

TÜRK TELEKOM GROUP
2023 THIRD QUARTER
FINANCIAL AND OPERATIONAL
RESULTS

November 6, 2023

ROBUST OPERATING & BOTTOM-LINE PERFORMANCE

Türk Telekom Group announces its financial and operational results. Operational performance remained on positive track with further improvement both in the top-line growth and margins QoQ. Consolidated revenues increased by 78.2% YoY to TL 22.4 billion in Q3'23. EBITDA was TL 8.0 billion with an EBITDA margin of 35.7%. Robust operating performance crystallised at the bottom-line together with the support of relatively stable lira. Net Debt/EBITDA also improved from last quarter to 1.56x.

Türk Telekom CEO Ümit Önal said: *"Q3'23 was shaped by usual seasonality driven by holiday, tourism and back to school trends. The performance of a generally strong quarter was further lifted by the expected acceleration of the fixed broadband ARPU in addition to a surprisingly strong performance of mobile ARPU denying a high base. We are well on track with our revised 2023 guidance affirming our strategic actions and showing off our ability to manage a series of challenging happenings throughout a prolonged period of time. We will continue to focus on dynamic pricing and subscriber base management in the final quarter of the year in order to support next year's top-line and EBITDA performance. We see supposedly declining, but still elevated inflation to remain a critical challenge in the upcoming period. Needless to say, renewal of the fixed line concession, for which we put forward an application with the regulator in early 2023, will be topping our 2024 agenda. We expect to see concrete progress on this topic next year. It is now time we ready ourselves to a fresh and robust start to 2024 and seize every opportunity to continue strengthening our invaluable assets including our technology, human resources, market position and brand on our determined path to a sustainable future."*

3rd Quarter 2023 Financial Highlights

Rising by 78.2% YoY consolidated revenues reached TL 22.4 bn. Excluding the IFRIC 12 accounting impact, revenue growth came in at 78.9% YoY, taking the 9M'23 growth to 69.6% compared to our guidance range of 67-70% for the full year.

Consolidated EBITDA grew by 58.5% YoY to TL 8.0 bn on 35.7% margin. The quarterly pick-up in pace of growth was owing to further acceleration in revenue generation and a 210 bps improvement in margin. While earthquake related items continued to weigh on the EBITDA margin, a few other one-off factors supported it. If excluded all one-offs, the consolidated EBITDA margin would be 34.6% in the quarter. Excluding the IFRIC 12 impact, EBITDA margin was 37.2%.

TL 5.0 bn operating profit moved up by 68.1% YoY on 22.6% margin, up from 18.8% a quarter ago.

Operational performance nicely fed into TL 4.5 bn of net income which has nearly quadrupled YoY. A relatively stable currency and TL 2.5 bn of tax income, driven by the revaluation of assets as well as the incentives on R&D and investment spending, also supported the bottom-line. Higher tax gain quarterly was largely attributable to two factors; the hike in general corporate

tax rate from 20% to 25% announced in July and the increase in asset revaluation rate triggered by the pick-up in inflation.

TL 5.6 bn capex in Q3'23 included TL 243 mn quake related expenditures.

Unlevered free cash flow¹ was TL 1.9 bn compared to TL 2.3 bn a quarter ago and TL 2.2 bn in Q3'22.

Our long FX position² was USD 568 mn by the end of Q3'23. Excluding the ineffective portion of the hedge portfolio, namely the PCCS contracts, foreign currency exposure was a USD 243 mn short FX position.

3rd Quarter 2023 Operational Highlights

Total number of subscribers rose to 52.9 mn with 498K net additions during the quarter, thanks to strong contributions from mobile and fixed internet. While fixed voice stayed on a contracting trend, TV moved back to expansion.

Fixed broadband base increased to 15.1 mn with 166K net additions thanks to a strong July performance, a well-contained churn in the aftermath of sizeable price revisions as well as a revival in new sales activity in the back to school period. Fixed internet ARPU growth resumed its upward trend with 58.1% increase YoY, up from 41.7% a quarter ago.

Fibre base expanded to 12.6 mn subscribers with 355K of quarterly net additions. The number of FTTC subscribers reached 8.5 mn, while the number of FTTH/B subscribers increased to 4.1 mn. The share of fibre subscribers in our total fixed broadband base increased to 83.3% from 75.6% a year ago.

Fibre cable network length increased to 427K km as of Q3'23 from 419K km as of Q2'23 and 389K km as of Q3'22. Fibre network covered³ 31.9 mn households by the end of Q3'23 compared to 31.4 mn as of Q4'22 and 31.1 mn as of Q3'22. FTTC homepass was 20.5 mn, while FTTH/B homepass increased to 11.4 mn.

With the highest performance over the last four reporting periods, mobile segment added 537K net subscribers in the quarter, reaching 26.1 mn. Postpaid base continued expanding nicely with significant 473K additions, highest since Q2'19, and prepaid reversed course to growth with 64K net additions after three-quarters of contraction. ARPU growth moved further up to 78.0% YoY despite last year's high base. Average monthly data usage per LTE user increased by 22.4% to 15.9 GB in Q3'23 from 13.0 GB in Q3'22.

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.

³ We have reflected the estimated impact of the February 2023 earthquakes on our homepass numbers. However, the assessment of the earthquake impact on homepass numbers is still work-in-progress; hence the numbers provided may be subject to changes.

Fixed voice base continued its decline with another 237K subscriber loss along with the strategy focusing on naked-DSL sales. Including nDSL, the number of total access lines increased to 17.4 mn.

TV Home base comprised of 1.5 mn subscribers as of Q3'23, with the gains in IPTV slightly exceeding the losses in DTH this time.

Self-service online transactions app 'Online İşlemler' has been downloaded by 76.4 mn times by the end of third quarter. The number of unique subscribers⁴ using the application was 20.4 mn.

⁴ 3-Month active user

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

A quarter showing off our efforts to date

Large central banks paused their rate hikes but signalled higher for longer interest rates amid declining but sticky inflation outlook. Bond markets took their fair share. Projections of slow global growth roiled equity markets. Oil price oscillated between supply cuts and soft demand outlook. At home, after touching its lowest print in June with an 8-month slide down the peak, inflation resumed a swift run up to 61.5% at the end of the quarter. In the meantime, CBRT surprised the markets with an accelerated 750 bps hike in its August rates meeting. Another one, this time an expected 500 bps followed in September, moving the bank's policy rate to 30%.

Similar to prior quarters, mobile sector remained loyal to inflationary pricing and launched revised tariffs in August. Yet again, summer campaigns centred around varying themes spread all over the quarter. We kept our leadership in the MNP market, being the top preferred mobile operator in the space for eight quarters consecutively.

In fixed broadband, we introduced meaningful price revisions in both the wholesale and retail segments in July. In resemblance to prior episodes, other ISPs followed suit, but the size of hikes by some players fell short of ours. Anyhow, although the alignment was gradual and has distorted price parities to some extent, the whole sector was offering tariffs at new prices by the back to school period.

Inflation continued to weigh on consumer preferences in general, but the wage hikes introduced in July and the summer spirit limited the potential pressure, we think. As such, subscriber growth remained robust despite continued price revisions both in mobile and fixed internet within the quarter. Data consumption, re-contracting and upselling; the KPIs through which we gauge subscriber demand and resilience of our businesses, have all performed strongly. Expectedly we observed some shyness in subscription preferences following price revisions in the fixed internet segment but that proved short-lived. The upsell performance on the other hand beat our expectations in both lines of business. Mobile⁵ and fixed internet⁶ data usages grew by 22.4% and 6.6% respectively on annual basis. In quarterly trends tuned by seasonality, mobile data usage has risen while fixed internet data usage has fallen due to holidays and more time spent outdoor in summer months. Additional data package and top-up revenues in mobile grew by 107% and 93% YoY respectively.

Higher top-line growth rate in every following quarter remained an unbroken trend for the last six reporting periods. An eye-catching EBITDA performance together with the recorded tax income supported the strong bottom-line expansion both annually and quarterly. We maintain

⁵ Average monthly data usage per LTE user

⁶ Average monthly data consumption per user

our 2023 FY guidance, which we had revised last quarter, with increased confidence in our ability to deliver.

Encouraging top-line & margin evolution

Consolidated revenues increased by 78.2% YoY in the third quarter, well ahead of the 56.1% average monthly inflation in the period, while operational revenues expanded 78.9%. A collectively strong contribution from all lines of business was visible in this blend but subscriber growth, pricing, re-contracting and upselling were the main pillars of a stunning performance. Although we sensed some sensitivity to new pricing levels, particularly in fixed internet, the impact was mitigated by the broad-based wage hikes in July, the summer mood and back to school sales, we think.

89.2% annual growth in mobile revenues remained on a rising trajectory despite last year's high base. Fixed broadband revenue rose by 62.7% despite the sizeable price revisions and the pull forward demand in the last quarter ahead of the revisions. The increase was largely driven by the expected pick-up in ARPU and the ongoing subscriber growth with better net add performance both in the earthquake region and elsewhere QoQ. Growth in corporate data and other revenues both paced up from last quarter to 82.4% and 137.7% respectively. Equipment, ICT projects and call centre revenues were once again the largest contributors of other revenue performance. International revenue growth slowed from last quarter to 66.9% YoY along with relatively stable lira during the quarter.

Consolidated EBITDA grew 58.5% YoY to TL 8.0 billion with a 210 bps higher margin QoQ at 35.7%. Excluding the IFRIC 12 impact, EBITDA margin was 37.2%. Operating revenue increase accelerated to 78.9% YoY from 68.1% a quarter ago at the same time the ex-IFRIC 12 opex growth edged up to 93.9% YoY from 92.3%. The latter was largely driven by the widely known wage increase that was introduced starting from July, placing the personnel cost increase to 127.1% YoY. Still ex-IFRIC 12 opex/sales ratio contracted to 62.8% from 64.7% in Q2'23 thanks to a relatively contained increase of 78.0% in total non-personnel cost.

USDTRY and EURTRY rates stayed on a relatively stable path with respective increases of 6.0% and 3.1% QoQ. Market interest rates moved higher alongside a tighter monetary stance by the CBRT, but the hedging costs normalised from elevated levels seen in the second quarter. In this backdrop, we incurred lower FX & hedging cost and interest expense compared to the prior period. The composition of our cash, debt and hedge portfolio throughout the quarter as well as the amount of hedge transactions we engaged in played a role in reducing the hedging and interest cost while lira stability helped the FX cost. As a result, TL 3.0 bn of net financial expense was significantly lower than last quarter but slightly ahead of Q3'22. TL 2.5 billion of net tax income, driven by the revaluation of assets and R&D and investment incentives was larger compared to last quarter mainly due to an increase in general corporate tax rate announced in July and a higher rate applied for the revaluation of assets for the period. Putting this altogether, we recorded TL 4.5 billion of net income, growing by 284% YoY. Net

Debt/EBITDA dropped to 1.56x QoQ, thanks to an improved operating performance and a relatively stable currency environment.

Fixed broadband ARPU reloaded

Fixed internet subscriber dynamics varied on a monthly basis over Q3'23. July net add performance was stronger than we expected; August, in line but weak; and September, again stronger. Overall for the quarter, net additions came in higher than we budgeted for both in the wholesale and retail segments. This was despite the fact that some demand was pulled forward into Q2'23, ahead of our pricing actions. The better than expected performance in the quarter was supported by higher activations. Still, Q3'23 net additions remained behind the same period of last year, partly due to pricing environment and partly to ongoing earthquake impact, we think. That said, as we argued earlier, the latter has so far proven lighter than we initially thought.

Robust new additions coupled with low churn resulted in a strong start to the quarter in July. As expected, a seasonally quiet August on the other hand proved a weak month following our wholesale and retail price revisions. August new additions were stronger than we had accounted for, but the churn was also higher. The share of wholesale segment in net adds increased in August as pricing actions by the other ISPs came smaller and later compared to ours. Overall subscriber activity was invigorated with back to school demand in September. Partial and gradual rebalancing of price parities following other ISPs' pricing actions led to a more balanced split in wholesale and retail net add performances in the month.

A combination of the above dynamics led the 166K net quarterly additions in the fixed internet base, reaching 15.1 mn. Re-contracting performance was affected by the price revisions, but the quarterly slowdown was limited. Upselling on the other hand was very strong and ahead of our expectation, thanks to solid demand for higher speed packages. 35 Mbps and above packages made 49%⁷ of new acquisitions, helping move ARPA⁸ 41.6%⁹ higher QoQ together with the retail segment price revisions enacted around mid-July. As expected, blended ARPU growth has accelerated to 58.1% from 41.7% a quarter ago mainly owing to the wholesale and retail price revisions. We expect the acceleration in FBB ARPU to continue in the final quarter as activations and re-contracting continue at revised prices. We also consider launching the 9+9 contract structure in 4Q'23 to support inflation management and subscriber base optimisation in the coming period.

Fibre investments continue apace

The fibre network that runs across all of the 81 cities in Türkiye reached 427K km by the end of Q3'23 (419K km as of Q2'23 and 389K km as of Q3'22). Homepass³ increased to 31.9 mn as of Q3'23 compared to 31.4 mn as of Q4'22 and 31.1 mn as of Q3'22. FTTC homepass was 20.5

⁷ For retail segment

⁸ Average revenue per acquisition

⁹ For retail segment

mn, while FTTH/B homepass rose to 11.4 mn. Total number of fibre subscribers grew to 12.6 mn, making up 83.3% of our total base, up by 7.8 points YoY.

Average package speed of our subscriber base¹⁰ was 42 Mbps as of Q3'23 with 36% increase YoY, as high-speed packages stayed in central focus in new activations and upselling stayed robust in the quarter. Close to 48% of our subscribers¹¹ are now on 35 Mbps and above packages compared to 44% a quarter ago and 33% a year ago.

Record revenue growth in mobile despite the high base

Leaving a mixed Q2'23 behind, mobile sector truly enjoyed summer. The sector dynamics turned more favourable with normalisation after the earthquakes and seasonality. Well-disciplined by inflationary pricing, mobile operators launched their new tariffs in August, sticking to dynamic pricing on a quarterly basis. No surprise, the summer-themed campaigns spread all over the quarter but the offers have not been as aggressive as what we had seen in May, thanks to stronger subscriber dynamics across the sector driven by a combination of favourable factors including seasonality, wage hikes and summer spirit. Although new pricing levels did have an impact on demand, we believe, generally speaking this was mitigated by the support on purchasing power by the wage hikes, a more relaxed tariff selection behaviour during holidays or more generally in summer months, and higher demand for data usage due to increased outdoor activities and mobility.

In this backdrop, the MNP market, continued its growth YoY but stayed near-flat QoQ. While a low base is behind the annual variance, a less aggressive competition described above explains the quarterly stable look. Q3'23 has been the eighth consecutive quarter we maintained our top place in net ports, being the most preferred operator in the space on a consistent basis.

Seasonal factors and our continued strength in the MNP market supported activations in both segments. Competitive landscape in addition to seasonality led to a visible recovery in prepaid churn driving the overall churn rate lower QoQ. Postpaid churn on the other hand moved marginally up from last quarter's low base, but stayed close to its historic lows. Postpaidisation was also stronger compared to previous quarter. Resultantly, we recorded 473K net additions on the postpaid side, marking the highest performance since Q2'19 and 64K net additions on the prepaid side, reversing course to positive territory after three quarters of contraction. With that, the ratio of postpaid customers in our mobile portfolio peaked to 68.6%; its highest ever. Lastly, postpaid segment has secured 1.4 mn net subscribers over the LTM.

78.0% blended ARPU growth YoY once again stood well above inflation, thanks to accelerated 70.2% and 92.6% respective rise in postpaid and prepaid ARPUs. Stronger subscriber and data consumption dynamics in addition to pricing have all fed into the 89.2% YoY jump in mobile

¹⁰ Total retail base including DSL and fibre subscribers

¹¹ Total retail base including DSL and fibre subscribers

revenue despite a high base with 48.9% annual growth in the same period last year. Seasonal factors further boosted the healthy trends in data package sales and top-up performances. The number of additional data packages sold grew by 15% YoY and 11% QoQ. Average top-up amount per prepaid subscriber surged 114% YoY and 27% QoQ.

Latest on the fixed line services concession

As you know, we put forward an application with the ICTA for the renewal of the fixed line services concession agreement at the beginning of 2023. Subsequently, we were asked by the ICTA to draft a document describing the proposed framework of the upcoming agreement. Accordingly, we have aggregated our opinions, recommendations and requests around the topic and have submitted our proposed framework to the regulator. We applied a holistic and inclusive approach in preparing this document to create a value enhancing and sustainable operating model for the advancement of Türkiye, the sector and Türk Telekom altogether. We expect to see concrete progress on this priority topic in 2024.

Roadmap for 5G is being prepared

The Ministry of Transport and Infrastructure said on July 8 that it is preparing a roadmap for transition to 5G technology and aiming to make plans, which prioritise the use of domestic products, public in 2024. The Ministry stated that the focus is on ensuring that critical network elements of the 5G infrastructure comprise of 'national communication products' defined by the ICTA.

As Türk Telekom we make important contributions in development of domestic products for the 5G project. Besides, all the investments we have made so far are 5G compatible. In addition to producing domestic technologies through our subsidiaries Argela and Netsia, we offer these products and solutions not just in Türkiye but in the world markets and aim to widen their reach via global collaborations. We firmly maintain our vision to lead Türkiye's digital transformation in 5G and beyond.

We published our 2022 Sustainability Report

We are delighted to have recently published our 2022 Sustainability Report themed around '*Sustainable Transformation with Communication*'. The report provides detailed information on our environmental, social and governance (ESG) performance to our esteemed stakeholders. We structured our report around the focal areas of our company's sustainability strategy: Focus on Trust-Doing Business Responsibly, Focus on Value for Human, Focus on Contributions to Society, Focus on Climate Change and Environment, and Focus on Customers.

We have prepared our report in accordance with the Global Reporting Initiative (GRI) Standards based on the financial reporting period of 1 January - 31 December 2022. The report comprises our actions and sustainability data as well as our progress under the United Nations

Global Compact (UNGC), contributions to the Sustainable Development Goals (SDGs) and disclosures required by the sustainability indices. You can access our report [here](#).

As Türk Telekom, we will continue to work for a more socially and environmentally just world by further aligning our activities with the United Nations Sustainable Development Goals.

Financial Review

(TL mn)	Q3'22	Q2'23	Q3'23	QoQ Change	YoY Change
Revenue	12,552	17,947	22,362	24.6%	78.2%
Revenue (Exc. IFRIC 12)	11,749	16,660	21,025	26.2%	78.9%
EBITDA	5,035	6,036	7,979	32.2%	58.5%
Margin	40.1%	33.6%	35.7%		
Depreciation and Amortisation	(2,031)	(2,667)	(2,931)	9.9%	44.3%
Operating Profit	3,003	3,369	5,048	49.9%	68.1%
Margin	23.9%	18.8%	22.6%		
Financial Income / (Expense)	(2,606)	(5,190)	(2,998)	(42.2)%	15.1%
FX & Hedging Gain / (Loss)	(1,895)	(4,184)	(1,756)	(58.0)%	(7.3)%
Interest Income / (Expense)	(700)	(963)	(761)	(20.9)%	8.8%
Other Financial Income / (Expense)	(11)	(43)	(480)	1007.8%	4189.2%
Tax Income / (Expense)	774	1,221	2,453	100.9%	217.1%
Net Income	1,171	(601)	4,504	n.m.	284.5%
Margin	9.3%	(3.3)%	20.1%		
CAPEX	3,128	3,680	5,639	53.2%	80.3%

Revenues

In Q3'23, consolidated revenues increased by 78.2% YoY to TL 22.4 bn. Excluding IFRIC 12, operating revenue growth was 78.9% YoY with respective increases of 62.7% in fixed broadband, 89.2% in mobile, 66.9% in international, 82.4% in corporate data and 137.7% in other revenues.

Operating Expenses Excluding Depreciation and Amortisation (OPEX)

In Q3'23, total operating expenses increased by 91.3% YoY to TL 14.4 bn. Annual increase was 88.2% in Q2'23 and 72.8% in Q3'22. Excluding IFRIC 12 cost, growth in operating expenses was 93.9% YoY.

- Interconnection costs increased by 40.7% YoY and 25.4% QoQ. The quarterly variance was owing to pick-up in TTI's revenue.

- Tax expense increased by 85.2% YoY and 22.9% QoQ together with mobile and FBB revenue growth.
- Provision for doubtful receivables grew by 147.6% YoY and 99.5% QoQ with the liquidation of receivables under TL 2K in compliance with the new legislation.
- Cost of equipment and technology sales increased by 160.4% YoY and 39.8% QoQ. While the annual change was owing to strong project revenues from Türk Telekom and Innova, the quarterly variance was mainly driven by the project revenues from Innova and the increase in modem sales.
- Other direct costs grew by 97.2% YoY and 30.2% QoQ, owing to higher commissions paid on prepaid loading and shared revenues.
- Commercial costs increased by 82.7% YoY and 26.4% QoQ, along with higher customer care and marketing expenses including intensified advertising for fixed broadband and Tivibu.
- Network and technology expenses rose 61.1% YoY and 10.0% QoQ. The quarterly change was owing to the increase in energy prices.
- Personnel expense increased by 127.1% YoY and 33.2% QoQ along with the broad-based wage increase enacted starting from July'23.

Operating Profit Before Depreciation and Amortisation (EBITDA)

In Q3'23, consolidated EBITDA increased by 58.5% YoY to TL 8.0 bn on an EBITDA margin of 35.7%, which contracted 440 bps YoY but grew 210 bps QoQ, thanks mainly to accelerated revenue growth and improved opex/sales ratio. On the opex side, although the rise in personnel cost has been significant with the July wage hike, the increase in non-personnel cost slowed from last quarter. Excluding the IFRIC 12 accounting impact, EBITDA margin was 37.2%, down 480 bps YoY. If adjusted for the quake related and other one-off factors, consolidated EBITDA would be TL 7.8 bn with an accompanying margin of 34.6%.

Depreciation and Amortisation Expense

Depreciation and amortisation expense increased by 44.3% YoY to TL 2.9 bn in Q3'23.

Operating Profit

Operating profit increased by 68.1% YoY to TL 5.0 bn in Q3'23. Operating profit margin declined to 22.6% in Q3'23 from 23.9% in Q3'22 but compared favourably to 18.8% in Q2'23.

Net Financial Income/Expense

Net financial expense declined to TL 3.0 bn in Q3'23 from TL 5.2 bn in Q2'23 but compared higher to TL 2.6 bn in Q3'22. FX losses were significantly lower compared to last quarter with

6.0% and 3.1% increase in USDTRY and EURTRY rates QoQ. Although higher interest rates prevailed in the market amid the CBRT's tighter monetary policy, hedging costs normalised from elevated levels seen in the prior quarter. As such our hedging cost and interest expense were milder quarterly thanks to the composition of cash, debt and hedge portfolio throughout the quarter as well as the amount of hedge transactions we undertook within the quarter.

According to the sensitivity of the P&L statement to FX movements, 10% depreciation of TL has negative TL 838 mn impact on P&L as of Q3'23 assuming all else constant (negative TL 367 mn impact as of Q2'23 and negative TL 970 mn impact as of Q3'22). We aim to go back to FX-neutral position, when financial markets present a more stable outlook.

Tax Income/Expense

The Group reported TL 2.5 bn of tax income in Q3'23 vs TL 1.2 bn in Q2'23 and TL 0.8 bn in Q3'22. Similar to prior periods, tax income was driven by the revaluation of assets as well as the incentives on R&D and investment spending. Quarterly increase was driven by two factors though; the hike in general corporate tax rate from 20% to 25% announced in July and the increase in asset revaluation rate triggered by the pick-up in inflation.

Net Income/Loss

Improved operating performance, lower net financial expense and higher tax income combined led the surge in Q3'23 net income to TL 4.5 bn compared to TL 0.6 bn net loss in Q2'23 and TL 1.2 bn net income in Q3'22.

Capital Expenditures

Capex was TL 5.6 bn in Q3'23 compared to TL 3.7 bn in Q2'23 and TL 3.1 bn in Q3'22. Out of TL 5.6 bn, TL 243 mn was spent on earthquake-related expenses.

Cash Flow and Leverage

Unlevered free cash flow was TL 1.9 bn compared to TL 2.3 bn a quarter ago and TL 2.2 bn in Q3'22. Heavier capex spending in Q3'23 largely explains the quarterly and annual variance despite better operating performance in both comparisons.

Net debt¹² increased to TL 38.3 bn as of Q3'23 compared to TL 27.6 bn as of Q3'22. Excluding the IFRS 16 impact, net debt was TL 36.3 bn.

Thanks to the progressive operating performance in a relatively stable currency environment, Net Debt/EBITDA¹³ ratio dropped to 1.56x in Q3'23 from 1.65x a quarter ago.

¹² Net debt includes MTM from FX to TRY Currency Swaps and FV of Currency Protected Time Deposits.

¹³ 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.

As of Q3'23, FX based financial debt (excluding the IFRS 16 impact) declined both YoY and QoQ to USD 1,799 mn equivalent (Q2'23: USD 1,808 mn; Q3'22: USD 1,867 mn). The share of TL financing was 18.4% as of Q3'23 compared to 22.1% as of Q2'23 and 15.3% as of Q3'22.

Including the FX based cash of USD 186 mn, the net FX exposure was USD 568 mn long position as of Q3'23 (USD 686 mn long position as of Q2'23). Excluding the ineffective portion of the hedge portfolio, mainly the existing PCCS contracts, the FX exposure was USD 243 mn short position.

Operational Performance

	Q3'22	Q2'23	Q3'23	QoQ Change	YoY Change
Total Access Lines (mn) ¹⁴	17.2	17.3	17.4	0.7%	0.8%
Fixed Voice Subscribers (mn)	9.9	9.0	8.7	(2.6)%	(11.6)%
Naked Broadband Subscribers (mn)	7.4	8.3	8.7	4.3%	17.5%
Fixed Voice ARPU (TL)	26.3	34.4	40.5	17.8%	54.1%
Total Broadband Subscribers (mn)	14.8	15.0	15.1	1.1%	2.4%
Total Fibre Subscribers (mn)	11.2	12.2	12.6	2.9%	12.9%
FTTH/B (mn)	3.3	3.8	4.1	6.0%	23.8%
FTTC (mn)	7.9	8.4	8.5	1.5%	8.3%
Broadband ARPU (TL)	84.8	106.9	134.1	25.4%	58.1%
Total TV Subscribers (mn) ¹⁵	2.9	2.9	2.9	1.1%	2.1%
Tivibu Home (IPTV + DTH) Subscribers (mn)	1.5	1.4	1.5	0.5%	(1.6)%
TV ARPU (TL)	28.1	36.2	41.5	14.4%	47.7%
Mobile Total Subscribers (mn)	25.3	25.6	26.1	2.1%	3.4%
Mobile Postpaid Subscribers (mn)	16.6	17.5	17.9	2.7%	8.3%
Mobile Prepaid Subscribers (mn)	8.7	8.1	8.2	0.8%	(6.0)%
Mobile Blended ARPU (TL)	59.1	86.3	105.2	21.9%	78.0%
Mobile Postpaid ARPU (TL)	65.4	94.3	111.3	18.0%	70.2%
Mobile Prepaid ARPU (TL)	42.9	65.3	82.7	26.6%	92.6%

¹⁴ PSTN and WLR Subscribers

¹⁵ 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 17.4 million fixed access lines, 15.1 million fixed broadband, 26.1 million mobile and 2.9 million TV subscribers as of September 30, 2023. Türk Telekom Group Companies provide services in all 81 cities of Türkiye with 37,638 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>