TÜRK TELEKOM GROUP

2022 YEAR END

FINANCIAL AND OPERATIONAL RESULTS

February 22, 2023

A FINE CLOSURE TO A PUZZLING YEAR

Türk Telekom Group announced its financial and operational results. Overall, the Group managed to extend its growth momentum into the fourth quarter, closing the year with a furthered performance. Consolidated revenues increased by 55.0% YoY in Q4'22, driving the full year top-line 40.2% higher to TL 48.0 billion. Annual EBITDA rose to TL 19.1 billion with an EBITDA margin of 39.9%. Net income of TL 4.1 billion contracted by 28.2% YoY. Net Debt/EBITDA inched down to 1.47x QoQ.

Türk Telekom CEO Ümit Önal said: *"We are devastated by the quakes that hit Turkey's south-eastern region recently. We offer our sincere and heartfelt condolences to those who lost their loved ones tragically. We know that the impact on those who have been through this calamity is unimaginable. As Türk Telekom, our immediate reaction was to put all our resources to work to ensure uninterrupted communication, care for our employees and provide every support we can for the rescue and recovery efforts in the region. Our on-site inspections together with our executive and regional teams starting from the early hours of the disaster helped us immensely both in understanding the extent of the damage and taking the right actions in the most efficient way. We cannot possibly underestimate the instant or lagging multi-dimensional effects of such a catastrophic event, but we have been working round the clock to improve the situation every day and making significant progress to mitigate the impact. We certainly have a lot more work to do. And for that, we are empowered by the unique and most sincere unity that our nation has shown to heal altogether."*

2022 Full Year Financial Highlights

Consolidated revenues increased to TL 48.0 bn, up by 40.2% YoY. Excluding the IFRIC 12 accounting impact, revenue growth was 40.1% YoY, ahead of the 2022 guidance of 37%.

Consolidated EBITDA grew by 16.6% YoY to TL 19.1 bn, slightly ahead of the guidance. EBITDA margin was 39.9%. Excluding the IFRIC 12 impact, EBITDA margin declined by 870 bps YoY to 42.2%.

Operating profit increased by 8.2% YoY to TL 11.0 bn.

Net income was TL 4.1 bn in 2022, with a relatively contained contraction of 28.2% annually despite an average 36.2% increase in USDTRY and EURTRY rates and higher interest rates in YoY terms. The impact of the changes in FX and interest rates on the bottom-line was partly offset by the deferred tax gain recorded throughout the year.

Capex was TL 13.9 bn in 2022, very close to the TL 14.0 bn guidance.

Unlevered free cash flow[1] was TL 5.1 bn vs TL 8.3 bn in 2021.

[1] *Unlevered free cash flow defined as net cash provided by operating and investing activities from operations.*

Our long FX position[2] was USD 375 mn by the end of 2022. Excluding the ineffective portion of the hedge portfolio, namely the PCCS contracts, foreign currency exposure pointed to a USD 458 mn short FX position.

4th Quarter 2022 Financial Highlights

Consolidated revenues increased to TL 15.3 bn, up by 55.0% YoY. Excluding the IFRIC 12 accounting impact, revenue growth was 57.3% YoY.

Consolidated EBITDA grew by 30.1% YoY to TL 5.6 bn with an EBITDA margin of 36.6%, down 700 bps YoY, once again largely owing to last year's high base, inflated opex and faster growth in lower margin businesses. Excluding the IFRIC 12 impact, EBITDA margin was 39.5%.

TL 3.3 bn operating profit was up 23.9% YoY.

Net income was TL 1.0 bn, down 6.7% YoY and 13.7% QoQ. While higher net financial costs and lower tax income led the annual decline, a lower tax income despite declining net financial expense largely explained the quarterly change.

Capex was TL 6.8 bn in Q4'22.

Unlevered free cash flow was TL 1.9 bn in Q4'22 vs TL 2.2 bn in Q3'22 and TL 3.3 bn in Q4'21.

4th Quarter & Full Year 2022 Operational Highlights

Total number of Türk Telekom subscribers remained flat QoQ at 52.8 mn. Net subscriber additions were 1.0 mn in 2022, including increases of 0.5 mn in fixed internet and 1.5 mn in mobile.

Fixed broadband closed the year with 14.8 mn subscribers amid 64K of moderate quarterly net additions after a robust performance in the third quarter, driven both by the back-to-school period and purchases ahead of the retail price revisions introduced on October 1. Fixed internet ARPU growth continued its upward trend for the fourth consecutive quarter, reaching 37.6% YoY.

Fibre subscribers rose to 11.5 mn with 362K quarterly net additions. The number of FTTC subscribers reached 8.0 mn, while the number of FTTH/B subscribers increased to 3.5 mn. The share of fibre subscribers in our fixed broadband base increased to 77.7% from 66.9% a year ago.

Fibre cable network length increased to 403K km as of 2022 from 389K km as of Q3'22 and 366K km as of 2021. Fibre network covered 31.4 mn households by the end of 2022 compared to 31.1 mn a quarter ago and 30.2 mn as of 2021, reflecting the ongoing focus on fibre rollouts. FTTC homepass was 21.0 mn while FTTH/B homepass increased to 10.4 mn.

[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.*

Mobile portfolio expanded to 25.5 mn by adding 210K subscribers in Q4’22 on net basis. Postpaid segment grew strongly by 374K whilst prepaid segment lost 165K subscribers owing to the adjustment for the inactive subscribers. Mobile ARPU growth also maintained its upward trajectory, rising to 52.7% YoY on a blended basis.

Average monthly data usage per LTE user increased by 24.1% to 12.7 GB in Q4’22 from 10.2 GB in Q4’21.

Number of fixed voice subscribers declined by 330K during the quarter in line with the strategy focusing on naked-DSL sales in new acquisitions, rather than WLR. Full year contraction accumulated to 974K. Including nDSL, the number of total access lines increased to 17.3 mn compared to 16.9 mn by the end of 2021.

In Q4’22, TV Home maintained its flat trend QoQ and closed the year with 1.5 mn subscribers.

Self-service online transactions app ‘Online İşlemler’ has been downloaded by 67.9 mn times by the end of 2022. The number of unique subscribers[3] using the application continued its climb and reached a fresh high of 27.0 mn.

2023 Guidance

Our guidance[4] for 2023 is as below:

- Consolidated revenue growth (excluding IFRIC 12) to be around 52-55%
- Consolidated EBITDA to be around TL 23-25 billion
- Consolidated CAPEX to be around TL 17-19 billion

	2023 Guidance
Consolidated Revenue Growth (exc. IFRIC 12)	52-55%
Consolidated EBITDA	TL 23-25 bn
Consolidated CAPEX	TL 17-19 bn

[3] 12-Month active user

[4] 2023 guidance expectations represent approximate values. Includes the effect of twin earthquakes that struck south-eastern Turkey on February 6, 2023, based on our initial impact analysis. Turkish government announced State of Emergency in the ten provinces affected by the earthquakes. Additional possible measures in the coming period may further affect our operations and financial performance; hence our impact analysis and 2023 guidance.

Türk Telekom CEO Ümit Önal's comments on 2022 year-end results:

We focus on mitigating risks and embracing opportunities ahead

We left 2022 behind but many of its challenges, most importantly geopolitical risks, high inflation, slowing global growth and climate change, remain with us. Yet, the sentiment from the World Economic Forum suggested that the 2023 global growth may not be as gloomy as it was seen before as China abandoned zero Covid policy and the possibility of a soft landing in the US and Europe gained some ground. Besides, finally we have seen inflation cooling off across the globe. That said, the large central banks deem what has been achieved so far, an unfinished job, until they reach their target inflation rates.

In Turkey, inflation retreated to 64.3% by year-end after peaking at 85.5% in October, thanks to the widely known base effect. PPI depicted a similar picture having reached 157.7% in October, to trend down to 97.7% by December, still suggesting more to be reflected on consumer prices. Though, it is somewhat relieving to see inflation finally moving in the right direction, it is obvious that it will remain a major problem within the year ahead.

Operators increased their concentration on subscriber acquisition both in mobile and fixed internet, in a typical trend that the sector is accustomed to in the final quarter of the year. Mobile continued enjoying a vigorous demand in warmer than usual winter months, while fixed internet tried to digest the most sizeable price revisions of the year introduced starting from October.

Fixed broadband net additions moderated to 64K after a strong Q3 fuelled by the back-to-school season and pull-forward demand. Mobile segment saw seasonal retreat but still robust 210K net additions, once again ahead of our target for the quarter. Operators stayed in sync on inflationary pricing in mobile, kicking-off the fourth consecutive round of tariff revisions in late December/early January. On the fixed internet side, other ISPs have followed our retail price adjustment, but the process was repeatedly slow, running into even January in some cases. Year-end offers, including ours, aimed at triggering demand and ensuring a softer transition for the consumer to new pricing levels. ARPU growth trended higher both in fixed broadband and mobile through dynamic pricing and upselling as we envisaged.

Data usage was robust in the final quarter of the year, confirming a resilient demand for telco products despite macroeconomic issues. Mobile data consumption[5] recorded 24.1% growth YoY to 12.7 GB. On the fixed internet side, usage[6] picked up by 5.4% QoQ and remained pretty strong compared to past averages.

Thanks to our proactive and adaptive measures, we managed to deliver a progressive financial performance over the course of 2022, despite a restrictive business environment in many aspects. A dynamic pricing behaviour, close monitoring of consumer and business sentiment

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

and correct understanding around the competitive landscape should continue supporting us in meeting our 2023 targets.

2022 possessed all the earmarks of what is deemed a polycrisis by many. In this backdrop, we heightened our focus on reinforcing our strengths, which have for decades helped us differentiate ourselves from competition as well as overcome volatile and uncertain times. We spared meaningful amount of time and energy on finessing our technological capabilities, customer experience tools and digitalisation agenda. Our learning curve was steep and overwhelming at times, but also most rewarding in preparing ourselves for future risks and opportunities.

We believe we are well-equipped to brace for risks and capitalise on new opportunities in order to keep up with our duties to our stakeholders. We reiterate our strong confidence in the long-term prospects of the Turkish telco space and our Company, which has been setting the standards in the industry as well as leading the way for change and digitalisation.

Growth accelerated further in Q4

Revenue growth peaked in the final quarter as expected, with an accumulating impact of price revisions and a piling re-contracted customer base. Consolidated revenues grew by 55.0% YoY in Q4’22 while operational revenues recorded 57.3% increase.

Subscriber growth, pricing and demand for higher speed led fixed broadband revenue 43.4% higher annually. Mobile revenue growth on the other hand surged to 62.6% on a stronger push by base expansion, shorter re-contracting cycle and continued increase in data consumption. Fixed internet base gained 0.5 mn subscribers on net basis in 2022 following the pandemic-fuelled growth of 2020-2021, while mobile base added 1.5 mn subscribers alongside an invigorated demand driven by mobility and strong tourism in the post-Covid normalisation period. Growth in corporate data and other revenues also picked up pace with respective 30.9% and 139.6% increases. Equipment sales, ICT project and call centre revenues remained as the primary drivers of the latter. Finally, international revenue was 67.0% higher on traffic growth and currency impact.

Consolidated EBITDA grew by 30.1% YoY to TL 5.6 billion with an EBITDA margin of 36.6% trending downward both QoQ and YoY. EBITDA margin usually touches its low in the final quarters due to seasonality and a larger dilution by IFRIC 12 accounting; but apart from that, margin drivers remained broadly unchanged on YoY trends. Once again, high base, cost inflation and composition of revenue growth with higher contribution from relatively lower margin businesses led the annual change.

USDTRY and EURTRY rates increased by 1% and 10% QoQ respectively, when compared with the previous quarter's close. Accordingly, we incurred lower FX losses QoQ. The annual change was also downward due to the high base of last year stemming from a flash crash in lira. Short-term derivative instruments continued to be our main hedging tool. A relatively stable interest rate environment led the flattish net interest expense in quarterly comparison. Finally, although we, once again recorded tax income, it was significantly lower both QoQ and YoY thanks to a reversal in inflation trend. As such, net income was 6.7% and 13.7% lower respectively on annual and quarterly basis.

Net Debt/EBITDA inched down to 1.47x from 1.54x a quarter ago as hard currency debt continued coming down and lira remained on a relatively stable course.

2022 dividend

Our Board of Directors resolved to propose at the 2022 Ordinary General Assembly that Türk Telekom pays no dividend out of 2022 earnings. The decision reflects the need for elevated caution in light of the recent events and the consideration of our Company's liquidity and investment requirements along with possible volatility in financial markets on global or domestic macro uncertainties.

2023 guidance

We are deeply saddened by the huge earthquakes that struck south-eastern Turkey on February 6, leaving tens of thousands dead and injured. The disaster, deemed worst in the region in nearly a century, affected 11 provinces across the country, where more than 14 million people or 16% of Turkey's population live. Obviously, an event of such scale will have important economic consequences both at the macro and micro levels. It seems the challenging trends in macroeconomic indicators which played an important part on the way we do business and our financial performance will prevail for another while. With that in our central focus, we formulated our 2023 budget after also carefully considering an attainable balance between growth, investment needs and cash flow performance.

Accordingly, we expect our operating revenues to grow by 52-55% YoY, our EBITDA to be TL 23-25 bn and our capex to be TL 17-19 bn[7] in 2023.

We expect to maintain a dynamic pricing behaviour throughout the year and the scale of our adjustments to be decided according to realised inflation and prevailing consumer sentiment. We foresee robust subscriber evolution along with continued growth in data consumption to support mobile revenue performance. Fixed internet top-line, on the other hand, should be shaped by speed upselling along with some limited net subscriber loss driven by the earthquake impact. EBITDA will be sensitive to consumer sentiment, growth composition, opex evolution and one-off quake related costs. We believe we applied reasonable caution to our assumptions that drive the personnel, network and commercial expenses which constitute the bulk of our operating cost base. Change in personnel cost reflects the impact of the recently announced scheme that removes the age barrier for a certain group of pending pensioners in addition to the usual annual salary adjustments. Network expenses incorporate a significantly

[7] *2023 guidance expectations represent approximate values. Includes the effect of twin earthquakes that struck south-eastern Turkey on February 6, 2023, based on our initial impact analysis. Turkish government announced State of Emergency in the ten provinces affected by the earthquakes. Additional possible measures in the coming period may further affect our operations and financial performance; hence our impact analysis and 2023 guidance.*

higher unit electricity cost YoY. Finally, targeting a lower intensity ratio YoY, the capex budget considers the 2023 portion of spending for damages from quakes and aims to support our growth plans in select priority areas as well as in fixed broadband and mobile segments.

A period of absorbing consecutive price adjustments in fixed broadband

The final quarter of the year was a mixed bag of widespread year-end subscriber acquisition activity and re-balancing of price parities with the latter extending even into early months of 2023 after we introduced our most sizeable retail price revisions on October 1. Demand was slow sector-wise following the strong seasonality and pulled-forward purchases in Q3'22 ahead of the price adjustments, and even slower in our case with widened gap in prices in the market. We felt the impact on our new sales and churn performance particularly on the retail side; a trend that repeated itself in every round of our price revisions we launched in December, June and October.

Fixed internet finished 2022 with 14.8 mn subscribers after an addition of 64K on net basis in the final quarter.

Strong appetite for high speed packages both in new acquisitions and re-contracting helped us pave the way to a smoother transition for the consumer to higher pricing levels. 24 Mbps and above packages made 70.4%[8] of new acquisitions. Pricing and concentration on high speed packages in new sales combined, has driven Q4'22 ARPA[9] 42.4%[10] higher QoQ. Upsell performance was continually robust in another heavy re-contracting period. As a result, annual ARPU growth moved up to 37.6% from 28.8% in the third quarter and pushed the fixed broadband revenue increase to its highest level of 43.4% from 35.5%.

Fibre network exceeds 400K km

As the fibre powerhouse of Turkey, we are proud to share that our fibre cable length exceeded the 400K km mark. The fibre network that runs across all of the 81 cities in Turkey reached 403K km by the end of 2022 (389K km as of Q3'22 and 366K km as of 2021). Homepass increased to 31.4 mn compared to 31.1 mn as of Q3'22 and 30.2 mn as of 2021. FTTC homepass was 21.0 mn, while FTTH/B homepass rose to 10.4 mn. Total number of fibre subscribers grew to 11.5 mn, making up 77.7% of our total base, up by 10.8 points YoY.

Average package speed of our subscriber base[11] exceeded 32 Mbps as of 2022, increasing by 34% over the year. More than 61% of our subscribers[12] are now on 24 Mbps and above packages compared to 57% a quarter ago and 43% a year ago.

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

Mobile's superb year signals more to come

Race for new acquisitions run into the final quarter of the year. Though cooling off seasonally, demand was still solid to enable operators stay focused around inflationary pricing. All operators introduced their revised tariffs across the board around late December/early January.

MNP (Mobile Number Portability) market grew remarkably QoQ first time in five quarters as subscribers shopped around for most advantageous packages out of intensified year-end campaigns. This has also marked the first YoY growth in the MNP market since Q3'20. We stayed on top of the market in net ports for the fifth consecutive quarter.

We recorded a total of 210K net subscriber increase in Q4'22. Churn rates[13] stayed low in both segments but particularly so in the postpaid base. 374K net adds in postpaid marked the best quarterly performance of the year for the segment. Prepaid segment, on the other hand, contracted about 165K as a result of the adjustment for the inactive subscribers. While postpaid made 66.4% of total mobile subscribers, our Prime base stayed flattish QoQ around 5.5 mn[14] subscribers. Prime has been a major contributor to ARPU over 2022 and will continue to be so, we believe, in 2023.

46.2% and 70.8% annual growth respectively in postpaid and prepaid ARPU combined into a 52.7% rise in blended ARPU, up from 40.1% in the third quarter. A surging 62.6% growth in mobile revenue was strongly supported by diligent ARPU management and a hefty 1.5 mn net additions over the LTM.

Subsidiaries contributed meaningfully to the top-line performance

Our subsidiaries[15] have partly driven the better than guided top-line performance in 2022. The contribution to Group revenues has accelerated in the final quarter. While İnnova; Turkey's leading software developer and system integrator and AssisTT; the pioneer in customer service solutions saw extremely strong demand for their products and services, TTI; our international arm, continued growing its revenue, which is mostly generated in euros in a healthy manner. Third party revenues generated by our subsidiaries increased by 83% YoY in 2022 and made more than 11% of our consolidated revenues.

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[13] *Excluding the adjustment for inactive lines fort the prepaid segment*
[14] *Both consumer and corporate segment*
[15] *Third party revenue generating subsidiaries are Argela, İnnova, Sebit, AssisTT, TTI, TTES, TT Destek and TTÖHAŞ.*

Financial Review

(TL mn)	Q4'21	Q4'22	YoY Change	2021	2022	YoY Change
Revenue	**9,864**	**15,287**	**55.0%**	**34,273**	**48,042**	**40.2%**
Revenue (Exc. IFRIC 12)	**8,703**	**13,690**	**57.3%**	**31,702**	**44,422**	**40.1%**
EBITDA	**4,301**	**5,594**	**30.1%**	**16,415**	**19,148**	**16.6%**
Margin	*43.6%*	*36.6%*		*47.9%*	*39.9%*	
Depreciation and Amortisation	**(1,678)**	**(2,343)**	**39.6%**	**(6,202)**	**(8,101)**	**30.6%**
Operating Profit	**2,623**	**3,251**	**23.9%**	**10,213**	**11,046**	**8.2%**
Margin	*26.6%*	*21.3%*		*29.8%*	*23.0%*	
Financial Income / (Expense)	**(2,176)**	**(2,276)**	**4.6%**	**(4,592)**	**(9,210)**	**100.6%**
FX & Hedging Gain / (Loss)	(1,592)	(1,463)	(8.1)%	(2,557)	(6,557)	156.4%
Interest Income / (Expense)	(536)	(718)	33.9%	(1,858)	(2,722)	46.5%
Other Financial Income / (Expense)	(47)	(94)	101.2%	(177)	69	n.m.
Tax Income / (Expense)	**636**	**35**	**(94.5)%**	**141**	**2,298**	**1534.6%**
Net Income	**1,084**	**1,011**	**(6.7)%**	**5,761**	**4,135**	**(28.2)%**
Margin	*11.0%*	*6.6%*		*16.8%*	*8.6%*	
CAPEX	**4,487**	**6,848**	**52.6%**	**8,805**	**13,931**	**58.2%**

Revenues

In 2022, consolidated revenues increased by 40.2% YoY to TL 48.0 bn. Excluding IFRIC 12, operating revenue growth was 40.1% YoY with respective increases of 32.3% in fixed broadband, 42.8% in mobile, 59.0% in international, 25.3% in corporate data and 103.9% in other revenues.

In Q4’22, consolidated revenues increased by 55.0% YoY to TL 15.3 bn. Excluding IFRIC 12, operating revenue growth was 57.3% YoY with respective increases of 43.4% in fixed broadband, 62.6% in mobile, 67.0% in international, 30.9% in corporate data and 139.6% in other revenues.

Operating Expenses Excluding Depreciation and Amortisation (OPEX)

In 2022, operating expenses increased by 61.8% YoY to TL 28.9 bn. Excluding IFRIC 12 cost, growth in operating expenses was 64.9% YoY.

- Interconnection costs increased only by 24.0% YoY, lower than the annual inflation but higher compared to last year's 15.9% along with the increase in international traffic volume.

- 39.8% YoY increase in the tax expense was aligned with growth in FBB and mobile revenues.

- Provisions for doubtful receivables grew merely by 3.9% YoY in 2022, thanks mainly to an undisturbed collection performance throughout the year.

- Cost of equipment and technology sales grew by 92.1% YoY along with the pick-up in number of projects acquired both by Türk Telekom and İnnova and inflated equipment and other costs attached to these projects.

- 66.1% YoY increase in other direct costs was largely driven by higher commissions paid on prepaid loading, shared revenues and VAS revenues. Higher commissions were driven both by inflation and higher volumes.

- Network and technology expenses grew 94.2% YoY due to higher energy prices, inflated cost of maintenance works and weaker lira.

- Personnel expense increased by 70.2% YoY including the impact the of i) salary adjustments driven by two respective hikes in minimum wage in January and July and ii) regular renegotiation of terms with the labour union.

- Commercial costs increased by 47.8% YoY, lower than the inflation rate but faster than 2021 growth on low base of pandemic-contained spending.

In Q4'22, operating expenses increased by 74.2% YoY to TL 9.7 bn. Annual increase was 41.6% in the first quarter, 52.1% in the second quarter and 72.8% in the third quarter. Excluding the IFRIC 12 cost, growth in operating expenses was 82.6% YoY.

- Interconnection costs increased by 38.4% YoY and 11.3% QoQ. The quarterly pick-up was parallel to the increase in interconnection revenues from voice traffic.

- Tax expense increased by 59.1% YoY and 12.4% QoQ in tandem with FBB and mobile revenue growth.

- Provision for doubtful receivables grew by 33.1% YoY and 25.8% QoQ. Quarterly change was owing to year-end provisioning for pending receivables from a few projects.

- Increase in cost of equipment and technology sales surged to 138.2% YoY and 150.1% QoQ, in parallel to the surge in number of projects acquired both by Türk Telekom and İnnova in the final quarter of the year and inflated equipment and other costs attached to these projects.

- Other direct costs grew by 74.9% YoY and 13.7% QoQ, owing to higher commissions paid on prepaid loading, shared revenues and VAS revenues. Higher commissions were driven both by inflation and higher volumes.
- Commercial costs increased by 36.9% YoY and 9.0% QoQ with no major change in trends observed in the prior quarters.
- Network and technology expenses depicted no major change in trends observed in the prior quarters, and rose 90.3% YoY and 16.3% QoQ together with higher energy prices and cost of maintenance works.
- Personnel expense increased by 84.9% YoY and 7.8% QoQ with no major change in trends observed in the prior quarters.

Operating Profit Before Depreciation and Amortisation (EBITDA)

In Q4’22, consolidated EBITDA increased by 30.1% YoY to TL 5.6 bn with an EBITDA margin of 36.6%, which contracted 700 bps YoY due to unchanged reasons: (i) high base, (ii) significant cost inflation in large opex items including personnel, network (including energy), commercial and equipment & technology sales costs and (iii) bigger contribution of lower margin businesses in revenue growth. Excluding the IFRIC 12 accounting impact, EBITDA margin was 39.5%, down 840 bps YoY.

Increased by 16.6% YoY in 2022 consolidated EBITDA was TL 19.1 bn, slightly ahead of the TL 19.0 bn guidance. High base, cost inflation and composition of revenue growth were the main reasons driving EBITDA margin 800 bps lower YoY to 39.9%.

Depreciation and Amortisation Expense

Depreciation and amortisation expense increased by 39.6% YoY to TL 2.3 bn in Q4’22 and by 30.6% YoY to TL 8.1 bn in 2022.

Operating Profit

Operating profit grew by 23.9% YoY to TL 3.3 bn in Q4’22 and by 8.2% YoY to TL 11.0 bn in 2022. Operating profit margin declined to 21.3% in Q4’22 from 26.6% in Q4’21 and 23.0% in 2022 from 29.8% in 2021.

Net Financial Income/Expense

Net financial expense was TL 2.3 bn in Q4’22 compared to TL 2.6 bn in Q3’22 and TL 2.2 bn in Q4’21. Full year net financial expense climbed to TL 9.2 bn from TL 4.6 bn last year driven mostly by the significant volatility in financial markets, 36.2% average increase in USDTRY and EURTRY rates annually and higher interest rates.

We incurred lower FX losses QoQ along with a relatively stable lira. We continued utilising short-term instruments in Q4 in order to support the hedge portfolio. Net FX & hedging loss dropped to TL 1.5 bn in Q4'22 from TL 1.9 bn in Q3'22 and TL 1.6 bn in Q4'21.

According to the sensitivity of P&L statement to FX movements, 10% depreciation of TL has negative TL 832 mn impact on P&L as of Q4'22 assuming all else constant (negative TL 970 mn impact as of Q3'22 and negative TL 1,238 mn impact as of Q4'21). We aim to go back to FX-neutral position, when financial markets present a more stable outlook.

Tax Income/Expense

In Q4'22, the Group reported TL 35 mn of tax income vs TL 774 mn in Q3'22 and TL 636 mn in Q4'21. Both the annual and quarterly change was owing to reversal in inflation trend.

The Group recorded TL 2.3 bn of tax income in 2022 compared to a mere TL 141 mn of income in the prior year. The surge in tax income stemming from the revaluation of fixed assets and investment incentives, was driven by the high inflation throughout 2022.

Net Income

Q4'22 net income was TL 1.0 bn compared to TL 1.2 bn in Q3'22 and TL 1.1 bn in Q4'21. 2022 net income was TL 4.1 bn compared to TL 5.8 bn a year ago. A higher net financial loss YoY was only partly offset by the tax income recorded in the year.

Capital Expenditures

Capex was TL 6.8 bn in Q4'22. Annual capex of TL 13.9 bn was within the guidance but significantly higher than last year's TL 8.8 bn. Fixed and mobile investments made respective 55% and 20% of total spending.

Cash Flow and Leverage

In Q4'22, unlevered free cash flow was TL 1.9 bn vs TL 3.3 bn in Q4'21. 2022 unlevered free cash flow was TL 5.1 bn vs TL 8.3 bn in 2021.

Net debt[16] increased to TL 28.1 bn as of 2022 compared to TL 18.3 bn as of 2021 along with weaker lira. Excluding the IFRS 16 impact, net debt was TL 26.6 bn.

Net Debt/EBITDA[17] ratio inched down from 1.54x in Q3'22 to 1.47x; higher than last year's 1.11x but well-contained when considered the extreme volatility in FX and interest rates within the year.

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

As of 2022, FX based financial debt (excluding the IFRS 16 impact) declined YoY to USD 1,807 mn equivalent (Q3’22: USD 1,867 mn; 2021: USD 2,102 mn). The share of TL financing was 16.4% as of 2022, up from 15.3% as of Q3’22 and 1.2% as of 2021.

Including the FX based cash of USD 148 mn, the net FX exposure was USD 375 mn long position as of Q4’22 (USD 450 mn long position as of Q3’22). Excluding the ineffective portion of the hedge portfolio, mainly the existing PCCS contracts, the FX exposure was USD 458 mn short position.

Operational Performance

	Q4'21	Q3'22	Q4'22	QoQ Change	YoY Change
Total Access Lines (mn) [18]	**16.9**	**17.2**	**17.3**	**0.1%**	**1.9%**
Fixed Voice Subscribers (mn)	10.5	9.9	9.5	(3.3)%	(9.3)%
Naked Broadband Subscribers (mn)	6.4	7.4	7.7	4.7%	20.1%
Fixed Voice ARPU (TL)	**21.7**	**26.3**	**29.1**	**10.8%**	**34.1%**
Total Broadband Subscribers (mn)	**14.3**	**14.8**	**14.8**	**0.4%**	**3.6%**
Total Fibre Subscribers (mn)	**9.6**	**11.2**	**11.5**	**3.2%**	**20.3%**
FTTH/B (mn)	2.8	3.3	3.5	6.6%	24.2%
FTTC (mn)	6.8	7.9	8.0	1.8%	18.7%
Broadband ARPU (TL)	**67.7**	**84.8**	**93.2**	**9.8%**	**37.6%**
Total TV Subscribers (mn) [19]	**2.9**	**2.9**	**2.9**	**1.0%**	**(1.0)%**
Tivibu Home (IPTV + DTH) Subscribers (mn)	1.5	1.5	1.5	(0.9)%	(3.2)%
TV ARPU (TL)	**23.0**	**28.1**	**30.0**	**6.9%**	**30.4%**
Mobile Total Subscribers (mn)	**24.0**	**25.3**	**25.5**	**0.8%**	**6.1%**
Mobile Postpaid Subscribers (mn)	15.6	16.6	16.9	2.3%	8.5%
Mobile Prepaid Subscribers (mn)	8.4	8.7	8.6	(1.9)%	1.6%
Mobile Blended ARPU (TL)	**42.1**	**59.1**	**64.3**	**8.8%**	**52.7%**
Mobile Postpaid ARPU (TL)	49.5	65.4	72.3	10.6%	46.2%
Mobile Prepaid ARPU (TL)	27.3	42.9	46.7	8.8%	70.8%

[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, 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 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 17.3 million fixed access lines, 14.8 million broadband, 2.9 million TV and 25.5 million mobile subscribers as of December 31, 2022. Türk Telekom Group Companies provide services in all 81 cities of Turkey with 39,433 employees with the vision of introducing new technologies to Turkey and accelerating Turkey's transformation into an information society.

Türk Telekomünikasyon A.Ş., providing PSTN and wholesale broadband services, directly owns 100% of mobile operator TT Mobil İletişim Hizmetleri A.Ş., retail internet services, IPTV, satellite TV, Web TV, Mobile TV, Smart TV services provider TTNET A.Ş., convergence technologies company Argela Yazılım ve Bilişim Teknolojileri A.Ş., IT solution provider İnnova Bilişim Çözümleri A.Ş., online education software company SEBİT Eğitim ve Bilgi Teknolojileri A.Ş., call centre company AssisTT Rehberlik ve Müşteri Hizmetleri A.Ş., project development and corporate venture capital company TT Ventures Proje Geliştirme A.Ş, Electric Supply and Sales Company TTES Elektrik Tedarik Satış A.Ş., provider of combined facilities support activities TT Destek Hizmetleri A.Ş. with TT International Holding BV, 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