

# **TÜRK TELEKOMÜNİKASYON A.Ş.**



**INTERIM ACTIVITY REPORT AS OF 30.09.2021  
BASED ON NO:II-14.1 COMMUNIQUE OF CAPITAL MARKETS  
BOARD**

**November 2, 2021**

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## 1. OVERVIEW OF TÜRK TELEKOM

Türk Telekom, with more than 180 years of history, is the first integrated telecommunications operator in Turkey. 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.

“Turkey’s Multiplay Provider” Türk Telekom has 16.7 million fixed access lines, 14.1 million broadband, 3.0 million TV and 23.9 million mobile subscribers as of September 30, 2021. Türk Telekom Group Companies provide services in all 81 cities of Turkey with 34,619 employees with the vision of introducing new technologies to Turkey and accelerating Turkey’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 and wholesale data and capacity service provider TT International Telecommunication Industry and Trade Limited Company, and indirectly owns 100% of 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., counselling services company 11818 Rehberlik ve Müşteri Hizmetleri A.Ş. (in receivership) and web portal and computer programming company APPYAP Teknoloji ve Bilişim A.Ş.

## 2. CORPORATE STRUCTURE

### Ownership Structure

Group	Shareholder	Paid-in Capital Amount (TL)	Share (%)
A	LYY Telekomünikasyon A.Ş.	1,925,000,000.00	55
B	Republic of Turkey Ministry of Treasury and Finance	875,011,884.975	25
C	Republic of Turkey Ministry of Treasury and Finance	0.01	
B	Turkey Wealth Fund	174,988,115.015	5
D	Free Float	525,000,000.00	15
<b>Total</b>		<b>3,500,000,000.00</b>	<b>100</b>

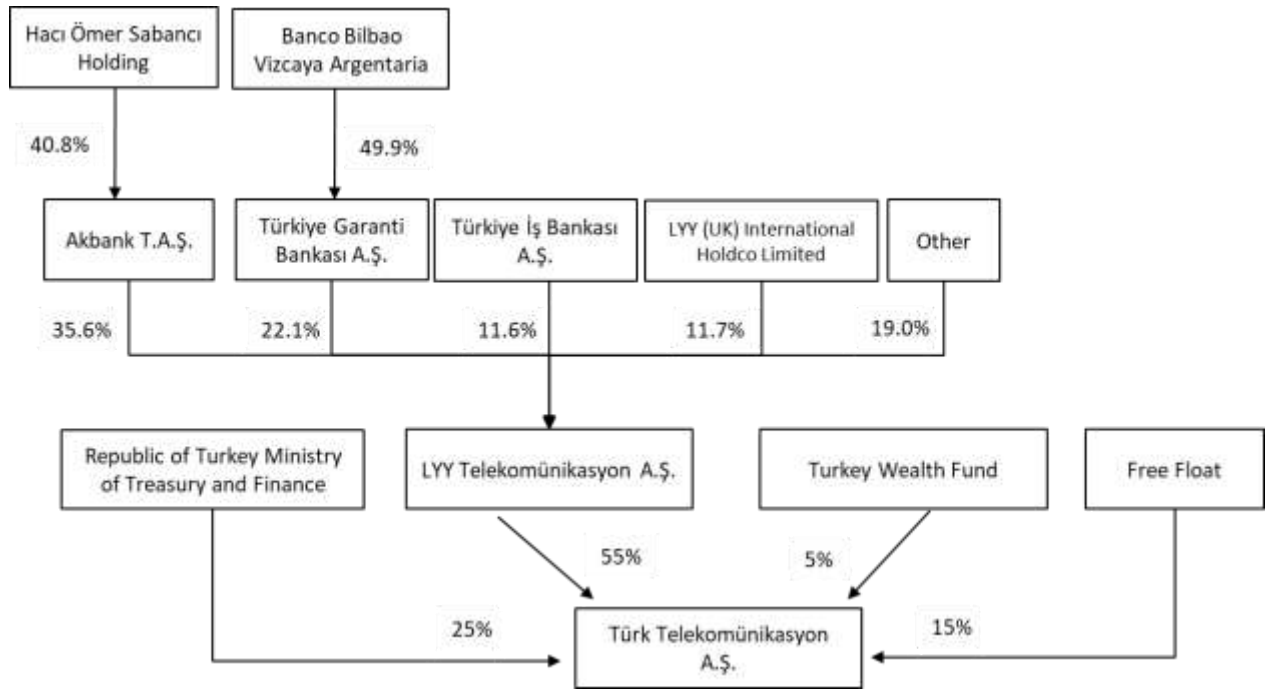
Note: According to the Official Gazette on February 5, 2017, the Council of Ministers decided to transfer the 6.68% stake (5% B Group shares and 1.68% D Group shares) of the Company belonging to the Turkish Treasury to the Turkey Wealth Fund. The transaction was completed in 2017.

The Türk Telekom Shareholders' Agreement and the Articles of Association further state that the Turkish Treasury owns a "golden share" (Class C share). The "golden share" is entitled to nominate a Board Member and has the below rights as per article 6 of the Articles of Association;

"In order to protect Turkey's national interests relating to national security and the economy, the Class C share's positive vote is required for the following matters regardless of the voting result in the Board or General Assembly, otherwise accepted as null and void."

- Any proposed amendments to the Articles of Association;
- The transfer of any of the Company's registered shares which would result in a change in management control;
- The registration of any transfer of the Company's registered shares in the shareholder ledger.

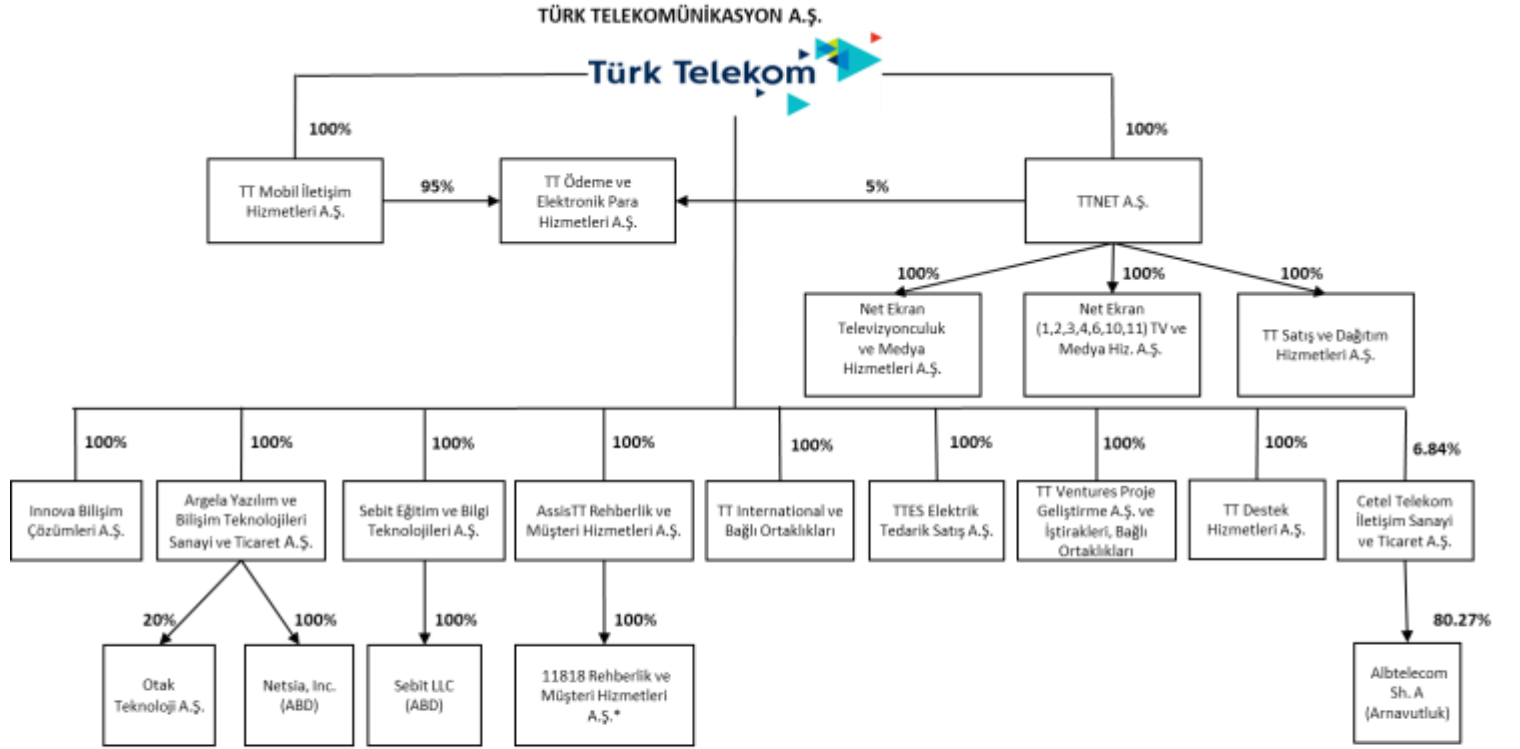
Natural and legal persons owning over 5% of our Company shares, directly or indirectly are stated below:



**Note:** 1) There are no natural or legal persons whose shareholding exceeds 5% except those shown in the shareholder structure.

2) Turkey Wealth Fund has 1.68% public share ownership.

- Subsidiaries and financial investments:



\* in voluntary liquidation

For detailed information on subsidiaries, affiliates and financial investments, you can visit <https://www.kap.org.tr/en/sirket-bilgileri/ozet/1473-turk-telekomunikasyon-a-s> website.

## **Management and Organization**

### **Board of Directors**

Dr. Ömer Fatih Sayan	Chairman of the Board of Directors and Member of the Board of Directors
Eyüp Engin	Vice Chairman of the Board of Directors and Member of the Board of Directors
Yiğit Bulut	Independent Member of the Board of Directors
Can Yücel	Member of the Board of Directors
Selim Dursun	Independent Member of the Board of Directors
Dr. Nureddin Nebati	Independent Member of the Board of Directors
Avni Aydın Düren	Member of the Board of Directors
Aclan Acar	Member of the Board of Directors
Enver İskurt	Member of the Board of Directors

### **Senior Management**

Ümit Önal	CEO - General Manager
	Marketing and Customer Care Assistant General Manager (Acting)
Kaan Aktan	Finance Assistant General Manager
Dr. Mehmet Beytur	Support Services and Procurement Management Assistant General Manager
İsmail Bütün	Consumer Sales Assistant General Manager
Mustafa Eser	Corporate Sales Assistant General Manager
Ali Gürsoy	Head of Enterprise Risk and Business Continuity
Tahsin Kaplan	Legal and Regulation Assistant General Manager
Barış Karakullukçu	Strategy, Planning and Digital Assistant General Manager
Yusuf Kırac	Technology Assistant General Manager
Emre Şehsuvaroğlu	Head of Internal Audit
Mehmet Emre Vural	Human Resources Assistant General Manager
Yavuz Yıldırım	Wholesale Assistant General Manager

### 3. SIGNIFICANT BOARD RESOLUTIONS

Significant Board Resolutions taken during the period are presented under Material Issues During the Period section.

### 4. PERSONNEL MOVEMENTS

Consolidated headcount as of the 30.09.2021 and 31.12.2020 are 34,619 and 34,748 respectively.

### 5. FINANCIAL RISK MANAGEMENT

Türk Telekom is exposed to financial risks such as liquidity risk, currency risk, interest rate risk, and counterparty risk.

Within the framework of the strategy of minimizing liquidity risk, financial debt is obtained from different geographical regions (the Americas, Europe, the Gulf, Japan, China, and Turkey) and from a diversified pool of investors (commercial banks, international financial institutions, official export credit agencies, and bond markets) with long-term maturities. This strategy enables the Group to have access to long-term financing on competitive terms, without being dependent on a limited group of funding sources.

With regard to the Eurobonds issued by Türk Telekom, the Group actively monitors the price and return dynamics of these bonds, which are tradeable instruments in the secondary markets, in order to ensure optimal cash management strategies on total return and cost basis.

The need to procure some part of capital expenditures from foreign suppliers and finance through long-term and diversified funding sources cause Türk Telekom to carry liabilities in foreign currency. Hence, excluding the hedge transactions, Türk Telekom has net liabilities in foreign currency and is exposed to FX risk due to the fluctuations in exchange rates, which may have an impact on the financial statements.

By way of FX risk management transactions, Türk Telekom keeps the impact of FX exposure on the financial statements at minimal level. In this respect Türk Telekom has a total hedge position of USD 1,977<sup>1</sup> million equivalent, details of which are provided in the footnotes to its financial statements. The hedge position including Net Investment Hedge and cash assets in hard currency in order to provide a natural hedge against FX exposure is USD 2,515 million equivalent.

In relation to interest rate risk, Türk Telekom carries an interest-rate swap position equivalent to USD 450 million, details of which are provided in the footnotes to the financial statements. Türk Telekom minimizes its exposure to the interest rate risk through those swap positions a fixed-interest rate financing transactions such as Eurobond.

With regards to its financial assets, Türk Telekom maintains a position with the purpose of minimizing counterparty risk in accordance with the framework of the counterparty limits and diversification policy. Türk Telekom carries out its hedge transactions regarding financial risks within the framework of the guidance and authorisation set by the Board of Directors.

<sup>1</sup> It is the hedge position established with the consideration of all the financial and commercial liabilities having FX risk impact on the consolidated profit and loss statement.



## 6. MATERIAL ISSUES DURING THE PERIOD

### 2 July 2021 dated Regulatory Announcement Regarding JCR Eurasia Credit Rating

JCR Eurasia Rating has evaluated Türk Telekomünikasyon A.Ş. and assigned the highest investment grade ratings to our Company on national scales. The Long Term National Rating is 'AAA (Trk)' and Short Term National Rating is "A-1+ (Trk)", both with "Stable" outlooks.

### 07 July 2021 dated Regulatory Disclosure – Disclosure Policy

Our Company's Disclosure Policy, which has been updated and approved by the Board of Directors, is attached.

<https://www.kap.org.tr/en/Bildirim/947936>

### 9 July 2021 dated Regulatory Disclosure - 2021 2nd Quarter Financial Calendar

Our Company's financial reports for 01.04.2021 – 30.06.2021 accounting period will be disclosed to public on 09.08.2021.

### 09 August 2021 dated Regulatory Disclosure - Guidance Revision for 2021 Consolidated Financial Results

We recorded higher than expected top-line growth and EBITDA in the second quarter of the year with a better contribution of mobile segment in particular. Other businesses also performed slightly better compared to our expectations. First half performance, alongside an improved outlook for the second half of the year, justifies another upward revision to our 2021 guidance.

While the change in EBITDA is driven by improved top-line and opex outlook, the revised capex figure reflects the FX impact as well as the urge to undertake additional mobile and fixed broadband investments in response to persistently vigorous demand to telecommunication services.

Our investments will continue to focus on expanding and improving our fixed/mobile networks, capacity increases, digital agenda, data centres and 5G transition and support our growth in the coming years.

Our revised guidance for 2021 is as below

- Consolidated revenue growth (excluding IFRIC 12) to be around 17% over 2020
- Consolidated EBITDA to be around TL 15.8 billion
- Consolidated CAPEX to be around TL 8.5 billion

	Previous Guidance	Revised Guidance
<b>Revenue Growth (exc. IFRIC 12)</b>	Around 16%	Around 17%
<b>EBITDA</b>	Around TL 15.4 bn	Around TL 15.8 bn
<b>CAPEX</b>	Around TL 8 bn	Around TL 8.5 bn

13 August 2021 dated Regulatory Disclosure – Collective Bargaining Agreement negotiations were concluded with an agreement

Collective Bargaining Agreement negotiations between our company and Haber-İş Union for the 14th period that started on April 5, 2021 were concluded with an agreement. This Collective Bargaining Agreement covering around 10,000 of our unionized employees in Turkey will be effective for 2 years between March 1, 2021 and February 28, 2023.

According to the agreement, it has been decided

- to increase the monthly base wages of our unionized employees, who were working at the workplace at the signing date of the contract, to TL 4.200, for those whose monthly base wages were below 4.200 TL on February 28 2021,

After the improvement, the wage increases of all our unionized employees for the

- first 6-month period will be TL 850,
- second 6-month period will be TL 450,
- third and fourth 6-month periods will be 5.50% respectively.

Additionally, if inflation rate (CPI) in the third and fourth 6-month periods exceeds 5.50% respectively, wages will be adjusted by the excess of the corresponding amount, and further the employer will give union members a gross amount of TL 1,000 advance payment before the Ramadan and Sacrifice feasts, effective from the second year of the contract.

27 August 2021 dated Regulatory Disclosure – Organisational Changes

Our Company's "Assistant General Manager of Legal and Regulation" Uğur Nabi Yalçın has decided to leave his position. Tahsin Kaplan, has been appointed as "Assistant General Manager of Legal and Regulation".

**About Tahsin Kaplan;**

Tahsin Kaplan began his career as a freelance lawyer and has more than 20 years of experience in the field of Corporate Law and Regulation in both private and public institutions. He took office under the titles of Legal Adviser, Group Head of Legal Affairs and held several Board Memberships in finance and media sectors. He has been working as a freelance lawyer since 2016.

Tahsin Kaplan holds a Bachelor's degree in Law from Marmara University, 1999.

13 September 2021 dated Regulatory Disclosure – The 3rd Coupon Payment of TRSTTLK12216 ISIN Code Bond

The third coupon payment of our Company's bond with ISIN code of TRSTTLK12216 was made on 13.09.2021.

Coupon Number	Payment Date	Record Date	Payment Date	Interest Rate (%)	Interest Rate - Yearly Simple (%)	Interest Rate - Yearly Compound (%)	Payment Amount	Exchange Rate	Was The Payment Made?
1	15.03.2021	12.03.2021	15.03.2021	4.7515	19.0582	20.4655	7,127,250.00	TL	Yes
2	14.06.2021	11.06.2021	14.06.2021	5.2644	21.1155	22.8488	7,896,600.00	TL	Yes
3	13.09.2021	10.09.2021	13.09.2021	5.2870	21.2061	22.9546	7,930,500.00	TL	Yes

#### 17 September 2021 Regulatory Disclosure - Board Member Change

Dr. Muammer Cüneyt Sezgin, the member of the Board of Directors of our Company has resigned from all his duties in our Company.

Pursuant to Article 363 of the Turkish Commercial Code, Avni Aydın Düren, who has been nominated by the Group A shareholder, has been appointed to the board membership position, which became vacant after Dr. Muammer Cüneyt Sezgin's resignation, for the remaining office term of his predecessor.

The aforesaid appointment shall be presented to the approval of the General Assembly of our Company at the first General Assembly Meeting to be held.

Avni Aydın Düren has also been elected to the membership position of our Company's "Corporate Governance Committee" and "Remuneration Committee" which became vacant due to Dr. Muammer Cüneyt Sezgin's resignation.

#### **About Avni Aydın Düren**

Avni Aydın Düren graduated from the Faculty of Law at Istanbul University and earned his graduate degree on International Law from the American University, Washington College of Law. After serving as an associate, partner and managing partner for over 18 years at international private law firms in New York, London and Istanbul, Mr. Düren joined Garanti BBVA on February 1, 2009 as Executive Vice President in charge of Legal Services. Mr. Düren has been appointed as a Board Member and Audit Committee Member on 17 June 2020. Furthermore, Mr. Düren is Vice Chairman of Garantibank International N.V. and T. Garanti Bankası A.Ş. Pension and Provident Fund Foundation, and Board Member of Garanti Payment Systems, Garanti Mortgage Consultancy Services and Board of Trustees Member of Teachers Academy Foundation. Since June 2015, Mr. Düren also serves as the Corporate Secretary of the Bank. With 29 years of experience in banking and business administration, Mr. Düren's areas of responsibility are Legal Advisory Services, Litigation Services, Garanti Payment Systems Legal Services, Legal Operation Services and Legal Collections.

#### 30 September 2021 dated Regulatory Disclosure - 2021 3rd Quarter Financial Calendar

Our Company's financial reports for 01.07.2021 – 30.09.2021 accounting period will be disclosed to public on 02.11.2021.

## **7. MATERIAL ISSUES AFTER THE END OF THE PERIOD**

#### 22 October 2021 dated Regulatory Disclosure - Corporate Governance Rating Agreement Extension

Our company signed a one-year agreement with SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. on 22.10.2021 for the renewal of our "Rating for Compliance with Corporate Governance Principles". SAHA is authorised to conduct corporate governance rating in compliance with Corporate Governance Principals of Turkish Capital Markets Board.

## 8. SUMMARY FINANCIAL RESULTS

### Consolidated Summary P&L Statement

(TL mn)	Q3'20	Q2'21	Q3'21	QoQ Change	YoY Change
<b>Revenue</b>	<b>7,366</b>	<b>8,181</b>	<b>8,640</b>	<b>5.6%</b>	<b>17.3%</b>
<b>Revenue (Exc. IFRIC 12)</b>	<b>6,952</b>	<b>7,577</b>	<b>8,200</b>	<b>8.2%</b>	<b>18.0%</b>
<b>EBITDA</b>	<b>3,477</b>	<b>4,022</b>	<b>4,289</b>	<b>6.6%</b>	<b>23.4%</b>
<i>Margin</i>	47.2%	49.2%	49.6%		
<b>Depreciation and Amortisation</b>	<b>(1,343)</b>	<b>(1,519)</b>	<b>(1,552)</b>	<b>2.2%</b>	<b>15.6%</b>
<b>Operating Profit</b>	<b>2,134</b>	<b>2,502</b>	<b>2,737</b>	<b>9.4%</b>	<b>28.2%</b>
<i>Margin</i>	29.0%	30.6%	31.7%		
<b>Financial Income / (Expense)</b>	<b>(1,579)</b>	<b>(893)</b>	<b>(862)</b>	<b>(3.4)%</b>	<b>(45.4)%</b>
FX & Hedging Gain / (Loss)	(1,007)	(408)	(367)	(10.1)%	(63.5)%
Interest Income / (Expense)	(500)	(455)	(457)	0.5%	(8.7)%
Other Financial Income / (Expense)	(72)	(30)	(38)	27.2%	(46.8)%
<b>Tax Income / (Expense)</b>	<b>(123)</b>	<b>(337)</b>	<b>176</b>	<b>n.m.</b>	<b>n.m.</b>
<b>Net Income</b>	<b>432</b>	<b>1,272</b>	<b>2,050</b>	<b>61.1%</b>	<b>374.2%</b>
<i>Margin</i>	5.9%	15.6%	23.7%		
<b>CAPEX</b>	<b>1,822</b>	<b>1,407</b>	<b>1,658</b>	<b>17.9%</b>	<b>(9.0)%</b>

(a) Operating profit includes revenues, cost of sales, depreciation, amortization 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).

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

## Consolidated Summary Balance Sheet

(TL mn)	30.09.2020	30.06.2021	30.09.2021
<b>Total Assets</b>	<b>44,755</b>	<b>46,005</b>	<b>48,340</b>
Cash and Cash Equivalents	5,483	4,129	4,829
Tangible Assets <sup>(a)</sup>	15,249	16,191	16,915
Intangible Assets	11,451	12,425	12,561
Right of Use Assets	1,424	1,575	1,562
Other Assets <sup>(b)</sup>	11,149	11,686	12,473
<b>Total Equities and Liabilities</b>	<b>44,755</b>	<b>46,005</b>	<b>48,340</b>
Share Capital	3,260	3,260	3,260
Reserves, Retained Earnings and Other Equity Items	7,463	9,222	12,007
Interest Bearing Liabilities <sup>(c)</sup>	24,350	22,251	22,113
<i>Bank Borrowings and Bonds</i>	<i>23,074</i>	<i>20,864</i>	<i>20,765</i>
<i>Lease Liabilities</i>	<i>1,277</i>	<i>1,387</i>	<i>1,348</i>
Other Liabilities <sup>(d)</sup>	9,682	11,272	10,959

(a) Tangible assets include property, building or plant and equipment and investment property

(b) Major items within other assets are trade receivables, due from related parties, inventories, deferred tax asset and other current assets

(c) Includes short-term and long-term borrowings and lease obligations

(d) Major items within other liabilities are deferred tax liability, trade payables, provisions, income tax payable, due to related parties, other current liabilities, provisions for employee termination benefits

## Operational Performance

	Q3'20	Q2'21	Q3'21	QoQ Change	YoY Change
<b>Total Access Lines (mn) <sup>(a)</sup></b>	<b>15.7</b>	<b>16.5</b>	<b>16.7</b>	<b>1.2%</b>	<b>6.6%</b>
Fixed Voice Subscribers (mn)	10.5	10.5	10.5	(0.0)%	0.3%
Naked Broadband Subscribers (mn)	5.2	6.0	6.2	3.3%	19.2%
<b>Fixed Voice ARPU (TL)</b>	<b>22.0</b>	<b>21.5</b>	<b>21.7</b>	<b>0.6%</b>	<b>(1.5)%</b>
<b>Total Broadband Subscribers (mn)</b>	<b>12.8</b>	<b>13.8</b>	<b>14.1</b>	<b>1.8%</b>	<b>10.1%</b>
<b>Total Fibre Subscribers (mn)</b>	<b>5.2</b>	<b>8.1</b>	<b>8.8</b>	<b>8.6%</b>	<b>67.0%</b>
FTTH/B (mn)	2.0	2.5	2.6	6.5%	29.1%
FTTC (mn)	3.2	5.6	6.1	9.5%	91.2%
<b>Broadband ARPU (TL)</b>	<b>57.1</b>	<b>63.3</b>	<b>65.9</b>	<b>4.0%</b>	<b>15.3%</b>
<b>Total TV Subscribers (mn) <sup>(b)</sup></b>	<b>3.2</b>	<b>3.0</b>	<b>3.0</b>	<b>(1.3)%</b>	<b>(6.5)%</b>
Tivibu Home (IPTV + DTH) Subscribers (mn)	1.5	1.5	1.5	(0.2)%	(0.3)%
<b>TV ARPU (TL)</b>	<b>19.4</b>	<b>21.6</b>	<b>22.1</b>	<b>2.5%</b>	<b>13.9%</b>
<b>Mobile Total Subscribers (mn)</b>	<b>23.1</b>	<b>23.4</b>	<b>23.9</b>	<b>2.2%</b>	<b>3.3%</b>
Mobile Postpaid Subscribers (mn)	14.5	15.2	15.5	2.3%	7.2%
Mobile Prepaid Subscribers (mn)	8.6	8.2	8.3	1.9%	(3.1)%
<b>Mobile Blended ARPU (TL)</b>	<b>37.1</b>	<b>39.6</b>	<b>42.2</b>	<b>6.7%</b>	<b>13.6%</b>
Mobile Postpaid ARPU (TL)	44.5	46.8	48.7	4.2%	9.6%
Mobile Prepaid ARPU (TL)	24.2	25.4	28.3	11.1%	17.1%

(a) Includes PSTN and WLR lines.

(b) Includes IPTV, DTH and Tivibu GO subscribers