TÜRK TELEKOM GROUP
2023 SECOND QUARTER
FINANCIAL AND OPERATIONAL RESULTS

August 14, 2023

SIGNIFICANT WINS IN OPERATING PERFORMANCE DIMMED BY SOFT BOTTOM-LINE ON LIRA WEAKNESS

Türk Telekom Group announces its financial and operational results. Operational performance improved QoQ together with an accelerated top-line growth and higher margins. Consolidated revenues increased by 67.2% YoY to TL 17.9 billion in Q2'23. EBITDA was TL 6.0 billion with an EBITDA margin of 33.6%. Net loss of TL 601 million was driven by the sizeable depreciation in lira and higher interest rates in the quarter. Thanks to the progressive operating performance Net Debt/EBITDA was contained at 1.65x despite significantly weaker lira QoQ.

Türk Telekom CEO Ümit Önal said: *"Although the critical elections in Türkiye heavily influenced both the business environment and consumer sentiment, the potency of our targeted actions that we have been implementing manifested itself in our operational and cash flow performance in the second quarter as inflation has retreated and the earthquake impact has gradually faded. Continuous progress in mobile KPIs speak volumes about our competent strategy and growing strength in the market, while the FBB segment is set to enter a momentous path starting from the second half. Therefore, we revise our 2023 guidance upward with confidence in our ability to deliver, despite the fact that cost pressure remains a major challenge in the rest of the year."*

2nd Quarter 2023 Financial Highlights

Consolidated revenues increased to TL 17.9 bn, up by 67.2% YoY. Excluding the IFRIC 12 accounting impact, revenue growth came in at 68.1% YoY, placing the first half growth to 63.8%.

TL 6.0 bn consolidated EBITDA with 33.6% margin grew by 37.1% YoY thanks to accelerated revenue growth versus still high but slowing opex growth. EBITDA margin improved 230 bps OoQ. Excluding the IFRIC 12 impact, EBITDA margin was 35.3%. If adjusted for the quake related one-off costs, consolidated EBITDA would be TL 6.2 bn with an accompanying margin of 34.3%.

TL 3.4 bn operating profit moved up 35.1% YoY. Adjusted by the quake related cost incurred in Q2'23, operating profit was TL 3.5 bn, up 41.5% YoY.

TL 601 mn of net loss was driven by 35% average increase in USDTRY and EURTRY exchange rates QoQ and significantly higher interest rates seen in the second quarter amid election volatility. TL 1.2 bn of net tax income was once again driven by revaluation of assets and R&D and investment incentives. If adjusted for the quake impact, net loss would stand at TL 485 mn. Please see Table 1.

TL 3.7 bn capex in Q2'23 included TL 259 mn quake related expenditures.

Leaving behind the low seasonality and quake pressures, unlevered free cash flow[1] turned to positive TL 2.3 bn from negative TL 2.0 bn a quarter ago along with an improved EBITDA performance. It also compared favourably to TL 1.5 bn in Q2’22.

Our long FX position[2] was USD 686 mn by the end of Q2’23. Excluding the ineffective portion of the hedge portfolio, namely the PCCS contracts, foreign currency exposure was a USD 142 mn short FX position.

Table 1: Impact of one-offs on Q2’23 financials

Adjustment item	**Adjustment line**	**Q2'23** (mn TL)
Earthquake impact	Revenue + Opex	160
	Impact on Ebitda	**160**
Net of deferred tax & current period tax	Corporate Tax	-44
	Impact on Net Income	**116**

Table 2: Impact of one-offs on H1’23 financials

Adjustment item	**Adjustment line**	**H1'23** (mn TL)
Earthquake impact	Revenue + Opex	409
New pension scheme	Opex	153
	Impact on Ebitda	**562**
Earthquake impairment	Depreciation & Amortisation	169
	Impact on Operating Profit	**731**
Earthquake tax	Corporate Tax	90
Net of deferred tax & current period tax	Corporate Tax	-117
	Impact on Net Income	**704**

2nd Quarter 2023 Operational Highlights

Total number of subscribers declined to 52.4 mn with a net loss of 105K during the quarter, largely due to the ongoing contraction in the fixed voice customer base but also to tepid additions in other businesses.

Fixed broadband base touched the 15.0 mn mark with 144K net additions driven by improved performance both in new sales and churn in the aftermath of the February earthquakes. Fixed internet ARPU growth paused its 5-quarter climb and came in at 41.7% YoY, but is set to accelerate again with recently implemented price revisions starting from the next quarter.

---

[1] *Unlevered free cash flow defined as net cash provided by operating and investing activities from operations.*
[2] *Net FX position is calculated as FX based financial debt (including FX based lease obligations) plus FX based net trade payables less FX financial debt hedging less FX net trade payables hedging less currency protected time deposits less net investment hedging less FX based cash and cash equivalents.*

Fibre base expanded to 12.2 mn subscribers with 426K of quarterly net additions. The number of FTTC subscribers reached 8.4 mn, while the number of FTTH/B subscribers increased to 3.8 mn. The share of fibre subscribers in our fixed broadband base increased to 81.9% from 73.5% a year ago.

Fibre cable network length increased to 419K km as of Q2'23 from 410K km as of Q1'23 and 381K km as of Q2'22. Fibre network covered[3] 32.0 mn households by the end of Q2'23 compared to 31.4 mn as of Q4'22 and 30.8 mn as of Q2'22. FTTC homepass was 20.8 mn, while FTTH/B homepass increased to 11.2 mn.

Mobile portfolio stayed flat at 25.6 mn after losing 9K subscribers on net basis in Q2'23. Postpaid base continued its healthy expansion with 235K additions and prepaid its contraction with 244K slide. Uncompromised focus on ARPU pushed up the blended growth rate to 73.2% YoY. Average monthly data usage per LTE user increased by 24.6% to 14.3 GB in Q2'23 from 11.5 GB in Q2'22.

Fixed voice base continued its descend with 237K of subscriber loss along with the strategy focusing on naked-DSL sales. Including nDSL, the number of total access lines increased to 17.3 mn from 17.2 mn a quarter ago.

In Q2'23, TV Home base stayed flat around 1.4 mn subscribers with minor gains in IPTV offset by minor losses in DTH.

Self-service online transactions app 'Online İşlemler' has been downloaded by 73.4 mn times by the end of second quarter. The number of unique subscribers[4] using the application was 19.3 mn.

2023 Guidance Revision

Our revised guidance for 2023 is as below:

- Consolidated revenue growth (excluding IFRIC 12) to be around 67-70%
- Consolidated EBITDA to be around TL 25-27 billion
- Consolidated CAPEX to be around TL 19-21 billion

	Previous Guidance	**Revised Guidance**
Consolidated Revenue Growth (exc. IFRIC 12)	52-55%	67-70%
Consolidated EBITDA	TL 23-25 bn	TL 25-27 bn
Consolidated CAPEX	TL 17-19 bn	TL 19-21 bn

[3] *The assessment of the earthquake impact on homepass numbers is still work-in-progress; hence the numbers provided may be subject to changes.*
[4] *3-Month active user*

Türk Telekom CEO Ümit Önal's comments on 2023 second quarter results:

Second quarter performance signals good news ahead

Geopolitical news occupied the headlines from time to time but the central banks' interest rates and inflation dilemma remained in centre focus over the second quarter globally. At home, while Türkiye continued feeling the impact of the February earthquakes albeit at a diminishing capacity, politics largely dominated the domestic agenda. Türkiye has left the critical Presidential and Parliamentary elections behind towards end of May.

Appointment of the new economy management, followed by messages for policy normalisation has been welcomed across the board. Meanwhile, inflation retreated to 38.2% as of June, revealing the lowest print in 18 months. Yet, a 35% jump in FX rates on average within the quarter is expected to call back inflationary pressures. The recent announcement of another 34% increase in minimum wage effective from July 1, 2023 and several tax hikes are also set to negatively affect the CPI data ahead. Recently, the CBRT has revised its year-end inflation expectation to 58% from 22.3% earlier.

The finalisation of a two-round election process in late May and the closure of school season around mid-June kicked off the holiday period. The Eid break within the week of June 26 paved the way for a 9-day holiday for most. In this backdrop, data consumption depicted usual characteristics of seasonality where we observed a quarterly pick-up in mobile segment but some decline in fixed segment. In annual comparison, data usage continued its robust advance with 24.6% and 11.1% increase in mobile[5] and fixed[6] respectively.

All mobile operators launched their new prices in April but the first quarter's intensified competition extended into Q2'23 through longer-lasting and aggressive promotional activities. Our sector-beating ARPU growth in Q1 and quarters of unshaken position in the MNP (Mobile Number Portability) market might have augmented competitors' need to respond differently, but sticking to our long-winning mobile strategy we have continued prioritising ARPU growth on our side. As such, we closed the quarter with a slight net decline in subscriber base, driven by losses in the prepaid segment but once again meaningful gains in the postpaid segment. Net acquisitions in fixed internet scored stronger than anticipated in a balanced pricing environment in the reporting period. Therefore, we now target a positive net add in fixed broadband compared to our earlier expectation of a slight net loss for the FY23 despite having introduced price revisions both in wholesale and retail portfolios starting from July 1. Shaking off the quake related slowdown, re-contracting and upselling regained their strong footing in the second quarter.

Türkiye has been working relentlessly to overcome the massive disruption caused by the south eastern earthquakes that hit our country early in the year. As Türk Telekom we have been at the forefront of these efforts. On one hand, we continue to carry out the work on the ground to fully recover the physical damage to our operations and bring connectivity to new

---

[5] *Average monthly data usage per LTE user*
[6] *Average monthly data consumption per user*

habitations such as container/tent sites and on the other hand, we support the community through subscriber benefits and regional promotional activities as well as social responsibility projects.

Top-line growth continued its strong momentum and moved higher for the fifth consecutive quarter thanks to our dynamic actions designed around a volatile macro and consumer backdrop. Both operational revenue and EBITDA surpassed our expectations in the first half. We should be able to deliver our revised 2023 guidance along with an expectedly more stable macro environment, the recent price adjustments introduced in fixed broadband operations and more pricing, subscriber management and portfolio optimisation actions to follow in the remainder of the year.

Upward momentum in revenue growth sustained

Revenue growth moved further up in Q2’23. Consolidated revenues increased by 67.2% YoY in Q2’23 while operational revenues expanded 68.1%.

Mobile revenue increase reached a fresh high of 80.8% YoY with our continuously growing strength in the market and winner strategy. 45.4% growth in fixed broadband revenue depicted a near-flat performance QoQ but is set to accelerate starting from the next quarter. Following a sensitively managed quake-period, we resumed normalcy in our marketing and customer care activities in the second quarter. That, combined with customers also returning to their routines gradually, helped an improved revenue performance QoQ in core businesses. While growth in corporate data was 62.4% YoY; slightly ahead of last quarter’s performance, increase in other revenues was 134.1%; well above last quarter’s figure. Equipment, ICT projects and call centre revenues were all strong contributors in other revenues. International revenue growth accelerated significantly from last quarter to 88.3% YoY along with weaker lira.

Consolidated EBITDA growth also picked-up QoQ with 37.1% annual increase to TL 6.0 billion mark. 33.6% EBITDA margin moved 230bps ahead of last quarter’s level. While revenue increase in excess of opex increase supported the quarterly margin improvement, higher growth in non-core revenues worked in the opposite direction. EBITDA and EBITDA margin would be TL 6.2 bn and 34.3% respectively if adjusted for the continued earthquake-related revenue and cost impact.

USDTRY and EURTRY rates surged by 34.8% and 35.1% QoQ respectively. Interest rates also went up significantly and remained elevated throughout the quarter amid extreme volatility in financial markets driven by election uncertainties. While a weaker currency led bigger FX losses and higher market interest rates pushed up the net interest expense largely through cost of hedging QoQ, TL 1.2 billion of net tax income, driven by the revaluation of assets and R&D and investment incentives supported the bottom-line. As a result, we recorded TL 601 million of net loss at the bottom-line due to sizeable net financial expenses incurred in the period. Still, Net Debt/EBITDA stayed almost flat around 1.65x QoQ, thanks to an improved operating performance.

Better than expected H1’23 operating performance prompts guidance revision

We are revisiting our 2023 guidance after both top-line growth and EBITDA exceeded our expectations in H1’23. We now foresee 67-70% operating revenue increase, TL 25-27 billion EBITDA and TL 19-21 billion[7] capex for this year compared to 52-55%, TL 23-25 billion and TL 17-19 billion respectively, in our prior guidance.

While the change in top-line and EBITDA outlook can largely be attributable to expectations of more pricing actions, better operational KPIs and continued high contribution from non-core businesses, the increment to capex reflects the impact of labour cost inflation as well as recent sizeable losses in lira’s value. We maintain a cautious view on cost inflation in general.

We see a diminishing impact of the earthquakes on subscriber dynamics going forward, although our earlier guidance for quake-related revenue, cost and capex items remain unchanged. We expect inflationary pricing to stay in telco operators’ focus although seasonal or periodic promotional activities will likely continue to affect subscriber and ARPU dynamics at times, particularly in the mobile segment. On the fixed internet side, other ISPs’ response to our recent wholesale and retail pricing actions is yet to be seen. Nevertheless, having been through similar cycles over the last 6-7 quarters, we expect to continue pursuing our dynamic pricing strategy which closely monitors the upcoming inflation data. Aligning our portfolios themed around holidays, tourism and back-to-school to customer needs will be at the centre of our activities ahead along with indispensable focus on upselling and re-contracting of course.

Fixed broadband readied to positively decouple

We observed continued improvement in fixed internet subscriber dynamics over Q2’23. Following prior quarter’s better than expected acquisition performance, new sales remained strong with only slight decline QoQ on seasonality, but significant improvement YoY. Churn rate normalised from last quarter’s quake-triggered spike along with moderate competition in the market which has operated in a balanced pricing environment since early Q1 in lack of new tariff price revisions. ISPs’ subscriber activities mostly centred around differentiation in contract structures (6+6, 3+9, 6+18, 12+12, uncommitted, etc) and quake-region specific campaigns.

Accordingly, fixed internet recorded 144K net additions in Q2’23, reaching 15 million mark first time. Upselling and re-contracting performance improved QoQ after resuming business as usual in our sales and marketing activities. 35 Mbps and above packages made 50%[8] of new acquisitions, helping move ARPA[9] 1.9%[10] higher QoQ. ARPU growth didn’t change much from last quarter’s levels and stayed around 41.7% YoY.

---

[7] 2023 guidance expectations represent approximate values
[8] For retail segment
[9] Average revenue per acquisition
[10] For retail segment

Following a mixed 1H'23 with quakes, Ramadan and elections we introduced our new prices in both wholesale and retail segments starting from July 1st. This is the first time we revised wholesale tariffs since June and retail ones since October last year in new sales. Therefore, the move will shape both subscriber dynamics and ARPU evolution going forward. A sector-wide response to our revisions is yet to be seen but we expect the sector to align rationally given the ongoing inflationary pressures across the board. In this backdrop, we change our earlier guidance for FY23 net add outlook in fixed internet to positive from slightly negative. We also expect a robust acceleration in ARPU growth in the coming quarters.

Fibre investments fuelling Türkiye's digitalisation

The fibre network that runs across all of the 81 cities in Türkiye reached 419K km by the end of Q2'23 (410K km as of Q1'23 and 381K km as of Q2'22). Homepass[3] increased to 32.0 mn as of Q2'23 compared to 31.4 mn as of Q4'22 and 30.8 mn as of Q2'22. FTTC homepass was 20.8 mn, while FTTH/B homepass rose to 11.2 mn. Total number of fibre subscribers grew to 12.2 mn, making up 81.9% of our total base, up by 8.4 points YoY.

Having exceeded 38 Mbps as of Q2'23 with 38% increase YoY, average package speed of our subscriber base[11] continued rising as high-speed packages stayed in central focus in new activations and upselling regained full traction in the quarter. Close to 44% of our subscribers[12] are now on 35 Mbps and above packages compared to 40% a quarter ago and 29% a year ago. We are on a mission to bring high quality connectivity to every corner of Türkiye and our steadfast fibre investments continue to serve that very purpose.

Race for new acquisitions got tougher in mobile

Generally speaking, Türkiye made a lacklustre start to the second quarter as the country still transitioned out of earthquake recess and Ramadan, usually a slow period in activity, took most of April. Encircled by the hot elections climate, the month of May needed a push to liven up the mobile sector. As such, although mobile operators synchronised their latest pricing actions in April, they started launching rather attractive offers one after the other to lure consumers and revive the MNP market in May. Race for locking in as many net adds as possible within the quarter toughened alongside longer-lasting and more aggressive promotions. In this backdrop, we preferred to be selective in our offerings and prioritised our ARPU growth which was ahead of competitors' in Q1'23.

Driven by the above dynamics, MNP market, which had contracted in Q1'23 on quake slowdown, grew by 13% annually and 9% quarterly. A relatively low base due to the ongoing effects of Covid-19 measures in Q2'22 also played a role in annual expansion. Once again, our top position in net ports remained unchanged for the seventh consecutive quarter despite fierce competition, thanks to our stronger positioning in the market.

---

[11] *Total retail base including DSL and fibre subscribers*
[12] *Total retail base including DSL and fibre subscribers*

We recorded a total of 9K net subscriber loss in Q2’23, driven by 244K decline in the prepaid base. On the flip side, postpaid segment secured another 235K net add, aggregating its total gain to more than 1.2 million subscribers over the LTM. New acquisitions in postpaid performed better than we expected and grew both in quarterly and annual basis. Churn rate was well contained at similar levels in both comparisons despite the abundance of attractive offers in the market. New acquisitions were also better than last quarter in the prepaid segment after the initial shock of the quakes, but the churn rate was also inevitably higher. As a result, postpaid segment made 68.2% of our total mobile base.

Well ahead of inflation, 73.2% of ARPU growth stayed on a robust trend with 66.1% annual rise in postpaid and 88.1% in prepaid segments owing to our winner strategy that targets a fine balance of subscriber base and ARPU growth. As usual, subscriber, ARPU and data consumption growth were the main pillars of the 80.8% YoY surge in mobile revenue. The number of additional data packages sold grew by 19% YoY while average top-up amount per prepaid subscriber surged 104%.

More progress towards our sustainability roadmap

In line with Türk Telekom Group’s strategic investment plans and sustainability agenda, we had announced our Company’s plans to accelerate Solar Power Plant (SPP) investments in the near future, in order to reduce our carbon footprint, contribute to climate risk management, and create financial value.

As part of this agenda, Turkish Electricity Transmission Corporation (TEİAŞ) has increased the size of installation capacity allocated to Türk Telekom from 317.8 MWe to 405.8 MWe within the framework of the relevant legislation. This capacity corresponds to nearly 65% of our current annual total electricity consumption.

Investments in solar power plants are planned to be undertaken in Diyarbakır, Ağrı, and Sivas provinces, on lands leased from the Ministry of Environment, Urbanisation and Climate Change for 29 years. We believe we will make significant progress towards achieving Türk Telekom Group's sustainability goals with the initiatives that we will implement in the coming period.

Financial Review

(TL mn)	Q2'22	Q1'23	Q2'23	QoQ Change	YoY Change
Revenue	**10,732**	**15,253**	**17,947**	**17.7%**	**67.2%**
Revenue (Exc. IFRIC 12)	**9,910**	**14,432**	**16,660**	**15.4%**	**68.1%**
EBITDA	**4,404**	**4,781**	**6,036**	**26.2%**	**37.1%**
Margin	*41.0%*	*31.3%*	*33.6%*		
Depreciation and Amortisation	**(1,910)**	**(2,665)**	**(2,667)**	**0.1%**	**39.6%**
Operating Profit	**2,494**	**2,117**	**3,369**	**59.1%**	**35.1%**
Margin	*23.2%*	*13.9%*	*18.8%*		
Financial Income / (Expense)	**(2,321)**	**(1,730)**	**(5,190)**	**200.1%**	**123.7%**
FX & Hedging Gain / (Loss)	(1,774)	(575)	(4,184)	627.3%	135.9%
Interest Income / (Expense)	(739)	(892)	(963)	7.9%	30.3%
Other Financial Income / (Expense)	191	(262)	(43)	(83.5)%	n.m.
Tax Income / (Expense)	**1,219**	**258**	**1,221**	**372.8%**	**0.2%**
Net Income	**1,392**	**645**	**(601)**	**n.m.**	**n.m.**
Margin	*13.0%*	*4.2%*	*(3.3)%*		
CAPEX	**2,488**	**3,327**	**3,680**	**10.6%**	**47.9%**

Revenues

In Q2’23, consolidated revenues increased by 67.2% YoY to TL 17.9 bn. Excluding IFRIC 12, operating revenue growth was 68.1% YoY with respective increases of 45.4% in fixed broadband, 80.8% in mobile, 88.3% in international, 62.4% in corporate data and 134.1% in other revenues.

Operating Expenses Excluding Depreciation and Amortisation (OPEX)

In Q2’23, operating expenses increased by 88.2% YoY to TL 11.9 bn. Annual increase was 95.5% in the first quarter of the year and 52.1% in the second quarter of last year. Excluding IFRIC 12 cost, growth in operating expenses was 92.3% YoY.

- Interconnection costs increased by 57.6% YoY and 11.4% QoQ mainly owing to the jump in exchange rates on quarterly basis.

- Tax expense increased by 78.5% YoY and 17.6% QoQ in tandem with FBB and mobile revenue growth.
- Provision for doubtful receivables grew by 61.2% YoY and declined by 1.6% QoQ. The slowdown of legal proceedings post-quakes led some accumulation of provision for doubtful receivables.
- Cost of equipment and technology sales increased by 111.8% YoY and 36.0% QoQ, along with an increase in project revenues generated by Türk Telekom and İnnova.
- Other direct costs grew by 87.2% YoY and 20.4% QoQ, owing to higher commissions paid on prepaid loading, shared revenues and VAS revenues.
- Commercial costs increased by 74.3% YoY and 43.6% QoQ. While the annual change was owing to inflated customer care and corporate communication expenses, quarterly variance was mainly driven by the spending on Türk Telekom basketball team's EuroCup PR event.
- Network and technology expenses rose 63.3% YoY and 9.7% QoQ. Inflating cost of maintenance works was behind the quarterly increase despite lower energy costs driven by declined unit energy prices.
- Personnel expense increased by 116.5% YoY and decreased 0.7% QoQ. The one-off rise in severance payments in the last quarter resulting from the new pension scheme largely explained the quarterly variance.

Operating Profit Before Depreciation and Amortisation (EBITDA)

In Q2'23, consolidated EBITDA increased by 37.1% YoY to TL 6.0 bn with an EBITDA margin of 33.6%, which contracted 740 bps YoY but grew 230 bps QoQ thanks to accelerated revenue growth versus still high but slowing opex growth. Excluding the IFRIC 12 accounting impact, EBITDA margin was 35.3%, down 810 bps YoY. If adjusted for the quake related one-off costs, consolidated EBITDA would be TL 6.2 bn with an accompanying margin of 34.3%.

Depreciation and Amortisation Expense

Depreciation and amortisation expense increased by 39.6% YoY to TL 2.7 bn in Q2'23.

Operating Profit

Operating profit increased by 35.1% YoY to TL 3.4 bn in Q2'23. Operating profit margin declined to 18.8% in Q2'23 from 23.2% in Q2'22 but compared favourably to 13.9% in Q1'23. Adjusted by the quake related cost incurred in Q2'23, operating profit was TL 3.5 bn, up 41.5% YoY.

Net Financial Income/Expense

Net financial expense increased to TL 5.2 bn in Q2'23 compared to TL 1.7 bn in Q1'23 and TL 2.3 bn in Q2'22. We incurred significantly higher FX losses YoY and QoQ along with 35%

increase in USDTRY and EURTRY rates QoQ. We continued utilising short-term instruments in Q2 in order to support the hedge portfolio, which pushed hedging costs up sizeably amid election driven volatility in financial markets. As a result, net FX & hedging loss rose to TL 4.2 bn in Q2'23 from TL 0.6 bn in Q1'23 and TL 1.8 bn in Q2'22.

According to the sensitivity of P&L statement to FX movements, 10% depreciation of TL has negative TL 367 mn impact on P&L as of Q2'23 assuming all else constant (negative TL 825 mn impact as of Q1'23 and negative TL 1,159 mn impact as of Q2'22). We aim to go back to FX-neutral position, when financial markets present a more stable outlook.

Tax Income/Expense

The Group reported TL 1,221 mn of tax income in Q2'23 vs TL 258 mn in Q1'23 and TL 1,219 mn in Q2'22. Quarterly change was driven by a larger deferred tax gain recorded in Q2 from revaluation of fixed assets and R&D and investment incentives.

Net Income/Loss

Q2'23 net loss was TL 601 mn compared to TL 645 mn net income in Q1'23 and TL 1,392 mn net income in Q2'22, due to sizeable net financial expenses incurred in the period driven by 35% increase in USDTRY and EURTRY exchange rates QoQ and significantly higher interest rates negatively affecting the cost of hedging. If adjusted for the quake impact, net loss would stand at TL 485 mn.

Capital Expenditures

Capex was TL 3.7 bn in Q2'23 compared to TL 2.5 bn in Q2'22. Out of TL 3.7 bn, TL 259 mn was spent on earthquake-related expenses.

Cash Flow and Leverage

In Q2'23, unlevered free cash flow was TL 2.3 bn vs TL 1.5 bn in Q2'22.

Net debt[13] increased to TL 35.5 bn as of Q2'23 compared to TL 26.6 bn as of Q2'22 along with significantly weaker lira QoQ. Excluding the IFRS 16 impact, net debt was TL 33.6 bn.

Thanks to the progressive operating performance, Net Debt/EBITDA[14] ratio was contained around 1.65x in Q2'23 despite a massive 35% increase in USDTRY and EURTRY rates QoQ.

As of Q2'23, FX based financial debt (excluding the IFRS 16 impact) declined both YoY and QoQ to USD 1,808 mn equivalent (Q1'23: USD 1,865 mn; Q2'22: USD 1,958 mn). The share of TL financing was 22.1% as of Q2'23 compared to 26.5% as of Q1'23 and 14.8% as of Q2'22.

Including the FX based cash of USD 134 mn, the net FX exposure was USD 686 mn long position as of Q2'23 (USD 448 mn long position as of Q1'23). Excluding the ineffective portion of the

[13] Net debt includes MTM from FX to TRY Currency Swaps and FV of Currency Protected Time Deposits.
[14] Net debt includes MTM from FX to TRY Currency Swaps and FV of Currency Protected Time Deposits. Net Debt/EBITDA calculation excludes extraordinary claims on EBITDA calculation.

hedge portfolio, mainly the existing PCCS contracts, the FX exposure was USD 142mn short position.

Operational Performance

	Q2'22	Q1'23	Q2'23	QoQ Change	YoY Change
Total Access Lines (mn) [15]	**17.1**	**17.2**	**17.3**	**0.5%**	**1.1%**
Fixed Voice Subscribers (mn)	10.1	9.2	9.0	(2.6)%	(11.7)%
Naked Broadband Subscribers (mn)	6.9	8.0	8.3	4.1%	19.8%
Fixed Voice ARPU (TL)	**23.6**	**33.1**	**34.4**	**3.8%**	**45.6%**
Total Broadband Subscribers (mn)	**14.6**	**14.8**	**15.0**	**1.0%**	**2.7%**
Total Fibre Subscribers (mn)	**10.7**	**11.8**	**12.2**	**3.6%**	**14.5%**
FTTH/B (mn)	3.1	3.6	3.8	5.4%	24.3%
FTTC (mn)	7.6	8.2	8.4	2.8%	10.5%
Broadband ARPU (TL)	**75.4**	**98.7**	**106.9**	**8.3%**	**41.7%**
Total TV Subscribers (mn) [16]	**2.9**	**2.9**	**2.9**	**(0.1)%**	**0.5%**
Tivibu Home (IPTV + DTH) Subscribers (mn)	1.5	1.4	1.4	(0.3)%	(2.6)%
TV ARPU (TL)	**25.7**	**33.1**	**36.2**	**9.4%**	**40.9%**
Mobile Total Subscribers (mn)	**24.6**	**25.6**	**25.6**	**(0.0)%**	**4.0%**
Mobile Postpaid Subscribers (mn)	16.3	17.2	17.5	1.4%	7.5%
Mobile Prepaid Subscribers (mn)	8.4	8.4	8.1	(2.9)%	(2.8)%
Mobile Blended ARPU (TL)	**49.8**	**71.0**	**86.3**	**21.5%**	**73.2%**
Mobile Postpaid ARPU (TL)	56.8	78.3	94.3	20.4%	66.1%
Mobile Prepaid ARPU (TL)	34.7	54.2	65.3	20.4%	88.1%

[15] PSTN and WLR Subscribers

[16] Tivibu Home (IPTV, DTH) and Tivibu GO subscribers

Notes:

EBITDA is a non-GAAP financial measure. The EBITDA definition used in this press release includes revenues, cost of sales, marketing, sales and distribution expenses, general administrative expenses, research and development expenses and other operating income/(expense), and income/(expense) from investing activities, but excludes depreciation, amortisation and impairment expenses, financial income/(expense) presented in other operating income/(expense) (i.e. FX gain/(loss), interest and rediscount income/(expense) on current accounts excluding bank borrowings).

Operating profit includes revenues, cost of sales, depreciation, amortisation and impairment expenses, marketing, sales and distribution expenses, general administrative expenses, research and development expenses, other operating income/(expense), and income/(expense) from investing activities, but excludes financial income/(expense) presented in other operating income/(expense) on CMB financial statements (i.e. FX gain/(loss), interest and rediscount income/(expense) on current accounts excluding bank borrowings).

Net financial income/(expense) includes financial income/(expense) and FX gain/(loss), interest and rediscount income/(expense) on current accounts excluding bank borrowings which are presented in other operating income/(expense) on CMB financial statements.

Net FX Position used to be calculated by subtracting the sum of ***i)*** *the hedge transactions and* ***ii)*** *FX-denominated cash and cash equivalents from* ***(iii)*** *FX-denominated financial debt. As per the resolution taken by the Board of Directors dated 03.02.2021, in order to carry out a currency risk management which takes into account all of the items that affect the consolidated profit / loss statement through exchange rate risk in the Net FX Position calculation, as of Q1 2021, in addition to the aforementioned items, Net FX Position includes* ***(iv)*** *FX denominated lease obligations* ***(v)*** *FX denominated net trade payables and* ***(vi)*** *the net investment hedge. Net investment hedge is the hedge amount against the financial risk of the net investment in the off-shore subsidiaries (Türk Telekom International) as per the Effects of Changes in FX Rate standard (TAS 21) of the Turkish Accounting Principles and has been used in the Group accounting reporting since 2011. Net FX Position is a non-GAAP financial measure. and the revision made in the calculation of the Net FX Position does not cause a change in the accounting reporting of the Group.*

About Türk Telekom Group

Türk Telekom, with more than 180 years of history, is the first integrated telecommunications operator in Türkiye. In 2015, Türk Telekomünikasyon A.Ş. adopted a "customer-oriented" and integrated structure in order to respond to the rapidly changing communication and technology needs of customers in the most powerful and accurate way, while maintaining the legal entities of TT Mobil İletişim Hizmetleri A.Ş. and TTNET A.Ş. intact and adhering to the rules and regulations to which they are subject. Having a wide service network and product range in the fields of individual and corporate services, Türk Telekom unified its mobile, internet, phone and TV products and services under the single "Türk Telekom" brand as of January 2016.

"Türkiye's Multiplay Provider" Türk Telekom has 17.3 million fixed access lines, 15.0 million broadband, 2.9 million TV and 25.6 million mobile subscribers as of June 30, 2023. Türk Telekom Group Companies provide services in all 81 cities of Türkiye with 38,021 employees with the vision of introducing new technologies to Türkiye and accelerating Türkiye's transformation into an information society.

Türk Telekomünikasyon A.Ş., providing PSTN and wholesale broadband services, directly owns 100% of mobile operator TT Mobil İletişim Hizmetleri A.Ş., retail internet services, IPTV, satellite TV, Web TV, Mobile TV, Smart TV services provider TTNET A.Ş., convergence technologies company Argela Yazılım ve Bilişim Teknolojileri A.Ş., IT solution provider İnnova Bilişim Çözümleri A.Ş., online education software company SEBİT Eğitim ve Bilgi Teknolojileri A.Ş., call centre company AssisTT Rehberlik ve Müşteri Hizmetleri A.Ş., project development and corporate venture capital company TT Ventures Proje Geliştirme A.Ş, Electric Supply and Sales Company TTES Elektrik Tedarik Satış A.Ş., provider of combined facilities support activities TT Destek Hizmetleri A.Ş. with TT International Holding BV, wholesale data and capacity service provider TT International Telekomünikasyon Sanayi ve Ticaret Ltd.Şti., and financial technology company TTG Finansal Teknolojileri A.Ş. and indirectly owns 100% of Consumer Finance Company TT Finansman A.Ş, software programs retail and wholesale company TT Ventures Inc, subsidiaries of TT International Holding BV, TV Broadcasting and VOD services provider Net Ekran Companies, telecommunications devices sales company TT Satış ve Dağıtım Hizmetleri A.Ş and payment and e-money services company TT Ödeme ve Elektronik Para Hizmetleri A.Ş., and web portal and computer programming company APPYAP Teknoloji ve Bilişim A.Ş.

Disclaimer

The information contained herein has been prepared by Türk Telekomünikasyon A.Ş. (the "Company") in connection with the operations of Türk Telekom Group companies. The opinions presented herein are based on general information gathered at the time of writing and are subject to change without notice. This presentation or any information contained herein cannot be used without the written consent of the Company.

This presentation does contain forward-looking statements that reflect the Company management's current views with respect to certain future events based on the base-case assumptions and estimated figures. The information provided by the Company is collected from sources believed to be reliable, but the accuracy and completeness of this information are not guaranteed. Although it is believed that the expectations reflected in these statements are reasonable, Company can give no assurance that such expectations will prove to be correct.

Neither the Company nor any of its shareholders, directors or employees nor any other person accepts any liability whatsoever for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection therewith.

Note: EBITDA is a non-GAAP financial measure. The EBITDA definition used in this investor presentation includes revenues, cost of sales, marketing, sales and distribution expenses, general administrative expenses, research and development expenses and other operating income/(expense), and income/(expense) from investing activities, but excludes depreciation, amortisation and impairment expenses, financial income/(expenses) presented in other operating income/(expenses) (i.e. FX gain/(loss), interest and rediscount income/(expense) on current accounts excluding bank borrowings)

Türk Telekom Group Consolidated Financial Statements are available on
https://www.ttyatirimciiliskileri.com.tr/en-us/financial-operational-information/pages/quarterly-results