TÜRK TELEKOMUNIKASYON A.S.

Moderator: Gozde Cullas
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Operator: This is conference # 957064.

Thank you for standing by, and welcome to the Türk Telekom 2015 year results. At this time, all audio participants are in a listen-only mode. During the presentation, we will have a question-and-answer session. At this time, if you need to ask a question, you will need to press star and one on your telephone keypad. I must advise you that this Webcast is being recorded today, Friday, February 12, 2016. I would now like to hand the conference over to Gozde Cullas. Please go ahead.

Gozde Cullas: Good afternoon everyone. Welcome to our 2015 year end release call. Today's speakers are our CEO, Rami Aslan and our CFO, Murat Kirkgoz. Before we start, I would like to remind you kindly to review our notice in the second page of the presentation. I'll now hand over the call to Rami Aslan.

Rami Aslan: Thank you Gozde. Good afternoon and good morning to many of you as well. Thank you for joining our call. We'll run you through recently developments operational and financial highlights of 2015 as well as our guidance. Let's start with slide number 3. 2015 was the year of major transition for Türk Telekom group. Keeping our customers at the center, we focused on strategic projects to strengthen our position as the Pioneer convergence player. As you know, we unified our support functions in 2014. In 2015, we structured businesses based on customer segments. We converted our separate dealer networks to integrated one stop shops, providing full range of telecom solutions. In January, we once again took a giant step. We unified our mobile, fixed voice, fixed broadband and TV brands and a single “Türk Telekom” brand and we simultaneously launched our new logo to better reflect our unified brand identity. Our new logo represents innovation, dynamism, customer orientation and diversification. As the strongest quad player of Turkey, we are now offering our services under single “Türk Telekom” brand from integrated sales channels. With the advantage of having the premier line up of products and services in the multi-player for both consumers and corporates, we are uniquely positioned to benefit the most from the new era as the Turkish market gravitates more and more towards convergence.

Moving on to slide 4, in which we have 2015 year end highlights. We achieved an operationally outstanding performance in 2015. The accelerated top line growth momentum and record high EBITDA in 2015 demonstrate that our initiatives started to deliver. In mobile, we brought 932 thaousand net subscribers in 2015. We added 283 thousand net subscribers in Q4. Meanwhile, we delivered 6 percent ARPU growth. In broadband, we added 416 thousand net subscribers in 2015. Our Q4 performance was especially strong with 227 thousand net add, the highest net add figures since Q1 of 2012. We recorded 4 percent year-on-year ARPU growth in broadband in Q4. Performance in TV was promising with 95 thousand net adds in 2015 as we invested in content and platform. On the back of the strong operational performance, our consolidated revenues excluding non-operational construction revenue adjustments increased by 7.2 percent to TRY14.2 billion, with a record high EBITDA realization of TRY5.3 billion. We continue to grow with robust profitability levels. Our EBITDA margin was 37 percent. The FX movements affected our net income this year and net income was TRY907 million. Maintaining our maximum payout policy to propose TRY0.24 per share dividend on 2015 income.

Moving on to slide 5, we have a common comparison of our 2015 financial performance vs. our guidance. We delivered our full year guidance for 2015 at the high end of the range in both revenue and EBITDA. We completed the year with TRY2.9 billion capex, in line with our guidance. We booked an exceptional gain of TRY146 million in the last quarter 2015 in operating expenses, as Turkcell settled legal disputes with us. Excluding that, consolidated EBITDA would be TRY5.2 billion, still at the high end of the full-year guidance.

Moving to slide 6, more than 70 percent of our revenues come from relatively high growth areas, namely mobile, fixed broadband and corporate data. Growth in broadband and corporate data revenues accelerated in the last quarter more than offsetting the decline of fixed voice revenues. Out fixed line revenue growth in Q4 was 7.5 percent, the highest growth since 2012. In mobile, top line growth was strong at 15 percent in 2015, as customer for mobile data continued to drive the mobile revenues.

Next slide, this slide demonstrates our strength in multiple offers. Our strength is built on years of hard work and investments. We had significant initiatives to reinforce each component of our offer to customers. What we offer to our customers is significantly differentiated from what is available in the market. Some of the key differentiating factors are listed on this slide. Through our strong product line-up, we aimed to strengthen our leadership position in the market.

Slide 8, here we discuss our unique position in convergence. Convergence potential has not been exploited in the Turkish market yet. Other players have just realized the importance of convergence, while we're getting ready for years. In the current situation, you can easily see that our product diversification gives us a unique position compared to our competitors. In addition to that, in each of these products, we generated robust ARPU.

In the next slide, slide 9, we discussed our fixed broadband performance. Solid performance in broadband continued in 2015. In 2015, we gained 415 thousand net broadband subscribers and our broadband subscribers base reached 8 million. The number of fiber subscribers reached 1.5 million, the highest figure in the market. The growth accelerated in the last quarter. We added 227 thousand net subscribers in Q4, the highest net add figure since Q1 2012. Increasing share of fiber subscribers and the demand for higher speeds and capacity continued to drive ARPU, reaching TRY43, with 4 percent year-on-year growth.

Moving to slide 10. Let's discuss our upsell performance. Our focus on upselling continued throughout 2015 with higher data offers. Demand for higher fair usage quotas continues to increase. Share of up to 16 Mbps packages increased to 53 percent from 33 percent of last year, while fiber based broadband packages reached to 22 percent of our base. Demand for high capacity is set to remain high, we have a unique advantage, as fixed broadband is the most efficient technology to offer abundant capacity.

Slide 11 on our nationwide fiber network.. Here in this slide, you see that our fiber network is by far the largest and strongest infrastructure in Turkey. Our vision and years of hard work and investments in anticipation of fiber' strategic importance brought us to this advantageous point. We are present in all 81 cities. Our fiber network is now 213 thousand kilometers, accounting for almost 80 percent of the total fiber network in Turkey. On fiber homepass, we continue to grow. We added 2 million homepass in 2015, reaching 12.1 million, which is significantly ahead of the closest competitors. In 2015, our fiber subscribers increased by 30 percent year-on-year and our base reached 1.5 million by far the highest figure in the market. The fiber net add accelerated especially in Q4 and realized at 125 thousand. Our extensive fiber network not only provides us with the fastest broadband and the best IPTV services, but also enables us the highest quality LTE in mobile services.

Moving on to slide 12 mobile performance.. In mobile, we reached 17.3 million subscribers up by 6 percent year-on-year. We recorded 932 thousand net adds in 2015 and almost all of them came from the postpaid tariffs. Our net ads in Q4 was 283 thousand, pircking up especially in December. We increased our ARPU by 7 percent this year, driven by both prepaid ARPU increase and change in customer mix. Our prepaid ratio at 51 percent is the highest in the market, which demonstrates our focus on high-value customers.

Our churn rate continued to decrease in 2015, a clear indication that our investments in our network and customer service lead to an enhanced customer experience. In December, we started utilizing our new capacity to 900 MHz band, eliminating our historical disadvantage. We expect further improvements in customer satisfaction, as we quickly rollout 3G services in 900 MHz band.

Monetizing data on slide 13.. Our data revenue is ever increasing and has become a significant contributor to mobile revenues. Just in two years, the share of data in our mobile revenues increased by 14 percentage points to 32 percent in Q4. Smartphone penetration at 66 percent is an area where we are by far the leader. We also have had the highest postpaid ratio in the market as well. Both have been important drivers for data usage.

There is a remarkable demand for data both in mobile and fixed side. Customers want connectivity at all times and everywhere, regardless of the technology. As the convergent player, we are in the best position to address this demand.

Slide 14, LTE.. As you all know, we lead the mobile market in spectrum per subscriber ratio, underscoring our growth prospects clearly. We have the largest MHz position in strategic sub 2 GHz frequency bands. 1800 MHz is the most important frequency for LTE. We have the top position with 35 MHz band. We have the optimum spectrum, but our strength in mobile is not limited to that. Fiber network is critical for superior LTE experience. With our 213 thousand kilometers of fiber network, we are ready to provide Turkey with the best LTE experience. With LTE, we will continue focusing on multi-play offers.

Slide 15, Tivibu.. TV is one of our most important strategic initiatives. We had two important developments in 2015. We started broadcasting the UEFA Champions and Europa leagues as exclusive content. And we launched our satellite platform enabling us to serve to the entire country. These make us the only TV provider that renders TV service via dual platform with the second most attractive exclusive content.

TV performance on slide 16, we have already started to reap the fruits of our initiatives and our unique position in TV business. We added 93 thousand net home TV subscribers in the second half of 2015 following the acquisition of UEFA champions and Europa League broadcasting rights. We believe it is a very good start on our part. At the same time, our ARPU almost doubled to TRY20 which proves TV for us is a real revenue generating business. We are bringing the power of fiber to TV services as well. We offer 4K technology to our customers, so they can enjoy, streaming their TV show in 4K format or watch their team's most exciting European game on Tivibu. We see TV as an important component of our integrated offer. 2016 wwill even be a better year for our TV business, as we will continue to invest in content and delivery platforms.

Next slide 17, on fixed voice.. In 2015, the annual decline in total access lines decelerated to 274 thousand, compared to the annual average of 680 thousand within the previous 5 years. In the meanwhile, we kept ARPU stable, which enabled us to have smoother revenue from fixed voice. As the largest integrated telecom company in Turkey, we continued to initiate group synergy offers and offer third party benefits for our fixed voice customers.

Finally slide 18, I'd like to say a few words on the growth in corporate data. Corporate data revenues, making 10 percent of our group revenues kept growing at high levels and reached TRY1.4 billion with 20 percent year-on-year growth. There is increasing demand for advanced data products by corporates. Our strategic focus on ICT capabilities and our complete set of telecom solutions from unified sales channels enables us to leverage on that trend. I'll hand over now to Murat for the review on the financials.

Murat Kirkgoz: Thank you Rami. Good afternoon. I will talk about the developments on our key financial metrics and I'm on page slide 20. Excluding non-operational construction revenues, topline growth peaked in Q4 with the pace of 8.5 percent growth versus last year. Supported by last quarter's strong growth, full year revenues exceeded TRY14.5 billion, growing at 7 percent. All in all, we delivered an EBITDA of TRY5.3 billion for the full year, 6 percent higher versus 2014. Q4 EBITDA was robust at TRY1.4 billion, 15 percent above 2014 Q4. In Q4, we recorded TRY470 million of net financial income on the back of favorable FX environment which further reinforced our good operating performance. And the result net income recovered in the last quarter to TRY1,039 million, which brought up with full year net income to TRY907 million. Also, we continued to deliver strong cash flows, our adjusted unlevered free cash flow increased by 9.2 percent to TRY2.8 billion before license payments.

Going to next slide, here you can see the drivers of revenue and EBITDA performance. Now let me walk you through our revenue numbers. On the top chart, you see the evolution of our adjusted revenues excluding construction revenues. We completed 2015 with 7.2 percent year-on-year adjusted revenue growth, at the higher exceeding our guidance. Mobile, broadband and corporate data segments were the main building blocks of this growth while the decline in fixed voice revenues was limited to 10 percent and the rest of the business grew at the pace of 12.3 percent. The share of fixed voice in total revenues declined to 17 percent in Q4, so we anticipatethe impact of its performance on consolidated numbers is becoming even more limited going forward.

In the below chart, you can see the main drivers of the EBITDA growth. Robust top line growth of 921 million had a positive impact on EBITDA increase. Variable expenses was up by 17 percent and we controlled our fixed expenses through a careful opex management and integration synergies, limiting the increase to only 4 percent, which is substantially lower than the inflation and FX increases throughout the year. Also Turkcell settlement had a one-time positive impact of 146 million on EBITDA level. All in all, we delivered an EBITDA of TRY5.3 billion for the full year with a considerable rise of TRY287 million or 6 percent versus last year.

Moving to page 22, here I would like to highlight the changes in our unlevered free cash flow during 2015. We generated TRY233 million or 9 percent higher free cash flow in 2015, compared to 2014 excluding license fee payments. And our CapEx basically increased throughout the year by TRY373 million. Change in working capital inflow was TRY150 million. In this year, we particularly focused on working capital management and recently launched a supply chain financing program, which started to positively benefit to the company in its cash flows. This program enables us to improve our working capital through extension of the payment terms to our suppliers. Another note here, our receivables increased at the year end with the issues related with Turkcell settlement on the court cases. At year-end, we had a strong liquidity position, with TRY2.8 billion of cash and cash equivalents.

On page 23, I'll talk about the debt profile of our company. At year-end, the net debt stands at a healthy TRY9 billion. Despite TRY1.3 billion license payment fee during the quarter, we reduced our leverage from 1.8 to 1.7. We utilized also cross currency swaps to reduce our currency exposure. As of Q4, 53 percent of our adjusted debt in the US dollar, 34 percent in Euro and 13 percent is in Turkish lira. We maintain a relatively low leverage position compared to our peers. On the maturity side, we sustained our maturity of debt at 3.6 years. In Q4, we finalized about EUR620 million of new funding and $380 million of new ECA and loan facilities to service 2016 CapEx and debt. With these new facilities, we can have average maturity of 4.2 years and have a substantially lower cost compared to our average cost of debt. I will now turn the call back to Rami.

Rami Aslan: Thank you Murat. Moving to the next slide, slide 24 on dividends. On the dividend side, we maintained our payout policy. Our Board of Directors recommended TRY841 million dividend, corresponding to a payout of 93 percent. This means TRY0.24 per share and 4.4 percent yield as of yesterday's close.

On guidance slide 25, last slide, we started reaping the fruits of our initiatives in 2015. Building on on our strengths and capabilities, we aim to have another strong year in 2016. Our revenue growth guidance is 7 percent to 9 percent. EBITDA guidance range is between TRY5.5 billion to TRY5.7 billion. And 2016 CapEx guidance is around TRY3.2 billion.

Our guidance highlights an accelerated top line growth. Our strength in multiplay offers, enhanced cross selling via unified brand and unified sales channels, TV initiatives, and unique position to lead LTE will be among the drivers for the growth in 2016 growth. While delivering a higher growth, we target to maintain our EBITDA margin through careful opex management. Our CapEx to sale ratio will be higher than our normalized levels due to LTE rollout. We are ready to answer your questions and the Q&A session.

Gozde Cullas: OK, we can take Q&A now, you can open the session, thank you.

Operator: Ladies and gentlemen, if you wish to ask a question, please press star one and wait for your name to be announced. That's star one, to ask a question. We do have several questions coming through, the first one comes from Ivan Kim, from VTB Capital.

Ivan Kim: Good afternoon. Two questions from my side please. So, from what we saw in the newswire over 2016 and 2018 investments. If you look cumulatively, the last three years and the next three years, this is about 3 percentage points higher CapEx to sales, so I was just wondering what is this higher capital intensive attributable to partially I partially understand it's probably their weakness because they couldn't purchase that fix denominator, and I understand that you ---

Rami Aslan: Sorry to interrupt you, but we can barely hear you. It's coming and going. So, we're not catching you question. So if you can maybe speak slowly, we'll try to catch the question.

Ivan Kim: I was just wondering about your investment plans over the years, because from what we saw on the newswires you plan to spend about 10 billion over the next 3 years. And, it means higher capital intensity from what we saw over the last three years right? It's about 3 percentage point higher CapEx to sales on the cumulative basis, right? So, I was just wondering whay this higher capital intensity attributable to and then I understand partially because of lira weakness and I understand that you're rolling out LTE, but generally speaking, yes, it's still probably there will be more than I would have expected otherwise. So any comments on that would be highly appreciated. And then the second question is about your growth pickup in broadband in the 4th quarter. It was a pretty substantial pickup, so can you tell us roughly what was the contribution from TV there? Thank you.

Rami Aslan: Thank you, we got the questions loud and clear. This is Rami. I will answer the first question and I'll pass to Deshan for the second. With regards to the TRY10 billion, we've announced that over the next little over three years, we'll be actually making investments in the low part of TRY10 billion. Clearly as you have rightly mentioned, this is driven by the 4.5G in LTE plans and also our continuous investments in fiber. Now, what are trying to do here as always is to continue to fuel growth and this is in line with our strategy and as you are witnessing and we'll continue to drive. Our top line growth remains our priority and the investments to drive that growth is critical. At the same time, you mentioned that lira weakness, I believe that we are very fortunate as of now that integration is behind us. We continue to reap efforts of synergy and savings both on the CapEx and OpEx side and we will be probably -- well positioned to manage that weakness. This said, if you look at our plans, we believe that with our growth and the top line growth that we're driving, and we are confident in the continued to fuel. Our ratio will converge by 2018 to the industry standard of 15 percent. So, we are happy with the way things are progressing. At the same time committed to invest the right investments are required in order to drive the top line growth, and that's again TRY10 billion just a litte over 3 years. Thank you.

Murat Kirkgoz: Second part.

Rami Aslan: I am looking for it. OK, Dehsan, second part.

Dehsan Ertürk: Hi, this is Dehsan. Tv is one of the drivers in the revenue growth in fixed broadband in the last quarter of last year and on top of that also, you ask couple of qurters we intensified speed and quota upsells. So, there is a significant appetite for higer speed and data packages. And also, we increased emphasis on higher quota packages on communications as well as dealers and stores for the new customers. So, there is an ARPU driver as well as cross-sells and upsells. Thank you.

Ivan Kim: Thank you.

Operator: Thanks for your question. The next question comes from the line of Ranjan Sharma, with JP Morgan. Your line is open.

Ranjan Sharma: Hi. Thank you for the question. Thank you for the presentation. This is Ranjan Sharma from JPMorgan. Couple of questions from my side. Firstly, can you share with us what is your strategy about wireless data pricing. It still seems why you’re spending a lot of money on the mobile network and on spectrum that data prices are coming down in Turkey while Türk Telekom is at price of low end of the range. Is there any scope to increase data prices in the country?

The second question is on your converged or integrated strategy, can you please share what percentage of your customers are now using all your four key services and what is your strategy to increase more and more people to use converged or quadruple play services. And the last question is, if I look at the margins, EBITDA margins for the fourth quarter, this seem to be a bit light if I exclude Turkcell settlement payments. So, if you can just share what is driving that weakness? Thank you.

Rami Aslan: Thank you Ranjan. Dehsan will answer the first question and I'll be happy to answer your second and then we will discuss the EBITDA margins. So may be Dehsan will start.

Dehsan Ertürk: Yes, OK. About the data pricces. I mean in the Turkish market, in the last couple of years, we cannot really mention a standalone data price, because all of the offers in postpaid and prepaid are bundles, minutes, SMS and data together, so we must definitely believe that ARPU will increase in those bundles with enlarged data content and increased usage in the market. As of December 1, we also started utilizing our new capacity in 900 MHz band for 3G services. So, we expect ARPU driver not only in the 4.5G or LTE services, but also increasing 3G services as well. We will continue focusing on multiple offers with our integrated structure and unified brand is of leading industry and continued to be the provider of the fastest and the most reliable connectivity and highest capacity meeting our subscriber needs from one-stop-shop in both fixed and mobile.

Murat Kirkgoz: It's a quite a good observation. So, excluding Turkcell margins, margins looks quite weak in the last quarter, however, at least note that -- we also note a heavy investment pace that translates into our construction revenue adjustment in the last quarter. So, if you would exclude effects, the underlying EBITDA margin grew up 34 percent. The last quarter was marked with a strong driving the commercial activity and we have invested about TRY100 million higher costs in this area than Q3. That is the primary reason of the lower margins, which translated into high net adds and higher customers in a very strong growth in the Q4 yet have the costs in Q4, but not translated into revenues within the quarter of course a very strong take up in the beginning of 2016.

Rami Aslan: And with regard to your second question Ranjan, in terms of integration and convergent strategy, due to our structure, we've many multi-product owners in our base. With integration efforts, we are focusing bundles and cross-selling and retention offers. We are very focused that our customers are looking for connectivity, both in the mobile and fixed base and they're looking for a continuous uninterrupted connectivity, where we are able to upsell and cross-sell and use our single-channel one-stop-shop. We do not provide percentage of our customers. We are very happy with the progress and we are very bullish on the prospects and believe that our targets for 2016 and beyond will be extremely satisfactory.

Ranjan Sharma: Thank you.

Operator: Thanks for you question. The next question comes from the line of Koray Pamir, from Deutsche Bank. Your line is open.

Koray Pamir: Hi, thank you for the presentation. Two quick questions, first regarding your EBITDA guidance for 2016. What's your underlying assumption for the level of competition on the mobile front, expecting some sort of marked rationalization or do you expect the higher data usage to be the main drivers of nominal profitable in the mobile space. And secondly, can you provide an update on the status of your base stations. How are the upgrades progressing and what percentage of infrastructure has been upgraded to 3G and 4G as of the year-end and any guidance on the expected level that we should see by the end of the first quarter, thank you.

Rami Aslan: Thanks, Dehsan will take the first. I will keep the second.

Dehsan Ertürk: OK. Thanks for the question. So, I think with the new LTE period, all of the operators are going to start to offer a new value to the market. As I answered in the first question. So in terms of increase data content and offers we expect an increase in ARPUs, but that ARPU is not going to only come from the increased speeds possibility of LTE that also increased value that we offer to the market with extended data offers.

Rami Aslan: Thank you Dehsan. Your other question, in terms of LTE strategy. First of all, we are in the league in mobile market in the new era in Turkey thanks to really an unmatched by their investments for many years and also the new strategic spectrum, optimum spectrum that we have acquired. In terms of 900MHz LTE rollout, we are extremely satisfied and trying to roll out at the full speed. With 900Mhz, as you know, we have started in December 2015 through December 1 and we are starting to see the impact on the network and we are going at full speed and we are very happy to be on ahead of plan in our area. In terms of LTE as well, we prefer not to give you the numbers, but I can assure you that in line with the LTE penetration increase all the necessary base stations will be built and fiberized as required and at the speed required and committed to become the leader and for that we are going at a maximum speed and frontloading on investments as well.

Koray Pamir: Thank you.

Operator: Thanks for your question. The next question comes from the line of Herve Drouet, from HSBC. Your line is open.

Herve Drouet: Yes, good afternoon. Two questions also on my side. The first one back to CapEx, can you give us a breakdown of your CapEx spending between fixed and mobile numbers, I was wondering which part has increased the most if you compare with 2014. And if you look at 2016, some of the increase at the end of the CapEx, which part is it more fixed or mobile which is increasing more. So it just to increase on CapEx due to the fiber rollout on your TV opportunities or is it more again on the mobile side on trying to go where was it coming from. And just second the question is also back on the margins, the increase in Q4 of, I believe your advertising, I think on commercial cost. I mean if is it partially due to potentially some pre-marketing, you have done on 4G LTE and have you done some or should we still expect in next quarter or next two quarters, potentially quite significant advertising cost with the 4G LTE launch, thank you.

Rami Aslan: Thanks a lot. Both questions I believe Murat can have, maybe I'll just tell you a little bit about Q4 spending regarding your second question, I mean I'll pass you to Murat for more details. I can tell you that in our planning and realization for Q4 spending, we were very much focused on establishing 2016 with a very strong momentum. So we had a strong Q1 2016 in mind, bearing in mind that we are still working within our budget and guidance and numbers for 2015. So our focus was not to rationalize but rather to focus on the growth and the impact. So much of that spending we will see the impact in Q1 and beyond. Maybe Murat, you can address that and then go back to the first question.

Murat Kirkgoz: So Q4 typically is a very high season for back-to-school and commercial spending. Therefore, we had a quite of a high spending in Q4 compared to the other quarters, but we believe that it will have going forward to the strong top line growth in the following year. For the first quarter of the year, we also have our integration and the brand integration which we will give some additional costs on top of the normal rate, but we believe that will be normalized throughout the course of the year. For the CapEx question, we've an increase in capex both on the fixed domain and also on the mobile domain in 2015. The reason on the fixed domain is mostly related with fiber transformation and new sites that we are building. While on the mobile, we've deployed our 3G in 900 frequencies within 2015 and also LTE deployments have started within the course of 2015. So both on mobile and on the big screen, we have increased of the investments throughout the course of 2015. While for 2016, as stated, I cannot adress your question, as we're not giving guidance -- forward-looking guidance in the breakdown of fixed and mobile. Well, I can say clearly there will be a direction increase, more on the mobile side due to LTE rollout.

Operator: Thanks for your question. Our next question comes from the line of Ksenia Mishankina, from UBS. Ask your question.

Ksenia Mishankina: Thank you for the presentation. What portion of your short-term debt do you plan to refinance and how? Thanks.

Murat Kirkgoz: Thank you for the question. The 2016 debt services around $850 million. So, the full amount of this amount, we have secured funding in Q4 with an amount of $830 million equivalent. So, hundred percent of the short-term debt issued at the long-term sources from the beginning of the year. While for the

CapEx, we anticipate the finance dropped to 60 percent of our CapEx (ECA loans throughout the year and that's with our own cash flow.

Operator: Thanks for the question. The next question comes from the line of Walid Bellaha. Your line is open.

Walid Bellaha: Thank you very much for your presentation. First, I couldn't hear actually the last response you gave regrading the financing of the CapEx, you said that 60 percent of the CapEx was financed with -- whether it is our own cash flows is that the answer?. And the couple of other questions that I have are on the net leverage of the Group. Do you keep any net leverage target as I believe you have this large investments over the next three years and given the assumptions that we have for the guidance. It's probably unlikely that we come back to 1.5 time targets that you used to have and this especially in the context that some writing gadgets like Fitch have some downgrade triggers for net debt to EBITDA around this level. So I just want to have more color on what's your strategy regarding this, the net leverage. And my last question was regarding the ARPU growth that we're seeing. I understand the ARPU should grow with larger data revenues. But I was just wondering because the current growth that you have is still lower than what's the inflation currently in Turkey. So, I was wondering what's your capacity to increase prices on your packages and how is the market behaving in this sort of situation.

Rami Aslan: Thank you, just to confirm the numbers you mentioned 60 percentis correct, 60 percent from ECA financing and the balance will be from our own cash flow, free cash flow. Murat, if you can answer the question on the leverage for guidance, and Dehsan can handle the growth.

Murat Kirkgoz: So let me thank you for the question. The license payments are creating pressure on the cash flows of all operators. However, for Türk Telekom, we have a very strong cash flow generation that is meeting, actually matching with the terms of the license payments. I would recall that the license payments will be done in four installments, one in 2015 was in Q4. Two of the installments should be realized within 2016. And the last one in the first half of 2017. The company has solid cash flows and it's growing and as it grows, we have the capacity to deleverage the company following the license payment quite fast pace. So we don't anticipate that prolong leverage that is close to two levels in our company. So we are comfortable with the leverage -- current leverage levels and we can sustain these levels going forward. Excluding the license payments with the anticipated growth of EBITDA and with anticipated CapEx rollout, we believe that the cash flows of the company grow in place going forward. For the rating agencies we will have our calls after this release of results. However, as I mentioned, we have a very strong liquidity. We have secured a lot and liquidity measures are quite strong at year-end and we believe that the rating agencies reflect in the assessment of these points.

Dehsan Ertürk: It's about what extent ARPU could increase was the question. Naturally we will not commit to any kind of percentage increase in the ARPU or but it's for sure, because of the fact that we are going to provide the market with a better proposition in terms of the capacity, more enlarged content and increased speeds. Most definitely, we are confident that the overall market ARPUs and also Türk Telekom ARPU is going to increase. And because of the investment in the new paradigm, in 4.5G LTE technology, it's natural not to expect any kind of price pressure in the market. So that's also going to be a driver in ARPU increase in the Turkish mobile industry. Thank you.

Walid Bellaha: I'm sorry. And just one follow-up question, if I may. Can you quantify the savings that you could get with the unification of the brand. Now that the mobile and fixed line are unified under the same brand. Do you expect any savings in terms of operational expenses?

Rami Aslan: First of all, a branding is not much of a significant, let's say, cost related to I mean versus our plans in our clients but also unify brand to create real synergies and help us enable optimization in commercial expenses as well. And the higher pace of growth, leveraging our cross-sale opportunities in this year that is the most critical part of the brand unification. So the point here is probably less calls given but rather, fuelling our growth potential and our ability to crosssell through our products and that's what we're aiming for. Everything on the cost improvement side will be welcome as well, but we are very determined to grow the top line at the highest pace possible.

Walid Bellaha: Thank you very much.

Operator: Thanks for your question. The next question comes from the line of Mehmet Akyuz, with Yapi Kredi. Your line is open.

Mehmet Akyuz: Hi, good afternoon. I'm trying to reconcile your EBITDA guidance for this year's on the cost right especially, probably you will have a related commercial expenses in the first for year. And it suggests that the mid-end of the guidance, suggest slightly better EBITDA margin, if you exclude the one-off this year and assuming that mobile will grow faster -- negative impact. What kind of in your cost to savings you are anticipating for this year from integration, which I think most probably the cross-sell side, but I think we as -- more curious to see on the benefits on the cost side for this year.

And my second question is if you could -- if possible you could provide a breakdown of the settlement with Turkcell, I understand you provided TRY150 million and TRY250 million figures for EBITDA and net income. But I recall that you had also TRY90 million provision for this case and if you can give more color on that of -- the breakdown of the -- would be very helpful.

Murat Kirkgoz: Mehmet, thank you for the question. So, cost savings, particularly, it's something that we are doing on a continuous basis. And most of the cost elements on our fixed networks where there is a big part of fixed cost on our fixed network, which were vigorously working on the improving and increasing the efficiency and paying out services that we deliver to our customers while we are saving costs. So the part of transformation, the employee rationalization and allocation of the resources to the most needed areas is continuous process and that translates into savings in the maintenance costs, utility and energy costs and personal costs.

And on the commercially, we actually anticipate to have certain synergies, but mostly the top line, but again the cost of acquisition are rather than the cost of sales. And this is basically our cost trend is continuing, but it is dwelling and deepening more on the integration of the businesses and the savings that we achieve on the technology and network side. And an area that we are currently working is the IT applications and simplification of our IT delivery and application portfolio. So these will bring substantial and sustainable cost savings going forward which will improve the margins, not only in 2016,

Rami Aslan: Before we move to the next question, I would like to put things in perspective as well, when it comes to integration and savings that come from integration. I mean let's now undermine the benefits that we get from them and both on the CapEx side and OpEx side. And when we're procuring new services or renewing existing services, CapEx related or OpEx related, I can tell you that our Group, as a Group is benefiting tremendously from very meaningful savings. So, when we're procuring on the CapEx side or the OpEx side, we have seen savings ranging from certain double-digit but reaching up to high 13 percent in percentage term in terms of saving.

So, I'm confident to say that this is only the beginning because in our many of those services and contracts are renewed every two years, every three years, where CapEx that we incur. And I must tell you that the muscle that we have today as the Group -- selected Group of three large entities is really changing the way we procure or we get things done. We are combining the best practices of our Group together with the size and the muscle of the Group.

So, all in all,there were lots of efforts in the past 12 -13 months and that should continue and there is still a lot of room there and we are reflecting that in the guidance. Thanks. Back to Murat.

Murat Kirkgoz: So, Turkcell settlement has twoline items as you mentioned, we have has some provisions in our books related to our disputes that we you have with Turkcell and those reversed within the course of this settlement. And Turkcell settled its cases against cash consideration of TRY225 million. So the total impact of this transaction on our profit before tax was TRY320 million and post-tax is close to TRY270 million. At the EBITDA level the figure was TRY146 million as we discussed and the remaining amount goes to different lines, lower lines partially onto the financial expenses and tax lines. And the cash consideration of the transaction would be TRY225 million, which was collected after the quarter in period we did in January.

Mehmet Akyuz: Very helpful. Thank you.

Operator: The next question comes from the line of Ondrej Cabejsek, from Baron Burgh. Your line is open.

Ondrej Cabejsek: Hi. Thank you. I have two questions. The first one relates to chart that you present on page 13 in the presentation where we see a pretty amount of deceleration in the growth of average monthly mobile data usage. So I have a question, basically, how do you explain that given especially the large data packages that we've seen, emerging on the market in the past year. And since your strategy revolves around the 4.5G monetization strategy, revolves around upselling data packages and increasing data consumption. So how does this sort of align with the trends that you are seeing there? And second question would be, whether you have any updates regarding the fiber regulatory holdings that end for you soon. Thank you.

Dehsan Ertürk: Hi. Thanks for the question. On slide 13, You mentioned about the deceleration in the data growth year-over-year and in terms of gigabytes of subscribers. Throughout 2015, we actually prepared to utilize the new spectrum that we were going to acquire, the 900MHz frequency. So throughout the year we have been very careful in managing our network capacity with 2100MHz frequency. So starting with the acquisition of the 900MHz frequency and deploying it in the beginning of December, we will see a similar increase of the mobile data usage as we have observed in the quarter before the last one. Thank you.

Rami Aslan: Thanks, Dehsan. With regarding to fiber as you rightly said -- Fiber holiday will expire this year, as expected and we are very proud to be the largest investor of the fiber network, more than 80 percent of the fiber network over 81 cities are invested by Türk Telekom, really something to manage so far by us And we are expecting that and we don't anticipate much of an impact that holiday expire.

Ondrej Cabejsek: OK. And so, if I may follow-up on the second question. Are you sort of open for example to the ideas that Türk Telekom to be presenting out of creating one common network in Turkey. And now that these holidays are gone and what sort of financial impact do you expect from sharing or rather wholesaling the network, Turkcell, if not. Thank you

Rami Aslan: I believe here in this –lets make sure that we have the right information and ensure there is no misinformation. So as investing in fiber and as the largest player in fiber, we are providing wholesale, we are obliged to provide wholesale to our peers. So there is no lack of ability of wholesale to anyone. So this is an obligation by the regulator and this is certainly something that we will respect and honor and make sure that it's being available. At the same time we are very confident that the environment that we operate and first of all Turkey is in fairly good shape with more than 60 percent homepass at this very stage thanks to turk telekom investment. But we do believe that fostering investments, welcoming investments is the right thing to do. And there are areas of cooperation for sure, there are areas that rural, highways etc will make a lot of sense to we are jointly participate and we welcome that. And we are at the same time welcoming good competition that fosters more investments by all players that'll be certainly welcomed.

Ondrej Cabejsek: Thank you.

Operator: The next question comes from the line of Mitch Reznick, from Hermes Credit. Your line is open.

Mitch Reznick: Good afternoon. Thanks for taking my question. Just a couple, just on the -- can you remind us kind of spectrum payments. The spectrum payment obligations in 2016, and the timing of those and the final payment 2017. And also you answered the question around the leverage target, but I didn't get from if you still confirming that 1.5 times leverage target. Thanks.

Murat Kirkgöz: So we have our payments in May and in November, so beginning of November for the license payments. So that is every six months. So, October, end of April, end of October, end of April 2017. So these are the payment dates. Every installsment is ¼ of total payment. So we are pretty comfortable with the leverage levels that we are carrying and we believe that the Company has the capacity and potential to deleverage to 1.5x) following the license payments. This is the number that we are comfortable with, I only believe that we will be operating at a kind of long-term leverage levels.

Mitch Reznick: OK, thank you.

Operator: Thanks for your question. The next question comes from the line of Abbas Ali, from JP Morgan. Your line is open.

Abbas Ali: All right, thank you very much for the presentation. I just had a question on FX and if you can talk about your ability or how you deal with Lira depreciation. And then whether you're able to pass through any of that to your customers whether that's an issue or not. And how much of your CapEx excluding the license, which I presume is all in Euros. But how much of your CapEx is actually denominated in local currency versus hard currency, thank you.

Murat Kirkgoz: Thank you for the question Abbas. So, we have on the last part of - let me start with the last part of your question. Roughly 55 to 60 percent of our CapEx is denominated in hard currency. However, we have some embedded elements into our contracts that helps us to fix the cost at a certain cap or could some embedded tools that actually kept exposure on the CapEx spending and imposing through our supply chain finance program is giving us the capacity and capability to match some of this short-term cash flow more calendars and in a more visible term. On the FX part, we have some capacity to translate FX pressure into our prices, but it follows in a long course so first FX normal translates into inflation. On a long-term basis, the inflation rates that translated into the consumer prices, which we also apply as inflationary price adjustments for currencies and to our customer prices, mostly on the broadband under the fix voice services, which are mostly on the recurring revenues. So the first part of your question is, yes we have the capacity to translate partially FX on a long-term basis to our customers. One on the short term, the depreciation of Turkish lira would take place in an accelerated manner. So, we are taking certain risks instruments to dampen the effect. So on this perspective, the reasonable costs hedge another opportunity of cash flows or exposure into Turkish lira. In the last year we had finalized about $1 billion liabilities converted half to Euros and half to Turkish lira at a very competitive rates. And, we believe those transactions are useful -- whenever the market prevails we are sticking to reduce our exposure to level that will permit us and we are comfortable.

Abbas Ali: Thank you very much. If I may just ask one follow-up in terms of -- I know you've gone through this a couple of times in terms of net leverage target, and I understand that you will get back to one-and-half times, but can you talk about where you expect leverage to peak and whether the rating agencies have given hard trigger above, which they will consider the leverage to be unsustainably high because as I understand the rating agencies have said in the medium term if leverage goes up with -- for the 4.5G expansion, but as long as they see it coming back to 1.5 times, they are fine with it. But have they given a peak or a target, which have reached they will maybe reconsider?

Rami Aslan: So for the rating agencies, we are in extremely liquid company, although with the license payments and license installments there have been pressure our leverage levels and liquidity have reduced. We are generating the highest cash flow in the market among other players. And as well, it's a substantially higher than our short-term obligations, including the license fee payments. So, we don't anticipate the structural issues in terms of cash flow that could result in increase in the leverage and the peak funding you asked was regarding -- when it will happen, we anticipate our peak funding need to be realized at H1 2016. So we will see the highest point in our leverage in mid of this year and we will see a substantial improvement going forward, so that is another element. And just maybe a note that you may not be able to capture that we paid the full VAT amount on the license,18 percent of the total license, which will be recovered through the course of 2016 and 2017. And the total long-term portion of the prolonged leverage levels, we anticipate we'll be able to typical levels of around 1.5 times in the medum term.

Abbas Ali: In terms of the peak leverage, you said H1 2016. OK.That's fine. Thank you very much.

Operator: Thanks for your question. So that does conclude our Q&A session for today. Over to you.

Gozde Cullas: Thank you very much everyone. This ends our call today.

Operator: That concludes our conference for today.

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