TÜRK TELEKOM GROUP

2021 YEAR END

FINANCIAL AND OPERATIONAL RESULTS

February 15, 2022

A YEAR OF ROBUST PERFORMANCE
AT ALL FRONTS

Türk Telekom Group completed 2021 with a strong operational and financial performance. Consolidated revenues increased by 21.2% YoY. EBITDA rose to TL 16.4 billion with an EBITDA margin of 47.9%. Net income peaked to TL 5.8 billion with 81.3% YoY growth, despite high volatility in FX rates in the last quarter. The Group finished the year with a USD 242 million long position. Net Debt/EBITDA slightly increased to 1.11x from the previous quarter, following significant currency fluctuations. Overall, the Group concluded the year with a persistently high operational performance, which exceeded the 2021 guidance.

Türk Telekom CEO Ümit Önal said: "2021 presented us many challenges, but also opportunities to innovate, improve and persevere. We applied every caution with agility in order to weather a stormy final quarter, in which the change in sentiment was abrupt, amid severely risen uncertainties. As the leading telecom company of Turkey, we focused on our responsibility to serve our customers in excellence, whilst maintaining our financial and operational performance as well as our duties to stakeholders intact. As a result, we left behind a memorable year full of invaluable experiences, significant milestones and record KPIs. In the year 2022, which started with its own set of hardships, we will keep our focus on creating value, expanding our ecosystem and exploring new ventures, while preserving the financial strength of our company. In 2022, we expect our operational revenues to grow between 23-25% YoY, our EBITDA to be between TL 17.5-18.3 bn and our capex to be around TL 12.5 bn. Our solid foundations, devotion in technological advancement & digitalisation and concrete roadmap towards fiberisation of Turkey in transition to 5G, should lead us to success. I want to thank the mighty team behind our powerful business model. Our teamwork marks our difference."

2021 Full Year Financial Highlights

Consolidated revenues increased to TL 34.3 bn, up by 21.2% YoY; the highest annual growth since the IPO. Excluding the IFRIC 12 accounting impact, revenue growth was 19.5% YoY, ahead of the 2021 guidance of 18%.

Consolidated EBITDA grew by 24.0% YoY to TL 16.4 bn, slightly above the 2021 guidance of TL 16.2 bn. EBITDA margin was 47.9%. Excluding the IFRIC 12 impact, EBITDA margin increased by 170 basis points YoY to 50.8%; its annual peak.

Operating profit increased by 29.9% YoY to TL 10.2 bn.

Net income reached TL 5.8 bn in 2021, up by 81.3% YoY. The impact of the recent unfavourable FX movements on the bottom line was partly offset by the deferred tax gain recorded in the last quarter. Profit before tax grew by an impressive 47.8% well ahead of the operating performance.

Capex was TL 8.8 bn in 2021, slightly above the TL 8.7 bn guidance, but well under control, despite sharp rise in FX rates.

Unlevered free cash flow[1] increased to TL 8.3 bn in 2021 from TL 6.9 bn in 2020, while net debt also increased to TL 18.3 bn in 2021 from TL 15.4 bn as of 2020 due to depreciation of TL.

Our long FX position[2] was USD 242 mn by the end of 2021 vs USD 58 mn by the end of Q3'21.

4th Quarter 2021 Financial Highlights

Consolidated revenues increased to TL 9.9 bn, up by 28.9% YoY. Excluding the IFRIC 12 accounting impact, revenue growth was 21.2% YoY.

Consolidated EBITDA grew 21.3% YoY to TL 4.3 bn with an EBITDA margin of 43.6%, lower than the previous quarter due to higher IFRIC 12 effect along with a higher capex spending QoQ. Larger contribution of lower margin businesses to Q4'21 top-line growth was another margin dilutive factor in the final quarter. Excluding the IFRIC 12 impact, EBITDA margin was 47.9%.

Operating profit increased by 25.6% YoY to TL 2.6 bn.

Net income was TL 1.1 bn; lower QoQ, but flat YoY with the higher net financial expense recorded due to the extreme FX volatility in the final quarter. The protection levels in our hedged portfolio were challenged by respective 51% and 46% QoQ rise in USDTRY and EURTRY. Strong operational performance and TL 636 mn of tax income have mitigated the negative impact of currency movements on the net income.

Capex was realised at TL 4.5 bn in Q4'21.

Unlevered free cash flow was TL 3.3 bn in Q4'21 vs TL 2.3 bn in Q4'20.

4th Quarter & Full Year 2021 Operational Highlights

Total number of Türk Telekom subscribers reached 51.8 mn with 393K net additions in Q4'21. 1.5 mn net subscriber additions in 2021 increased the total base by 2.9% YoY.

Fixed broadband subscribers rose to 14.3 mn with net additions of 266K in Q4'21, in line with our expectation. Robust growth in fixed broadband base continued throughout the year, marking a 6.9% increase YoY. 13.9% fixed broadband ARPU growth in the last quarter brought the annual figure to 14.2% level.

Fibre subscribers reached 9.6 mn with 819K net additions in Q4'21. The 54.3% annual growth in 2021 was fuelled by ADSL to fibre conversions as well as new additions. As a result, the share of fibre customers in our fixed broadband base surged to 66.9% from 46.3% a year ago. The number of FTTC subscribers reached 6.8 mn, while the number of FTTH/B subscribers

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

increased to 2.8 mn.

Fibre cable network length increased to 366K km as of 2021 from 353K km as of Q3'21 and 331K km as of 2020. Fibre network covers in excess of 30.2 mn households as of 2021 compared to 26.8 mn as of 2020, reflecting the continued focus on fibre rollouts. FTTC homepass increased to 21.4 mn while FTTH/B homepass reached 8.8 mn.

Mobile subscriber base increased to 24.0 mn after 171K of net additions in Q4'21 with respective 84K and 87K increase in the postpaid and prepaid segments, amid normalisation after a very strong Q3'21 performance on increased mobility and a robust tourism season. Mobile subscribers increased by 3.6% YoY in 2021 with 5.4% growth in the postpaid segment and 0.6% in the prepaid segment.

Share of LTE subscribers[3] in mobile subscriber base increased to 67% in Q4'21 from 61% in Q4'20. Average monthly data usage per LTE user increased by 13.9% to 10.2GB in Q4'21 from 9.0GB in Q4'20. Number of fixed voice subscribers remained flat QoQ. Including nDSL, the number of total fixed access lines increased to 16.9 mn; the highest level since Q2'09.

In Q4'21, the number of TV Home subscribers also remained flat QoQ at 1.5 mn.

Self-service online transactions app 'Online İşlemler', has been downloaded almost 57 million times by the end of 2021. The number of unique subscribers[4] using the application peaked to 25 million, while TL uploads and invoice payments via online channels rose by 45% YoY.

2022 Guidance

Guidance for 2022 is as below:

- Consolidated revenue growth (excluding IFRIC 12) to be between 23-25% over 2021
- Consolidated EBITDA to be between TL 17.5-18.3 billion
- Consolidated CAPEX to be around TL 12.5 billion

	2022 Guidance
Consolidated Revenue Growth (exc. IFRIC 12)	Between 23-25%
Consolidated EBITDA	Between TL 17.5-18.3 bn
Consolidated CAPEX	Around TL 12.5 bn

[3] *Mobile subscribers who registered for LTE and have LTE compatible device and sim card.*
[4] *12-Month active user*

Türk Telekom CEO Ümit Önal's comments on 2021 year-end results:

Exceptional performance in a year of changes and challenges

2021 was an extremely unpredictable and volatile period for the whole world. In its second year, the pandemic and its impact on economies, businesses and our lives continued to dominate the agenda. Although vaccination accelerated globally, several variants took their turns to reset hopes for a sooner end to the pandemic. A globally disturbed supply chain as well as a gradual recovery in demand produced a common problem of high inflation for the central banks worldwide.

As such, the situation was not so different in Turkey. It would not be wrong to say, the business environment and the consumer sentiment was continuously shifting and reshaping on a quarterly and, at times, on a monthly basis. The lockdowns were in and out but pretty dominant in the first half of the year, whereas July 1st recalled mobility in an environment, free of all pandemic measures for the first time in a while. With Omicron taking the stage in November, we have seen companies advising working from home and kids going back to online classes, once again. Inflation picked-up in the last quarter to reach its 19-year high of 36.1%, following a tumultuous November-December period, when lira lost significant value against hard currencies.

Obviously, this environment bore a lot of challenges and opportunities for our Company. Agility has become our most common practice across the board and we aligned all our business and decision-making processes, from daily operations and investments to risk management and analytical framework, accordingly.

Upon 2020's exceptional net add to our base, we kept up the good performance by adding 919K new subscribers in fixed broadband in 2021. In mobile, a relatively subdued 2020 was followed by an improving performance with 844K net adds. We continued our double-digit ARPU growth and maintained the high momentum in our businesses. However, recent sharp FX movements did affect the financial performance. The impact proved manageable though, thanks to our FX-neutral hedging policy that we have been utilising since late 2020. Our strong balance sheet and cash flow supported us in these challenging times and mitigated the financial risk significantly.

What we have seen throughout the pandemic is that the consumer behaviour has changed for good. With increased digitalisation, adaptive new business models and altered socialising means, demand for speed and data is here to stay. Data consumption[5] on fixed broadband increased by more than 48% throughout 2021 despite prior year's high base. We upgraded millions of our fixed broadband customers to unlimited and higher speed packages since the beginning of the pandemic. A similar trend continued on the mobile side with accelerated

---

[5] *Average monthly data consumption per user*

postpaidisation and premiumisation. Yet, it is worthwhile emphasising that, we continue to see significant upselling opportunities ahead.

We closed 2021 with great pride in our agility, high efficiency, customer-oriented strategies and solid performance. We will continue with a greater motivation in 2022 to make every single one of our customers and stakeholders feel valuable.

Remarkable Q4 performance put us ahead of the guidance

Our Company completed the year with outstanding operational and financial results. Consolidated revenues increased by a hefty 28.9% YoY in Q4’21, at the highest rate since the IPO. Operational revenue rose by 21.2% in the final quarter, reaching its yearly highest growth of 19.5% and exceeding our revised guidance of 18% for the full year.

Fixed broadband revenue grew by 23.4%. Subscriber growth, price adjustments and continued focus on promoting higher speed packages helped us sustain the strong momentum in our fixed internet business. Mobile revenue growth moved higher to 17.9% along with an expanding subscriber base, pricing actions, accurate segmentation and customised offers. Corporate data revenue growth also geared up to 17.0%. With the appreciation of foreign currency and higher international traffic, international revenues grew by 50.1%.

Consolidated EBITDA rose by 21.3% YoY to TL 4.3 billion with an EBITDA margin of 43.6%; lower than the previous quarters. Even though fixed broadband and mobile segments fully supported the revenue growth, other business lines with lower margins made the biggest contribution to overall revenue growth in the final quarter. A normalising and inflating opex base together with a larger IFRIC 12 component due to increased capex spending in Q4’21, further diluted the EBITDA margin in the last quarter. The full year EBITDA reached TL 16.4 billion, 1.3% above our 2021 revised guidance, with a full year margin of 47.9%.

Q4’21 was marked by high volatility in FX and accelerated depreciation of TL. The year-end USDTRY and EURTRY rates were 51% and 46% higher respectively than where they were as of the third quarter. Obviously, such sharp movements weakened the protection of our hedges and adversely affected the Q4’21 bottom-line performance. Still, we deem the outcome a significant success, thanks to the prudent FX risk management approach we adopted earlier. We avoided taking short-term costly actions during the most volatile interim period, but we aim to go back to FX-neutral position, as the financial markets turn calmer in the coming period.

We ended the year with USD 242 million long position in hand. Net Debt/EBITDA slightly increased to 1.11x from 0.96x a quarter ago, still within our comfortable limits, following sizeable losses in lira. Q4’21 net income stayed flattish YoY as the rise in financial expense with higher FX and interest rates has been mitigated by a tax income of TL 636 mn. 2021 full year net income rose by 81.3% YoY. Leaving out the tax effect, profit before tax grew by a healthy 47.8% in 2021.

We will overcome 2022's hardships

In its third year, the Covid-19 pandemic promised to weigh on the world economy for another while. An accelerated inflation and lira depreciation in Q4'21 have affected our financial and investment planning for 2022. In light of the latest developments, and bearing in mind that we are yet to see the peak in inflation in the coming months, we decided to take a cautious approach in formulating our 2022 guidance.

We expect our operating revenues to grow between 23-25% YoY, our EBITDA to be between TL 17.5-18.3 billion and our capex to be around TL 12.5 bn in 2022[6]. While the realised inflation in the coming months will be our watch point in pricing strategies and revenue performance, EBITDA will rely on the consumer sentiment and possibly further pressure on certain opex items. While we stick to a range of capex intensity ratio, adjustments around discretionary and deferrable items allowed a lower increase in total investment budget YoY than the move in FX rates have implied.

Once again, the lion share of the 2022 investment budget will be going into fibre rollout and transformation projects. Encouraged by the growth momentum of 2021, we will be allocating a reasonable sum to our mobile business in order to continue our progress in coverage, network quality and customer experience. Finally, preparations for the 5G transition, new ventures and maintenance items will remain on our capex spending list.

Economic challenges will likely continue in the short to medium term. Capex and opex management in 2022 will be an extremely diligent exercise for the telco sector in general, but we aim to come out strong with our human capital, technology, risk management tools and smart marketing & pricing strategies.

Demand for speed is here to stay for fixed internet

In line with our expectation, fixed broadband revenue growth slowed QoQ to 23.4% as it cycled last year's highest increase of 31.7%, but once again stood out as the main driver behind the operational top-line performance in Q4'21. Total subscriber base expanded to 14.3 mn with 266K of net adds during the quarter. We continued to feel the positive impact of back to school period in October with the opening of universities. November was further supported by successful fibre campaigns and seasonal Tivibu bundle offers, both in upsell and acquisition performance.

For 2021 we expected a normalised demand; however, net acquisitions added up to 919K over last year's 2 mn. With lower churn rates, we are building a stable subscriber base. Even though the normalisation process is still ongoing, the trends show us that, the demand for fixed internet and higher speed persists. Customer behaviour and the customers' relation with technology has changed for good in the post-pandemic world.

---

[6] 2022 guidance expectations represent approximate values.

ARPU growth was 13.9% in Q4’21 and 14.2% for the year. Expanding subscriber base, portfolio optimisation, customised offers, ADSL to fibre conversions, and low churn ratios in addition to pricing actions and sustained performance in upselling resulted in a balanced ARPU growth throughout the year.

Unlike in prior years, we revised fixed broadband prices for the retail segment in early December, amid accelerated inflation. The share of upgrades to higher speed packages made 92%[7] of total number of upsells in Q4. The portion of 24 Mbps and above packages expanded to 67%[8] in new acquisitions from 58% in Q3. As a result, Q4’21 ARPA[9] was 6.0%[10] higher QoQ. The share of 24 Mbps and above packages made 54% of total acquisitions within 2021.

Widespread fibre network is set to lead the technological transformation

Fibre network is the milestone of recent and upcoming technologies. As the leader in the sector, we continued our focus on expanding the fibre network in 81 cities of Turkey in order to meet demand for connection across the country. In addition, our fibre network will be a key enabler in 5G transition. Hence, we grew our fibre network to 366K km by the end of the year (331K km as of 2020).

Our fibre network covers in excess of 30.2 mn homepass as of 2021 compared to 26.8 mn as of 2020. FTTC homepass increased to 21.4 mn while FTTH/B homepass reached 8.8 mn. Total number of fibre subscribers, which comprises 67% of our total base, grew to 9.6 mn, by 9.3% QoQ and 54.3% YoY.

Investing in fibre network in order to widen our coverage will continue to be our priority in 2022. As Türk Telekom, we have a grand responsibility to adapt swiftly to the technology zeitgeist and lead the way to transformation.

The year of records in mobile

Mobile market enjoyed a strong third quarter amid remarkable increase in mobility with normalisation and a robust tourism season. Excluding this conditional and seasonal boost, we have observed a dynamic mobile market in Q4 as well. MNP (Mobile Number Portability) market continued contracting YoY but at a decelerated pace, whilst remaining almost flat QoQ after a first-time growth last quarter since Q3’20. Pricing environment was mixed with across the board inflation-driven revisions throughout the quarter on the one hand, but some of the pre-revision offers still on the table, on the other hand. It seems, the willingness to lock into as many net adds as possible prior to the year-end dominated the final quarter; hence, the impact of the latest price revisions is yet to be seen in Q1’22.

---

[7] *For consumer segment*
[8] *For consumer segment*
[9] *Average revenue per acquisition*
[10] *For consumer segment, excluding penetration campaign*

In line with our earlier expectations, mobile segment found its momentum in 2H’21. Resultantly, we finished the year strong with an operational performance mounted by the highest scores in multiple fronts. Our subscriber base reached 24.0 mn by year-end with 171K of net additions in the last quarter and 844K in the full year. The success of our strategy around postpaidisation and premiumisation has become more visible as the year progressed. Overall, the postpaid base showed a healthy trend by expanding to around 65% of total mobile subscribers in the first half and sustaining these levels in the second half. Prime subscriber total reached 4.9 mn[11] with 55% growth YoY and comprised 31.6% of the postpaid base by year-end.

Blended ARPU growth was 14.0% YoY in Q4’21 and 13.8% in 2021. In the final quarter, postpaid ARPU recorded its highest annual increase of 11.7% since Q1’10 to reach 9.9% for the full year. On the prepaid side, we recorded 15.0% ARPU growth in the final quarter, taking the figure for the full year to 16.3%. We have attained the lowest mobile churn ratios within 2021. As a result, mobile revenue growth accelerated to 17.9% in Q4’21, the highest level over the last eight quarters and brought 2021 increase to 16.5%.

A proven mobile network quality

Our dedication for improved mobile network quality and best customer experience has once again been acknowledged by Opensignal, an independent research and analytics house specialising on providing insights on customer experience and global mobile connectivity. In its December 2021 Turkey Mobile Network Experience assessment, Opensignal identified Türk Telekom as the winner in four categories for the first time.

Türk Telekom has become the lead operator of Turkey in Video Experience for the first time, by taking the title from competition. Opensignal also placed Türk Telekom as the winner of Games Experience, Voice App Experience and the joint winner in Upload Speed Experience[12].

We outperformed competitors in four categories out of seven, mostly in experiential awards. We are proud to be recognised again by a reputable international assessor in superiority of our network and technology.

Solid performance of our subsidiaries fortifies our success

Our subsidiaries[13] exhibited a robust performance in 2021. The contribution to Group revenues was particularly stronger in the final quarter. Third party revenues increased by 28.7% YoY in 2021 with an accelerated growth rate of 38.5% in Q4’21 and made 8.7% of our consolidated revenues. İnnova, TTI and TT Ödeme were at the forefront of this performance.

---

[11] Both consumer and corporate segment

[12] Opensignal Awards – Turkey Mobile Network Experience Report December 2021 based on independent analysis of mobile measurements recorded during the period Aug 1 – Oct 29, 2021. © 2021 Opensignal Limited.

[13] Third party revenue generating subsidiaries are Argela, İnnova, Sebit, AssisTT, TTI, TTES, TT Destek and TTÖHAS.

İnnova contributes to the digitalisation process of its customers with a wide range of IT solutions portfolio. The Company continued expanding its corporate network over 2021. İnnova produces AI (Artificial Intelligence), RPA (Robotic Process Automation), big data, IoT and fintech solutions for its customers and plays an important role in supporting national technological advancement of Turkey.

Türk Telekom's international subsidiary, TTI, provides point-to-point telecommunication path between end-points with managed wavelength. The Company connects its customers' network to global internet through its IP transit service. Customers can locate their telecommunication and data centre equipment in TTI's co-location areas. Continued strong revenue performance of TTI was supported by its expanding customer base worldwide, increased international traffic and weaker lira in 2021.

We are working for a better world

As Türk Telekom we carry out projects aimed at using energy resources efficiently and reducing carbon emissions systematically. In this context, we are one of the few telco operators in the world that has reduced electricity consumption in recent years, despite significant increases in total customer number and bandwidth. Our total energy consumption has declined by 3% in the last 5 years. We renovated more than 3,000 base stations with efficient equipment that consumes less energy. Thanks to this project, which was completed in 2021, we prevented 12,750 tons of carbon emissions by saving 27 million kWh of energy annually. We are proud to announce that, we have prevented on average 15,000 tons of carbon emission by saving 31 million kWh of energy annually within five years.

We extend our ambition for sustainability to our stakeholders in every way that we can. Recently, we introduced a new campaign that encourages our subscribers receive their invoices via e-mail or SMS instead of paper copies and awarded those who joined our green initiative with 5GB of weekly free internet.

Financial Review

(TL mn)	Q4'20	Q4'21	YoY Change	2020	2021	YoY Change
Revenue	**7,650**	**9,864**	**28.9%**	**28,289**	**34,273**	**21.2%**
Revenue (Exc. IFRIC 12)	**7,181**	**8,703**	**21.2%**	**26,519**	**31,702**	**19.5%**
EBITDA	**3,546**	**4,301**	**21.3%**	**13,237**	**16,415**	**24.0%**
Margin	*46.3%*	*43.6%*		*46.8%*	*47.9%*	
Depreciation and Amortisation	**(1,457)**	**(1,678)**	**15.2%**	**(5,375)**	**(6,202)**	**15.4%**
Operating Profit	**2,089**	**2,623**	**25.6%**	**7,862**	**10,213**	**29.9%**
Margin	*27.3%*	*26.6%*		*27.8%*	*29.8%*	
Financial Income / (Expense)	**(907)**	**(2,176)**	**139.9%**	**(4,060)**	**(4,592)**	**13.1%**
FX & Hedging Gain / (Loss)	(337)	(1,592)	372.4%	(1,765)	(2,557)	44.9%
Interest Income / (Expense)	(479)	(536)	12.1%	(2,049)	(1,858)	(9.3)%
Other Financial Income / (Expense)	(91)	(47)	(48.7)%	(246)	(177)	(27.9)%
Tax Income / (Expense)	**(78)**	**636**	**n.m.**	**(624)**	**141**	**n.m.**
Net Income	**1,104**	**1,084**	**(1.9)%**	**3,178**	**5,761**	**81.3%**
Margin	*14.4%*	*11.0%*		*11.2%*	*16.8%*	
CAPEX	**2,785**	**4,487**	**61.1%**	**6,739**	**8,805**	**30.7%**

Revenues

In 2021, consolidated revenues increased by 21.2% YoY to TL 34.3 bn. Excluding IFRIC 12, top line growth was 19.5% YoY with a remarkable increase of 29.0% in fixed broadband, 16.5% increase in mobile, 36.3% increase in international and 14.8% increase in corporate data revenues.

In Q4’21, consolidated revenues increased by 28.9% YoY to TL 9.9 bn. Excluding IFRIC 12, top line growth was 21.2% YoY with 23.4% increase in fixed broadband, 17.9% increase in mobile, 50.1% increase in international and 17.0% increase in corporate data revenues.

Operating Expenses Excluding Depreciation and Amortisation (OPEX)

In 2021, operating expenses increased by 18.6% YoY to TL 17.9 bn. Excluding IFRIC 12 cost, growth in operating expenses was 15.5% YoY.

- Interconnection costs increased only by 15.9% YoY on last year's high base together with increased international traffic volume.
- 14.5% YoY increase in the tax expense was led by frequency and treasury fees attached to mobile revenues.
- Provisions for doubtful receivables declined 33.2% YoY mainly due to lower device provisions compared to last year and successful collection performance, which led to a decrease in device receivables despite larger device sales volume YoY.
- Cost of equipment and technology sales grew by 18.2% YoY over last year's high base, broadly in line with broadband net additions.
- 28.8% YoY increase in other direct costs was largely driven by the pick-up in VAS revenues and shared revenues.
- Network and technology expenses grew 30.9% YoY heavily due to increased energy prices.
- Including the impact of the new Labour Agreement signed, personnel expense increased by 21.5% YoY.
- Commercial costs increased by 18.8% YoY, finishing the year around normalised levels in the last quarter.

In Q4'21, operating expenses increased by 35.5% YoY to TL 5.6 bn. Excluding IFRIC 12 cost, growth in operating expenses was 22.9% YoY.

- Interconnection costs increased by 19.2% YoY over last year's high base along with a higher traffic volume and weaker lira.
- Tax expense increased by 13.8% YoY.
- Provisions for doubtful receivables continued its downward trend and declined by 48.9% YoY mainly due to the decrease in device provisions compared to last year.
- Cost of equipment and technology sales grew by 53.3% YoY over last year's high base, along with weaker lira and further expansion in the broadband subscriber base.
- Other direct costs grew 24.7% YoY, with the pick-up in litigation costs, VAS revenues and shared revenues.
- Network and technology expenses grew 50.4% YoY mainly due to increased energy prices and weaker lira.
- Personnel expense increased by 22.8% YoY, broadly in line with the previous quarters.

Operating Profit Before Depreciation and Amortisation (EBITDA)

In 2021, consolidated EBITDA increased by 24.0% YoY to TL 16.4 bn with an EBITDA margin of 47.9%, which expanded 110 bps YoY together with strong growth in higher margin fixed broadband revenues and improved profitability in mobile segment. Excluding the IFRIC 12 accounting impact, EBITDA margin was 50.8%, up 170 bps YoY.

In Q4’21, consolidated EBITDA increased by 21.3% YoY to TL 4.3 bn with an EBITDA margin of 43.6%, which contracted 270 bps YoY on an accelerated contribution of other business lines than fixed and mobile to revenue growth in the final quarter. IFRIC 12 effect was also significant this quarter with the intensified capex spending. Excluding the IFRIC 12 accounting impact, EBITDA margin was 47.9%, down 70 bps YoY.

Depreciation and Amortisation Expense

Depreciation and amortisation expense increased by 15.4% YoY to TL 6.2 bn in 2021 and 15.2% YoY to TL 1.7 bn in Q4’21.

Operating Profit

The Group recorded TL 10.2 bn operating profit with a 29.9% YoY increase in 2021 and TL 2.6 bn operating profit with a 25.6% increase YoY in Q4’21. Operating profit margin rose to 29.8% from 27.8% in 2021 and declined to 26.6% from 27.3% in Q4’21.

Net Financial Income/Expense

Net financial expense was TL 4.6 bn in 2021 compared to TL 4.1 bn in 2020 and TL 2.2 bn in Q4’21 compared to TL 0.9 bn both in Q3’21 and Q4’20. Net FX & hedging losses surged to TL 1.6 bn in the last quarter from TL 0.4 bn in Q3’21 and TL 0.3 bn in Q4’20, amid severe losses in lira in Q4’21.

According to the sensitivity of P&L statement to FX movements, 10% depreciation of TL has negative TL 1,238 mn impact on P&L as of Q4’21 assuming all else constant (negative TL 59 mn impact as of Q4’20 and positive TL 1 mn impact as of Q3’21). We aim to go back to FX-neutral position, as the financial markets turn calmer in the coming period.

Tax Income/Expense

The Group reported TL 141 mn of tax income in 2021 compared to TL 624 mn of tax expense in 2020 along with the deferred tax income recorded in 2H’21.

In Q4’21, The Group reported TL 636 mn of tax income versus TL 78 mn of tax expense in Q4’20 due to one-off deferred tax gain.

Net Income

Net income reached the highest level of TL 5.8 bn in 2021 on the back of high operational performance and tax income.

Q4'21 net income was flat YoY at TL 1.1 bn. The FX volatility of the last quarter was largely mitigated by solid operational performance and a one-off deferred tax gain.

Capital Expenditures

Capex was TL 8.8 bn in 2021 compared to TL 6.7 bn in 2020, broadly in line with the 2021 guidance. Capex/Sales ratio was 25.7% in 2021 compared to 23.8% in 2020.

Capex in Q4'21 was realised at TL 4.5 bn.

Cash Flow and Leverage

Unlevered free cash flow generated in 2021 increased to TL 8.3 bn compared to TL 6.9 bn in 2020, thanks to healthy EBITDA growth.

In Q4'21, unlevered free cash flow was TL 3.3 bn vs. TL 2.3 bn in Q4'20.

Net debt[14] increased to TL 18.3 bn as of Q4'21 compared to TL 15.1 bn as of Q3'21 along with weaker lira. Excluding the IFRS 16 impact, net debt was TL 16.9 bn.

Net Debt/EBITDA[15] ratio increased to 1.11x in Q4'21 from 0.96x as of Q3'21, affected by the volatility in currency.

Net debt (excluding the IFRS 16 impact) declined to USD 1,267 mn equivalent as of Q4'21, down by USD 290 mn QoQ (Q3'21: USD 1,557 mn; Q4'20: USD 1,909 mn).

As of Q4'21, FX based financial debt (excluding the IFRS 16 impact) declined QoQ to USD 2,102 mn equivalent (Q3'21: USD 2,249 mn; Q4'20: USD 2,318 mn). With weaker lira, the share of TL financing was 1.2% as of Q4'21, down from 4.2% in Q3'21.

Including the FX based cash of USD 464 mn, the net FX exposure was USD 242 mn long position as of Q4'21 (USD 58 mn long position as of Q3'21).

[14] *Net debt includes MTM from FX to TRY Currency Swaps.*
[15] *Net debt includes MTM from FX to TRY Currency Swaps. Net Debt/EBITDA calculation excludes extraordinary claims on EBITDA calculation.*

Operational Performance

	Q4'20	Q3'21	Q4'21	QoQ Change	YoY Change
Total Access Lines (mn) [16]	**16.3**	**16.7**	**16.9**	**1.2%**	**4.1%**
Fixed Voice Subscribers (mn)	10.6	10.5	10.5	(0.1)%	(1.2)%
Naked Broadband Subscribers (mn)	5.6	6.2	6.4	3.5%	14.0%
Fixed Voice ARPU (TL)	**21.6**	**21.7**	**21.7**	**0.1%**	**0.6%**
Total Broadband Subscribers (mn)	**13.4**	**14.1**	**14.3**	**1.9%**	**6.9%**
Total Fibre Subscribers (mn)	**6.2**	**8.8**	**9.6**	**9.3%**	**54.3%**
FTTH/B (mn)	2.3	2.6	2.8	7.0%	23.8%
FTTC (mn)	3.9	6.1	6.8	10.4%	72.0%
Broadband ARPU (TL)	**59.4**	**65.9**	**67.7**	**2.8%**	**13.9%**
Total TV Subscribers (mn) [17]	**3.1**	**3.0**	**2.9**	**(0.9)%**	**(5.9)%**
Tivibu Home (IPTV + DTH) Subscribers (mn)	1.5	1.5	1.5	(0.3)%	(1.8)%
TV ARPU (TL)	**20.8**	**22.1**	**23.0**	**4.1%**	**10.6%**
Mobile Total Subscribers (mn)	**23.2**	**23.9**	**24.0**	**0.7%**	**3.6%**
Mobile Postpaid Subscribers (mn)	14.8	15.5	15.6	0.5%	5.4%
Mobile Prepaid Subscribers (mn)	8.4	8.3	8.4	1.0%	0.6%
Mobile Blended ARPU (TL)	**36.9**	**42.2**	**42.1**	**(0.2)%**	**14.0%**
Mobile Postpaid ARPU (TL)	44.3	48.7	49.5	1.5%	11.7%
Mobile Prepaid ARPU (TL)	23.8	28.3	27.3	(3.3)%	15.0%

[16] *PSTN and WLR Subscribers*

[17] *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 16.9 million fixed access lines, 14.3 million broadband, 2.9 million TV and 24.0 million mobile subscribers as of December 31, 2021. Türk Telekom Group Companies provide services in all 81 cities of Turkey with 35,868 employees with the vision of introducing new technologies to Turkey and accelerating Turkey’s transformation into an information society.

Türk Telekomünikasyon A.Ş., providing PSTN and wholesale broadband services, directly owns 100% of mobile operator TT Mobil İletişim Hizmetleri A.Ş., retail internet services, IPTV, satellite TV, Web TV, Mobile TV, Smart TV services provider TTNET A.Ş., convergence technologies company Argela Yazılım ve Bilişim Teknolojileri A.Ş., IT solution provider Innova Bilişim Çözümleri A.Ş., online education software company Sebit Eğitim ve Bilgi Teknolojileri A.Ş., call center company AssisTT Rehberlik ve Müşteri Hizmetleri A.Ş., project development and corporate venture capital company TT Ventures Proje Geliştirme A.Ş, Electric Supply and Sales Company TTES Elektrik Tedarik Satış A.Ş., provider of combined facilities support activities TT Destek Hizmetleri A.Ş with TT International Holding BV and wholesale data and capacity service provider TT International Telecommunication Industry and Trade Limited Company, and indirectly owns 100% of subsidiaries of TT International Holding BV, TV Broadcasting and VOD services provider Net Ekran Companies, telecommunications devices sales company TT Satış ve Dağıtım Hizmetleri A.Ş and payment and e-money services company TT Ödeme ve Elektronik Para Hizmetleri A.Ş., web portal and application development company APPYAP Teknoloji ve Bilişim A.Ş. and financial tech company TTG Finansal Teknolojileri A.Ş.

Disclaimer

The information contained herein has been prepared by Türk Telekomünikasyon A.Ş. (the Company) in connection with the operations of Türk Telekom Group companies. The opinions presented herein are based on general information gathered at the time of writing and are subject to change without notice. The Company relies on the information gathered from the reliable sources however does not guarantee completeness and accuracy of such information.

These materials contain statements about future events and expectations that are forward-looking statements. Any statement in these materials that is not a statement of historical fact is a forward-looking statement that involves known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except to the extent required by law, we assume no obligations to update the forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements. This press release does not constitute an offer or invitation to sell, or any solicitation of any offer to subscribe for or purchase any securities and nothing contained herein shall form the basis of any contract or commitment whatsoever. No reliance may be placed for any purposes whatsoever on the information contained in this press release or on its completeness, accuracy or fairness. The information contained in this press release may be required to be confirmed, completed and amended. Therefore, no declaration or commitment has been given or implied on the name of the Company or its shareholders, directors, employers or other third persons depending on the authenticity, completeness and accuracy of the information. None of the Company nor any of its shareholders, directors or employees nor any other person accepts any liability whatsoever for any loss howsoever arising from any use of this press release or its contents or otherwise arising in connection therewith.

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

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