



Türk Telekom Q2 2026 Financial & Operational Results Conference Call

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Conductors:

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Conference Call Conducted by Chorus Call Hellas



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

Welcome and thank you for joining the Türk Telekom conference call and live webcast to present and discuss the Q2 2026 Financial & Operational Results. We are here with the Management team and today's speakers is CFO, Ömer Karademir. Before starting, I kindly remind you to review the disclaimer on the earnings presentation.

Now, I would like to turn the conference over to Mr. Ömer Karademir CFO.

Sir, you may now proceed.

KARADEMİR O: Hello everyone. This is Ömer Karademir, Türk Telekom CFO. Welcome to our 2026 Second Quarter Results Conference Call. Thank you for joining us today.

Let's go to slide number 3, financial and operational overview slide. First, I will start with a quick update on the quarter and markets. Overall, as Türk Telekom Group, we successfully closed the period with strong revenue growth and solid profitability despite global geopolitical tensions and macro impacts. Building on this strong first half, we are excited about the second half and full year growth prospects for our revenue and net profit.

As you all know, geopolitical tensions continued to impact global markets, resulting in higher energy prices and inflation risk. US Fed left its policy rate unchanged at its April and June meetings. In Türkiye, annual CPI rose to

32.6% in May before easing to 31.8% in July. Central bank kept its policy rate unchanged at 37%. Year-end inflation expectations rose to 29.2% in July 2026 Market Participants Survey. In this volatile environment, as Türk Telekom Group, we remained focused on sustaining our strong operational and financial performance through our disciplined and proactive approach.

On the mobile business side, following the nationwide launch of 5G in Türkiye on April 1st, we introduced 5G to our subscribers with enriched tariff options. Rational competition continued in the mobile sector in the second quarter. Operators implemented price revisions in April and July. On the fixed internet business side, we introduced new prices in retail segment in June and in the wholesale segment in July.

Now on the group financial results. Consolidated revenues increased by 9% to TRY 73 billion. Excluding the IFRIC 12 accounting impact, revenue growth was 6%. EBITDA grew by 5% to TRY 29.4 billion with 40.4% EBITDA margin. As you know, IFRIC 12 revenues are investment-driven and have relatively lower margin. In Q2, strong growth in IFRIC 12 revenues impacted EBITDA margin. Excluding IFRIC 12 impact, our EBITDA margin is 43.3%. EBITDA margin percentage expanded by 60 basis points YoY in the first half. We recorded TRY 6 billion net profit in the quarter. It declined 7% YoY and impacted by our long-term 5G fiber and license investments.

Capex excluding solar investments and licenses stood at TRY 23 billion. It was higher in YoY terms due to 5G rollout and strong progress in fiber investment. Unlevered free

cash flow stood at TRY 3.9 billion. This figure indicated a decline from TRY 9.4 billion in second quarter of last year, mostly as a result of higher capex. Net leverage remained flat in QoQ basis and stood at 1x compared to 0.6x at 2025 year-end. In summary, I want to emphasize that these results once again demonstrate the strength of our diversified business model and disciplined financial management.

Let's go to slide number 4, our customer information. Our total subscriber base reached almost 58 million with 455K net additions QoQ. Excluding 125K loss in the fixed voice segment, quarterly net additions were 580K. Fixed broadband subscribers declined by 24K QoQ to 15.4 million. Retail broadband subscriber base expanded by 28K QoQ. Thanks to our continuous efforts to improve our analytical skills, our retail churn rate for the second quarter was the lowest recorded in the post-pandemic period.

Mobile segment added 539K subscribers on net basis, pushing up the total base to 32.7 million. Activation and churn volumes were lower in YoY basis driven by rational competitive environment. Subscriber growth remained robust with 424K net additions excluding 116K M2M additions.

Let's move to slide number 5, our fixed broadband performance. We continued our strong double-digit revenue and ARPU growth in fixed internet. We introduced retail price revisions for new acquisitions in January and June. Subsequently, we introduced the wholesale price revision effective from July 1st. We have

seen other ISPs adjusting their prices in June and July. Next wholesale adjustment is to be implemented in January 2027. First half re-contracting volume scored higher YoY despite last year's high base.

ARPU growth remained solid at 15% YoY in second quarter. Combination of solid upsell and sustained re-contracting performance along with successful price implementation enabled us to maintain high growth. We expect strong ARPU trajectory to continue in second half of 2026.

Average package speed of our total subscriber base increased by 57% YoY to 124 Mbps. 69% of our subscribers now use more than 50 Mbps speed packages compared to 54% a year ago.

Moving on to mobile performance, slide number 6. In second quarter, we continued our mobile customer growth however, our revenue growth impacted by high inflation. Rational competitive environment visible by the end of 2025 prevailed in first half of 2026. Mobile Number Portability (MNP) market size declined both quarterly and yearly. Türk Telekom finished second quarter as the leader in the MNP market.

On the pricing side, revisions were made in January, April, and July. Postpaid and prepaid segments added 415K and 124K subscribers, respectively. Ratio of postpaid subscribers in total portfolio rose by 3.5 percentage points in YoY and reached over 80%.

Mobile ARPU excluding M2M declined by 6% YoY in the second quarter. We expect our growth momentum

together with pricing actions taken so far to enable improved real ARPU growth performance in second half of the year.

Okay, now we go to slide number 8 for our group summary performance. On the revenue side, consolidated revenues expanded by 9% to TRY 73 billion. Fixed broadband, corporate data and ICT projects led this strong growth. Driven by the acceleration in fiber investments, IFRIC 12 revenues rose strongly. Excluding IFRIC 12 impact, Q2 revenues exceeded TRY 66 billion, up 6% YoY, including increases of 15% in fixed broadband, 12% in TV, 17% in corporate data, and 30% in other segments.

Fixed internet and mobile revenues together accounted for 77% of operating revenue. Fixed internet made the largest contribution to growth with TRY 2.9 billion higher revenues in total YoY. Corporate data, ICT solutions, and equipment sales added a further TRY 2.7 billion, while call center and international revenues declined by a combined TRY 1.6 billion. Mobile revenues were lower by TRY 692 million. ICT solutions recorded significant growth supported by new projects won by our subsidiary İnnova.

Moving on to EBITDA side, direct costs rose 11% YoY. Commercial costs rose 42%, mainly due to one-off cost increases, while other costs remained almost flat YoY. Increase in commercial cost was driven by one-off spending in sales and corporate communication to support 5G and sales and distribution channel. We can expect this cost to moderate in the second half.

Within other costs, network expense increased by 22% YoY on higher technology maintenance and repair cost. 5% YoY decline in personal costs can be explained by the reduction in headcount at our call center subsidiary due to project completions in the second half of 2025. The decline in interconnection costs was driven by contracting international voice revenues.

EBITDA increased by 5% YoY to TRY 29.4 billion. EBITDA margin declined by 170 basis points YoY to 40.4%. Excluding the IFRIC 12 accounting impact, the EBITDA margin realized as 43.3%.

Coming to our net profit slide. Net financial expenses increased YoY and quarterly, impacted by 5G and concession-related unrealized FX, hedge and discount expenses. Hedge expenses were also impacted by increase in average hedge costs, impacted by volatility in the global markets since the end of February.

We booked TRY 423 million net interest expense in the second quarter compared to TRY 705 million net interest income in the first quarter, as we made a payment of USD 1.1 billion in the first quarter regarding 5G and concession renewal.

Monetary gain increased by 8% QoQ to TRY 16 billion, despite the inflation rate being lower compared to the previous quarter, driven by the fact that the concession asset was inflation-adjusted for one month in Q1'26 versus three months in Q2'26. As a result, we recorded a net income of TRY 6 billion for the period.

Let's go to next slide number 9, to review our capex numbers. Capex spending rose to TRY 23 billion in the second quarter compared with TRY 17 billion last year, on the back of 5G rollout expenditures and strong progress in fiber investments.

Regarding capex breakdown, fixed-line capex, especially fiber access and core network investments, has 51% weight in total. 23% of spending went to mobile, while another 15% went to IT and project investments, and the remaining 11% for other investments. In summary, our capex intensity for the first half realized as 29.1%.

Moving on to slide number 10, you can see our debt profile. Türk Telekom Group's cash and cash equivalents totaled TRY 25.6 billion. The FX exposure included US dollar equivalents of 3.2 billion of FX-denominated debt, 2.8 billion concession and mobile license liabilities, 3.4 billion of total hedge position, and 99 million of hard currency cash.

Net debt/EBITDA increased to 1x from 0.6x as of 2025 end on the back of 5G and concession renewal payments. Net debt/EBITDA remained flat on QoQ basis.

In January, we paid the VAT and the first installment of 5G license, USD 365 million + USD 219 million, as well as the VAT amount of concession extension worth of USD 500 million. By the end of the year, we will pay the second installment of 5G license and the first installment of concession extension. The VAT payments will be net off.

I want to highlight that our increased FX liabilities are driven by long-term investments in 5G spectrum and

concessions. These future payments are extended over a long-term horizon until 2035, and all settlements will be made in Turkish Lira equivalent. Additionally, we actively mitigate our currency risk exposure through targeted hedge.

Last but not least, concession and 5G assets are revalued under inflation accounting and hence create monetary gains, which as a result, balance P&L impact overall.

We are now on slide number 11 where we provide update on our cash flow and FX exposure. We recorded USD 2.4 billion short FX position compared to USD 102 million as of year-end due to booking of USD 2.8 billion 5G and concession renewal liabilities. Excluding those payments, our net FX long position is positive USD 331 million.

Finally, we generated TRY 4 billion of unlevered free cash flow in Q2 compared to TRY 9 billion in the same period of last year. Annual decline is mostly due to higher capex spending for 5G rollout and fiber investments.

Moving on slide number 12, we provide update on 2026 full year guidance. In first half year, our operational revenues were realized in line with our expectations in nominal terms. However, real growth impacted by higher inflation. As a result of our pricing actions and higher growth especially in ICT, we expect the annual operational revenue growth to accelerate in the second half of the year.

Hence, we expect to finish the year at 8% real revenue growth. Our first half EBITDA margin increased by 0.6 percentage points YoY to 41.3%, remaining within our

guidance range of 41-42%. We maintain our guidance on the EBITDA margin.

Considering the pace of progress in our fixed-line investments as of the first half of the year and macro and inflation impacts, we expect our full year capex intensity to be realized at 34%, the upper end of our 33-34% previous guidance range.

In summary, we are confident about our revenue growth, EBITDA margin, and investment intensity outlook and excited about the second half growth potential.

This concludes my presentation. Thank you for listening. Now we can open up the Q&A session.

OPERATOR: The first question is from the line of Maddy Singh with HSBC. Please go ahead.

SINGH M: Yes hi, thanks a lot for taking my question. I have three questions if I can ask. The first question is on the revenue performance in mobile, decline of around 2% in the quarter. So I was wondering what is the driver behind that and is that a trend we should expect in the coming quarter as well? So that's the first question.

Second question is on the guidance, given that your first half growth is about 5.8% and full year guidance of around 8%, so you are expecting some significant acceleration in second half. So if you could talk about what is driving that optimism, is it pricing or is it usage? So please you know if you could give some color there.

And then on the commercial cost increase, you know if you could break it down in terms of how much is purely

because of 5G and how long is that going to continue during this year? Thank you.

KARADEMİR O:

Thank you for the questions. First, for the revenue performance of mobile, I want to start with your first question. The main reason behind the growth performance is coming from the macro side, from inflation. The inflation increased higher than our expectation, not just our company's expectation, but also the CBRT and other actors. So that is one of the first reasons for the mobile performance.

Additionally, you will remember that last year's more competitive market environment had an impact on mobile prices. We have made price revisions in 2026; 30% in January, 13% in April, and 16% in July. And we are expecting to see the impact of these price revisions in second half of this year.

As you may already know, we are the leader of MNP market and we are now the second operator in the market in terms of subscriber market share. So we are expecting both ARPU and revenue growth to be in the positive territory in YoY terms in the second half of the year. The main reason is coming from the price revisions that we have taken.

Since the re-pricing of the customer base takes time, we expect to see the concrete results of these price revisions in the second half. About your second question on revenue growth guidance. It is 5.8% in first half and the revised guidance for the full-year is 8%. You asked about the acceleration in the second half.

First, there's a base effect for the first half of the year and second the inflation realization for the first half was higher than our expectation. What I have stated for the mobile revenue growth trajectory is also relevant for our consolidated revenue growth.

We have also taken price actions for the fixed broadband side. We revised our retail FBB prices by 20% in January and by 30% in June. For the wholesale side it was 38% in July effective from 1st of July. So we will see the impact of these revisions in the second half of the year.

I have to emphasize that the first half growth is in line with our budget. And as I stated, we expect these pricing actions to offset negative impact of elevated inflation and we are confident to reach our revenue guidance.

And in addition to that, we have new business opportunities for ICT project business line. We expect additional operational revenue growth from that business line.

And your last question considering the increase in commercial cost. YoY increase in commercial costs is TRY 1 billion and it is specific to Q2. We are considering it is as one-off since the launch of 5G. The commercial activities to support our mobile and fixed operations and sales channels resulted in this increase. So, we are not expecting this to continue in the following quarters and we expect it return to normal trend. Thank you.

OPERATOR:

Mr. Singh, are you finished with your question? Okay. Thank you. The next question is from the line of Evgeniya Bystrova with Barclays. Please go ahead.

BYSTROVA E: Yes, hello, good afternoon and thank you very much for the presentation. I have just two questions. So, my first question, there were some news and I think you've published like a press release on KAP (Public Disclosure Platform), regarding potential sale of Sukuk debt up to USD 1 billion abroad. Any color on that, on the timing and the size and the use of the proceeds would be very helpful.

And my second question is related to capex on the fixed broadband side. And maybe I'm just not fully understanding the reasons for the increased capex because when I think you announced the concession renewal, the message was that the expected investments in the infrastructure will be more or less in line with the historical investments on the fixed site. And now we're seeing a significant increase obviously this year.

So, do you expect the investments to normalize in the next several years or is this like the new normal level of capex that we can expect going forward? Thank you.

KARADEMİR O: Thank you, Evgeniya. For your first question concerning our possible Sukuk transaction. You know we had a total of USD 1.8 billion financing program last year in order to cover our license payments of 5G and concession license. And we still have limits for both Sukuk and Eurobond that we have issued last year.

But we are not planning to tap the market for the remaining limit that we have the consent of Capital Markets Board. It is USD 1 billion and for one-year validity. As you remember, the transaction was USD 600

million, the remaining is USD 400 million available from that.

But we are not planning to tap the market for this existing Sukuk and it expires in September. So the first intention to renew our consents from Capital Markets Board and it is still for USD 1 billion as a limit. We are not expecting to use this whole amount. The basic motivation for this financing is to cover the next year's license payments, since we are covering all the payment of this year and half of the next year's payments for 5G license and concession. So the basic motivation for this sukuk issuance is to cover the next year's payments.

The size will be determined by the market appetite and cost. We are going to look at pricing and market appetite and this will be important for the size. And we have other alternatives in addition to sukuk. We have access to different markets. We tapped the market for Eurobond last year. We have access to Gulf region and ECA facilities. In addition to these financing opportunities, we also have access to international financial institutions. Currently, we are now negotiating with EBRD and ADB as multilateral funding sources. And we also have ability to borrow from the local market. There are different alternatives and we have to optimize with the cost and the investor's appetite.

For your second questions on capex spending. You know last year our capex intensity ratio was 29% and our historical levels are something around 20s. We will go back to these historical levels in a period of time, but for this year the main reasons of the increase in capex ratio

is both 5G and the renewal of concession. So we are expecting a normalizing in future years. I mean, next year or 2028, we are expecting it to be lower than this year.

But for this year also we have 5G rollout that also increased the capex ratio compared to last year. And our fiber also supports mobile network. We are connecting our 5G sites with the fiber. So this year is an exceptional year, we have to state that. Thank you.

BYSTROVA E: Thank you.

OPERATOR: The next question is from the line of Cemal Demirtaş with Ata Invest. Please go ahead.

DEMIRTAS C: Thank you for the presentation. My question is related to your investments and you know, the license and concession fees. We see gradual increase in your depreciation expense side. And as of second quarter, could we assume that this depreciation expense will continue to increase throughout the quarters as your spending goes?

How should we think about that? Because already in the second quarter or should we assume that the all the costs are capitalized in second quarter and this will remain stable? I would like to understand that part.

And the other question is about the financing side. These again, should we assume that we saw the full impact of the higher debt burden on your financial starting by this quarter? And could we assume similar trend in the following quarters? That's my second question.

The first one is about depreciation, the second is financial expense, and the third one is, what is the key topic on your side for the following 12 Months as the top management of the company? Thank you.

KARADEMİR O: Thank you Cemal. For the depreciation expense, Q2 run rate will continue. We have full impact in Q2, so we may expect similar impacts in the following quarters. For your second question considering the financing side. The financial expenses increased as a result of 5G and concession license payment fees.

We paid 5G license and concession renewal were booked in the first quarter and USD 1.1 billion was paid with the VATs. So that's why both our financial and depreciation expenses increased. The key drivers behind in financial expenses, we can summarize as, significant increase in FX and hedging expense on both YoY and QoQ basis.

And the second one, the conversion of net interest income into net expense on a quarterly basis following USD 1.1 billion payment. And as the last reason, the discounted expenses recorded for the liabilities recognized on the balance sheet.

But we expect hedge expenses to decline in the second half of the year in line with decreasing hedging cost. We had already stated in first quarter investor call that we were expecting an increase in the second quarter due to the impact of geopolitical conflict on the cost of hedging.

And we have actually seen the increase in hedging cost in Q2. But for the Q3, we are seeing a decline in the hedging cost. So we are expecting a lower level of hedging costs

in financial expenses. For your last question, the key topics on our mind are data center business, we are increasing our data center capacity.

Right now, we have a capacity of 70 megawatt and our new data center will be built in Ankara. It is 82 megawatt, almost 1.5 times the size of our existing data center capacity. And it will be we are expecting it to be operational in a couple of years. And we want to increase our size on this data center business.

Artificial intelligence is also important, we are trying to use in our business, both the commercial side and investment side. So that is important. And we are also prioritizing our cost optimization since we have commitments for the 5G and concession, we try to make the costs optimization.

And I want to make an addition for your second question also. Our total debt didn't change between Q1 and Q2, it is flat. That also means our cash-generating business helps us to hold this level of debt. And after these license payments, we are also expecting a decline in both our leverage and net debt. Thank you.

OPERATOR: The next question is from the line of Yasin Sarihan with Yapı Kredi Yatırım. Please go ahead.

SARIHAN Y: Thank you for the presentation. I have one question on mobile ARPU growth. So ARPU growth slowed in first quarter and also continue at a similar pace this quarter, second quarter of this year. So I'm trying to understand the 5G contribution.

So what was second quarter mobile ARPU growth having been excluded 5G and if there's a contribution from the 5G, so how many points did it add to the mobile ARPU growth in this quarter? Because at this point it is not the apple-to-apple comparison because last year in the second quarter of the last year, there were no 5G and that's why I asked this question to understand 5G contribution. Thank you.

KARADEMİR O:

Thank you Yasin Bey. The negative ARPU growth in first quarter and second quarter, yes, we were expecting that because of the last year's intense competition. We are expecting it to recover at the end of this year, we are expecting positive ARPU at the end of this year.

We have launched the 5G in 1st of April, it is still new and the 5G compatible device ratio is 1/3 of our total subscriber. So it will take some time to see the effects of the 5G technology in the commercial side.

But we are expecting upsells with the 5G technology, this will contribute to our upsell potential. And we are also witnessing an enhanced usage of data. According to my view, we can expect concrete results at the beginning of next year, in 2027 we can expect. It is still new, the device penetration is still low. So we can expect concrete results with the 5G technology.

And the penetration with our investment in 5G, it is intense in this year for Türk Telekom, we are intensely investing in 5G C-band. So, again at the beginning of the next year, the we are expecting an higher penetration

ratio, so this will also affect and will contribute to both our ARPU and revenue growth in mobile side. Thank you.

SARIHAN Y: Okay thank you so much Ömer Bey.

OPERATOR: The next question is from the line of Amir Chomaev with Bulks Investments. Please go ahead.

CHOMAEV A: Hello, thank you for your presentation. I have three questions. First of all is related to the balance sheet. We can see lots of fixed assets in your balance sheet and I wanted to ask if you consider to change the valuation way of this asset to the market valuation and any possible sales, in order to get more cash?

The second question is TTNET. Do you consider an IPO or any similar process on the TTNET side?

And the third question is like recently we see that lots of Türkiye Wealth Funds have share buybacks and we wanted to ask like, if you are so cheap related to peers and so on, do you consider any buyback programs? Thank you.

KARADEMİR O: Thank you Amir. Concerning the fixed asset in our balance sheet, there's no change maybe the asset coming from the 5G and concession license makes a huge difference compared to last year. That could be the main difference between this year and last year, since we have recorded both the 5G license and concession in first quarter. It makes a big difference in our balance sheet. For your second question, can you repeat it again?

CHOMAEV A: Do you consider the IPO of TTNET, initial public offering of TTNET.

KARADEMİR O: We don't have such plan, we are not intending any kind of IPO for TTNET. And for your last question, it was about the buyback as I remember. We have an option always to make buybacks. We have always option, we think that our price is lower compared to and our leverage is also lower compared to our peers both in in country and the global.

We haven't published any plans for buyback, but we always have an option to do that. In the past, we did by the way, it was in 2023. So at the moment we are not planning but we can do that anytime. Thank you.

CHOMAEV A: Okay related to the first question, so you are expecting your asset in your balance sheet increase after your 5G investment and do you consider any revaluation of the current assets, because maybe there is some additional advantage from this side or not? That's my last question.

KARADEMİR O: We are not doing any revaluation the assets other than the license. It's normal inflation indexation.

CHOMAEV A: Okay, thank you.

OPERATOR: We have a follow-up question from Evgenia Bystrova with Barclays. Please go ahead. Miss Bystrova, can you hear us?

BYSTROVA E: Yes, sorry, I was on mute. Thank you for the opportunity to ask a follow-up. Just a quick question on the taxes, I noticed in the cash flow statement that the income taxes increased in the first half of the year compared to last year. Just wanted to better understand what could be the driver of that. Thank you.

KARADEMİR O: The main reason is the profit you know when we generate profits, the tax expenses also increase. But there is no revision in tax level, tax rate in the government side. So that's mainly because of the increase in our revenues and profit. Thank you.

BYSTROVA E: Thanks.

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

KARADEMİR O: Thank you for joining us today. Have a good evening.