you'll be hopefully seeing that in our strong results. But we are certainly ready and very excited about 4G.

And we do believe that our infrastructure and our investments in the past will really position us really, really well and give us an edge over the competition and that will give us a very strong start for 4G. So we are very excited and optimistic about the 4G impact.

Ondrej Cabejsek: OK. Thank you very much.

Operator: Your next question comes from the line of (Ramit Belaha) of Barclays.

Ramit Belaha: Hi. Good afternoon. Thank you for the presentation. I just have three questions on my side. The first question is regarding the recent negotiation

agreement with the labor unions and the increase in some of the salaries within the firms.

So I was just wondering whether this was factored in your guidance for the EBITDA and if you could give us maybe some color on the impact that that could have in the margins?

The second question is regarding net leverage. Net leverage as of Q2 is at 1.6. So it's slightly above the targets that you have had for some time, the 1.5. So I was wondering whether you're still keeping this target in mind and whether you will have any measures that you plan to keep up with this target.

And the third question is I just wanted some clarification on the cross-currency swap that you mentioned earlier in the presentation. I understood that there was a cross-currency swap from U.S.D into euros and another one from euros into Turkish lira.

Rami Aslan: Thank you. So three questions and I will start with the labor unions. We're very actually pleased that we have confirmed our agreement with the labor union and it is – definitely what we have agreed with them over the next two years is in line with our plans and budget. So I can confirm that the personnel expense increase for the year will be below inflation due to the decrease in the personnel base and that also factors in the union agreement.

On the leverage, maybe I'll get Murat's help. But I can tell you that you know first of all, leverage peaks at this quarter because we pay the dividend along with a very strong CapEx this year as well this quarter. So leverage is peaking. But you should see as always by year end there will be an improvement save for, of course, the spectrum for this year. But in general the peak is at this time of the year and we deleverage very quickly. As you know we have a very strong operational cash flow and that continues to be the case.

On the cross-currency swap, if the CFO allows me, I'll just keep going. Yes, indeed we have swapped our exposure to dollar, from dollar to euros. And later on the same exposure we have swapped it to Turkish lira.

This allowed us to reduce the FX impact on our profitability when there's a devaluation. But more importantly the cost of funding in Turkish lira is actually for a five year tenor or maybe 4.5 now remaining is – four years now remaining, is that correct, Murat? So four years remaining is well below 5 percent. So we are very happy to raise full-year money at below 4 percent and that is really helping our debt profile and currency mix and the currency breakdown as well.

So before this swap, we had 77 percent USD exposure, 20 percent euro. Now it's down from 77 percent to 52 percent and euro is from 20 percent to 36 percent. The Turkish lira is down from significant levels to 12 percent now.

So we'll continue to look at the opportunities where we can do that and lock ourselves into good funding mechanisms that are allowing us to continue to enjoy the strong cash flows and at the same time, manage the exposure the FX exposure to the extent possible.

Ramit Belaha: Noted. So, just a follow-up question on net leverage. Given that the currency is – continues to depreciate and because it depreciates even further, so that was really my question. And I think some of your CapEx is skewed – spending is skewed towards the second half. So if we account also for the 4G auction, when do you think you would come back to 1.5? And is this still a target that you keep for the Company?

Rami Aslan: It's a tough question that I cannot answer unfortunately in terms of when. But I can tell you that it's something that we follow very closely as management, as CEO and CFO as well and as Board. And we are extremely disciplined. We have, I believe, demonstrated this all along and we continue to be very mindful of the robustness of our balance sheet and ability to manage any exposures, balance sheet exposures as well.

So I cannot give you guidance as to when, but I can tell you that we really enjoy a very strong cash flow and a very strong ability to deleverage. And that will allow us to improve our leverage to below that level quite quickly.

I don't think we are able or allowed to give an indication as to when we will fall below that. But I can really, really assure you that it's something close to

heart. I myself follow this very carefully as well. It's part of our DNA and construct and we will make sure that we continue that in the way forward.

Ramit Belaha: Thank you very much.

Operator: You have a follow up question from the line of Ranjan Sharma of JP Morgan.

Ranjan Sharma: Thank you. I just have a quick follow-up question. So is there a scenario in which Avea could be merged with the parent company and if you see any regulatory hurdles around it? Thank you.

Rami Aslan: Thank you, Ranjan. Is there a scenario? Of course the scenario is there. You know but this is a process and we will look at it in due course. Now let us complete the İş Bank acquisition first. That will be a step in the right direction and then post that we will be doing our homework further. But definitely we'll have to go through the course if we choose to do so.

But we'll make sure that whatever we do, it will be what will be in the best interests of this Group integration and ability to capture all the benefits including the deferred tax assets as well.

We did not answer the PSTN retention campaign. It was not by design so let's answer that question before the next question comes up. Apologies for the delay. Maybe Mehmet Ali can answer you, the CEO of Corporate.

Mehmet Ali Akarca: Hi. Good afternoon. As you all know, fixed voice revenue decline is inevitable in the market. However, we believe that we managed to decrease revenue decline rates from 12 percent to 10 percent levels and we believe that this is in a rare case for the incumbents. We believe that we have managed a soft landing and we will carry on having similar percentages in the quarters to come.

Having said that, we have launched several campaigns in the past and we will be doing them and continuing some of them like home insurance campaigns, or adding value to having a PSTN line at home. This is quite important to us.

Having said that, our focus now is more on the transition of our revenues to more high growth areas. As of Q2, the share of fixed voice is only at 19 percent of our total revenues. So we're maintaining a close look on that.

The campaigns that we launch will have similar deals that we enjoyed in the past and the name of the game here is to add value to having a PSTN at home. So you will be seeing more cross-sell campaigns, where if you do hold a PSTN line, you will enjoy discounts from our other products and services, or vice versa. And we believe that we will maintain a similar level of decrease on our revenues. Thank you.

Operator: Once again, if you'd like to ask a question, please press star one on your telephone and wait for your name to be announced. You can cancel this request by pressing the hash key. You have a follow-up question from the line of Atinc Ozkan of Credit Suisse.

Atinc Ozkan: Yes, thank you. I have a follow-up regarding your slide 9 where you show the structure of the Turkish pay TV market. Following the recent sale of Digiturk I think to a Gulf investor. Can I get your views on how you view the pay TV market progressing given that you are also attempting to consolidate the fragmented market?

And my second question regarding this. You remember that you had competed against Digiturk for the football broadcasting rights tender in Turkey, particularly in content. Should we expect you to do the same when the existing contract terms expire I think in 2017? Thank you.

Rami Aslan: Thank you for your questions. Good question as well and very relevant.

We believe that this announcement for Digiturk is now going through the motions. So it will probably take a few weeks or a few months to complete. But we do believe that this is imminent and that should be welcomed by the market.

We're very focused on our platform, extremely focused on our platform and making sure that we will be very quickly the second player in this market.

And we are on track and we're very confident that our set up and infrastructure will allow us to get there.

In terms of the Turkish League, as you know the Turkish League broadcasting for Digiturk will end in 2017. And, as you also know, while it is an exclusivity for us in terms of our rights for the UEFA League and Europa League, it is not – no longer exclusive for the Turkish League starting from next year. So we will be able to actually find ways to provide the Turkish League whether we bid or not and that is something that will be available to all players.

So from now to 2017 we'll see how the dynamics evolve. But as you know we are a very disciplined company and we are making sure that we will provide the right content for our customers and ensure that this will continue to build value for us and we'll do whatever it takes to do that. At the same time, the fact that it is no longer an exclusive set up will probably change the dynamics of the next round of bidding rather than the last round of bidding.

Atinc Ozkan: Thank you, sir.

Operator: Thank you. And there appear to be no further questions from the phone lines. Please continue.

Onur Oz: So I'd like to thank everyone for joining us today. If there is no further questions, we will end the call here. But if you have any follow-up questions, please get in touch with the IR team and we will get back to you in the (moment that we can have). Thank you so much and have a good day.

Rami Aslan: Thank you.

Operator: Thank you, ladies and gentlemen. That concludes our conference for today. Thank you for participating.

**END**