



**Türk Telekom Q4 2020 Financial & Operational Results  
Conference Call**

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**Conductors:**

***Ümit Önal CEO***

**&**

***Kaan Aktan, CFO***

Conference Call Conducted by Chorus Call Hellas



CHORUS CALL HELLAS

PROVIDER OF TELECONFERENCING SERVICES

TEL: +30 210 94 27 300

FAX: + 30 210 94 27 330

Web: [www.choruscall.com](http://www.choruscall.com)

OPERATOR: Ladies and Gentlemen, thank you for standing by. I am Yiota, your Chorus Call operator.

Welcome and thank you for joining the Türk Telekom Conference Call and live Webcast to present and discuss the Fourth Quarter 2020 Financial and Operational Results.

We are here with the management team and today's speakers are CEO, Ümit Önal and CFO, Kaan Aktan. Before starting, I kindly remind you to review the disclaimer on the earnings presentation. Now, I would like to turn the conference over to Mr. Ümit Önal, CEO.

Sir, you may now proceed.

ÖNAL U: Hello, everyone. Welcome to our 2020 Full Year Results Conference Call. Thank you all for joining us today. Before starting the presentation, I would like to say a few words about the extraordinary year we left behind.

2020 was largely shaped by a global disaster. It has been almost a year we have lived with the pandemic and watched the entire world go through massive changes rapidly. The number of connected devices grew significantly as data usage increased, and demand from individuals, businesses and private and public bodies turned more sophisticated. Consumers demanded fast and continued connection at their homes, while corporates required high capacity, increased security and digital solutions. On the other hand, public

bodies looked for seamless connection and interconnected systems to keep the pandemic under control and protect public health.

As Türk Telekom, we played a vital role in keeping Turkey connected. We are proud to have shouldered this responsibility with great success. As Türk Telekom, we stand on solid foundations and look into the future confidently. We will continue to focus on financial excellence, digitalisation, efficiency, superior customer experience and agile management, while supporting the local society and environment through responsible practices.

Slide #3, Net Subscriber Additions. Our total number of subscribers increased to 50.4 million as of 2020 with 827 thousand net additions in Q4'20. Our net subscriber additions reached 2.6 million in the full year. Broadband subscriber addition gained momentum in the last quarter. We acquired over 2 million new subscribers in the full year with 639 thousand net adds in Q4, the highest ever quarterly and last 12 months net add performance. Hence, total broadband subscribers increased to 13.4 million as of year-end.

The mobile segment was dominated by return to lockdowns and ongoing competition. In Q4, we added 98 thousand subscribers, bringing the full year net adds to 240 thousand. On the fixed voice side, we added 138 thousand subscribers in the last quarter, once again thanks to the increased fixed broadband acquisitions. Full year net additions reached 631 thousand, the highest level since the IPO.

Slide #4, Financial and Operational Overview. I will briefly go through our financials and then Kaan will comment on them in detail. We delivered an outstanding financial performance in 2020. Our consolidated revenues increased by 20% to 28 billion TL, depicting the highest annual growth since the IPO. Our operating revenues grew by 17% in 2020, ahead of our revised guidance of 16%. Fixed broadband segment supported the top-line with the highest annual revenue growth of 25% year-on-year.

Consolidated EBITDA rose to 13.2 billion TL with an EBITDA margin of 46.8%. Net income reached the highest level in 2020 with 3.2 billion TL, despite the unfavorable FX movements in the year. We generated 6.9 billion TL free cash flow compared to 6.4 billion TL in 2019, thanks to robust EBITDA performance.

Our CAPEX reached 6.7 billion TL, reflecting the impact of increase in fiber investments and weaker lira. And lastly, as of the year end, we reported 46 million dollars long FX position while net debt/EBITDA declined to 1.15x following the actions taken to reduce the exposure of P&L statements to FX movements.

As you remember, in 2020, we paid only 25% of 2019 net income due to the temporary dividend cap regulation. In January 2021, we announced our decision to pay additional 601 million TL of dividend, soon after the expiry of the restriction on 2019 dividend payments. This is to show our

commitment to shareholder remuneration and our confidence in our Company's robust financial standing.

Slide #5, Fixed Broadband Performance. 2020 was an impressive year for the fixed broadband segment. We acquired over 2 million new subscribers and our total base reached 13.4 million. In Q4, our net adds peaked with 639 thousand. Our strong and widespread network, agile and effective decisions have been the biggest supporters in this success story. Our upsell focus to achieve sustainable growth continues unabated. Besides, we take into account the changing needs of both individual and corporate customers and offer them value-added services in addition to best-in-class connectivity. As a result, fixed broadband revenues saw a record 25% annual growth, together with 14% ARPU increase in the year.

In early 2020, we decided to accelerate our fiber rollout plans for the year. Our financial and operational performance and the fast-evolved trends did not only confirm the steps we took in the right direction, but also encouraged us to continue with our correct strategy. During the year, we increased our fiber subscribers around 2 million to 6.2 million. Our 331 thousand kilometers long fiber network as of 2020, covers 81 cities of Turkey. Our fiber homepass now covers in excess of 26.8 million households compared to 21.9 million last year.

We have been investing in our fixed network for a long time, extending it to every part of the country. This strategy helped us handle the surging demand from big cities to small towns

in addition to the unforeseen 81% year-on-year increase in our network traffic in 2020. We kept investing in our infrastructure and added 69 terabytes per second of IP transport capacity, activated about 1 million new ports and passed additional 1 million homes via greenfield fiber investments.

Slide #6, Mobile Performance. In the mobile segment, we felt the pressure of the pandemic conditions throughout the year. The lockdowns, travel restrictions and stiff competition weighed on the mobile market. We recorded 98 thousand net adds in Q4 and 240 thousand in full year. Despite the unfavorable conditions, the number of postpaid subscribers increased by 1.1 million in 2020. On the prepaid side, we lost 882 thousand subscribers mainly due to the pandemic-driven distortions and the cancelation of some subscriptions as per the regulations. Still, our prepaid ARPU grew 26% year-on-year in Q4 '20 and 11% in 2020, led by price increases and new offers that encouraged higher data usage. Blended ARPU growth was close to 11% in Q4 '20, higher QoQ, but limited to 7% annually. The mobile market recovered partially with some price increases in the third quarter, but competitive offers in acquisition packages took centre stage once again in the last quarter of the year.

On our side, we avoided aggressive pricing as much as we could and focused more on balanced top-line progression. As a result, our mobile revenues grew 13% in Q4 '20, a tad higher QoQ. We deem 11% revenue increase in a year shadowed by such negative developments, a success. And

we foresee better prospects in the mobile segment under normalized conditions, which will hopefully settle back in the near future. We left a challenging year behind. We will continue our core network investments to grow our capacity and service quality and get ready for 5G. As an integrated telco operator, we have a strong position in the market, and we remain committed to achieving a balanced and sustainable growth.

Now, I would like to take you through some data on our mobile network, Slide #7. We have been investing in our network continuously to increase capacity and coverage and to improve customer experience. I am delighted to share with you the critical progress we made in this regard. In 2020, we continued to upgrade our mobile network and sites and increase capacity across Turkey. As a result, we started seeing remarkable improvement in service parameters including upload and download speeds, call drop, outage, etc.

Our investments and efforts on both optimization and operational enhancement carried us to the leading position. According to an independent third party analysis; as of December '20, we outpaced other operators and reached the fastest LTE upload and download speeds in Turkey. Another independent analysis shows that we are the number one mobile operator in upload, gaming, and voice experience. We are number two in video and download experience, but treading on the number one operator's heels. As of today, we are very satisfied to see this picture. After we acquired a very advantageous spectrum portfolio, we invested wisely in our

mobile services and reinforced our footprint with a strong leadership in the fiber network. Surely, these results confirm the steps we took in the right direction and give us the courage to foresee a stronger positioning for our Company in the mobile market.

Slide #8, 2021 Guidance. We are determined to keep our growth momentum in 2021. The pandemic and its effects heavily occupied the global agenda throughout 2020. Despite the uncertainties, we generated strong cash flow, paid dividends and continued deleveraging our balance sheet. We proactively reduced the exposure of income statement to FX movements. As a result, we achieved greater operational efficiency and strengthened our balance sheet against risks. In 2021, we expect our revenues to grow around 14% year-on-year, our EBITDA to be 15 billion TL and our CAPEX to be 7.7 billion TL.

Fixed broadband segments will continue to support top-line growth with subscriber expansion, upsell and fiberisation opportunities. We believe our mobile segment will improve together with the fading negative impact of the pandemic across the world. We will continue to invest in our core network and capacity, while focusing on our strategy to lead fiberisation, 5G transition, and digitalisation of Turkey. We may have many challenges lying ahead, but our 2020 performance and financials speak volumes about our potential to deliver in the future.

As a closing remark, I would like to thank our employees for making 2020 a remarkable year for our Company. I feel truly blessed for having the opportunity to lead such a vibrant and devoted team.

Now, I will hand over the call to Kaan to discuss our financial performance in detail. Thank you.

AKTAN K:

Thank you very much. Good morning and good afternoon, everyone. I am now on Slide 10, with our Financial Performance. In 2020, our revenue is up by 20% to 28 billion lira, which is the strongest growth rate since we first started publicly disclosing our financials. Excluding construction, revenues grew by 17% year-on-year which is ahead of our 2020 guidance of 16%. In the last quarter, revenue growth accelerated to 22%, thanks to continued robust performance on the fixedline business and some stronger momentum in mobile growth.

Fixed broadband segment supported the top-line with the highest annual revenue growth of 25%. ARPU increased by 14% over the year, reflecting our efforts to find the right balance between pricing and mix. In the fourth quarter, fixed broadband revenue growth surged to 32% together with the exceptional net add performance throughout the year and the ongoing contribution of ARPU improvement.

Mobile revenue grew 11% year-over-year in 2020, as the focus shifted to the fixedline services amid lockdowns and travel restrictions. We also experienced stiff competition on

the mobile market throughout the year. Our focus remained on portfolio optimization, value creation and balanced growth; as a result of which, we managed to move the mobile revenue growth to 13% in the final quarter together with 11% blended ARPU increase.

Fixed voice revenue growth is at 3% year-over-year in the fourth quarter, and 1% in the full year thanks to continued solid fixed broadband demand.

On the TV side, we added 18 thousand home subscribers in the last quarter, thanks to increased internet bundled Tivibu sales. ARPU growth is at 6% year-over-year in the last quarter. Overall, our TV revenue is up by 10% in the full year.

Data service revenue was solid with 13% growth in the full year supported by a wide range of corporate products, including IPVPN, Metro Ethernet, ICT solutions, data centre services, smart cities project. Our international segment, which mainly includes the revenues of our subsidiary to Türk Telekom International, grew 34% in the full year, mainly due to increased traffic and appreciation of hard currency.

And lastly, I would like to highlight the notable performance of our subsidiaries. Our subsidiaries mainly Argela, İnnova, Sebit, AssisTT and TTI sealed off another year full of great achievements. Third party revenues of these subsidiaries grew around 56% and made 8% of our consolidated revenues in 2020 which is comparable to a 6% of the prior year. These

revenues led 18% of annual growth in the Group's 2020 consolidated revenues.

Now, moving to our operational performance. Our EBITDA rose 19% to 13.2 billion TL ahead of our guidance. Full year margin was 46.8%, reflecting our strong revenue growth and disciplined OPEX management. Excluding the construction revenues impact, EBITDA margin increased by 28 basis points year-over-year. It is worth highlighting that COVID-19 related OPEX savings had about 50 basis point positive impact on full year on EBITDA margin. The accelerated top-line performance was reflected to 3.5 billion lira of EBITDA in the final quarter, which was further boosted by the contribution of a one-off third party vendor compensation. Our full year EBITDA margin will be 46.4% if we excluded this item.

Operating expenses increased by 21% year-over-year. Looking at the highlights in the OPEX items, interconnection costs increased by 23% year-over-year mainly due to increase in Türk Telekom international traffic volume and higher FX rates during the year. Personnel expense increased by just below 13% year-over-year which is below the 2020 annual inflation rate. However, you see 10.7% quarter-over-quarter increase in the last quarter, mainly due to early retirement incentive program. Network technology expenses had a growth of 25% year-over-year, mainly due to depreciation of Turkish Lira, increased energy costs and technology repair and maintenance costs.

Cost of equipment and technology sales increased by 74% year-over-year, owing to strong broadband net additions and surge in project based equipment and license sales. 14.6% year-over-year in tax expense was led by higher frequency and treasury fees, which is attached to mobile revenues. Provisions for doubtful receivables increased by just below 45% in the year, on account of volume and price increases in device sales and a small one-off expense we took in the last quarter owing to our methodology change. In the last quarter, other costs turn to positive, which is led by some one-off compensation revenue from a third party vendor I just mentioned.

Coming to the bottom line, in the last quarter tax expense decreased to 78 million TL from 117 million TL of the same quarter of the prior year. The Group recognized a deferred tax income of 180 million TL, mainly due to Türk Telekom Mobile's carry forward losses and unused incentives. Net income grew 32% to 3.2 billion TL and reached the highest level despite unfavorable FX movements throughout the year.

And lastly, CAPEX was at 6.7 billion TL in the full year, slightly above 2020 guidance of 6.6 billion TL, reflecting the impact of increase in fiber investments and weaker lira.

Moving now on to Slide 11 with Debt Profile. We ended the year with a strong and resilient balance sheet. From Q3 to Q4, our net debt decreased by 1.7 billion TL and came to the level of 15.4 billion lira. Net debt/EBITDA declined to its lowest level by industry standards to 1.15x from 1.35x in Q3,

mainly driven by strong operating performance and diligent balance sheet management. Cash and cash equivalents was strong with 5 billion lira as of the year end, while 81% of our cash is FX-based.

The blended cost of FX debt, inclusive of hedges increased to just about 10% in lira term, based on the 2 factors. Firstly, market interest rates climbed up with tighter monetary policy. And secondly, we continued to carry out new hedges or restructure the existing contracts in the final quarter of the year.

And lastly, we reported 46 million U.S. dollar of long FX position as of the end of Q4, compared to 211 million USD of short FX position, as of the end of Q3. The net FX exposure turned to long position as a result of; after 2.3 billion dollar of FX debt, 1.8 billion dollar equivalent of various derivative instruments and 554 million dollar equivalent of FX-based cash.

We are now on Slide 12. Our net FX exposure declined systematically over the last 2 years. Additionally, we raised the effectiveness of protection of our existing hedge portfolio in the last quarter. I'm pleased to tell you that to show our commitment to diligent balance sheet and bottom-line management, we completed 95% of restructuring exercise for the entire hedge portfolio by the end of 2020.

As of today, it is 100% complete with the latest transaction that took place during the first quarter of 2021. This means

that we are now fully protected at much higher FX rates. This is well reflected on the FX sensitivity analysis we report regularly in our financials, on a quarterly basis. The sizable reduction in the sensitivity from third quarter to fourth quarter, is a direct outcome of additional protection we took in the final quarter of the year.

According to the sensitivity of the P&L statement to FX movements, assuming all else stay constant, a 10% increase in FX rates will have only 59 million lira negative impact on the pre-tax income as of the year-end, compared to a negative close to 1 billion lira as of the end of the third quarter. Our aim is to maintain an FX-neutral position throughout 2021 and beyond. With the additional hedging and restructuring activities, we increased the predictability of our net income and dividend streams considerably.

Finally, the unlevered free cash flow generated in 2020 grew up to 6.9 billion lira, 8% higher than the last year. Strong EBITDA performance offset the impact of increased CAPEX spending, due to accelerated fibre rollouts. 2020 was an extraordinary year for the whole world, and we are proud to have completed the year with solid numbers. We aim to demonstrate a similarly strong performance in 2021.

Operator, we can now open up the Q&A session.

Q&A

OPERATOR: The first question comes from the line of Cabejšek Ondrej with UBS. Please go ahead.

CABEJŠEK O: Hi, thank you. Congratulations on a great year. Two questions from me, please. First one on CAPEX. The guidance as compared to consensuses is quite high. So I was wondering, is this still demand-driven fibre? If so, are we approaching the stage where you are confident to say that should there be an upgrade to your revenue and EBITDA targets again throughout the year CAPEX, unlike in the previous year would stay quite similar? Are we now approaching a stage, for example, where more CAPEX is diverted into 5G, and so the CAPEX to sales ratio within your guidance, should you perform better on the top line, is unlikely to change?

And second question, please, a bit connected in terms of, you know, showing these very encouraging statistics on your mobile network quality compared to your peers. Is this encouraging you perhaps to be a bit more, let's say, confident in terms of price increases and converging pricing a bit more to the market leader? Thank you.

AKTAN K: Thank you very much. Let me take the first question and then the second question would go to our CEO. I mean, prior to the year-end closing, we were clearly saying that we should expect a similar percentage to revenue, in terms of 2021 CAPEX. I think this is where we are at the guidance that we announced. We will definitely be spending effectively in fixedline throughout the year in 2020. We had around 5

million homepasses, with greenfield investments with the transformation of the existing networks to fiber.

And we will continue to invest in fixedline, maybe at a bit lower speed compared to 2020. But at the same time, we will have some additional investments that will come from the ICT or technology part because we have been using our idle data centre capacity to provide services after the increased demand from corporate and government accounts.

And clearly, we will start spending or investing in both brownfields, which means capacity increases and also the greenfield investments for data centre. I think this factor is just slightly compensating a bit, you know, reduced fixedline. But overall, same percentage to revenue will be spent to CAPEX. I think the demand and the return that we are getting from our business lines and also the healthy cash flow generation, definitely gives us confidence that there is a strong return to investing in our core business, and we have the means to do so. So, let me pass to our CEO for the second part.

ÖNAL U:

First of all, I would like to enter into question from price to network oriented approach. To start with, I mean, we are doing our best to take price actions as long as the competitive conditions in the market allow. As you know, price increases on the postpaid side, including the contracted customers due to the competitive environment in 2020, we weren't able to apply them in desired levels. In order to create higher ARPU growth, we are implementing our sales

and marketing strategies to take advantage of the growth and upsell effects of our valuable subscriber base in 2021. We are preserving our target to achieve our fair share in the market, but we are not focusing on competition based on pricing. So, we have a value-oriented strategy. Now, just your answer to your question lies here, I mean, in parallel with all the investments we will make, our target to reach the market share we want in the medium term continues, of course, we're focusing more on the service quality and the value we want to generate for our customers.

Thank you.

CABEJŠEK O:

Thank you very much. If I may, a short follow-up please on the CAPEX comment. So is it fair to say that because of the pickup in B2B and B2G that the way you're structuring these projects is quite common in the industry that there is quite some upfront CAPEX with a longer payback where your customers are tied into long-term contracts? And if that is the case and there is this marketplace shift. First of all, fiber demand and then the ICT solution demand. Is it safe to say that your CAPEX intensity is likely to remain a bit higher for not just next year, but maybe a couple of more years?

AKTAN K:

It will be a bit difficult to guide you with a CAPEX number for 2022 or beyond, because there is obviously the 5G potential for a 5G project. We should really see and understand the expected you know, coverage obligations, coming from any such project, although we don't have any details right now. I think will also shape our overall spending or CAPEX at appetite

for those years. It's a bit early to say, but once we finish 2021, I think there will be a lot of progress in terms of our initial expectation from that transformation project, if that's your question, but beyond that there will be other drivers that will define our CAPEX requirement.

CABEJŠEK O: So, the current business projects excluding any 5G, the ramp up of data centres, etc. That should be kind of done by the end of 2021 is the message.

AKTAN K: I mean, the data centres we will initiate the project in this year. I mean, it will become functional at the year-end at a certain capacity. If we see the demand is there, I think, we may continue investing in data centres. But again, it's a question for 2022. It's early to give you a highlight on the CAPEX requirement. We clearly see a great return for the investments that we had in the prior years. It's all about to see whether the return is there, if we see that it will add to our growth momentum in the midterm, we can implement the investments; but so far, I mean, a similar percentage of revenue compared to 2020, and for the other years, let's wait and see how we close the year.

CABEJŠEK O: Thank you very much.

OPERATOR: The next question comes from the line of Kim Ivan with Xtellus Capital. Please go ahead.

Ivan Kim: Yes, good afternoon. Two questions from my side, please. You did a lot of hedging activity, which I think is very

beneficial for the company, and I was just wondering what is the new ceiling, maybe average ceiling for most of your participating cross-currency swaps, or maybe a range, you can give us? And then, the second question on your mobile network metrics, which you show pretty strong metrics versus your rivals. As I was just wondering, how well is your mobile network compared to Turkcell and Vodafone in terms of the number of sites and fiberisation rate, roughly? Thank you.

AKTAN K: Can I just ask you to repeat the question, I get that it's about the hedging portfolio but what's the specific part that you are referring?

KIM I: Right. On the hedging... Sure, yes. On the hedging, I was just wondering what is the new ceiling for lira/dollar rates for your participating cross-currency swaps after which the hedging [technical difficulty]?

AKTAN K: Obviously, there were several transactions and the overall strategy was to target forward rate at the time of the restructuring, considering that the transaction took around the time when the FX was moving between 7 to 8. And I'm considering the interest rates, we don't see, you know, upper levels less than 11, 12. So those are the numbers. This is again the forward rate of that time. So, there are plenty of headroom, especially considering where we are currently as of today, in terms of the level of the FX rate. I think, we have great confidence that there will be plenty of room, if there is any unexpected change in the FX rate.

KIRAÇ Y: Hello, this is Yusuf, the CTO of Türk Telekom. As you know, we are already mainly investing in fiber greenfield, also the transformations from copper to fibre. Thanks to both investments, we are ready for 5G fibre requests actually. What I mean is; at the end of 2020, we have already reached 83% of the streets. Now at the end of this year, our target is to reach 90% of the streets. So, today, already 50% of the LTE emission points are already connected to fibre, if we need more we easily connect with capacity, actually. So, Türk Telekom whenever needs the fibre to connect to other LTE emission points, it is easy to connect them at a low-cost of investment.

KIM I: Okay, great. Thank you very much. This is very helpful. I was just wondering to follow up on the second question. Do you have any estimate of how many sites do you have versus your competition? Thank you.

AKTAN K: Now, we had more than 23 thousand emission points. The LTEs reached; I think more than 16 thousand emission points. So, the half of them is already connected with the fibre. As you know, that whenever we need the capacity more, we connect to fibre; actually, today if we need, the fibre is easily connected to the others.

KIM I: Okay. Thank you.

OPERATOR: The next question comes from the line of Degtyarev Vyacheslav with Goldman Sachs. Please go ahead.

DEGTYAREV V: Yes, thank you very much for the call. Couple of questions, firstly, it looks like the competition in mobile was pretty intense in Q4. What trends do you see in the first quarter of this year? And secondly, on dividends, what would be your thinking about the optimal payout in the medium term given the reduced debt ratios, as well as the improved net FX exposure. Can you share any thoughts here? Thank you.

ÖNAL U: You know, the operators started to disclose their results and I can easily say that the operators who had a price competition didn't get any market share. And even these operators started to lose subscribers.

And for 2021, this tells us that operators should not resort to price competition, I mean in 2021 and this is also an indicator of more rational market structure.

I mean, our base scenario is that when the negative impact of the pandemic is relieved, the pressure on the mobile will also be relieved. As I have mentioned before, as an integrated operator, we focus on a value oriented operator structure. And we believe that the prices will come upwards in the market.

I mean, if the aggressive competition continues in 2021, we are going to preserve our stable position and we will highlight again the importance of the value-oriented market.

AKTAN K: Let me take the dividend question. Well, I think the recent announcement that we had, which was the decision of our Board of Directors to release the remaining 25% of the 2019 dividend is a clear sign that the shareholders want to have a transparent, sustainable dividend performance. Obviously, it's a question for the 2020 dividend on 2020 net income it's still a question for the shareholders again, but as the management, I think looking at our balance sheet, the ability to generate cash flow; I mean we will comfortably absorb the additional cash out that may come from a dividend payment based on the 2020 net income. That was our main target to show that the company is ready and can afford any level of dividend payment. Let's wait and see the General Assembly and before that, I am sure there will be a clear instruction from the Board of Directors for the new dividend payment.

DEGTYAREV V: Thank you very much.

OPERATOR: The next question comes from the line of Kumbaraci Asli with Yapi Kredi. Please go ahead.

KUMBARACI A: Hello, thanks for the presentation. I have a question about today, Turkey's Wealth Fund CEO stated that ownership structure of TTKOM needs to be changed and the banks cannot take part, like for the long-term. What's your opinion about this subject? Thank you.

ÖNAL U: Thank you very much for the question. I mean we have followed the statement there from the press as well. But you

know today we are here to share with you our remarkable fourth quarter and 2020 results.

So, instead of answering your question with a direct comment, you know, I would like to tell you that Türk Telekom with its current shareholder structure as you can very well see have been performing impressively for the last couple of years. I mean, Türk Telekom has taken fiber to 83% of our streets, of Turkey, and you know our investment budget increased 36% from 2019 to 2020. We have a guidance of 7.7 billion TL of CAPEX which mainly covers FBB access. So, I mean, what I can tell you that, I cannot see a direct correlation between the shareholder structure and the fiberisation or the 5G path of our country.

ÖNAL U: Thank you.

KUMBARACI A: Thank you.

OPERATOR: The next question comes from line of Vengranovich Alexander with Renaissance Capital. Please go ahead with your question.

VENGRANOVICH A: Yes, good afternoon. A couple of questions from my side. First one, very simple on FX forecast which do you assume for your 2021 guidance? Second question is on what kind of expectations for recovery of international travel do you assume in your guidance for this year? So, I am just trying to understand what share of international roaming or what share of the inflow of additional customers do you expect coming

from the international travel? And the third question, what sort of expectations do you have on the timing of the release of your new OTT video product? Which you I think promised to present at the market at some point in time in the future, last quarter. Thank you.

AKTAN K: Well, thank you very much. I mean we have a simple formula for the macro parameters. We assume roughly around 10% for both devaluation also for inflation.

For the roaming part...

ÖNAL U: Yes.

AKTAN K: So, roaming is actually it's a very minor; which is the basic revenue stream that we generate from the visitors coming to the country, it's... I mean, size of the mobile business considering within the overall total revenue and the roaming revenue within the mobile business, it's a very limited revenue stream. So, obviously the timing of the start of the revenues or the size of the revenues will have almost no impact on the at least, for the guidance that we provide, it's less than 1% of the total revenues.

ÖNAL U: Allow me to answer for your question related to OTT. We have a strategy to increase our revenues by using the subscriber size of Türk Telekom Group in TV business effectively both by increasing penetration and taking actions to increase ARPU. We aim at ARPU maximization and subscriber growth with attractive content and user experience

that emphasize technological features and we want to do it as the standalone and bundle.

The recent interest shown by global content providers to Turkey, reveals the attractiveness of the market. Our focus for the future is to create Turkey's leading digital TV OTT platform. In this direction, while we are expanding our horizons about content, our main focus is renewing our technical infrastructure for the time being. I mean, we have mentioned here before that we need to improve our technical infrastructure in order to improve our competency, add new subscribers and also improve customer experience. I mean in line with our responsibility for our customers and shareholders, we may consider some new efforts in terms of content, and, of course, we are going to do it in a way to follow the opportunity window. I mean, mainly it would be more correct to consider 2021 as a transition year for our TV business.

Thank you.

VENGRANOVICH A: Thank you.

OPERATOR: The next question comes from the line of Demirak Kayahan with AK Investment. Please go ahead.

KAYAHAN D: Hi, thank you very much for the presentation. I have 1 maybe follow up to questions. I mean since the second quarter, your net adds in the fixed broadband is quite strong, [technical difficulty] ... I mean since the IPO [technical

difficulty]. My question, that given the extended lockdown in first part of this year do you expect similar momentum in the subscriber additions... and on that front I also had a question on your guidance, now we have a very successful year in the fixed broadband which will support your at least first half numbers this year, and do you see some normalization in the ARPU growth in the mobile from low base. So why do you think your revenue growth will be 14% yoy? For some particular revenue items like you are pessimistic about? Thank you.

ÖNAL U:

I mean, I will try to answer your first question, but you know we had a difficulty understanding your second question, after answering the first question I will try to get again the second question from you. So, we have high subscribers in terms of FBB throughout year and we made a strong start to 2021. We added more than 2 million new subscribers in the year. Although there is not such a strong increase in subscribers next year, compared to the European average we see that the fixed internet penetration in our country still has a room to grow.

Considering, the current need and the demographic structure of our country, it would be a reasonable prediction for the penetration levels to increase to 75% in the next couple of years. We make 24 months of contracts with our FBB customers, and also we make some penetration offers for our customers. Moreover the increased need for speed also opens room for more upsell opportunity for us. So we can say that

for the next couple of years, we will be able to grow from penetration and upsell efforts.

Can we have your second question again, please?

KAYAHAN D: Okay. I think that your growth guidance looks a bit conservative. What I mean by that, even if you maintain the present level of ARPU numbers for the subscribers in the fixed broadband, in the first half you can do fixed broadband revenues by more than 20%, and now we are looking some normalization in the fixed broadband ARPU growth coming from a low base of this year. So, this factor combined; do you not think that the 14% revenue growth guidance for next year is a bit conservative?

AKTAN K: Let me take this one. So, you're right, I mean, first of all we are providing guidance based on the operating revenues which is you know 17% for 2020, and we said it might get to 14% for 2021. We definitely expect a good year for fixed broadband revenue growth, it may not be as strong as this year, slightly less than that. Mobile should be stronger than 2020. Few factors here are kind of diluting the growth rates. First, we had a sizable growth during 2020 on revenues from you know ICT project, large corporate project, and the revenues that we generate through the subsidiaries, you know, call centre business delivered very high growth. So, you should start seeing kind of, you know, base year impact which will take the revenue growth a bit down throughout 2021. Another item is the device sales, delivery I mean equipment sales. Again, we started from a low base in 2019,

went to a very high number at 2020, which impacted our revenue growth, but now we expect a rather flat performance in those specific revenue streams. These are the main considerations that we had when we guided with the 14%. Obviously, as we always do, if we see or when we see an upside, you know opportunity we will definitely flag it and upgrade the guidance during 2021.

KAYAHAN D: Okay. Thank you very much.

OPERATOR: The next question comes from the line of Annenkov Evgeny with Bank of America Merrill Lynch. Please go ahead.

ANNENKOV E: Thank you for the presentation and congratulations on the strong results. I have just one question. Could you please discuss possibility of price hikes in fixed broadband in 2021, and what factors you would primarily take into account? Is it your market share or disposable income dynamics? Thank you.

ÖNAL U: So, in this January, we have made a price increase in parallel with the guidance that we shared with you and [technical difficulty]. Moreover, in 2020 April, we have closed 8 megabits per second speed, and our lowest speed in the entry package started with 12 megabits per second. And now in January, we again this time closed 12 megabits, and right now, the lowest speed starts with 16 megabits. So, we are increasing the tariff prices and also the lowest speed of our packages, accordingly.

OPERATOR: Excuse me. Mr. Annenkov, are you done with your questions?  
Hello?

ANNENKOV E: Yes, hi. Just wanted to confirm that for now, you do not budget further price hikes for Q2-Q3 directly?

ÖNAL U: I mean, we have just increased our prices in January, and you know, I don't want to give you a date which will be binding for us. But we are going to take actions accordingly which will lead us to our revenue targets as we have shared with you within our guidance. Moreover, for the fixed broadband ARPU, we are going to take subscriber additions and pricing into account, I mean, it will be like a mixed effect. And lastly, you know our FBB ARPU growth will not be far from double-digit numbers and it will be the main engine of the consolidated revenue growth.

ANNENKOV E: Thank you.

OPERATOR: The next question comes from the line of Mandaci Ece with Unlu Securities. Please go ahead.

MANDACI E: Hi, thank you very much for the presentation and congratulations on the strong year. I have a question regarding your FX and hedging gains and losses recorded in the fourth quarter, this was a number of 337 million TL negative number. And you have already mentioned this was related to the renewal of the hedging contracts, and I believe some part of this high hedging cost was related to the fair value adjustments due to TL appreciation during the quarter.

So, would it be fair to assume smaller hedging costs in a stable currency environment for the first quarter or the second quarter? And again, in a stable currency environment, how much hedging costs should be assumed based on similar net debt levels? Thank you.

AKTAN K:

I mean, if you look at the full year numbers not only the fourth quarter, I think we had 4 billion total financing cost out of which 1.6 was FX losses. I mean, if you look at 2021, obviously based on our current strategy, we should completely eliminate that 1.6, which came, as a result of the FX volatility in the year. In return, we should incur some additional cost because of a larger hedging portfolio. So, we also started hedging our accounts payable, which is again adding a few hundred million dollars of new hedges into the portfolio.

We also restructured the last part, last component of the swap; total swap portfolio in this year, which will again impact our Q1 and 2021 financials. But overall, we should have a sizably lower total financing cost for the full year of 2021, when we compare it to 2020. I think there was 750 million excluding the FX part, there were 750 million total financing cost in the last quarter of 2020. I mean, you can start building based on this and maybe use it as a run rate for the full year.

MANDACI E:

So, 750 million TL, on a quarterly basis financial expenses we can assume you're saying basically, right?

AKTAN K: I mean, I'm just saying it may be a good starting point if you make a prediction for the full year, without obviously, you know, incurring or assuming any FX loss or gain coming into the picture.

MANDACI E: Okay. Thank you very much, very helpful. Thank you.

OPERATOR: The next question comes from the line of Birdal Ali with Pamco. Please go ahead.

BIRDAL A: Thanks for the call. I have 2 questions. First one, as you mentioned, you have restructured most of the hedges and you have said there's a ceiling of... in terms of the FX, since there are 20 hedges, it is around the forward rates when the currency was around 7-8ish. But could you give some color about the average interest rate, so that we can understand where your net financial expense would reach? I'm saying, for example, if you don't share an average interest rate, which is around 11ish, what would be the level that these... because after the restructuring most probably your forward rate gets higher. But on the other hand, the interest rate that you are paying should be increasing. So, the net interest expense, for example, outside FX and hedging gains and other financial income and expense in full year 2020 that number is around 2 billion. So, how should we think about this number in 2021? This is my first question.

The second one is, when we look into your depreciation over sales, it's around 19%, the CAPEX reached around 24. And in the past, while you were sharing CAPEX over sales, the

normalized number was around 18 to 20. So, it would be good to assume around 18 to 20 depreciation over sales. And for the company this D&A should converge to around CAPEX levels in the following years. So, in that sense, rather than EBITDA, EBIT is more important for the P&L. So, could you give some color on this depreciation item for 2021 and in the coming years? I mean, is this going to converge to 24 percentage levels in the next 2 to 3 years or just in a very short period of time? Most probably it will take more time. But just I am trying to understand the depreciation trend in 2021 and going forward. Thanks a lot.

AKTAN K:

Well, there are a lot of technicalities involved into the questions. So, let me try to answer as much as I can. So for the first one, I think we should have around 200 basis point increase in the cost of the hard currency debt, which took us to above 10%, which includes the original interest cost, plus the incremental cost coming from the hedges. But this is also a reminder that we now have around 14% of the total debt portfolio coming in real and short-term lira funding. I mean, we started using the short-term commercial loans.

Now we added last year a small tranche of lira bonds into the portfolio of 150 million. And we want to build on what we already had and committed. And naturally, this will be coming with, you know, mid-teens to even maybe higher interest rates throughout the year, that should take the average cost of funding a bit higher than 10%, when you include those new potential lira funding sources.

Again, we should look at it with a reference of last year total financing costs, as I mentioned, and elimination of FX plus some additional charges coming from the items that I just mentioned; restructuring and lira funding. But all-in-all, I understand the depreciation question, but it's a bit difficult to give you an exact number for the depreciation. So, IR is already looking at me very carefully. So, this is not part of our guidance, but let us check whether we can find a proper way to not to at least misguide with the impact of the potential increase in the depreciation. I think, yes, these are the limits of my answer for the moment.

BIRDAL A: Thanks for the answers. I mean, normally I don't ask this depreciation question, but the gap is 5-percentage point between the CAPEX and the depreciation, that's why we may need more color, going forward. I mean, so that's why EBIT guidance is more, how could I say, more helpful, going forward. Thanks a lot.

AKTAN K: Yes, we noted your concern and I think we will work on a sensible solution to find a way to guide you with that.

BIRDAL A: Thanks a lot. Congrats for the results. Have a good day. Bye-bye.

AKTAN K: Thank you.

OPERATOR: The next question comes from the line of Demirtas Cemal with ATA Invest. Please go ahead.

DEMIRTAS C: Thank you for the presentation. My first question is about regulatory environment and taxes, which we see. Recently, saw an increase in the special communication tax. Do you expect another tax increase or decrease going forward, and the regulatory environment, how do you see it for the time being?

And the second question is again about your FX position. When I look at it into details, you have much less FX concern. But when I look at the details and the sensitivity analysis, I see that if dollar depreciates, and if euro depreciates against Turkish Lira, you know, depreciating dollar is favorable for you, but depreciating euro is not, just the opposite. Well, were there any specific reasons for that, this dollar and euro FX looks different? And for the following quarters, should we assume that the FX position is likely to be stable, not like the ones we had experienced back in third quarter and fourth quarter. We negatively impacted in both quarters despite the difference, the direction of currency. So I just want to understand could we expect any surprise depending on swift movements in the currency. And do you have any action plan if Turkish Lira remains strong for the rest of the year because of higher interest rates? Thank you.

AKTAN K: Yes, let me take both questions. Yes, you're right; there was a change in the tax rate for special communication tax. That was the first news for the year. As you know, communication tax is very similar to VAT, ultimately it's a tax for taxing the end user. So, it's the responsibility, in a way the taxpayer, actually is not the company or us. We are just acting as

intermediary; the ultimate payer is the customer. So, the impact is sizable, and our current feel is that we have no other option than to reflect this cost to our customers by including into their bills; it's an additional two, two-and-a-half percentage point increase. Well, there is also one thing, I mean, we are trying to implement the changes in our IT systems, but it's taking a bit of time. So, that's the only parameter that is kind of not set yet. But our intention as a whole is that it should be reflected fully, at some point, to the customer.

The other point. I mean, there are few major changes in our hedging portfolio. First, we have no hedges un-restructured as of today. There was one last piece that was left intentionally because of the market condition to this year. This is why we see a long dollar position, but still a potential loss in case there is a depreciation of lira and that will be fully removed from the picture as we announce the first quarter numbers after this latest restructuring activity.

Normally, we do, when we protect our cash flows, we also had a balanced approach between euro exposure and dollar exposures. But we also have a euro reporting entity in the system which is Türk Telekom International, and there are some variations that is caused by the net asset coming from this entity which is in euro. This is why you see some different, you know, numbers in the sensitivity, but our aim is to balance; if it's a financial exposure, we balance it accordingly whether its euro or dollar, its balanced with a euro or dollar, you know, hedging instrument. We don't want

to create a parity risk, although we eliminate the currency risk, I mean, lira to dollar, lira to euro risk. So, I think we shouldn't expect any surprise just to come from this factor.

DEMIRTAS C: And part of my question was in case of further TL appreciation, could we assume similar sensitivity for the future or in case of further appreciation of Turkish Lira, you need to take some action or just you will say okay, it's hedged and we are comfortable with that? Thank you.

AKTAN K: With appreciation of lira... I couldn't...

DEMIRTAS C: Yes, in case of...because there is...no, I am not talking about...in case of further appreciation of Turkish Lira, you know, you hedge your position to some extent, but in terms of high volatility, you still paid some cost in 2020 and it is just, you know, in case of rapid appreciation of Turkish Lira. Will you need to take any action in such a situation, just, you know, strategically or you would just say with the currency issue, current levels?

AKTAN K: Listen, I mean, considering the current status of the hedging and debt and hedging portfolio and considering all the major restructuring that we already had. I mean, from this point on, it will be somehow fine tuning, you know, of a few instruments here and there, which shouldn't basically change the outcome dramatically. So, we will definitely focus on getting a natural, you know, sensitivity every quarter. But, by just, you know, tuning, you know, a few instruments, or getting into a new contract, but I don't think there will be a

major impact coming from there. Everything we had so far are already securing a very, you know, stable and natural position in the long term.

DEMIRTAS C: Okay. Thank you, Kaan.

OPERATOR: The next question comes from the line of Gurbuz Ogeday with TEB Investment. Please go ahead.

GURBUZ O: Hello, thanks for the presentation. I only had one question. When we look at the improvement in your operating cash flow, a significant portion of that comes from an improvement in... well, a decrease in working capital. I was wondering, what is the reason for this decrease and how sustainable would it be going forward?

AKTAN K: Yes. The working capital provided some, you know, enabled us to improve the cash flow performance. There are few factors here, some of it here to stay, some of it here to... I mean some of it will not be there especially when we announce the 2021 numbers starting from Q1. First of all, there is a certain calendarisation of our CAPEX spending which are mainly concentrated on the second half, and mainly in the last quarter of the year. But they are not turning into a real cash out because of the attached payment terms. So mostly we do the payments in the upcoming year which will be 2021 in this year. But they are shown as a working capital benefit. So, there is any... if there is any increase in the overall CAPEX size for the year, it means there is an increase in the CAPEX size for the last quarter, which means there will

be a positive impact coming from the payable, that part, you know, may not be there.

The other factor, which is the... if you look at... especially to the last quarter performance, some of the, you know, large accounts mainly, the public accounts, the government accounts, they tend to provide the payments towards the year end, this is why we had a lot of collections coming from those accounts at the end of the year. I mean, that part should repeat itself in the next year towards the end of the year, third and fourth quarters.

GURBUZ O: I understand. Thank you for your answer.

OPERATOR: Ladies and Gentlemen, there are no further questions at this time. I will now turn the conference over to Türk Telekom management for any closing comments. Thank you.

AKTAN K: Thank you very much everyone for joining the call. So, hope to see you and have you all here in our Q1 conference call as well. And have a good day. Thank you.

ÖNAL U: Thank you so much. Have a good day.