TÜRK TELEKOM GROUP

2023 FIRST QUARTER

FINANCIAL AND OPERATIONAL

RESULTS

May 8, 2023

A QUARTER DEFINED BY THE DEVASTATING EARTHQUAKES

Türk Telekom Group announces its financial and operational results. First quarter performance was largely affected by the massive quakes that shook southeast Türkiye in February. The Group managed to deliver results broadly in line with the guidance thanks to a robust top-line generation. Consolidated revenues increased by 61.0% YoY to TL 15.3 billion in Q1'23. EBITDA was TL 4.8 billion with an EBITDA margin of 31.3%. Net income of TL 645 million grew by 15.1% YoY. Net Debt/EBITDA slightly rose to 1.63x QoQ.

Türk Telekom CEO Ümit Önal said: *"All activity but rescue and recovery efforts slowed significantly across Türkiye in the aftermath of the devastating quakes. Obviously, our Q1'23 performance was also shaped by the impact of the disaster on our operations. We placed our focus on the immediate recovery of disrupted services in the quake-hit provinces, ensuring connectivity for everyone and working for the well-being of the victims including our employees. The regular course of our operations was mostly absent in February and started to gradually normalise in March. In this backdrop, we managed to stay in our guidance with actually somewhat better than expected start in revenue growth. We have been deeply saddened by the tragedy we woke up to on February 6. Yet, our institutions, businesses, corporates of all sizes, NGOs and people have been working round the clock altogether to recover from the economic and emotional destruction the quakes have caused for our nation. We should all be extremely proud of the heartfelt unity and effort that Türkiye has demonstrated, and therefore be encouraged to work for a brighter future."*

1st Quarter 2023 Financial Highlights

Consolidated revenues increased to TL 15.3 bn, up by 61.0% YoY. Excluding the IFRIC 12 accounting impact, revenue growth was 59.1% YoY, marking a better than expected start to the year.

Pressured by continued opex increase and one-off quake costs, the consolidated EBITDA grew moderately by 16.2% YoY to TL 4.8 bn along with an EBITDA margin of 31.3%. Excluding the IFRIC 12 impact, EBITDA margin was 32.5%. If adjusted for the quake related impact and the one-off cost of the new pension scheme enforced by the government, consolidated EBITDA would be TL 5.2 bn with an accompanying margin of 33.6%.

Operating profit contracted annually by 7.9% to TL 2.1 bn. Adjusted by the quake impairment cost incurred in Q1'23 in addition to the above-mentioned adjustment items, operating profit was TL 2.7 bn, up 16.9% YoY.

Net income was TL 645 mn in Q1'23, up 15.1% YoY with relatively contained average increase of 3.5% in USDTRY and EURTRY exchange rates, but higher interest rates YoY and QoQ. Support from the tax income to the bottom-line was fully offset by a newly introduced one-off quake tax and impairment charges. If adjusted for the quake impact, new pension scheme and implied taxation, net income would stand at TL 1.2 bn, up 120.0% YoY. See Table 1.

Capex was TL 3.3 bn in Q1'23 of which TL 42 mn was quake related expenditures.

Unlevered free cash flow[1] was negative TL 2.0 bn vs negative TL 456 mn in Q1'22 owing to subdued EBITDA growth and usual seasonality in cash flow.

Our long FX position[2] was USD 448 mn by the end of Q1'23. Excluding the ineffective portion of the hedge portfolio, namely the PCCS contracts, foreign currency exposure was a USD 374 mn short FX position.

Table 1: Impact of one-offs on Q1'23 financials

Adjustment item	Adjustment line	Q1'23 (mn TL)
Earthquake impact	Revenue + Opex	249
New pension scheme	Opex	153
	Impact on Ebitda	**402**
Earthquake impairment	Depreciation & Amortisation	169
	Impact on Operating Profit	**571**
Earthquake tax	Corporate Tax	90
Net of deferred tax & current period tax	Corporate Tax	-73
	Impact on Net Income	**588**

1st Quarter 2023 Operational Highlights

Total number of subscribers declined to 52.5 mn with a net loss of 254K during the quarter, largely due to the impact of the quakes on net addition performance across all segments but also to the ongoing contraction in the fixed voice customer base.

Fixed broadband base remained flat QoQ at 14.8 mn, losing 26K subscribers on net basis and recording a contraction first time for more than a decade. We expect to see a declining trend in the number of fixed internet customers in the coming quarters as the occupancy in quake provinces reshapes over time. In the medium-term subscriber dynamics should offer a positive outlook again with still relatively low penetration level and the continuation of strong growth momentum in the past years. Fixed internet ARPU growth continued its upward trend for the fifth consecutive quarter, reaching 41.2% YoY.

Fibre subscribers rose to 11.8 mn with 293K quarterly net additions. The number of FTTC subscribers reached 8.2 mn, while the number of FTTH/B subscribers increased to 3.6 mn. The share of fibre subscribers in our fixed broadband base increased to 79.8% from 71.2% YoY.

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

Fibre cable network length increased to 410K km as of Q1’23 from 403K km as of Q4’22 and 372K km as of Q1’22. Fibre network covered[3] 31.6 mn households by the end of Q1’23 compared to 31.4 mn as of Q4’22 and 30.6 mn as of Q1’22. FTTC homepass was 20.9 mn while FTTH/B homepass increased to 10.7 mn.

Mobile portfolio slightly grew to 25.6 mn by adding 112K net subscribers in Q1’23, thanks to a robust performance in the postpaid segment which gained 294K new customers, while prepaid segment lost 182K subscribers owing both to quake and competition related dynamics. Blended mobile ARPU growth also kept climbing higher to reach 66.0% YoY.

Average monthly data usage per LTE user increased by 24.6% to 13.1 GB in Q1’23 from 10.5 GB in Q1’22.

The ongoing decline in the number of fixed voice subscribers along with the strategy focusing on naked-DSL sales in new acquisitions has deepened by the quake-hit activation and churn activity, reaching 344K on net basis during the quarter. Including nDSL, the number of total access lines dropped to 17.2 mn from 17.3 mn a quarter ago.

In Q1’23, TV Home base also trended down to 1.4 mn from 1.5 mn subscribers with about 15K net subscriber loss.

Self-service online transactions app ‘Online İşlemler’ has been downloaded by 71 mn times by the end of first quarter. The number of unique subscribers[4] using the application was 19.2 mn.

[3] *Assessments for the earthquake related losses in homepass numbers continue; therefore, the above homepass numbers reflect the most recent data available before the disaster for the quake provinces and quarter-end data for the non-quake provinces.*

[4] *3-Month active user*

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

Preserved our resilience at most difficult times

Global markets and the business world were unnerved by the banking crises on both sides of the Atlantic, which seem to be contained for now. While the inflation-rates-recession debates continued within both the global and domestic context, Türkiye was shattered by a disaster unseen for nearly a century.

The twin quakes centred at south-eastern Türkiye affected eleven provinces, spreading across an area of almost 110K square kilometres, where 14 million people, or 16% of Türkiye's population lived. We had about 5 million subscribers in total in the affected region, making almost 10% of our total base with a near equal split between our mobile and fixed services users. Ministry of Treasury and Finance estimated the total cost of the quakes around $104 billion, approximately 9% of Türkiye's expected 2023 GDP.

Obviously, an event of such scale required our immediate attention to so many issues all at once, from recovering disrupted services in order to ensure connectivity to caring for the victims including our employees in the region; from sensitively managing customer services and customer care activities to aligning our systems and operations with the guidance from the regulator and other authorised bodies; and more. Accurate allocation of resources and efficient coordination of logistics as well as our superior know-how in customer experience have assured swift and targeted solutions in a super challenging environment.

Customer behaviour was also defined by the quakes with sudden change in urgencies. With too many moving parts in a mixed quarter, the read through for different lines of businesses varied but generally speaking, in both MoM and YoY comparisons daily average number of activations dropped in February across Türkiye but more so in the quake region of course, while cancellations accelerated in fixed services. Mobile enjoyed historic low churn rate in the quarter in lack of customers' appetite to act at that front. New mobile line sales started gradually picking-up in March, but still fell short of January or prior year same period levels in broad sense. Cancellations in March maintained February pace or even accelerated in some segments due to postponed activity in February. Line cancellation or freezing requests were heavy in fixed broadband as we expected, but demand for new connections was also better than we anticipated across all regions.

We are proud to have proven once again our resilience to extreme shocks, thanks to our distinguished execution capabilities. With still above 50% inflation by the end of the quarter, the ongoing pressure from the macro environment on our financials has been exacerbated by the impact of the massive quakes; yet, our first quarter performance kept us within our financial guidance in this most difficult period. In fact, we have started the year with some positive surprise in revenue growth demonstrating the customers' growing need and attachment to our products and services. Data usage[5] remained on a robust trend with 11%

[5] *Average monthly data consumption per user*

YoY increase in fixed broadband. On the mobile side, data consumption[6] grew by 24.6% annually to 13.1 GB.

Revenue growth stayed on a rising trajectory

Revenue growth maintained its accelerating pace on quarterly basis. Consolidated revenues increased by 61.0% YoY in Q1'23 while operational revenues grew 59.1%.

Mobile revenue growth reached 74.2% YoY with continued expansion of the subscriber base, low churn and January price revisions. 45.7% fixed broadband revenue growth on the other hand lagged with muted pricing actions by the quakes and slower re-pricing of the base due to longer term contract periods. All core businesses fell short of realising their full potential in revenue generation due to slowed activation, re-contracting and upselling activity but faster churn in some segments in the aftermath of the quakes. Fixed internet base lost 26K subscribers on net basis in Q1'23, recording a negative number first time for more than a decade, while mobile managed to add 112K subscribers. Growth in corporate data picked-up to 60.5% thanks to contract renewals at revised prices at the beginning of the year. Other revenues grew 105.6% in lead of rental revenues from other GSM operators, equipment sales, ICT project revenues and call centre revenues. International revenue expanded by 30.2% over last year's high base, amid a relatively stable FX rate environment in the first quarter.

Consolidated EBITDA grew by 16.2% YoY to TL 4.8 billion with an EBITDA margin of 31.3%. Ongoing opex inflation, most importantly the wage increases in January, one-off cost of the new pension scheme and earthquake related losses were the main factors pulling the margin down both QoQ and YoY. EBITDA and EBITDA margin would be TL 5.2 bn and 33.6% respectively if adjusted for the mentioned pension and earthquake items.

USDTRY and EURTRY rates increased by 2.4% and 4.6% QoQ respectively. While a relatively stable currency led lower FX losses, higher market interest rates pushed net interest expense towards north QoQ. TL 258 million net tax income included a deferred tax income largely driven by the revaluation of assets and R&D incentives, the current period tax expense and a one-off quake related tax expense. Net income of TL 645 million was 15.1% higher YoY but 36.1% lower QoQ, largely owing to a pressured operating performance by the quakes and continued opex increase. If adjusted for the below-EBITDA items including the one-off quake tax and quake impairment charge, net income would stand at TL 1.2 bn with 120.0% growth annually. Net Debt/EBITDA increased to 1.63x from 1.47x a quarter ago driven both by limited EBITDA growth and higher net debt QoQ.

We expect the impact of the quakes on our subscriber base, revenues and costs to continue over the coming quarters. On the other hand, we expect to take planned pricing actions both in mobile and fixed services in the remainder of the year. Summer months and tourism season will be important for the mobile business performance, while fixed operations should enjoy some normalisation and a stronger footing in the back-to-school period. Upselling and re-

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

contracting remained resilient in the first quarter despite the disruption caused by the earthquakes; therefore, we expect to see more contribution of those to our revenues in the upcoming period. We believe our 2023 guidance remains attainable at this point.

Fixed broadband had a mixed quarter

In retail fixed internet activations, we observed a better than expected activity owing both to last year’s low base and more pricing actions coming from the other ISPs in January, which have finally led to a full re-balancing of parities since we introduced the most sizeable price revisions in the segment on October 1, 2022. Demand for new connections dived MoM in February in quake provinces, but recovered close to prior year’s level in March. In non-quake provinces, average daily number of activations was higher in February and March compared to both January and the same periods of last year. As such, total number of retail activations grew 13% YoY in Q1’23.

The daily average number of retail cancellations in February was more than six folds on annual comparison and more than five folds compared to January in the quake provinces. Though slowed mildly, cancellations continued at a high rate over March in the area. As a result, retail fixed internet business realised 32% higher number of cancellations YoY within the first quarter. Consequently, Q1’23 retail churn rate was higher YoY, but flattish QoQ due to a relatively high base in Q4’22 triggered by the October price revisions.

Though halved in February MoM, the daily average number of activations in the wholesale segment contracted merely by 9% YoY in Q1’23 in the quake area while growing 4% across Türkiye. In the quake region, wholesale daily average cancellations more than doubled MoM and YoY in February, and accelerated in March. As such, wholesale business realised 42% higher number of cancellations YoY in Q1’23. Still, churn rate for the quarter came higher in annual comparison but slightly lower QoQ.

As a result, fixed internet business finished Q1’23 with 14.8 mn subscribers after recording a quarterly net loss of 26K subscribers. We believe the residential dynamics are still fluid in the quake region and will shape in the coming periods. Moreover, even if unused, we do not cancel any lines at this point until our subscribers act at that front. Therefore, we think we will be facing more quake-related line cancellation and freezing requests in the coming quarters and preserve our view that we will incur a slight net subscriber loss over 2023 in our total fixed broadband business. That said, we believe our fixed internet subscriber base will resume its growth in the medium-term thanks to further room for penetration increase and ongoing digitalisation trends.

Although we paused our pro-active marketing activities across Türkiye following the quakes, re-contracting and upsell performance remained pretty strong under circumstances. 35 Mbps and above packages made 32%[7] of new acquisitions. We have not taken any pricing actions in

[7] *For consumer segment*

the first quarter amid the earthquakes, but continued focus on high speed packages in new sales led ARPA[8] 5.7%[9] higher QoQ. Annual ARPU growth moved up to 41.2% from 37.6% in Q4’22 leading the 45.7% YoY increase in fixed broadband revenue. Obviously, the free benefits we provided to our subscribers in the quake region, either to comply with ICTA’s guidance or through our own initiatives had and will continue to have an impact on our ARPU and revenue growth. On the pricing front, we expect to implement our plans in the remainder of the year.

Fibre network continued expanding

The fibre network that runs across all of the 81 cities continued to expand across Türkiye, reaching 410K km by the end of Q1’23 (403K km as of Q4’22 and 372K km as of Q1’22). Homepass[3] increased to 31.6 mn as of Q1’23 compared to 31.4 mn as of Q4’22 and 30.6 mn as of Q1’22. FTTC homepass was 20.9 mn, while FTTH/B homepass rose to 10.7 mn. Total number of fibre subscribers grew to 11.8 mn, making up 79.8% of our total base, up by 8.6 points YoY.

Average package speed of our subscriber base[10] continued rising despite the disruption by the quakes on activations, re-contracting and upsells, exceeding 35 Mbps as of Q1’23 with 35% increase YoY. Nearly 40% of our subscribers[11] are now on 35 Mbps and above packages compared to 36% a quarter ago and 26% a year ago.

Quakes triggered competition in mobile

All operators revised their prepaid and postpaid tariff prices in December and January. As usual we have seen promotional activities in January in efforts to support activations in transition to new price levels. However, in the aftermath of February 6 earthquakes, promotions intensified across the board but more so in the prepaid segment with prolonged durations. Therefore, it would be fair to say that the December/January tariff revisions were less in effect over the quarter compared to prior rounds of pricing in the mobile segment. Still, all operators remain loyal to inflationary pricing and try to maintain a rational mobile market as proven by another renewal of prepaid and postpaid tariffs in April. As such, it would be fair to think the higher appetite for campaigns in Q1’23 was more quakes-driven and temporary.

Also hit by the quakes, the MNP (Mobile Number Portability) market which had recorded its first QoQ growth in five quarters in Q4’22 made it back to contraction territory in Q1’23. We preserved our top position in net ports for the sixth consecutive quarter despite a stiffer competitive environment.

We recorded a total of 112K net subscriber increase in Q1’23. On the positive front, postpaid managed to record strong 294K net adds following the strongest quarterly performance of 2022 in the final quarter. Although new sales in February and March were visibly disturbed in the quake region, they were fairly strong elsewhere. Yet, the real helper in postpaid

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[8] *Average revenue per acquisition*
[9] *For consumer segment*
[10] *Total retail base including DSL and fibre subscribers*
[11] *Total retail base including DSL and fibre subscribers*

performance was the historic low churn in Q1’23. Accordingly, the ratio of postpaid subscribers in our total mobile base peaked to 67.3%.

We believe, the increase in activation taxes at the beginning of the year at a rate of 122% might have triggered postpaidisation to some extent. Although the lira amount of activation tax is same on prepaid and postpaid packages, it is fully charged to prepaid subscribers once the line is activated, while it is reflected in 12 equal instalments to a postpaid subscribers’ monthly invoice.

Though churn rate declined in the prepaid segment QoQ, lower than expected tourist acquisitions and intensified promotions in the market limited new sales performance; hence, leading to a net loss of 182K subscribers. The postpaidisation trend mentioned above also played a role, we think.

We maintain our ARPU growth and controlled base management focus in Prime. Early in the year, we pushed Prime entry level to 25+5 GB packages in new sales. We have also started optimising our existing Prime base to condense it to users of higher content packages. As such, Prime sales made 12% of total postpaid activations in Q1’23 vs 22% in Q1’22 and overall Prime base contracted to 5.1[12] mn from 5.5 mn a quarter ago. Accordingly, we expect Prime’s contribution to ARPU growth to remain strong in the coming period.

Respective 56.3% and 92.4% increases in postpaid and prepaid ARPU led 66.0% rise in blended ARPU compared to 52.7% a quarter ago. 1.2 mn net subscriber additions over the LTM and successful ARPU management led 74.2% annual growth in mobile revenue. While several free benefits we provided to our postpaid and prepaid subscribers in the quake region adversely affected revenues, additional data package sales, overbundle fees and significant pick-up in top-ups provided robust support. The former is an effect to continue in the coming quarters but the latter is partly related to boosted social media usage and temporary increase in need for communication for a few weeks after the earthquakes. The number of additional data packages sold grew by 28% YoY while average top-up amount per prepaid subscriber surged 118%.

Progressing through our sustainability roadmap

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

As part of this agenda, Turkish Electricity Transmission Corporation (TEİAŞ) has allocated 317.8 MWe of instalment capacity to Türk Telekom within the framework of the relevant legislation. This capacity corresponds to nearly 50% of our current total electricity consumption.

[12] *Both consumer and corporate segment*

Furthermore, we have pending applications for further capacity of which the assessment processes continue.

In our view, this development represents a turning point that enhances our Company's potential in areas such as contributing to environmental protection, creating energy efficiency, and increasing the use of renewable energy. We believe we will make significant progress towards achieving Türk Telekom Group's sustainability goals with the initiatives that we will implement in the coming period.

Investments in solar power plants are planned to be undertaken in Diyarbakır, Ağrı, and Sivas provinces, on lands to be leased for 29 years from the Ministry of Environment, Urbanisation and Climate Change.

Financial Review

(TL mn)	Q1'22	Q4'22	Q1'23	QoQ Change	YoY Change
Revenue	**9,471**	**15,287**	**15,253**	**(0.2)%**	**61.0%**
Revenue (Exc. IFRIC 12)	**9,072**	**13,690**	**14,432**	**5.4%**	**59.1%**
EBITDA	**4,115**	**5,594**	**4,781**	**(14.5)%**	**16.2%**
Margin	*43.5%*	*36.6%*	*31.3%*		
Depreciation and Amortisation	**(1,817)**	**(2,343)**	**(2,665)**	**13.7%**	**46.7%**
Operating Profit	**2,298**	**3,251**	**2,117**	**(34.9)%**	**(7.9)%**
Margin	*24.3%*	*21.3%*	*13.9%*		
Financial Income / (Expense)	**(2,008)**	**(2,276)**	**(1,730)**	**(24.0)%**	**(13.9)%**
FX & Hedging Gain / (Loss)	(1,426)	(1,463)	(575)	(60.7)%	(59.6)%
Interest Income / (Expense)	(565)	(718)	(892)	24.2%	57.9%
Other Financial Income / (Expense)	(17)	(94)	(262)	179.3%	1399.9%
Tax Income / (Expense)	**270**	**35**	**258**	**634.1%**	**(4.5)%**
Net Income	**561**	**1,011**	**645**	**(36.1)%**	**15.1%**
Margin	*5.9%*	*6.6%*	*4.2%*		
CAPEX	**1,467**	**6,848**	**3,327**	**(51.4)%**	**126.7%**

Revenues

In Q1’23, consolidated revenues increased by 61.0% YoY to TL 15.3 bn. Excluding IFRIC 12, operating revenue growth was 59.1% YoY with respective increases of 45.7% in fixed broadband, 74.2% in mobile, 30.2% in international, 60.5% in corporate data and 105.6% in other revenues.

Operating Expenses Excluding Depreciation and Amortisation (OPEX)

In Q1’23, operating expenses increased by 95.5% YoY to TL 10.5 bn. Annual increase was 41.6% in the first quarter of last year and 74.2% in the fourth quarter. Excluding IFRIC 12 cost, growth in operating expenses was 94.8% YoY.

- Interconnection costs increased by 16.6% YoY and decreased by 9.5% QoQ. The quarterly decline reflected the direction in TTI's revenue shaped by routing of the traffic within the quarter.
- Tax expense increased by 75.9% YoY and 14.0% QoQ in tandem with mobile revenue growth and routine annual increases in telecommunications taxes.
- Provision for doubtful receivables grew by 21.5% YoY but remained flat QoQ. The quarterly stability was owing to high base, which was driven by the provisioning for pending receivables from a few projects at year's close.
- Cost of equipment and technology sales increased 166.4% YoY but declined 45.3% QoQ. While the annual change was owing to a low base, quarterly change was a result of some normalisation in project revenues generated by Türk Telekom and İnnova.
- Other direct costs grew by 88.6% YoY and 10.7% QoQ, owing to higher commissions paid on prepaid loading, shared revenues and VAS revenues.
- Commercial costs increased by 46.5% YoY and decreased 7.6% QoQ along with lower corporate communication and marketing expense driven by the earthquakes.
- Network and technology expenses rose 86.4% YoY and 14.7% QoQ. We faced higher unit energy prices on quarterly basis.
- Personnel expense increased by 127.9% YoY and 59.3% QoQ with minimum wage and inflation-adjusted salary increases in addition to the one-off rise in severance payments resulting from the new pension scheme.

Operating Profit Before Depreciation and Amortisation (EBITDA)

In Q1'23, consolidated EBITDA increased by 16.2% YoY to TL 4.8 bn with an EBITDA margin of 31.3%, which contracted 1,210 bps YoY and 520 bps QoQ. Ongoing opex inflation, most importantly the wage increases in January, one-off cost of the new pension scheme and earthquake related expenses were the main factors pulling the margin down both QoQ and YoY. Excluding the IFRIC 12 accounting impact, EBITDA margin was 32.5%, down 1,240 bps YoY. If adjusted for the quake related impact and the one-off cost of the new pension scheme enforced by the government, consolidated EBITDA would be TL 5.2 bn with an accompanying margin of 33.6%.

Depreciation and Amortisation Expense

Depreciation and amortisation expense increased by 46.7% YoY to TL 2.7 bn in Q1'23. Q1'23 figure included a one-off impairment expense related to earthquakes. We impair assets and record the related costs as soon as the assessment of damages is finalised. All quake related damages are under insurance coverage and will be recordable as income once we arrive at an agreement on receivable amounts with the insurer. This is a comprehensive and time-taking exercise given the large size of the earthquake region.

Operating Profit

Operating profit declined by 7.9% YoY to TL 2.1 bn in Q1’23. Operating profit margin declined to 13.9% in Q1’23 from 24.3% in Q1’22. Adjusted by the quake impairment cost incurred in Q1’23 in addition to the adjustment items accounted at the EBITDA level, operating profit was TL 2.7 bn, up 16.9% YoY.

Net Financial Income/Expense

Net financial expense decreased to TL 1.7 bn in Q1’23 compared to TL 2.3 bn in Q4’22 and TL 2.0 bn in Q1’22.

We incurred lower FX losses YoY and QoQ along with a relatively stable lira but higher net interest expense due to higher market interest rates. We continued utilising short-term instruments in Q1 in order to support the hedge portfolio. Net FX & hedging loss dropped to TL 0.6 bn in Q1’23 from TL 1.5 bn in Q4’22 and TL 1.4 bn in Q1’22.

According to the sensitivity of P&L statement to FX movements, 10% depreciation of TL has negative TL 825 mn impact on P&L as of Q1’23 assuming all else constant (negative TL 832 mn impact as of Q4’22 and negative TL 1,133 mn impact as of Q1’22). We aim to go back to FX-neutral position, when financial markets present a more stable outlook.

Tax Income/Expense

Including a deferred tax income largely driven by the revaluation of assets and R&D incentives, the current period tax expense and a one-off quake related tax expense, the Group reported TL 258 mn of tax income in Q1’23 vs TL 35 mn in Q4’22 and TL 270 mn in Q1’22.

Net Income

Q1’23 net income decreased to TL 645 mn compared to TL 1,011 mn in Q4’22 and TL 561 mn in Q1’22, largely owing to a pressured operating performance by the quakes and continued opex increase. Support from the tax income to the bottom-line was fully offset by a newly introduced one-off quake tax and impairment charges. If adjusted for the quake impact, new pension scheme and implied taxation, net income would stand at TL 1.2 bn, up 120.0% YoY.

Capital Expenditures

Capex was TL 3.3 bn in Q1’23 compared to TL 1.5 bn in Q1’22. Out of TL 3.3 bn, TL 42 mn was spent on earthquake-related expenses.

Cash Flow and Leverage

In Q1’23, unlevered free cash flow was negative TL 2.0 bn vs negative TL 0.5 bn in Q1’22.

Net debt[13] increased to TL 32.4 bn as of Q1’23 compared to TL 20.9 bn as of Q1’22. Excluding the IFRS 16 impact, net debt was TL 30.8 bn.

Net Debt/EBITDA[14] ratio increased to 1.63x in Q1’23 from 1.47x in Q4’22, driven both by limited EBITDA growth and higher net debt QoQ.

As of Q1’23, FX based financial debt (excluding the IFRS 16 impact) declined YoY to USD 1,865 mn equivalent (Q4’22: USD 1,807 mn; Q1’22: USD 2,115 mn). The share of TL financing was 26.5% as of Q1’23, up from 16.4% as of Q4’22 and 11.7% as of Q1’22.

Including the FX based cash of USD 119 mn, the net FX exposure was USD 448 mn long position as of Q1’23 (USD 375 mn long position as of Q4’22). Excluding the ineffective portion of the hedge portfolio, mainly the existing PCCS contracts, the FX exposure was USD 374 mn short position.

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

Operational Performance

	Q1'22	Q4'22	Q1'23	QoQ Change	YoY Change
Total Access Lines (mn) [15]	**17.0**	**17.3**	**17.2**	**(0.5)%**	**0.8%**
Fixed Voice Subscribers (mn)	10.4	9.5	9.2	(3.6)%	(11.6)%
Naked Broadband Subscribers (mn)	6.6	7.7	8.0	3.4%	20.4%
Fixed Voice ARPU (TL)	**22.1**	**29.1**	**33.1**	**13.8%**	**49.7%**
Total Broadband Subscribers (mn)	**14.5**	**14.8**	**14.8**	**(0.2)%**	**2.3%**
Total Fibre Subscribers (mn)	**10.3**	**11.5**	**11.8**	**2.5%**	**14.7%**
FTTH/B (mn)	3.0	3.5	3.6	4.0%	23.0%
FTTC (mn)	7.3	8.0	8.2	1.9%	11.3%
Broadband ARPU (TL)	**69.9**	**93.2**	**98.7**	**5.9%**	**41.2%**
Total TV Subscribers (mn) [16]	**2.9**	**2.9**	**2.9**	**0.1%**	**0.1%**
Tivibu Home (IPTV + DTH) Subscribers (mn)	1.5	1.5	1.4	(1.1)%	(3.1)%
TV ARPU (TL)	**24.3**	**30.0**	**33.1**	**10.3%**	**36.5%**
Mobile Total Subscribers (mn)	**24.4**	**25.5**	**25.6**	**0.4%**	**5.1%**
Mobile Postpaid Subscribers (mn)	15.9	16.9	17.2	1.7%	8.3%
Mobile Prepaid Subscribers (mn)	8.5	8.6	8.4	(2.1)%	(0.9)%
Mobile Blended ARPU (TL)	**42.8**	**64.3**	**71.0**	**10.4%**	**66.0%**
Mobile Postpaid ARPU (TL)	50.1	72.3	78.3	8.3%	56.3%
Mobile Prepaid ARPU (TL)	28.2	46.7	54.2	16.1%	92.4%

[15] *PSTN and WLR Subscribers*

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

Notes:

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

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

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

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

About Türk Telekom Group

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

"Türkiye's Multiplay Provider" Türk Telekom has 17.2 million fixed access lines, 14.8 million broadband, 2.9 million TV and 25.6 million mobile subscribers as of March 31, 2023. Türk Telekom Group Companies provide services in all 81 cities of Türkiye with 38,079 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.

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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