**Türk Telekom Q1 2021 Financial & Operational Results Conference Call**

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***Conductors*:**

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***&***

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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 Yiota, your Chorus Call operator.

Welcome and thank you for joining the Türk Telekom conference call and live webcast to present and discuss the First Quarter 2021 Financial and Operational Results.

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

Sir, you may now proceed.

ÖNAL Ü: Hello everyone. Welcome to our 2021 First Quarter Results Conference Call. Thank you for joining us today. 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 many 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.

Data usage has grown dramatically across Turkey, both in fixed and mobile. Surely the trends were amplified by the pandemic driven changes, both at the individual and corporate levels. But we believe COVID-19 has set a clear and faster direction towards digitalisation. Hence our roadmap to sustainable growth urges us to continue with our fibre rollout plans, accelerate our digital agenda, where we have clear and ambitious targets and attain best-in-class customer experience.

Starting with Slide #3 on our presentation, net subscriber additions. Our total number of subscribers increased to 50.6 million with 198K net adds in the quarter. We grew our fixed broadband subscriber base to 13.6 million with 204K increase in line with normalised demand. In the mobile market demand remained weak as lockdowns continued and we added 103K new subscribers. On the fixed voice side, we lost 52K of our customer base together with lower broadband acquisitions.

Slide #4, financial and operational overview. I will go through the main highlights and let Kaan to comment on the details. Our outstanding financial and operational performance continued into the first quarter of the year. Our consolidated revenues increased by more than 20% year-on-year to 7.6 billion TL.

Growth in operating revenues was 20% in Q1. Fixed broadband segment supported the top-line with amazing 34% increase. Consolidated EBITDA rose 28% to 3.8 billion TL as the EBITDA margin surpassed 50%. Net income more than doubled to 1.4 billion TL, thanks to diligent FX risk management, as well as our robust operating performance. Our CAPEX was 1.3 billion TL, reflecting the impact of continued fibre investments and weaker Lira.

And lastly, we reported 100 million USD long FX position, while net debt/EBITDA remained flat QoQ at 1.15x following the solid actions taken to reduce the sensitivity of the P&L to FX movements. We continue to keep up with our responsibilities to shareholders. We held our Ordinary General Assembly for the fiscal year 2020 on March 19th. It has been resolved in the meeting that a cash dividend of 1.9 billion TL will be paid to our shareholders.

. Slide #5, fixed broadband performance. We recorded 204K net adds to our fixed broadband subscriber base in Q1, in line with our expectations of normalising demand for new connections. That said, we expect to see another round of additional demand from summer locations starting in late Q2. Our tailor-made offers that target certain segments, in addition to our mass campaigns and bundle offers, helped new acquisition performance remain robust, after a super strong 2020 demand.

Revenue growth peaked about 34% year-on-year, thanks to the contribution of more than 2 million net subscriber additions last year, continued acquisitions, portfolio adjustments and robust upsell performance. Our ARPU grew above 14%. Last year, our fixed broadband top line growth was supported by spectacular increase in new acquisitions. Our priority was to meet urgent demand that emerged from all corners of Turkey, manage capacity issues and ensure our customers new routines run smoothly. In the meantime, in anticipation of normalising trend in demand over time, we equipped ourselves with a different top-line growth strategy which looked for ways to maximise the mix impact in 2021 and beyond.

Now, I would like to take you through the details of our journey, Slide #6. With more than 2 million net adds last year, managing our huge subscriber base, customer retention and customer experience became more important than ever for sustainability and value maximisation. We built our approach on 4 main pillars, data analytics and research, marketing intelligence, digitalisation and smart investments.

Over the past year, we have made big progress in developing our in-house customer data analytics tools. We formulated tailor-made marketing strategies in light of the detailed analysis of needs and 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 is a key milestone that ensures bigger contribution of mix to our top-line growth, persistency. As a result, we realised pretty strong upsell metrics in Q1.

Focus on high-speed packages remained at the heart of our marketing strategies through all sales channels. In January, we replaced 12Mbps with 16Mbps as our new entry level package for both the new and re-contracted subscribers. Performance in upper offers was also significant with 24Mbps and above packages comprising 44% of new acquisitions in the first quarter. Reintroducing the 35Mbps package in our portfolio played an important role in that performance. As a result, our ARPA grew close to 25% year-on-year.

The number of customers which moved to higher packages was 2% 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-upsells in Q1, which made 77% of total number of upsells in the period. Obviously, we are happy to see such strong KPIs, which prove the smart alignment of our investments and marketing strategies with financial performance.

Now Slide #7. Following our preparations on technology improvements and customer experience, we have also started migrating our subscribers from ADSL to fibre packages. Total conversion has reached almost 900K over the last couple of quarters. We will continue with this exercise over the coming period. Customers can now receive up to 3-times higher speed post-conversion. Surely, this paves the way for more speed upsells. We recently kick started upsell offers to this group of customers, and we are seeing close to 30% take up rates. We are working hard to broaden our growth opportunities in a sustainable way. In the meantime, we remain committed to serving our society in the best way we can, and increasing Turkey's internet speed.

Moving to the mobile performance, Slide #8. In the mobile market, the dynamics of the market remained under pressure, as the country spent first quarter mostly 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 adjustment in the market and followed these actions. While postpaid tariffs were revised early in the year, price revisions in the prepaid segment came rather late in the quarter.

In lack of demand and meaningful subscriber growth, other operators introduced competitive acquisition packages into the market around mid-quarter. These were more short-term tactical strategies on opportunistic basis and we preferred not to respond. We added 103K subscribers in Q1 which included an increase of 165K in the postpaid segment. The prepaid base on the other hand continued eroding with 61K declines, primarily on the back of our strategy to focus on higher value customer as well as postpaidisation.

Despite the ongoing unfavorable market environment, we managed to grow our mobile ARPU by more than 12% year-on-year, higher than 2020 levels, thanks to the actions we have been taking. Our mobile revenue growth rose to 13.4% from 12.8% in Q4’20. We still foresee a broader recovery in the mobile business, starting in the second half of the year.

Slide #9, mobile network. 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 focusing on customers’ true experience on mobile networks listed Türk Telekom amongst “Global Rising Stars” and “Global High Performers” in its Mobile Network Experience Awards 2021.

Türk Telekom was the only operator from Turkey that ranked in a total of 5 categories. Opensignal place to Türk Telekom among the “Global Rising Stars” in 4 categories, it picked 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 amongst the “Global High Performers” in the Voice App Experience category. Obviously, it makes us proud to see growing appreciation of our milestones by independent assessors, as well as our customers.

Slide #10, 2021 revised guidance. We started 2021 stronger than we expected. 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% year-on-year, our EBITDA to be 15.4 billion TL and our CAPEX to be 8 billion TL. While the change in EBITDA is driven by our higher top-line growth expectation, the revised CAPEX figure reflects high demand in telco services, as well as the impact of FX rates.

We managed to turn the 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 customer, society and stakeholders.

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

AKTAN K: Thank you very much. Good morning and good afternoon, everyone. We are now on Slide 12 with financial performance. Our consolidated revenues grew about 20% to 7.6 billion TL year-over-year in this quarter. Excluding the IFRIC 12 impact revenue growth was again 20% thanks to the robust performance on fixed broadband and some pick-up in mobile growth.

Fixed broadband segments supported the top-line with 34% increase over a favorable base, despite normalised trends in demand for new connections. ARPU rose about 14% over the quarter, owing to price adjustments early in the year and the superior upsell performance. The mobile market remained subdued as lockdowns were on and off during the quarter. The long-awaited price adjustment finally arrived and we followed, but they lost efficacy on the market as the other operators turned to short term opportunistic strategies with competitive acquisition offers starting from mid-quarter in lack of demand. We preferred not to respond and kept our focus on portfolio optimisation, value creation and balanced growth. As a result, we managed to move the mobile revenue growth to 13.4% higher than any quarter of last year, together with more than 12% blended ARPU increase.

In fixed voice, we lost some 52K net subscribers in the quarter, mostly in line with our expectations following the normalised trend in fixed internet demand. Fixed voice revenues grew 1%

annually though, thanks to still significantly higher subscriber base compared to the same periods of last year, owing to sizable net adds of last year full year.

On the TV side bundle sales with fixed internet was strong, but slower compared to prior quarter. Hence, our subscriber base remained near flat quarter-over-quarter, amid our strategy to optimise the existing subscriber portfolio. As a result, our home ARPU increased 14% year-over-year and led to 10% top-line growth. Corporate data services were off to a strong start with almost 14% growth in Q1 supported by wide range of corporate products.

Finally, the international segment which mainly includes the revenues of our subsidiary Türk Telekom International grew 52% once again owing to dual positive impact of increased traffic and appreciation of hard currency.

Moving on to our operational performance, EBITDA rose by an impressive 28% to 3.8 billion Turkish Lira ahead of our expectations. Full year EBITDA margin surged above 50% representing almost a 3 percentage point improvement year-over-year. This reflects the significant contribution of our higher margin, fixed broadband business together with the continued positive impact of COVID-19 savings on certain OPEX items. It is important to note that the support of both items on our margins will be less in the coming quarters, because of high base in fixed broadband revenues, particularly in the second half of the year when the normalisation in the OPEX kick in.

Excluding the IFRIC 12 impact EBITDA margin improved by more than similar 3 percentage points year-over-year to 52%.

Operating expenses increased by less than 14% year-over-year, this is well below the increase in operating revenues, as well as inflation. Looking at the highlights in the OPEX items; Interconnection costs increased by 28% together with the increase in Türk Telekom International traffic volume and higher FX rates. Provision for doubtful receivables dropped almost 20% year-over-year due to provision reversals as collections accelerated following our actions taken on legal proceeding.Cost of equipment and technology sales increased by 18% along with normalised broadband net additions. Other direct costs grew 23% year-over-year driven by increase in litigation costs. Personnel expense rose 27%, mainly due to early retirement incentives and 22% increase in minimum wage. Finally, commercial costs remain subdued, with mere 1% increase along with lower activity amidst lockdowns.

Coming to the bottom-line, net income more than doubled to 1.4 billion despite unfavorable FX movements and the 93% increase in tax expense annually. Our vigorous actions on the FX risk management side which we accelerated starting from fourth quarter last year, as well as the robust operational performance was nicely reflected to our bottom-line. And lastly CAPEX was 1.3 billion Liras in the first quarter, reflecting the continued fibre investments and weaker Lira.

Moving on to Slide 13 with debt profile. Once again we closed another quarterly reporting period with a strong and resilient balance sheet. Net debt/EBITDA remained flat quarter-over-quarter at 1.15x hovering around to lowest levels by industry standards. This was mainly driven by the strong operating performance and diligent balance sheet management. Cash and cash equivalents were 3.7 billion Lira as of end of the first quarter of which 83% is FX based.

And lastly, we reported 100 million USD of long FX position as of this quarter compared to 158 million long in the last quarter. The net FX exposure included dollar equivalents of 2.5 billion of FX debt and 2.2 billion of total hedge position and 370 million of FX cash. It is important to note that we moved to a more comprehensive FX risk management starting from fourth quarter last year following our Board's decision to maintain an FX neutral position in order to minimise the sensitivity of P&L statement to FX rate movements. We now, apply a more holistic approach to calculation of FX exposure. On the liability side we include FX denominated financial debt, FX based lease obligations and net FX trade payables.

On the asset side we take denominated cash hedging of financial debt under different instruments, hedging of net trade payables and the net investment hedge into our calculation. Accordingly, our all-inclusive blended cost of debt rose to 13.6% in Lira terms as of the first quarter from 12.9% in the previous quarter. All-inclusive blended cost of debt captures the cost of lira and hard currency debt altogether, it also captures the hedging costs of the net FX trade payables. As you know, we have been hedging our net trade payables starting from fourth quarter last year. Around 150 bps points of the 13.6 blended cost of debt is directly attributable to these hedges under the hedging of trade payable. So, excluding that we should see close to 12% blended cost of debt for the financial part of our debt portfolio.

With the adoption of a more comprehensive FX risk management, the portion of shorter term instruments in our hedge portfolio has also increased. Therefore, it will be reasonable to assume some increase in our blended cost of debt along with the increasing market interest rates in the coming quarters.

We are now on Slide 14. As mentioned, we are trying to maintain an FX neutral position. The primary purpose is to minimise the impact of the FX rate fluctuations on the P&L. Accordingly, we have been taking additional protection and raising the protection of our existing hedge portfolio. Our efforts have nicely crystallised in the FX sensitivity analysis, we report regularly in our quarterly financials. According to the sensitivity of the P&L statement, assuming all as constant, a 10% increase in FX rates would have near to 13 million Lira negative impact on the pre-tax income as of the year end.

Finally, the unlevered free cash flow was 0.8 billion Lira, lower year-over-year, largely due to the reversal of the improvement in the net working capital last quarter, which we flagged to be temporary. The fact that we reduced the payment term of FX denominated trade receivables created a higher than usual cash-out in the first quarter. This was a trade-off we accepted, in order to reduce the level of FX debt and support the FX risk management initiative. This is basically a timing difference and will adjust itself in the coming quarters.

Another factor affecting the cash flow was the payment of early retirement incentives, which materialised in the first quarter of this year and won't be seen in the following quarters. The ability to convert a meaningful portion of the operating profits to cash is a key strength of this company, and we don't foresee any deviation from this, in the coming period.

We are pleased to have started the year stronger than we expected. The first quarter performance give us confidence for the successful delivery of a revised and upgraded guidance for the year.

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

Q&A

OPERATOR: Ladies and gentlemen, at this time we will begin the question-and-answer session. The first question comes from the line of Cabejsek Ondrej with UBS. Please go ahead.

CABEJSEK O: Hi. Thank you for the opportunity and congratulations on a very strong start to the year. I have 2 questions, please. One on EBITDA, because clearly you've upgraded the guidance, but you don't see the margin from 1Q as sustainable, and if we look at the swing factor on a year-over-year basis, then the biggest one is coming from other items. Can you just give us a bit of color, as to why that happened and consequently why the margin for the quarter overall was so strong from that particular source? That's one question, please.

And second one, on your penetration side. So, the share of them, as you indicated on your presentation, has basically halved year-over-year. I'm wondering if the acquisition rates on the entry-level tariffs are the same or it's what you've seen over the past couple of quarters if people are simply skipping them and joining up for the regular product to begin with or has there just been a higher conversion rate during the pandemic for the acquisition rates? If you want to measure it on a monthly or quarterly basis, is more or less the same. And also, with regards to the penetration tariffs, if you could share the rationale behind the increase in the speeds on them? Thank you very much.

AKTAN K: Let me start with the first question. According to the guidance that we provided, yes, you're right we foresee, and I was clear in my part during the presentation that we should see a bit lower margin in the balance of the year. One factor is definitely the OPEX trend that we foresee is somehow, is giving us a higher OPEX growth in the coming period. To be honest, there are still question marks about that, because it's also linked to the way that the lockdown will ease itself and we will somehow may lose the savings that we have under the current way of operating.

But again, if you look at the first quarter OPEX performance, it's well below the revenue growth, but also is lower than the inflation. I think another factor is the level of the commercial expenses, which is really at the lowest point, it's almost the average quarterly spending of last year, which is repeating itself in the first quarter of this year. And we should expect an increase in the commercial expenses as we have, you know, the easing of the lockdowns and the channel starts functioning efficiently, effectively. They're giving us obviously more business, at the same time, consuming more traffic.

On the other line, the impact is coming from the sale of scraps and, which includes mainly the copper. As you know, we have significantly accelerated our efforts for modernisation of our existing network. It also includes a lot of copper-to-fibre transformation. And once we increase the level of investments in that area, we also have the opportunity to collect back the copper and sell in the market. And the copper prices is also helping us to have a, you know, higher number there. So, it's part of our business naturally every quarter that we will have this transformation we should occur some level of you know, positive OPEX in that line item. And it should continue throughout the year, is a function of the investments in fixed line business.

Did I miss anything?

CABEJSEK O: No, that is clear on EBITDA. Thank you. Maybe if you can just clarify in terms of the sales of copper. Does that work in the way that you pile up, as you kind of take out copper from the networks, do you pile it up and sell it maybe once a year, or is that a more continuous process?

AKTAN K: No, it's a continuous operation. So we don't want to sit on a large amount of copper, so it became more visible, mostly with the copper prices becoming, you know, all time high.

CABEJSEK O: Understood. Thank you.

AYAZ G: Hi, Ondrej. Can you please repeat the second question, because you were referring to penetration and subscriber numbers but wasn't really clear to us what you were trying to....

CABEJSEK O: Yes. Sorry. So the penetration tariffs on fixed broadband division, right. So the share of them went from 8% to 4% in your presentation, in your total subscriber base. I was wondering if that is somehow, because people are not signing up for them anymore or because there was just better conversion rate. But the actual acquisition rate on the entry level tariffs is still the same, as it was over the past couple of years. So, I'm after the acquisition rate basically.

AYAZ G: Okay. First of all, the penetration campaign has been closed. I think it was at the end of third quarter last year for the retail segment and the fourth quarter for the wholesale segment. So, we are not acquiring new customers in that campaign anymore. But you're also right, the acquisitions on the other packages are also faster. So, the portion of penetration package in that pie chart is literally, I mean, eroding and the others are offsetting that. Is that clear?

CABEJSEK O: It is. Thank you.

AYAZ G: Sure.

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

KIM I: Hi, good afternoon. Two questions for me, please. Firstly, you upgraded many DSL customers first quarter. So, I guess, the related question is, whether we should expect a similar base in the quarters to come and what sort of ARPU uplift you normally see when such upgrade happens? And then secondly, on mobile, Turkcell had higher net postpaid additions, even though they have the highest pricing. Do you see that changing anyhow this year or next year, and what you can do to address that to improve your market share in mobile, which you probably want to do? But any thoughts on that would be great. Thank you.

ÖNAL Ü: As you know, we've seen an extraordinary increase above 2 million in 2020. Our main focus is, first of all, getting our customers with high-speed packages. And then, also continuously upsell to them by upgrading their speed so that increasing the benefit that they get from our customers. It will be correct to say that in this period, we are using marketing intelligence more effectively in Türk Telekom. As you know, we have made a tariff revision as of 1st of April in 2020 and we closed 8Mbps and 12Mbps packages, and we started to get the customers from 16Mbps as the entry level.

On one side, we are trying to renew our infrastructure, and also renewing our offers, and also, we are trying to upsell our customers, this way we try to increase their speeds and our revenues.  I don't want to share a number with you, but I can easily tell you that we still have a big upsell base in hand.

And also, generally speaking as our strategy, I mean, outside of your question, but on one side we try to increase our ARPU. I mean, an increase the ARPU growth and also we want to add new subscribers, so on one side we're increasing the prices and also working on our upsell. All-in-all, we still have a huge upsell base and capacity for 2021 and 2022, so we believe we still have a big upsell opportunity here.

On the Turkcell side, we have shared this in our previous investor call that in the beginning of the year, we have seen that all operators were in the aim of increasing their prices.  And we have followed these price increases. Around the mid-quarter, we have seen that the other operators adopted a strategy on increasing subscriber numbers. As I have shared in my speech as well, we are focusing on improving our capacity and coverage which is also appreciated by independent institutions. And we have a customer approach, which turns around value, I mean value-oriented customer approach.

And I mean, for all operators, particularly for Turkcell, we believe that acting solely on subscriber-oriented game would not serve a realistic understanding for the sector. We will be preserving our confident stance by of course following the market conditions as well. I mean, considering that we are very happy on our success on the revenue side anyway.

KIM I: All right. Thank you very much for such a detailed answer.

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

VENGRANOVICH A: Good afternoon. Two questions from my side. So more like strategic, I think. So first, you mentioned that data centres will be one of the areas of your investments this year. Can you remind us on your ambitions in this area and certainly the market segment? How big is the market currently and where do you see your position, and where do you see your position in 5 years? That's the first question.

And the second question is on your fixed voice business. So, you obviously started to lose some customers, it’s a well expected trend. I'm just wondering, how do you expect this base overall going forward and what sort of measures, you're trying to take in order to convert these customers into other products in order to avoid the negative impact on the top-line? Thank you.

ÖNAL Ü: As you know, Türk Telekom is the operator owning the highest number of corporate customer base. And corporate revenues also take a big share among our top line revenue. Considering our customer segments including SMEs, large accounts, strategic accounts and also a very big account which makes the public segment, we are serving to these segment groups, and data centres become a natural part of our business. I mean, currently with our data centres, and the ones that we are investing right now, we are serving more than 1 million customers.

The accelerated digitalisation with the pandemic has increased the data centre needs of our customers from all segments. We are getting a demand for data centre services from our customers intensely. Our data centre investments will continue strongly on top of our core services. I mean, we are adding ICT services, cloud services, complementary services to our core services and data centre is also a very important part of it. Digitalisation of the SMEs is an important agenda item for us for going further.

Similarly, the biggest e-trade companies of our country are also working with us, we are serving them for their hosting needs and everything. I mean not a day passes by without us getting a demand for a capacity increase for the data centre services of our customers. Also owning a data centre plays an important role when it comes to, you know, alliances and corporations and partnerships with global cloud players. So, we are trying put ourselves in the readiest position possible.

AYAZ G: Okay. Let me jump in there for the second question. I think you were referring to the normalised trend to the fixed broadband acquisitions. And let me tell you that, firstly we were growing this business in the past year, so we will continue to do so. And the reason why we showed those 2 slides in the presentation, particularly was to show how we are planning to grow this business in the coming period. And I think it is a little bit different going forward, because if you look into thee past, we now reached 68% household penetration level in Turkey and this number remember was about 47% 4 years ago. So, we have identified this gap in the market and invested heavily and we are now reaping the benefits. And we think this number can easily go up to 75% levels when judging by the comparison of peer markets and Turkey's demographics. That is one thing. So, this is still an opportunity for us.

The other thing is, we are doing a lot of exercise behind the scene, so the numbers that you are seeing in ARPU growth are not simply a function of simple demand or pricing. There is a lot of muscle flexing behind to create that growth, and I think this is another area for Türk Telekom to benefit from if you like speed penetration. Because if you compare the levels that Turkey is around these days, there is another area of gap with the peer markets. So, I think this is a clear area for us to grow in 2021 and beyond for sure.

And if you look at our first quarter results in the upsell performance, Mr. Önal has talked about some numbers there. We haven't, really, I mean, shared the number clearly, but the number of upsells we have seen in the first quarter was quite an impressive number I can tell you. And 77% of that number was coming from pure speed upsells, and 44% of the acquisitions were above 24Mbps packages. So, this is how far we got, and I think we have got more to go. You are seeing also in one of the slides a ADSL to VDSL or fibre conversion and that's another important area for us because it is simply paving the way for more upsell for the future years.

VENGRANOVICH A: Yes, I got you. Just I was referring more to the fixed voice segment where you lost like around 50K of subscribers over the quarter. So, I just wanted to understand what sort of dynamics should we expect in fixed voice going forward. And I think like last year, most of the inflow of the customers there was really driven by the broadband right. And this year, we can probably expect to see stronger trend of shifting of fixed voice customers to mobile via disconnecting the fixed voice lines, while staying at fixed broadband product with you. Am I right to think about that this way?

AYAZ G: That is true and fair. We have never pushed that product as a growth area for us going forward. It is obvious that it has been coming down and I mean, I think around 10 years ago this was 30% of our revenues and today, it is about 10% of our revenue. For us, I mean, to maintain the fixed line business revenues at a stable level is what we expect with the guidance that we have provided. So yes, I mean, the number of acquisitions will not grow there, but it is not our focus area anyway.

VENGRANOVICH A: Okay. Thank you.

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

MANDACI E: Hi, thank you very much for the presentation, and congratulations on the good bottom-line and operational results. I was just wondering about the continuation of this financial expenses going forward. You just said that given the short-term component and your hedging contracts with the increasing rates, if I am not mistaken, we might see some higher financial expenses. So, looking at the current market rates and compared to first quarter numbers, could you please provide some insight that how much we should expect financial expenses roughly for the second quarter? Could it be around 700 million TL levels on a quarterly basis? That is my question.

And secondly, could you also provide some insight on the effective tax rate that might be recorded for 2021, given the right recent increase in the corporate tax rate and your deferred tax asset base? Thank you very much.

AKTAN K: Let me start by saying that it wouldn't be fair to give you an exact number at this time of the year about our future quarterly FX expense. But let me give you a few highlights. Less than you know, 30%, as far as I remember 28% of our total hedging portfolio is consisting of the short term instruments which are mostly impacted by the increasing interest rates trend of the Lira, and part of it is already you know, impacted by that. They are short in maturities, they are converting and repriced with the new rates and partially impacted already as of the end of the quarter. I mean, it will be a very you know, far and you know limit but last year we had around 4 billion Lira including the FX loss total financing cost. So, it will definitely be much, much lower than this number. But you shouldn't expect a very large deviation or increase from its level in the first quarter. We just tried to be, you know, open and transparent and said that…but you shouldn't also take it as a run rate for the remaining part of the year. So you should have a you know, factor included in that. And I think you will have enough you know, numbers or highlights to make this happen or to calculate, because as I said that factor that is impacted of the total hedging cost and close to half of it is already being re-priced. And for the tax, can you repeat the question it wasn't clear here?

MANDACI E: Yes. Of course, I was just wondering what could be the effective tax rate for the following quarters given the recent increase in corporate tax rate officially by the Turkish government and based on our deferred tax asset base?

AKTAN K: Well, there were 2 major you know, decisions from the Ministry of Finance. One was for the increase of the corporate tax rates to assume 20% to 25% for this year. As well as there was another decision for limiting, you know, the deduction of financial expenses based on the structure of your balance sheet. So, it is a quantitative legislation, so impact is still being you know, discussed here internally. But all in all, I think you should see an effective tax rate including the impact of all these changes closer to the official rate.

MANDACI E: So for full year 25% on average effective tax rate would be meaningful, right? To assume.

AKTAN K: Yes, this is what I was trying to say. We should be closer to that, you know, official rate in our effective tax rate.

MANDACI E: Okay. Thank you very much.

OPERATOR: The next question comes from line of Nagy Nora with Erste Group. Please go ahead.

NAGY N: Hi, thanks for the presentation and taking my question. Only one if I may about your CAPEX guidance for full year 2021. How much of Lira depreciation is included in that guidance? Did you increase the depreciation level which incorporates to the guidance? Thank you.

AKTAN K: The term of assuming the FX rate is a bit not relevant, so we just run our sensitivities around it. And when we calculated you know the CAPEX guidance, so we assumed a higher rate than today, to be on the safe side. There should be around another close to 10%, you know, uplift, but this is a sensitivity analysis, this is not an assumption, this is not a forecast, this is just the way we calculated our potential CAPEX spending and we adjusted our CAPEX guidance accordingly. So, there is still headroom in the level of the FX which takes us to the current guidance level.

NAGY N: Okay. Thank you.

OPERATOR: The next question comes from the line of Ignebekcili Murat with HSBC. Please go ahead.

IGNEBEKCILI M: Hi, thank you for the opportunity. I think you mentioned about copper wire sales at some points, but my connection was bad, I couldn't hear accurately. How much contribution does your pretax earnings have from copper wire sales in first quarter and how much do you expect for the full year?

AKTAN K: It's a by-product of the modernisation efforts that we are continuously exercising. So, the copper network is being transferred to a fibre network and the by-product sometimes not always in some of…in some topologies we can reclaim the copper. So, we don't give the details in the OPEX in the form of like the proceeds from the copper, but as we continue having those investments in place. I mean, you can look at the impact from other line item in our OPEX that we incurred last year as well as this quarter. I think it should give you a clear guidance or direction.

IGNEBEKCILI M: Do you record that, those sale proceeds under investment income [Communication in Turkish]

AKTAN K: It's coming as an adjustment to the OPEX side which is called other.

IGNEBEKCILI M: It's under OPEX, okay.

AKTAN K: Yes. And again, it's part of our routine operation. So, it's not new, it's not specific to this quarter, it was there in the past and it is there in this quarter.

IGNEBEKCILI M: I think my memory doesn’t serve me right. But, in the past, in like 5 to 6 years ago too, you were doing this practice. But I remember you were classifying it under other operating income or investment income? Okay, my bad memory then.

AKTAN K: No, it goes as an adjustment to OPEX.

IGNEBEKCILI M: Okay. Thank you.

OPERATOR: We have a follow-up question from the line of Cabejsek Ondrej with UBS. Please go ahead.

CABEJSEK O: Hi, thank you. One follow-up on the mobile segment, please. You now mentioned price increases which at this time around you led and you're you know, highlighting all the nominations for the awards for improved networks. So, my question really is, can we expect Türk Telecom to be a bit more confident now about in the future also, you know, leading the market with price increases or were this some kind of one-off where you saw an opportunity in that particular segment? Any comment on that would be welcome. Thank you.

ÖNAL Ü: Our motivation to reach our fair share in the market, but also increasing the prices is still valid. And we are trying to do both of them on the optimum level as much as possible. Of course, the independent institutions appreciating our service quality makes us more confident. I mean it’s not possible for us to run the revenue growth strategy only on pricing. In order to create higher ARPU growth, we are implementing our sales and marketing strategies to take advantages of the growth and upsell effects of our valuable subscriber base in 2021.

I mean, therefore, we are trying to follow the reality of the market, and our strategy that keeps us away from price oriented gains and competition is still valid and we will try to keep it as it is as much as possible.

CABEJSEK O: Thank you very much.

OPERATOR: The next question comes from the line of Ates Gokhan with JP Morgan. Please go ahead.

ATES G: Hi, I just wanted to check if you have any updates you would like to share on the expiration of the concession agreement?

ÖNAL Ü: I mean, I can really tell you that we don't have any developments to share with you, as of now, this issue is not currently on the agenda of the public or specifically on our agenda. In the concessions context, I mean, before Türk Telekom concessions expiry, we have the mobile licenses in 2023 and 2026. So those are the critical dates for mobile licenses, I mean for 2G forinstance which is in 2023, and maybe other operators would like to add some other answers for this question, for now we believe our fixed concessions is still way away from our deadline.

OPERATOR: Mr. Gokhan, are you done with your questions?

ATES G: Yes, I am. Thank you. Maybe, one quick follow-up is, even though it may not be mentioned by the regulator or it may not be topical among the public, the deadline remains 2026 for the end of the concession privileges. Correct?

ÖNAL Ü: Yes. February 2026.

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.

AYAZ G: Thank you everyone for joining us today. We look forward to sharing our next quarter results with you next time. Thank you very much. Bye-bye.