



TÜRK TELEKOM GROUP
2021 FIRST QUARTER
FINANCIAL AND OPERATIONAL
RESULTS

May 5, 2021

REVISING 2021 GUIDANCE UPWARD ON THE BACK OF A BETTER THAN EXPECTED Q1'21 PERFORMANCE

Türk Telekom Group announced its Q1'21 financial and operational results. The Group made a solid start to 2021 with an outstanding performance in the first quarter of the year. In Q1'21, consolidated revenues increased by 20.4% YoY, while EBITDA grew to TL 3.8 billion with an EBITDA margin of 50.1%. Net income rose to TL 1,356 million with 105% growth YoY. Net Debt/EBITDA was flat QoQ at 1.15x in spite of higher FX rates.

Türk Telekom CEO Ümit Önal said: “Our country has spent another quarter under lockdowns. Hopefully, we are fast approaching the end of these difficult times. Throughout this period, we kept ourselves busy with staying on top of our business and working on ambitious targets for a sustainably strong growth. We started 2021 stronger than we envisaged; hence, we see solid ground to revise our 2021 guidance upwards. We now expect our revenues to grow 16% YoY, our EBITDA to be TL 15.4 billion and our capex to be TL 8 billion. We managed to turn challenges of 2020 into great opportunities by focusing on financial excellence and risk management, digitalisation, efficiency and superior customer experience. We added on our strengths to strive for an even better performance in 2021. The progress we made so far and the brighter outlook we look into lend us the confidence we need, to proudly face our customers, society and stakeholders.”

1st Quarter 2021 Financial Highlights

Consolidated revenues increased to TL 7.6 bn, up by 20.4% YoY. Excluding IFRIC 12 accounting impact, revenue growth was 20.0% YoY.

Consolidated EBITDA grew 27.7% YoY to TL 3.8 bn with an EBITDA margin of 50.1%. Excluding IFRIC 12 impact, EBITDA margin was 52.1%.

Operating profit increased by 37.9% YoY to TL 2.4 bn.

Net income was TL 1,356 mn in Q1'21 compared to TL 661 mn in Q1'20, up 105% YoY despite unfavourable FX movements during the quarter, thanks to our solid actions which decreased the impact of FX volatility on our P&L and reduced net financial expenses significantly.

Capex was realized at TL 1,253 mn in Q1'21.

Unlevered free cash flow¹ was TL 750 mn in Q1'21, while net debt was TL 16.2 bn.

Our long FX position² was USD 100 million by the end of Q1'21 vs USD 158 mn by the end of 2020.

1st Quarter 2021 Operational Highlights

Total number of Türk Telekom subscribers reached 50.6 mn with 198K net additions in Q1'21. Net subscriber additions were 2.2 mn during the last twelve months.

Broadband subscriber base increased to 13.6 mn in Q1'21 with 204K net additions, which

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 net investment hedging less FX based cash and cash equivalents.

returned to normalised levels as expected. Broadband ARPU growth continued its robust performance and increased by 14.1% over last year’s strong base (13.6% in Q1’20).

Fibre subscribers exceeded 7.3 mn with 1.1 mn net additions in Q1’21. The number of FTTC subscribers reached 4.9 mn, while the number of FTTH/B subscribers increased to 2.4 mn.

Fibre network covers in excess of 27.1 million households as of Q1’21 compared to 22.6 mn as of Q1’20, reflecting the continued focus on fibre rollouts. FTTC homepass exceeded 19.4 mn and FTTH/B homepass increased to 7.7 mn.

Fibre cable network length increased to 336K km in Q1’21 from 308K km in Q1’20.

Mobile subscriber base increased to 23.3 mn with 103K net additions in Q1’21. Postpaid base reached 64% of total with 165K net additions.

Share of LTE subscribers³ in mobile subscriber base increased to 64% in Q1’21 from 58% in Q1’20 and 61% in Q4’20. Average monthly data usage per LTE user increased to 8.9GB in Q1’21 from 8.2GB in Q1’20.

Number of fixed voice subscribers declined slightly by 52K during the quarter together with normalisation in fixed broadband demand. Including nDSL, the number of total fixed access lines increased to 16.4 mn; the highest level since Q3’10.

In Q1’21, the number of TV Home subscribers remained flat QoQ at 1.5 mn.

2021 Guidance Revision

Our revised guidance for 2021 is as below:

- Consolidated revenue growth (excluding IFRIC 12) to be around 16% over 2020
- Consolidated EBITDA to be around TL 15.4 billion
- Consolidated CAPEX to be around TL 8 billion

	Previous Guidance	Revised Guidance
Consolidated Revenue Growth (exc. IFRIC 12)	Around 14%	Around 16%
Consolidated EBITDA	Around TL 15 bn	Around TL 15.4 bn
Consolidated CAPEX	Around TL 7.7 bn	Around TL 8 bn

³ Mobile subscribers who registered for LTE and have LTE compatible device and sim card.

Türk Telekom CEO Ümit Önal's comments on 2021 first quarter results:

We delivered a robust performance as the pandemic measures fluctuated

It has been more than a year we have lived and tried to cope with a global disaster. Nevertheless, the Covid-19 era has taught us invaluable lessons in a short period of time. The pandemic has tested our capabilities in many ways, helping us to broaden our strengths and know-how. It set a clear and faster direction towards digitalisation.

Data usage has grown dramatically across Turkey. In 2020, our fixed broadband subscribers' data consumption⁴ increased by 44% over a year ago. In Q1'21 usage remained elevated at 230GB with 45% rise YoY. On the mobile side, data usage continued to grow over the pandemic period despite lacking mobility under lockdowns. Our LTE subscribers' consumption⁵ increased by 21% last year. Surely, these trends were amplified by the pandemic-driven changes both at the individual and corporate levels. Still, we think Covid-19 has accelerated the scope and popularity of digitalisation in a persistent way.

In this context, Türk Telekom takes on three critical responsibilities: keeping Turkey connected through safe and high-quality networks, continuing with strategic investments unwaveringly and leading our country's digital journey. Our roadmap to sustainable growth urges us to continue with our fibre roll out plans, accelerate our digital agenda where we have clear and ambitious targets and attain best-in-class customer experience.

We made a strong start to 2021

Our outstanding financial and operational performance continued into the first quarter of the year. Consolidated revenues increased by 20.4% YoY. Operating revenues grew by 20.0% YoY, well ahead of our expectation. Growth in the fixed broadband segment surged to 34.3% in the period, while the increase in mobile revenues also moved higher to 13.4%.

Consolidated EBITDA rose by 27.7% YoY to TL 3.8 billion with an EBITDA margin of 50.1%, which marked a 290 bps improvement over the same period of last year. Margin expansion was mainly driven by the strong contribution of our higher margin fixed broadband business to top-line growth. Continued positive impact of Covid-19 on certain opex items was another supporting factor. Net income recorded an impressive 105% YoY increase to TL 1.4 billion, despite the unfavourable FX movements in the quarter. The significant improvement in EBITDA was nicely reflected to our bottom-line thanks to diligent actions we have been taking at the currency risk management front, particularly since late-2020. As of Q1'21, we recorded USD 100 million long FX position, while net Debt/EBITDA remained flat QoQ at 1.15x. Our capex spending was TL 1.3 billion during the period, in line with our annual budget.

^{4,5} Average monthly data consumption per user

With better than anticipated Q1'21 performance, we are revising our guidance upward

We started 2021 stronger than we envisaged. We recorded higher than expected top-line growth in corporate data in addition to fixed and mobile businesses in the quarter. As a result, we see solid ground to revise our 2021 guidance upwards at all fronts. We now expect our revenues to grow 16% YoY, our EBITDA to be TL 15.4 billion and our capex to be TL 8 billion⁶ compared to 14%, TL 15 billion and TL 7.7 billion respectively in our prior guidance. While the change in EBITDA is driven by our higher top-line growth expectation, the revised capex figure reflects buoyant demand to telecommunication services as well as the impact of FX rates. Our investments will focus on expanding and improving our fixed/mobile networks, capacity increases, digital agenda, data centres and 5G transition.

Yet, another record growth in fixed broadband revenues

The strong momentum in the fixed broadband segment continued into the first quarter of 2021. Revenue growth reached a new peak of 34.3% YoY, thanks to the contribution of more than 2 million net subscriber additions last year, continued acquisitions, portfolio adjustments and robust upsell performance. Healthy upselling metrics and price adjustments pushed fixed broadband ARPU 14.1% higher YoY.

We recorded 204K net adds to our fixed broadband subscriber base in Q1, in line with our expectations of normalising demand for new connections. Our tailor-made offers that target certain segments such as youngsters, gamers, home-office workers and students, in addition to our mass campaigns and bundle offers helped new acquisition performance remain robust in the aftermath of a super strong 2020 demand. In addition, we migrated more than 600K subscribers from ADSL to fibre packages in the first quarter, which brought the total number of conversions to almost 900K over the last couple of quarters.

The ongoing expansion of our fixed broadband subscriber base supports our view on continued increase in fixed internet penetration of Turkey, which stood around 68%⁷ by the end of 2020. We believe this figure can go up to 75% in the next few years, judging by peer markets' penetration levels and Turkey's favourable demographics. No doubt, Türk Telekom will remain the leading operator to carry out the necessary investments in this area, which should fuel our future EBITDA growth.

Focus on high-speed packages remained at the heart of our marketing strategies through all sales channels. Over the past year, we have made tremendous amount of progress in developing our in-house customer data analytics tools and formulating tailor-made marketing strategies in light of the detailed analysis of needs/usage trends of new and existing customers separately. We have gained significant efficiencies by determining our target bases, prioritisation and better resource allocation in addition to improved churn management. This

⁶ 2021 guidance expectations represent approximate values

⁷ Türk Telekom calculation based on ICTA Q4'20 report

is a key milestone that has empowered us to employ a bigger contribution of mix to our top-line growth in a persistent way.

In January, we replaced 12Mbps with 16Mbps as our new entry level package⁸ for both the new and re-contracted subscribers. Performance in upper offers was also significant with 24Mbps and above packages comprising 44%⁹ of new acquisitions in the first quarter. Re-introducing the 35Mbps package in our portfolio played an important role in that performance. As a result, our ARPA¹⁰ grew close to 25%¹¹ YoY. The number of customers which moved to higher packages was 2%¹² above last year's number in contract renewals, despite a high base in Q1'20. Finally, we recorded the highest ever quarterly number of speed upgrades in Q1'21, which comprised 77%¹³ of total number of upsells in the period.

Obviously, we are very pleased to see such strong KPIs, which prove the smart alignment of our investment and marketing strategies with financial performance.

Turkey's fiberisation continues at full throttle under Türk Telekom's lead

In the first quarter of 2021, we saw a normalising demand for new fixed internet connections as we expected. Still, the current environment is strong enough to keep our fibre roll-out agenda busy. Thanks to our 336K km long fibre network that covers 81 cities of Turkey (308K km as of Q1'20 and 331K km as of 2020), we grew our fibre subscribers by 1.1 million to 7.3 million in the first quarter and by 2.9m over the LTM. The share of fibre subscribers in our portfolio climbed to 54% from 37% as of end-2019.

Our value-maximising strategy in mobile business pays-off

In the mobile market, we observed more or less the similar trends to last year. The dynamics of the market remained under pressure as the country spent first quarter under lockdowns with limited easing of measures here and there. The trends we observed in the mobile market were broadly in line with our earlier expectations though.

We saw some price adjustments in the market and followed these actions. While postpaid tariffs were revised early in the year, price adjustments in the prepaid segment came rather late in the quarter. The MNP market was very quiet in the first quarter and contracted on last year's base because the pandemic impact was not felt much in Q1'20. In lack of demand and meaningful subscriber growth, other operators introduced competitive acquisition packages into the market around mid-quarter and we preferred not to respond.

We added 103K subscribers in Q1'21 which included an increase of 165K in the postpaid segment. The prepaid base on the other hand continued eroding with 61K decline, primarily

⁸ Depending on the availability

⁹ For consumer segment

¹⁰ Average revenue per acquisition

¹¹ Excluding penetration campaign

¹² For consumer segment

¹³ For consumer segment

on the back of our strategy to focus on higher value customer as well as postpaidisation. Despite the ongoing unfavourable market environment, we managed to grow our mobile ARPU by 12.2% YoY; higher than 2020 levels, thanks to the actions we have been taking. Our postpaid and prepaid ARPU growth stood at respective 8.7% and 11.7%. As a result, our mobile revenue growth picked up to 13.4% YoY from 12.8% in Q4'20.

The share of LTE subscribers among our customers increased to 64% in Q1'21 from 58% in Q1'20. Although lockdown measures limited the average mobile data usage trends QoQ, consumption per LTE user peaked to 9.5GB in March amidst partial easing of lockdown measures during the month.

We still foresee a broader recovery in mobile business starting in the second half of the year. We remain focused on our core network investments to grow our capacity and service quality and preparations for 5G. We reiterate our commitment to our medium-term target to expand our market share in the mobile segment, whilst achieving a balanced and sustainable growth.

Türk Telekom's Mobile Network wins global acclaim

In our mobile business we continue to focus on improving our network quality and customer experience. We keep investing across Turkey to increase capacity and coverage, and our efforts certainly pay-off.

Opensignal, an independent research and analytics house specialising on customers' true experience on mobile networks listed Türk Telekom amongst "Global Rising Stars" and "Global High Performers" in its "Global Mobile Network Experience Awards 2021¹⁴". Türk Telekom was the only operator from Turkey that ranked in a total of 5 categories.

Opensignal placed Türk Telekom among the "Global Rising Stars" in the categories of Video Experience, Download Speed Experience, Upload Speed Experience and 4G Availability. Global Rising Stars compared users' experience between the second half of 2019 and the same period in 2020 and celebrated the top 30 operators around the world, on whose networks users have seen the greatest improvement in their mobile network experience.

In addition, Opensignal announced Türk Telekom among the "Global High Performers" in the Voice App Experience category. Only the highest ranked operators with scores above the global average were listed as Global High Performers.

Obviously, it makes us proud to see growing appreciation of our milestones by independent assessors as well as our customers.

¹⁴ Opensignal Awards – [Global Mobile Network Experience Awards 2021](#) based on independent analysis of mobile measurements recorded during the period July 1 – December 27, 2019 & 2020. © 2021 Opensignal Limited.

We grow our digital footprint

Our self-service online transactions app “Online İşlemler”, through which we provide customised offers, has been downloaded 49 million times since its launch. The number of unique subscribers¹⁵ using the application was 16 million in Q1’21. TL uploads and invoice payments via online channels rose 71% YoY compared to Q1’20. The share of collections through digital channels, including banks, in the consumer segment increased to 78% in Q1’21; 4 percentage points higher YoY.

Our Corporate Data revenues rose 13.9% YoY in Q1’21 on the back of growth in new areas as well as traditional services.

İstanbul Chamber of Commerce (ITO) and Türk Telekom has recently agreed to collaborate in the digital transformation of the SMEs, which constitute an important part of the country's economy. The project aims to help the 430 thousand members’ digitalisation to put them ahead in global competition with reliable and comprehensive corporate approaches.

Türk Telekom plays a pioneering role in developing new generation technologies

We achieved a 5G speed world record during a trial with Nokia. Türk Telekom became the first operator in Turkey that tried the 5G New Radio Carrier Aggregation using ‘Millimeter Wave’, which carries 5G connection speeds to the highest level. During the trial we solely used mmWave spectrum over the 5G test network and reached record speeds above 4.5Gbps.

The high speeds achieved during the trial will enable more high-bandwidth and latency-sensitive enterprise services, such as remotely controlled devices for industrial needs or mission-critical applications. 5G-powered networks will allow customers to enjoy VR/AR experiences and download 4K video content or games in a matter of seconds whilst enhancing capacity in fixed wireless access.

These technologies also act as a bridge to develop and pave the way for "Terahertz" systems that provide ultra-high speed and capacity, which are planned to be used in 6G. Thanks to our strong fibre infrastructure, we are the most prepared operator in Turkey for 5G and we will continue to lead the development of all new generation technologies in the country.

Our subsidiaries support our growth strongly

The acceleration of progress in digital transformation solutions paved the way for wider opportunities and customer reach for our subsidiaries. We felt the ongoing contribution of this positive impact on our consolidated revenues in the first quarter of 2021, albeit at a slower rate, with robust YoY performance in AssisTT, Sebit and TTI, and more normalised trends in Argela and Innova.

¹⁵ 3 month active user

Our subsidiary, Argela, which works on 5G and beyond technologies, continued its studies and tests for the SEBA project, which aims to virtualise fibre access networks. While the preparations for the installation of SEBA on Türk Telekom network were completed, we also started the commissioning works. By the end of February, SEBA installation was completed at two Türk Telekom sites in Istanbul. In addition, we continued our activities to position SEBA in international markets. Within the scope of the sales and cooperation agreement signed with Juniper last year, we determined our roadmap for the productisation stage. In 2021, which we think will be an important year for SEBA, we continue our testing, demo and PoC (Proof of Concept) studies with leading companies around the world, and carry out business development activities to establish new partnerships.

Our subsidiary, Innova, which provides ICT solutions, continued to see significant demand especially from the retail, transportation, manufacturing and health sectors, where several corporations and institutions demand digital solutions for remote monitoring and management of their businesses and processes. Developed by Innova with the Ministry of Health, the FITAS application, which provides regular follow-up of health data in order to reduce the risk of spread of the virus and provide isolation conditions, has more than 200 thousand users. The development of the application will continue this year along with new demands. We expect Innova's technology solutions in health sector to gain more traction by health institutions this year. In addition to the projects carried out with the Ministry of Culture and Tourism and the Ministry of Justice, we expect other projects such as Smart City Projects in the field of IoT to make important progress and contribute to Innova's growth in the remainder of the year.

Türk Telekom's call centre company AssisTT, enjoyed a very strong start to 2021, thanks to increased demand for call centre facilities throughout the pandemic. AssisTT has been adding new business partners to its portfolio, especially in the field of booming e-commerce in addition to telco and finance sectors. AssisTT, which serves its customers with the responsibility of being a strategic business partner for them and aims for the best-in-class customer experience, has once again proven its success in the international arena as the world champion in two separate categories at "The 2020 Top Ranking Performers Awards", one of the most prestigious awards of the call centre industry worldwide, organised by Contact Centre World.

We are proud to have demonstrated our commitment to sustainability

In order to demonstrate our determination on sustainable development, we have committed to support 10 fundamental principles in the fields of Human Rights, Labour, Environment and Anti-Corruption by being a party to UN Global Compact in 2020.

While leading the digital transformation process of Turkey, we continued to integrate the universal principles of sustainability into our business model, strategies and corporate

decision-making processes. We published our first Communication on Progress (CoP) Report and shared it with our stakeholders.

We aim to publish our sustainability report as the first concrete output of the "Sustainability Management System and Structure" in 2021. The sustainability report will be prepared in accordance with the GRI standards. With this report, we will have the opportunity to present our holistic approach towards sustainability and value creation to our employees, shareholders and stakeholders.

We work for our customers and shareholders round the clock

Our country has spent another quarter under lockdowns. Hopefully, we are fast approaching the end of these difficult times. Throughout this period, we kept ourselves busy with staying on top of our business and working on ambitious targets for a sustainably strong growth. We clearly demonstrated a smart execution in managing our balance sheet, leverage, FX exposure and cash flow generation. We strongly believe that the accurate strategies we follow and the timely actions we take warrant a similarly robust operational and financial performance we hope to share in the coming periods.

We continue to keep up with our responsibilities to shareholders. We held our Ordinary General Assembly for the fiscal year 2020 on March 19, 2021. It has been resolved in the meeting that a cash dividend of TL 1.873 million will be paid to our shareholders in three equal instalments on April 1, July 1 and October 1, 2021. The payment process of the first instalment has already been completed.

We managed to turn challenges of 2020 into great opportunities by focusing on financial excellence and risk management, digitalisation, efficiency and superior customer experience. We added on our strengths to strive for an even better performance in 2021. The progress we made so far and the brighter outlook we look into lend us the confidence we need, to proudly face our customers, society and stakeholders.

Financial Review

(TL mn)	Q1'20	Q4'20	Q1'21	QoQ Change	YoY Change
Revenue	6,303	7,650	7,587	(0.8)%	20.4%
Revenue (Exc. IFRIC 12)	6,016	7,181	7,222	0.6%	20.0%
EBITDA	2,977	3,546	3,803	7.3%	27.7%
<i>Margin</i>	<i>47.2%</i>	<i>46.3%</i>	<i>50.1%</i>		
Depreciation and Amortisation	(1,273)	(1,457)	(1,452)	(0.3)%	14.1%
Operating Profit	1,704	2,089	2,351	12.5%	37.9%
<i>Margin</i>	<i>27.0%</i>	<i>27.3%</i>	<i>31.0%</i>		
Financial Income / (Expense)	(870)	(907)	(661)	(27.1)%	(24.1)%
FX & Hedging Gain / (Loss)	(294)	(337)	(189)	(43.9)%	(35.8)%
Interest Income / (Expense)	(561)	(479)	(410)	(14.4)%	(27.0)%
Other Financial Income / (Expense)	(15)	(91)	(62)	(31.8)%	310.1%
Tax Income / (Expense)	(173)	(78)	(334)	328.9%	93.2%
Net Income	661	1,104	1,356	22.7%	105.2%
<i>Margin</i>	<i>10.5%</i>	<i>14.4%</i>	<i>17.9%</i>		
CAPEX	896	2,785	1,253	(55.0)%	40.0%

Revenues

In Q1'21, consolidated revenues increased by 20.4% YoY to TL 7,587 mn. Excluding IFRIC 12, top line growth was 20.0% YoY with 34.3% surge in fixed broadband, 13.4% increase in mobile, 51.6% increase in international and 13.9% increase in corporate data revenues.

Operating Expenses Excluding Depreciation and Amortization (OPEX)

In Q1'21, operating expenses increased by 13.8% YoY to TL 3,784 mn. Excluding IFRIC 12 cost, growth in operating expenses was 12.6% YoY.

- Interconnection costs increased by 28.3% YoY, mainly due to increase in Türk Telekom International traffic volume and FX.
- 12.8% YoY increase in the tax expense was led by frequency and treasury fees attached to mobile revenues.

- Provisions for Doubtful Receivables decreased by 19.5% due to provision reversals as collections accelerated following our actions taken on the legal proceedings.
- Cost of Equipment and Technology Sales increased by 17.9% YoY along with normalised broadband net additions.
- Other Direct Cost grew 22.6% YoY, driven by the increase in litigation costs.
- Network and Technology expenses grew 13.8% YoY.
- Personnel expense increased by 26.9% mainly due to the early retirement incentives and the 22% increase in minimum wage.
- Commercial Costs remained subdued with mere 1.4% YoY increase, along with low marketing activity amid lockdowns.

Operating Profit Before Depreciation and Amortization (EBITDA)

In Q1'21, consolidated EBITDA increased by 27.7% YoY to TL 3.8 bn with an EBITDA margin of 50.1%, which improved 290 bps YoY mainly on the back of strong growth in higher margin fixed broadband revenues as well as Covid-19 related opex savings. Excluding IFRIC 12 accounting impact, EBITDA margin was 52.1%, up 310 bps YoY.

Depreciation and Amortization Expense

Depreciation and amortization expense increased by 14.1% YoY to TL 1,452 mn in Q1'21.

Operating Profit

In Q1'21, the Group recorded TL 2,351 mn operating profit with a 37.9% YoY increase. Operating profit margin rose to 31.0% from 27.0% in Q1'20.

Net Financial Income/Expense

Net financial expense was TL 661 mn in Q1'21 compared to TL 870 mn in Q1'20 and TL 907 mn in Q4'20, despite unfavourable FX movements during the quarter. The significant decline was led by the declined sensitivity of our P&L to FX volatility following our concrete actions on FX risk management.

According to the sensitivity of P&L statement to FX movements, 10% depreciation of TL has TL 13 mn impact on P&L as of Mar'21 assuming all else constant (TL 344 mn impact as of Mar'20 and TL 59 mn impact as of Dec'20).

Tax Income/Expense

The Group reported TL 334 mn tax expense in Q1'21 compared to TL 173 mn in Q1'20.

Net Income

The Group generated TL 1,356 mn net income in Q1'21 compared to TL 661 mn in Q1'20, thanks to solid operational performance and successful FX risk management.

Capital Expenditures

Capex rose to TL 1,253 mn in Q1'21 from TL 896 mn in Q1'20 reflecting the spending on planned fibre and other investments and the impact of weaker lira.

Cash Flow and Leverage

Unlevered free cash flow generated in LTM Q1'21 declined to TL 6.0 bn compared to TL 6.5 bn in LTM Q1'20, mainly due to the decline in trade payables and the early retirement incentive payments in the Q1'21.

In Q1'21, unlevered free cash flow was TL 0.8 bn vs. TL 1.6 bn in Q1'20.

Net debt¹⁶ increased to TL 16.2 bn as of Q1'21, while excluding the IFRS 16 impact, it was TL 14.8 bn.

Net Debt/EBITDA¹⁷ ratio remained flat QoQ at 1.15x, despite around 13% and 9% higher USDTRY and EURTRY respectively by the end of Q1'21 compared to the end of 2020.

Net debt (excluding the IFRS 16 impact) declined to USD 1,775 mn equivalent as of Mar'21, down by USD 134 mn QoQ (Dec'20: USD 1,909 mn; Mar'20: USD 2,268 mn).

In Mar'21, FX based financial debt (excluding the IFRS 16 impact) declined to USD 2,234 mn equivalent (Dec'20: USD 2,318 mn; Mar'20: USD 2,996 mn). The share of TL financing was 10.5% as of Q1'21 down from 14.5% in Q4'20 because of weaker lira.

Including the FX based cash of USD 370 mn, the net FX exposure was USD 100 mn long position as of Q1'21 (USD 158 mn long position as of Q4'20).

¹⁶ Net debt includes MTM from FX to TRY Currency Swaps.

¹⁷ Net debt includes MTM from FX to TRY Currency Swaps. Net Debt/EBITDA calculation excludes extraordinary claims on EBITDA calculation.

Operational Performance

	Q1'20	Q4'20	Q1'21	QoQ Change	YoY Change
Total Access Lines (mn) ¹⁸	14.8	16.3	16.4	0.8%	11.2%
Fixed Voice Subscribers (mn)	10.1	10.6	10.6	(0.5)%	4.7%
Naked Broadband Subscribers (mn)	4.6	5.6	5.8	3.3%	25.5%
Fixed Voice ARPU (TL)	22.3	21.6	21.3	(1.1)%	(4.2)%
Total Broadband Subscribers (mn)	11.6	13.4	13.6	1.5%	17.0%
Total Fibre Subscribers (mn)	4.4	6.2	7.3	18.0%	64.7%
FTTH/B (mn)	1.7	2.3	2.4	4.9%	37.3%
FTTC (mn)	2.7	3.9	4.9	25.6%	82.3%
Broadband ARPU (TL)	53.5	59.4	61.0	2.6%	14.1%
Total TV Subscribers (mn) ¹⁹	3.4	3.1	3.1	(1.8)%	(10.0)%
Tivibu Home (IPTV + DTH) Subscribers (mn)	1.6	1.5	1.5	(0.3)%	(3.8)%
TV ARPU (TL)	18.2	20.8	20.8	(0.2)%	14.2%
Mobile Total Subscribers (mn)	23.2	23.2	23.3	0.4%	0.4%
Mobile Postpaid Subscribers (mn)	14.0	14.8	15.0	1.1%	7.3%
Mobile Prepaid Subscribers (mn)	9.2	8.4	8.3	(0.7)%	(10.1)%
Mobile Blended ARPU (TL)	32.5	36.9	36.4	(1.4)%	12.2%
Mobile Postpaid ARPU (TL)	40.1	44.3	43.6	(1.6)%	8.7%
Mobile Prepaid ARPU (TL)	20.6	23.8	23.1	(3.0)%	11.7%

¹⁸ PSTN and WLR Subscribers

¹⁹ 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, amortization 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, amortization and impairment expenses, marketing, sales and distribution expenses, general administrative expenses, research and development expenses, other operating income/(expense), and income/(expense) from investing activities, but excludes financial income/(expense) presented in other operating income/(expense) on CMB financial statements (i.e. FX gain/(loss), interest and rediscount income/(expense) on current accounts excluding bank borrowings).

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

“Turkey’s Multiplay Provider” Türk Telekom has 16.4 million fixed access lines, 13.6 million broadband, 3.1 million TV and 23.3 million mobile subscribers as of March 31, 2021. Türk Telekom Group Companies provide services in all 81 cities of Turkey with 34,863 employees with the vision of introducing new technologies to Turkey and accelerating Turkey’s transformation into an information society.

Türk Telekomünikasyon A.Ş., providing PSTN and wholesale broadband services, directly owns 100% of mobile operator TT Mobil İletişim Hizmetleri A.Ş., retail internet services, IPTV, satellite TV, Web TV, Mobile TV, Smart TV services provider TTNET A.Ş., convergence technologies company Argela Yazılım ve Bilişim Teknolojileri A.Ş., IT solution provider Innova Bilişim Çözümleri A.Ş., online education software company Sebit Eğitim ve Bilgi Teknolojileri A.Ş., call center company AssisTT Rehberlik ve Müşteri Hizmetleri A.Ş., project development and corporate venture capital company TT Ventures Proje Geliştirme A.Ş., Electric Supply and Sales Company TTES Elektrik Tedarik Satış A.Ş., provider of combined facilities support activities TT Destek Hizmetleri A.Ş with TT International Holding BV and wholesale data and capacity service provider TT International Telecommunication Industry and Trade Limited Company, and indirectly owns 100% of subsidiaries of TT International Holding BV, TV Broadcasting and VOD services provider Net Ekran Companies, telecommunications devices sales company TT Satış ve Dağıtım Hizmetleri A.Ş and payment services company TT Ödeme ve Elektronik Para Hizmetleri A.Ş. and counselling services company 11818 Rehberlik ve Müşteri Hizmetleri 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. The Company relies on the information gathered from the reliable sources however does not guarantee completeness and accuracy of such information.

These materials contain statements about future events and expectations that are forward-looking statements. Any statement in these materials that is not a statement of historical fact is a forward-looking statement that involves known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except to the extent required by law, we assume no obligations to update the forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements. This press release does not constitute an offer or invitation to sell, or any solicitation of any offer to subscribe for or purchase any securities and nothing contained herein shall form the basis of any contract or commitment whatsoever. No reliance may be placed for any purposes whatsoever on the information contained in this press release or on its completeness, accuracy or fairness. The information contained in this press release may be required to be confirmed, completed and amended. Therefore, no declaration or commitment has been given or implied on the name of the Company or its shareholders, directors, employers or other third persons depending on the authenticity, completeness and accuracy of the information. None of 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 press release or its contents or otherwise arising in connection therewith.

The PSTN services and wholesale broadband services are provided by Türk Telekomünikasyon A.Ş., the retail internet services are provided by TNET A.Ş. and the mobile services are provided by TT Mobil İletişim Hizmetleri A.Ş. Türk Telekom® brand used in this press release is the joint brand of Türk Telekom Group companies. All group companies' legal entities remain intact. There may be differences between the data provided in this press release and ICTA's market reports. These discrepancies are due differences in basis of financial reporting (standalone vs. consolidated) and differences in ARPU calculation methodologies.

Türk Telekom Group Consolidated Financial Statements are available on <http://www.ttinvestorrelations.com/financial-operational-information/quarterly-results.aspx>