

TÜRK TELEKOMÜNİKASYON A.Ş.



**INTERIM ACTIVITY REPORT AS OF 30.06.2021
BASED ON NO:II-14.1 COMMUNIQUÉ OF CAPITAL MARKETS
BOARD**

August 9, 2021

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1. OVERVIEW OF TÜRK TELEKOM

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

“Turkey’s Multiplay Provider” Türk Telekom has 16.5 million fixed access lines, 13.8 million broadband, 3.0 million TV and 23.4 million mobile subscribers as of June 30, 2021. Türk Telekom Group Companies provide services in all 81 cities of Turkey with 34,805 employees with the vision of introducing new technologies to Turkey and accelerating Turkey’s transformation into an information society.

Türk Telekomünikasyon A.Ş., providing PSTN and wholesale broadband services, directly owns 100% of mobile operator TT Mobil İletişim Hizmetleri A.Ş., retail internet services, IPTV, satellite TV, Web TV, Mobile TV, Smart TV services provider TTNET A.Ş., convergence technologies company Argela Yazılım ve Bilişim Teknolojileri A.Ş., IT solution provider İnnova Bilişim Çözümleri A.Ş., online education software company SEBİT Eğitim ve Bilgi Teknolojileri A.Ş., call centre company AssisTT Rehberlik ve Müşteri Hizmetleri A.Ş., project development and corporate venture capital company TT Ventures Proje Geliştirme A.Ş., Electric Supply and Sales Company TTES Elektrik Tedarik Satış A.Ş., provider of combined facilities support activities TT Destek Hizmetleri A.Ş with TT International Holding BV and wholesale data and capacity service provider TT International Telecommunication Industry and Trade Limited Company, and indirectly owns 100% of subsidiaries of TT International Holding BV, TV Broadcasting and VOD services provider Net Ekran Companies, telecommunications devices sales company TT Satış ve Dağıtım Hizmetleri A.Ş and payment services company TT Ödeme ve Elektronik Para Hizmetleri A.Ş., counselling services company 11818 Rehberlik ve Müşteri Hizmetleri A.Ş. (in receivership) and web portal and computer programming company APPYAP Teknoloji ve Bilişim A.Ş.

2. CORPORATE STRUCTURE

Ownership Structure

Group	Shareholder	Paid-in Capital Amount (TL)	Share (%)
A	LYY Telekomünikasyon A.Ş.	1,925,000,000.00	55
B	Republic of Turkey Ministry of Treasury and Finance	875,011,884.975	25
C	Republic of Turkey Ministry of Treasury and Finance	0.01	
B	Turkey Wealth Fund	174,988,115.015	5
D	Free Float	525,000,000.00	15
Total		3,500,000,000.00	100

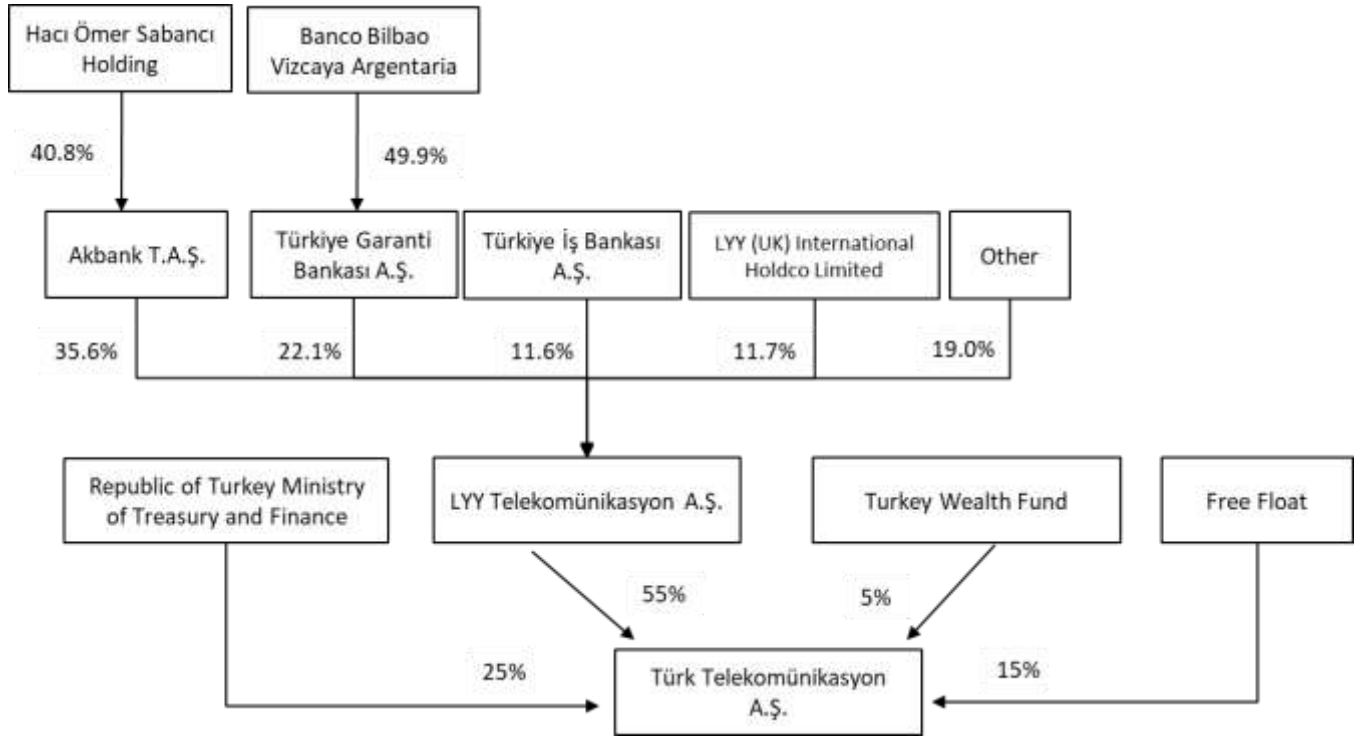
Note: According to the Official Gazette on February 5, 2017, the Council of Ministers decided to transfer the 6.68% stake (5% B Group shares and 1.68% D Group shares) of the Company belonging to the Turkish Treasury to the Turkey Wealth Fund. The transaction was completed in 2017.

The Türk Telekom Shareholders' Agreement and the Articles of Association further state that the Turkish Treasury owns a "golden share" (Class C share). The "golden share" is entitled to nominate a Board Member and has the below rights as per article 6 of the Articles of Association;

"In order to protect Turkey's national interests relating to national security and the economy, the Class C share's positive vote is required for the following matters regardless of the voting result in the Board or General Assembly, otherwise accepted as null and void."

- Any proposed amendments to the Articles of Association;
- The transfer of any of the Company's registered shares which would result in a change in management control;
- The registration of any transfer of the Company's registered shares in the shareholder ledger.

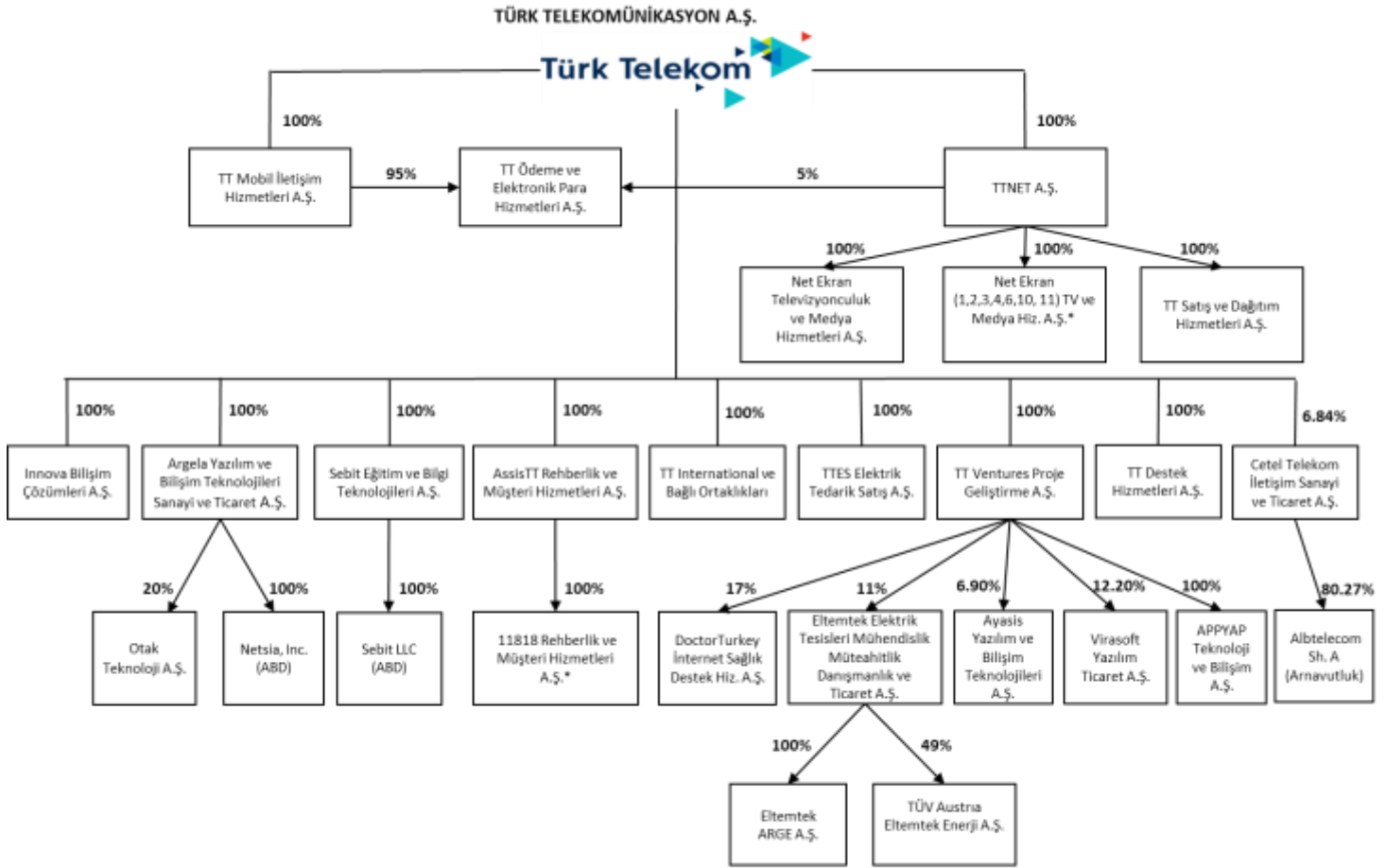
Natural and legal persons owning over 5% of our Company shares, directly or indirectly are stated below:



Note: 1) There are no natural or legal persons whose shareholding exceeds 5% except those shown in the shareholder structure.

2) Turkey Wealth Fund has 1.68% public share ownership.

- Subsidiaries and financial investments:



* in voluntary liquidation

Management and Organization

Board of Directors

Dr. Ömer Fatih Sayan	Chairman of the Board of Directors and Member of the Board of Directors
Eyüp Engin	Vice Chairman of the Board of Directors and Member of the Board of Directors
Yiğit Bulut	Independent Member of the Board of Directors
Can Yücel	Member of the Board of Directors
Selim Dursun	Independent Member of the Board of Directors
Dr. Nureddin Nebati	Independent Member of the Board of Directors
Dr. Muammer Cüneyt Sezgin	Member of the Board of Directors
Aclan Acar	Member of the Board of Directors
Enver İskurt	Member of the Board of Directors

Senior Management

Ümit Önal	CEO - General Manager
	Marketing and Customer Care Assistant General Manager (Acting)
Kaan Aktan	Finance Assistant General Manager
Dr. Mehmet Beytur	Support Services and Procurement Management Assistant General Manager
İsmail Bütün	Consumer Sales Assistant General Manager
Mustafa Eser	Corporate Sales Assistant General Manager
Ali Gürsoy	Head of Enterprise Risk and Business Continuity
Barış Karakullukçu	Strategy, Planning and Digital Assistant General Manager
Yusuf Kıraç	Technology Assistant General Manager
Emre Şehsuvaroğlu	Head of Internal Audit
Mehmet Emre Vural	Human Resources Assistant General Manager
Uğur Nabi Yalçın	Legal and Regulation Assistant General Manager
Yavuz Yıldırım	Wholesale Assistant General Manager

3. SIGNIFICANT BOARD RESOLUTIONS

Significant Board Resolutions taken during the period are presented under Material Issues During the Period section.

4. PERSONNEL MOVEMENTS

Consolidated headcount as of the 30.06.2021 and 31.12.2020 are 34,805 and 34,748 respectively.

5. FINANCIAL RISK MANAGEMENT

Türk Telekom is exposed to financial risks such as liquidity risk, currency risk, interest rate risk, and counterparty risk.

Within the framework of the strategy of minimizing liquidity risk, financial debt is obtained from different geographical regions (the Americas, Europe, the Gulf, Japan, China, and Turkey) and from a diversified pool of investors (commercial banks, international financial institutions, official export credit agencies, and bond markets) with long-term maturities. This strategy enables the Group to have access to long-term financing on competitive terms, without being dependent on a limited group of funding sources.

With regard to the Eurobonds issued by Türk Telekom, the Group actively monitors the price and return dynamics of these bonds, which are tradeable instruments in the secondary markets, in order to ensure optimal cash management strategies on total return and cost basis.

The need to procure some part of capital expenditures from foreign suppliers and finance through long-term and diversified funding sources cause Türk Telekom to carry liabilities in foreign currency. Hence, excluding the hedge transactions, Türk Telekom has net liabilities in foreign currency and is exposed to FX risk due to the fluctuations in exchange rates, which may have an impact on the financial statements.

By way of FX risk management transactions, Türk Telekom keeps the impact of FX exposure on the financial statements at minimal level. In this respect Türk Telekom has a total hedge position of USD 1,973¹ million equivalent, details of which are provided in the footnotes to its financial statements. The hedge position including Net Investment Hedge is USD 2,072 million equivalent. In addition, Türk Telekom holds a significant portion of its cash assets in hard currency in order to provide a natural hedge against FX exposure.

In relation to interest rate risk, Türk Telekom carries an interest-rate swap position equivalent to USD 450 million, details of which are provided in the footnotes to the financial statements. Türk Telekom minimizes its exposure to the interest rate risk through those swap positions a fixed-interest rate financing transactions such as Eurobond.

With regards to its financial assets, Türk Telekom maintains a position with the purpose of minimizing counterparty risk in accordance with the framework of the counterparty limits and diversification policy. Türk Telekom carries out its hedge transactions regarding financial risks within the framework of the guidance and authorisation set by the Board of Directors.

¹ It is the hedge position established with the consideration of all the financial and commercial liabilities having FX risk impact on the consolidated profit and loss statement.

6. MATERIAL ISSUES DURING THE PERIOD

01 April 2021 dated Regulatory Disclosure - The Registration of 2020 Ordinary General Assembly Resolutions

The resolutions taken at our Company's 2020 Ordinary General Assembly Meeting held on March 19, 2021 have been registered by Ankara Trade Registry Office on April 1, 2021 and published on the Turkish Trade Registry Gazette on April 1, 2021.

01 April 2021 dated Regulatory Disclosure - Registration of Independent Auditor Selection

The General Assembly resolution dated March 19, 2021 on the selection of Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Ernst & Young) for the auditing of the accounts of our Company for the accounting period of 2021 has been registered by Ankara Trade Registry Office on April 1, 2021 and published on the Turkish Trade Registry Gazette on April 1, 2021.

05 May 2021 dated Regulatory Disclosure - Conclusion of the Related Party Transactions Report

Common and recurring asset, service and liability transfer transactions between TTNET A.Ş. and Türk Telekom in 01.01.2020 – 31.12.2020 financial year exceeded 10% of the reported sales revenue of Türk Telekom as stated under its 2020 year-end financial tables and projected to exceed in 2021. These transactions are considered to be made with fair, reasonable and suitable to arm's length prices considering positive discrimination for operators excluding TTNET A.Ş. by current pricing regulations.

Apart from those there are no asset, service and liability transfer transactions exceeding the threshold with the other related parties and is not projected to be done in 2021.

In addition, there is no non-recurring asset, service and liability transfers which reached or exceeded or projected to reach or exceed 5% of the publicly announced sales revenue, total assets or average of the adjusted daily weighted average market capitalization for 6 months period prior to the related Board Resolution date, as defined by the Article 9 of the Communiqué.

05 May 2021 dated Regulatory Disclosure - Guidance Revision for 2021 Consolidated Financial Results

We started 2021 stronger than we envisaged. We recorded higher than expected top-line growth in corporate data in addition to fixed and mobile businesses in the first quarter. As a result, we see solid ground to revise our 2021 guidance upwards at all fronts. While the change in EBITDA is driven by our higher top-line growth expectation, the revised capex figure reflects the buoyant demand to telecommunication services as well as the impact of FX rates. Our investments will focus on expanding and improving our fixed/mobile networks, capacity increases, digital agenda, data centres and 5G transition.

Our revised guidance for 2021 is as below:

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

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

3 June 2021 dated Regulatory Disclosure - Collective Bargaining Agreement

Within the 14th Collective Bargaining Agreement negotiations between our Company and Turkey Haber - İş Union, 60-day legal discussion period has ended without an agreement. Negotiations will continue through an official mediator who will be appointed by the Ministry of Labor and Social Security. Our Company and the Union will remain able to meet and sign a Collective Bargaining Agreement during this period.

14 June 2021 dated Regulatory Disclosure – The 2nd Coupon Payment of TRSTTLK12216 ISIN Code Bond

The second coupon payment of our Company's bond with ISIN code of TRSTTLK12216 was made on 14.06.2021.

Coupon Number	Payment Date	Record Date	Payment Date	Interest Rate (%)	Interest Rate - Yearly Simple (%)	Interest Rate - Yearly Compound (%)	Payment Amount	Exchange Rate	Was The Payment Made?
1	15.03.2021	12.03.2021	15.03.2021	4.7515	19.0582	20.4655	7,127,250.00	TL	Yes
2	14.06.2021	11.06.2021	14.06.2021	5.2644	21.1155	22.8488	7,896,600.00	TL	Yes

7. MATERIAL ISSUES AFTER THE END OF THE PERIOD

2 July 2021 dated Regulatory Announcement Regarding JCR Eurasia Credit Rating

JCR Eurasia Rating has evaluated Türk Telekomünkasyon A.Ş. and assigned the highest investment grade ratings to our Company on national scales. The Long Term National Rating is 'AAA (Trk)' and Short Term National Rating is "A-1+ (Trk)", both with "Stable" outlooks.

07 July 2021 dated Regulatory Disclosure – Disclosure Policy

Our Company's Disclosure Policy, which has been updated and approved by the Board of Directors, is attached.

<https://www.kap.org.tr/en/Bildirim/947936>

9 July 2021 dated Regulatory Disclosure - 2021 2nd Quarter Financial Calendar

Our Company's financial reports for 01.04.2021 – 30.06.2021 accounting period will be disclosed to public on 09.08.2021.

8. SUMMARY FINANCIAL RESULTS

Consolidated Summary P&L Statement

(TL mn)	Q2'20	Q1'21	Q2'21	QoQ Change	YoY Change
Revenue	6,969	7,587	8,181	7.8%	17.4%
Revenue (Exc. IFRIC 12)	6,369	7,222	7,577	4.9%	19.0%
EBITDA	3,237	3,803	4,022	5.7%	24.3%
<i>Margin</i>	<i>46.4%</i>	<i>50.1%</i>	<i>49.2%</i>		
Depreciation and Amortisation	(1,303)	(1,452)	(1,519)	4.6%	16.6%
Operating Profit^(a)	1,934	2,351	2,502	6.4%	29.4%
<i>Margin</i>	<i>27.7%</i>	<i>31.0%</i>	<i>30.6%</i>		
Financial Income / (Expense)^(b)	(703)	(661)	(893)	35.1%	27.0%
FX & Hedging Gain / (Loss)	(127)	(189)	(408)	116.0%	222.3%
Interest Income / (Expense)	(509)	(410)	(455)	11.0%	(10.7)%
Other Financial Income / (Expense)	(68)	(62)	(30)	(51.5)%	(55.4)%
Tax Income / (Expense)	(250)	(334)	(337)	0.7%	34.6%
Net Income	980	1,356	1,272	(6.1)%	29.8%
<i>Margin</i>	<i>14.1%</i>	<i>17.9%</i>	<i>15.6%</i>		
CAPEX	1,237	1,253	1,407	12.2%	13.7%

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

(b) Net financial income/(expense) includes financial income/(expense) and FX gain/(loss), interest and discount income/(expense) on current accounts excluding bank borrowings which are presented in other operating income/(expenses) on CMB financial statements.

Consolidated Summary Balance Sheet

(TL mn)	30.06.2020	31.03.2021	30.06.2021
Total Assets	41,852	45,350	46,005
Cash and Cash Equivalents	5,183	3,723	4,129
Tangible Assets ^(a)	14,389	16,174	16,191
Intangible Assets	10,866	12,186	12,425
Right of Use Assets	1,416	1,588	1,575
Other Assets ^(b)	9,997	11,679	11,686
Total Equities and Liabilities	41,852	45,350	46,005
Share Capital	3,260	3,260	3,260
Reserves, Retained Earnings and Other Equity Items	7,450	8,035	9,222
Interest Bearing Liabilities ^(c)	22,218	22,154	22,251
<i>Bank Borrowings and Bonds</i>	20,979	20,773	20,864
<i>Lease Liabilities</i>	1,238	1,380	1,387
Other Liabilities ^(d)	8,924	11,901	11,272

(a) Tangible assets include property, building or plant and equipment and investment property.

(b) Major items within other assets are trade receivables, due from related parties, inventories, deferred tax asset and other current assets.

(c) Includes short-term and long-term borrowings and lease obligations.

(d) Major items within other liabilities are deferred tax liability, trade payables, provisions, income tax payable, due to related parties, other current liabilities, provisions for employee termination benefits.

Operational Performance

	Q2'20	Q1'21	Q2'21	QoQ Change	YoY Change
Total Access Lines (mn) ^(a)	15.3	16.4	16.5	0.8%	8.4%
Fixed Voice Subscribers (mn)	10.3	10.6	10.5	(0.5)%	1.8%
Naked Broadband Subscribers (mn)	4.9	5.8	6.0	3.3%	22.1%
Fixed Voice ARPU (TL)	22.0	21.3	21.5	0.9%	(2.0)%
Total Broadband Subscribers (mn)	12.2	13.6	13.8	1.5%	12.9%
Total Fibre Subscribers (mn)	4.8	7.3	8.1	10.2%	67.7%
FTTH/B (mn)	1.9	2.4	2.5	3.6%	32.2%
FTTC (mn)	2.9	4.9	5.6	13.3%	90.3%
Broadband ARPU (TL)	55.5	61.0	63.3	3.8%	14.0%
Total TV Subscribers (mn) ^(b)	3.3	3.1	3.0	(2.0)%	(8.3)%
Tivibu Home (IPTV + DTH) Subscribers (mn)	1.5	1.5	1.5	(1.0)%	(1.9)%
TV ARPU (TL)	19.0	20.8	21.6	3.9%	13.8%
Mobile Total Subscribers (mn)	22.8	23.3	23.4	0.3%	2.4%
Mobile Postpaid Subscribers (mn)	14.1	15.0	15.2	1.3%	7.5%
Mobile Prepaid Subscribers (mn)	8.7	8.3	8.2	(1.6)%	(5.9)%
Mobile Blended ARPU (TL)	34.4	36.4	39.6	8.6%	14.8%
Mobile Postpaid ARPU (TL)	42.7	43.6	46.8	7.3%	9.5%
Mobile Prepaid ARPU (TL)	21.2	23.1	25.4	10.4%	20.2%

(a) Includes PSTN and WLR lines.

(b) Includes IPTV, DTH and Tivibu GO subscribers.