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**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT
ORIGINALLY ISSUED IN TURKISH)**

INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT

**To the Board of Directors of
Netaş Telekomünikasyon A.Ş.**

Report on the Audit of Management's Annual Report in accordance with Independent Auditing Standards

We have audited the annual report of Netaş Telekomünikasyon A.Ş. and its subsidiaries (together will be referred as "the Group" for the period ended 31 December 2015.

Management's Responsibility for the Annual Report

The Group Management is responsible for the preparation and fair presentation of the annual report which is consistent with the consolidated financial statements in accordance with the Article 514 of the Turkish Commercial Code No. 6102 ("TCC") and "Communiqué on Principles of Financial Reporting in Capital Markets" with No.14.1 of the Capital Markets Board ("the Communiqué"), and for such internal control as management determines relevant to the preparation and fair presentation of such annual report.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's annual report based on our audit conducted in accordance with the provisions of the Article 397 of the TCC and the Communiqué. Our audit involves whether the financial information provided in the annual report are fairly presented and consistent with the consolidated financial statements, based on our audit report dated 9 March 2016.

We conducted our audit in accordance with Independent Auditing Standards, which is a part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information provided in the annual report are fairly presented and consistent with the consolidated financial statements.

An audit involves performing procedures to obtain audit evidence about the historical financial information. The procedures selected depend on the auditor's judgment.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Member of Deloitte Touche Tohmatsu Limited

Opinion

In our opinion, the financial information provided in the Management's annual report, in all material respects, are fairly presented and consistent with the audited consolidated financial statements.

Other Legal and Regulatory Requirements

In accordance with paragraph three of the Article 402 of the TCC, nothing significant has come to our attention that may cause us to believe that the Company may not continue its activities for the foreseeable future in accordance with Independent Auditing Standard 570 "Going Concern".

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Hakan Erten, SMMM
Partner

İstanbul, 9 March 2016

NETAS
2015
Annual Report

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Introduction by Chairman of the Board

Dear Shareholders,

As the Chairman, I proudly inform you on behalf of the Board that we have successfully realized our 2015 objectives. Enclosed you can find Netaş Telekomünikasyon A.Ş. ("Netaş" or the "Company") Board Activity Report and Financial Tables for the year 2015.

In 2015, the Turkish economy was impacted by adverse geopolitical tensions in the Middle East and the political uncertainties due to consecutive elections while growth in the world economy was significantly repressed by the global economic and political conjuncture. Additionally, circumstances such as the devaluation of the Turkish lira, and the increasing unemployment rate in Turkey also weighed on growth expectations.

Despite such negative conditions that directly affected the business world, in 2015 Netaş continued to execute through determined and effective strategies. The company recorded a yearly revenue growth of 10% in value (USD) exceeding the expectations, and increased EBITDA margins to 7% from 5%. Orders on hand increased by 39% reaching 652 million Turkish lira, and ensured a strong financial structure for the future. 2015 has been a year of successful completion of businesses including multi-component, complex and large-scale systems integration projects such as the Smart Stadium for the Turkish Football Federation, and Disaster Management and Decision Support System (AYDES) for the Turkish Prime Ministry Disaster and Emergency Management Authority.

We embarked on 2015 with the goals of performing growth in sales revenues with orders booked, increasing EBITDA margins, and reducing the net debt amount. We observe that we have successfully attained our objectives by the end of the year. Orders booked and sales revenues, both exceeding the threshold of 1 billion Turkish lira, have reached 1.075 million Turkish lira and 1.009 million Turkish lira, respectively. The growth in orders booked is 29% and the sales revenues is 36% year-over-year. EBITDA increased by 87% to 73 million Turkish lira from 39 million Turkish lira. Net debt was reduced by 25 million Turkish lira.

One of the main factors of Netaş's successful performance is the experienced, highly skilled and dynamic human resources. At the end of 2014, we implemented a new organizational structure based on a "business unit" approach to increase response time and flexibility to our customer requirements. This structure played a crucial role in the results obtained in 2015, on increasing our customer focus and creating a productive basis to ensure services are delivered more efficiently.

In the R&D field, the local development of the 4.5G (LTE-A) base station continued simultaneously in par with the global pratice within the scope of ULAK project. One of the most remarkable incidents of the past year was the launch of our `Nova' product family that was designed in our laboratories for the Cyber Security market, which is expected to grow 10.3% between 2014 and 2019 and reach $155 billion globally. On the other hand, we took pride in the Turkish Ministry of Science, Industry and Technology's awarding Netaş as the "Leading R&D Center" in its field for the third year in a row, and once again the "Software Export" champion.

The share of exports in total revenues was recorded as 19% thanks to the success of our international operations. We expanded our presence in Algeria and Kazakhstan through representatives and establishment of new companies, and in addition to the projects in these countries, we engaged in intensive activities so as to offer end-to-end value added solutions and managed services for the telecom operators, public entities and construction companies in North Africa and Asia.

Dear Shareholders,

On behalf of the Board, I sincerely thank our management team and employees for their diligence and our shareholders for their continuous support, in making 2015 a very successful year for our company.

Best Regards,

David Arthur Walsh

Chairman of the Board

Interview with the CEO

Dear Shareholders,

As Turkey's number 1 systems integrator with 49 years experience, Netaş continues to be the pioneering and leading company with a customer-focused innovative approach.

In this respect, we keep on focusing on our country's needs and bring the latest innovations in technology to Turkey. We develop local solutions at our new-generation R&D Center which comprises over 750 engineers, and take part in national and international projects to contribute to our country. As a dynamic company, we establish close relations with universities and support the young generation through various programs.

Today, large corporations carry the characteristics of being `a platform`. Within this context, we are creating an environment that enables the young entrepreneurs to develop technology via "Netaş as a platform" structure, and mentoring to create the opportunity to expand into the global marketplace. We are eco-conscious in the technology solutions we develop and the solutions we offer.

We successfully asserted our number one position in the market in 2015. We achieved our financial targets and improved our workforce to better serve our customers. Moreover, we are continuing to pursue best-of-breed technologies, implement organizational transformations and invest in our workforce via training sessions exceeding 20,000 hours.

We are an innovative, customer-oriented company.

Thanks to its end to end solutions in ICT, Netaş is a pioneering and leading company in the field of systems integration in domestic and international markets. We owe our pioneering spirit and leading position to our customer-focused innovative approach. We began our journey to serve the telecommunications sector in 1967, and then deepened our operations in vertical industries such as public safety, finance, energy, government, education and sports while implementing large-scale transformational projects.

Nowadays, many companies benefit from "cloud computing" that indicates information and communication services provided over common resources. Within this era of transition to the "cloud", we are investing in value-added services with "cloud" oriented mobile broadband technologies in accordance with our customer-focused strategy.

We are the company that offer locally developed solutions within transformational projects.

We concentrate on the needs of our country, and strive in our efforts to bring the latest technologies to Turkey. Accordingly, we have implemented many large-scale projects in 2015. One of these is the ULAK project.

Under the scope of ULAK project, we developed the "Mobile and Wireless Broadband Access Technology" from scratch in collaboration with Aselsan and Argela. We fully developed the baseband unit of the 4.5G product locally at Netaş. As well as creating a new market in Turkey, the project will help Turkish companies to position themselves as global brands via overseas exports.

The locally evolved 4.5G base station (ULAK) is being developed using the LTE-Advanced technology that will be in use for the next 20 years. We seize this project as an opportunity to keep a large portion of the billions of US Dollars within Turkey than spending abroad, as was the case in 2G and 3G.

Anticipating that cloud computing technologies would be bringing significant security concerns four years ago, we locally developed our home-grown cyber security solutions portfolio. We launched this portfolio under the `Nova` brand in April 2015, entailing products such as the Nova V-Gate (VoIP Firewall) that ensures security in voice and video communications over the internet, the Nova V-Spy (VoIP Security Vulnerability Analysis Tool), and the Nova MSP (Media Security Platform).

We are the company that focuses on digitalization.

We are leading the digital transformation of Turkey as a company that focuses on the needs of the country while offering state-of-the-art flexible solutions.

Digitalization is a crucial concept, rated as the first or second agenda item by the CEOs of the world's leading companies. We aim to be the leader and forerunner in this field in Turkey. In order to ignite the digitalization process at our own company, we assigned a leader to champion this initiative. We are working at full speed. We are proud to support the digital transformation of c.1,500 companies in Turkey with whom we currently work.

We are the leading company contributing to the digital transformation of Turkey.

We established the integration of 110 distance learning classes (founded for teachers to learn and adopt use of technology in classrooms) under the FATİH project. FATIH project is a significant step in terms of the digitalization of education and improvement of technologies in schools in our country. Currently, we are implementing the 2nd Phase Local Area Network installation of smart classrooms.

Under the Disaster Management Decision Support System (AYDES) project that we operate in coordination with the Turkish Prime Ministry Directorate of Disaster and Emergency Management (AFAD), we locally created the decision support system based on geographical information that monitors all phases of disaster management in the electronic environment.

We established the e-government system of the Turkish Republic of Northern Cyprus (TRNC), and developed the application software of TUBİTAK that integrate with the e-identification system from scratch for the digitalization of TRNC's civil registration systems. We placed kiosks in 86 locations throughout Turkey, particularly at hubs such as airports and bus stations, in order to facilitate the e-government portal access for the citizens.

We established the e-ticket infrastructure of 32 stadiums within Turkey's first Smart Stadium project for the Turkish Football Federation.

We can read and monitor almost 21,000 meters remotely thanks to the "Automated Meter Reading System" (AMR) we developed for AYDEM Elektrik Dağıtım Company. We are implementing fixedline and wireless communications, GSM-R, SDH transmission, telephone, passenger information and announcement system projects along many sections of the Turkish Railways High-Speed Rail lines.

We are a company that inspires the youth.

Our main objective and approach is,"Ensuring our customers that they have state-of-the-art technologies affordably and simultaneously, in par with the rest of the world". In this respect, we engage in many activities that focus on the youth.

Particularly, we work with universities as part of our university-industry collaboration, and leverage academic knowledge and know-how in our R&D projects. We conduct researches on various subjects, and thus generate a higher number of patent applications by consequently creating distinctive solutions.

We support the scientific development and researches of young engineers who choose to begin their careers at Netaş, through the "BAU-Netaş Techno Academy" project launched in 2015. We use this opportunity to share the requirements of modern engineering with Netaş employees.

We help junior and senior grade students in various universities gain experience in business life before they start through the Netaş Coop Program (Long-term Internship Program) launched in June 2014. Within this program, we provide internships to an average of 150 students every year.

We established the Netaş Wesley Clover Technology Fund (NWCTF) to promote high added-value technology projects in order to contribute to Turkey's entrepreneurship in technology. This fund was inducted in 2015, collaboratively with TRPE Capital and Wesley Clover, owned by the Canadian investor, Sir Terrence H. Matthews. Our approach is not only offering new technology development opportunities for the youth with this fund but also aiming to act as mentors. The Fund provides the opportunity to expand into international markets, and creates a platform to achieve long-term targets easier. The seven companies founded within the scope of the Fund are advancing with steady steps in accordance with this purpose.

We are an eco-conscious company.

Due to our nature-awareness and responsibility for the future generations, we launched "Netaş Healing Forest" project in collaboration with the Ministry of Forests and Water Affairs General Directorate of Forestry and the Provincial Directorate of Forestry of Istanbul. The project will contribute to the country's ecosystem. Covering an area of 10-hectares in Gaziköy, in Şarköy - Tekirdağ, the first saplings of the Netaş Healing Forest were planted in December 2015. Over 16,000 saplings are planned to be planted under the project that aims to protect and enhance medicinal aromatic plants, and build an additional source of income for the villagers besides wood-chopping. The Netaş Healing Forest comprises various medicinal aromatic plants such as rosemary, lavender, sage and thyme, and fruit trees such as chestnut, walnut, almond, and sour cherry.

We are a global technology company.

We contributed to many global-scale transformational technology projects in order to become a leading company not just in Turkey but also in the region.

We operate in Bangladesh, Kazakhstan, Uzbekistan and Turkmenistan, and most notably in Algeria, North Africa. Our target territories are Africa, the Central Asian Republics, and Bangladesh. Leveraging our high-technology expertise gained in Turkey, we offer end-to-end value added solutions that include technology consultancy and post-sales support to our target markets.

Our foreign operations continue to grow every year. We had a successful year in terms of exports in 2015 with 20% increase in exports and we will bolster our efforts to increase this figure to 25% within the next three years.

Our agenda includes digital transformation, cloud computing and business intelligence.

We emphasize the significance of Cloud computing as one of the latest technologies on every occasion. The proliferation of cloud technology use has great importance in terms of digital transformation. The two topics that stand out in regards to the cloud concept are the rapid increase of data, and the growing need for data centers. Accordingly, we implemented our end-to-end data center solutions to more than 10 large-sized establishments and to over 100 locations in Turkey in 2015.

One of the most crucial targets of our company in 2016 will be to move its customers to the cloud, to create meaningful business input by analyzing the intensive data that is on the cloud, and to ensure the security of the information in the cloud environment.

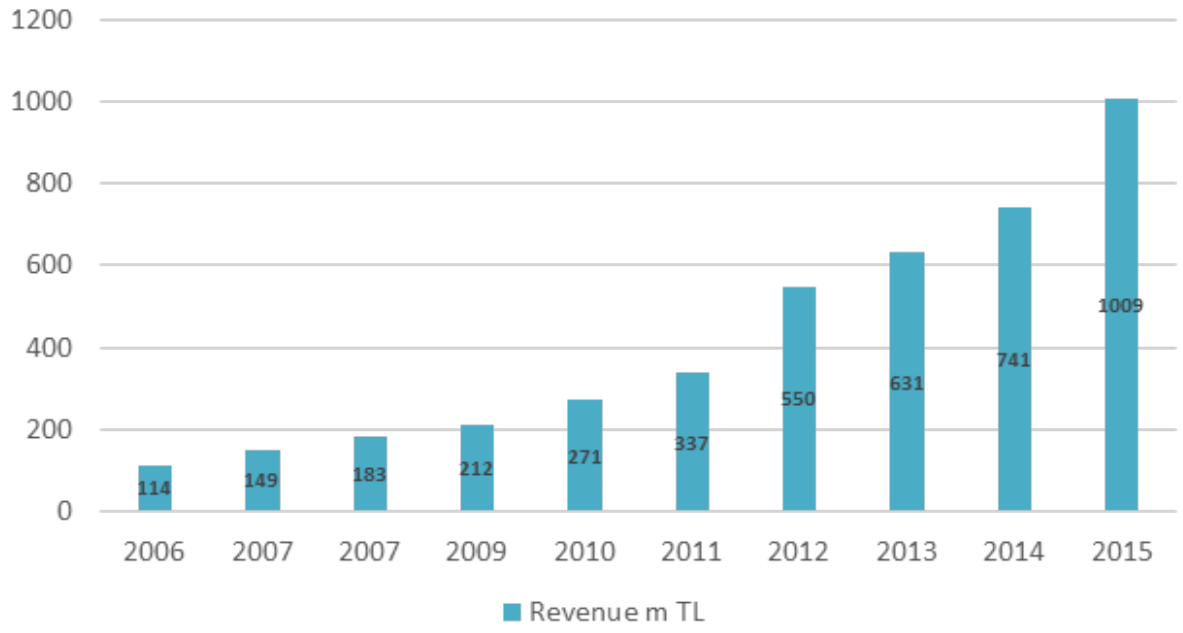
NETAS AT A GLANCE

Key Financial & Operational Indicators

2014: TL 741 million
2015: TL 1,009 million
36%: Increase in sales revenue
87%: Increase in EBITDA
37%: Gross profit margin
183%: Increase in profit for the period
39%: Increase in registered orders

Rapid growth

Our rapid growth in the last ten years has helped us grow steadily in Turkey and the region.



Solutions for more than 200 global operators

New generation software solutions developed for broadband are exported to more than 200 global operators (Verizon, AT&T, BellAlliant, América Móvil, Embratel, Telefónica, GVT, British Telecom, Orange, Zain, Telstra, etc.) in North America, Europe and Asia.

NETAŞ, A Company with Strong International Presence

Offering end-to-end value added solutions and controllable services for telecommunication operators, public entities and construction industry in Algeria, Bangladesh, Pakistan, Kazakhstan, Uzbekistan, Turkmenistan and Saudi Arabia.

Netas accomplishements in the Region;

Establishments of **digital transformation** in Algeria, Kazakhstan and Malta, Establishment of **telecommunication network systems** in Kazakhstan, Uzbekistan, Azerbaijan and Nepal, Establishment of more than 80% of the **fiber optic network** in Bangladesh from 1999 up to date, and provision of similar services to new operators,

Completion of **technology transfer** to Algeria.

Exporting of software products through multinational vendors mainly to operators in North America but also to Europe, Asia-Pacific, and South America.

Accolades in 2015

“Partner of the Year”, “Service Provider Project of the Year” and **“Public Sector Project of the Year”** prizes at the Cisco Turkey Business Partners Summit.

The top prize from BT Haber Yayıncılık in the 16th “ICT 500 - Top 500 ICT Company” survey. Netaş ranked #1 in the following categories: **“Network Hardware of the Year,” “Software Export of the Year,”** and **“Systems Integrator and Hardware of the Year.”**

Selected as the **“Most successful R&D Center in telecommunications business”** and the top prize in **“R&D Employment”** in 2014 by the Ministry of Science, Industry and Technology at the 4th Private Sector R&D Centers Summit.

“Highest Volume of Investment in the Expertise of the Year” and the **“Fastest-growing Business Partner in Server Business of the Year”** awards by HP.

“Excellence Ambassador” award at the 24th Quality Congress Honorary Ceremony themed **“Maintaining Excellence”** by the Turkish Quality Association. Netaş has also been awarded by the Turkey Excellence Grand Prix in 1995.

Milestones

1967

- Establishment of Netas under the partnership agreement between PTT and Northern Electric.
- 51 percent of shares owned by Northern Electric and 49 percent by PTT.
- Capacity at the time of establishment was 40,000 lines.

1969

- Commissioning of the factory.

1970

- First exports to Lebanon.
- 500 automatic telephone units were exported.

1971

- Number of employees reaches 1,000.

1973

- Establishment of Turkey's first private sector R&D in telecom business.
- Manufacturing of exchanges and telephone units by Netas helps save more than TL 100 million equivalent of foreign currency.

1975

- Annual production capacity: 190,000 telephones, 160,000 lines

1976

First automatic long distance call between subscribers.

1977

- Commissioning of the 500,000th line in Ankara.

1978

- First exports to Ireland and Canada.

1979

- First automatic international call.
- Production of the 1 millionth telephone unit.

1981

- Commissioning of the 1 millionth telephone line.

1982

- Development of the first electronic exchange of Turkey: “SpaceNet.”
- Designing of Turkey’s first rural exchange.

1983

- Transition of Netas to digital technologies.
- Establishment of Printed Circuit Board plant.

1984

- DMS 10, the first digital exchange of Turkey is manufactured**.**
- Introduction of Efes touch-tone telephone.
- DMS 200, the first long distance digital exchange of Turkey commissioned in Tahtakale, followed by Ankara.

1985

- Number of active lines exceeds 2 million.

1986

- Establishment of Netas Training Center featuring computer aided training facilities and modern test devices.

1987

- Turkey steps into a fully digital communications era.
- Number of lines delivered to PTT exceeds 3.5 millions

1989

- Digital design ownership of digital DMS 100i product.
- Dicle (DRX-4), the first digital rural exchange is designed, developed and commissioned in Yalova and Istanbul.

1990

- Production of the 1.5 millionth DMS line.
- Expansion of exports territory: Soviet Union, Azerbaijan, Nigeria, Turkish Republic of Northern Cyprus and Canada.

1991

- Netas establishes the data network to be used within the scope of interbank Electronic Fund Transfer (EFT) project.
- The biggest R&D department in the private sector - 200 employees.

1992

- NATO AQAP-110 quality certification.
- Start of multiplexer production for transmission network.

1993

- Netas was entrusted the worldwide development and software control responsibilities of the digital DMS 100i
- ISO 9001 quality assurance system certification from Turkish Standards Institution
- 29% of Netas shares are traded in Istanbul Stock Exchange.

1994

- Design of the first ASIC

1995

- Start of production for the first project for the Turkish Air Force: Identification Friend-or-Foe System
- Commissioning of the 1 millionth PABX line.

1996

- European Quality Achievement Award.
- Start of production of TASMUS (Tactical Area Communications System) for Turkish Land Forces.

1997

- Netas became the first Turkish company to receive ISO 14001 environmental certificate in information technologies field.

1998

- European Quality Achievement Award
- Software exports total USD 10 million.

2000

- Netas signs contract for the sale and delivery of SDH transmission products.
- Growth in Russia, Morocco, Bangladesh and Kazakhstan by 40% more than the previous year.

2001

- Acting as the largest supplier of telecommunications equipment infrastructure in Turkey, Netas manufactured carrier class optic and data network equipment worth USD 70 million.

2002

- Commissioning of the state-of-the-art optic system for Türk Telekom. The system's SDH optic network is capable of data transmission at 10GB/s.
- Signing of Aycell GSM 1800 mobile telecommunication network contract worth USD 145 million. 400 base stations installed in 35 cities.
- Establishment of fiber optic transmission network for local and central data/voice traffic of TEIAS.
- R&D program of Nortel Networks focusing on international switching is fully entrusted to Netas.

2003

- Signing of a USD 40 million contract for the modernization of Türk Telekom's fixed line network.

2004

- Start of modernization and expansion projects for TURPAK and TSDNet data networks.
- TN-1XE, a domestic product, introduced in transmission infrastructure of Türk Telekom.

2005

- New generation exchange-soft switch installed as an international exchange in Türk Telekom network.

2006

- More projects in defense communications: New patrol boat, MILGEM, search and rescue boat projects.
- Two separate transmission projects completed and commissioned in Bangladesh.

2007

- Nortel Global High Technology Development and Solution Center established: 800 R&D engineers working for the development of new generation communication networks.
- "Software Export Champions" of Turkey

2008

- "R&D Center" status granted within the scope of the law.
- "Software Export Champions" of Turkey.

2009

- Began developing third generation (3G) mobile core technologies.

2010

- Software Export Champions" of Turkey.
- OEP RHEA Türkiye Teknoloji BV acquires 53.13% of Nortel shares.
- Partnership and R&D cooperation contracts signed with global technology giants such as Genband, Avaya, Ciena, Kapsch and CarrierCom.

2011

- Acquisition of Probil.
- Named as the first Cisco Cloud Infrastructure Provider of Turkey.
- "Microsoft - Enterprise Sales Partner of the Year" award.
- Continuing growth of Strategic Partnership Network with the participation of global technology companies such as Microsoft, Cisco, HP, Motorola, Oracle, Fujitsu, Hitachi and Mitel.

2012

- Development of Turkey's first "4G - LTE / Mobile and Fixed Wireless Broadband Access Technology".
- Design and development of "Through the Wall Imaging System" based on ultra broadband radar technology.
- E-census system commissioned in Turkish Republic of Northern Cyprus.
- The Biggest Voice and Video Network Project of Turkey: Contract with the Ministry of Justice for Voice and Video IT System interconnecting courts and prisons.
- 110 Smart Classrooms project with the Ministry of Education, implementation of smart classroom concept in 110 classrooms nationwide, enabling centralized training facility for teachers.
- Netas named as "Genband R&D Center of Excellence
- Selected as the "Most successful R&D Center in telecommunications business" by the Ministry of Science, Industry and Technology.
- Netas Kazakhstan office established.

2013

- Growing stronger with the acquisition of 10% Group A shares of Kron. Celebrating the 40th Anniversary in R&D, Netas moved to the new technology base in Kurtköy.
- Awarded as the "Best Global Partner in Enterprise Business" by Cisco.
- Awarded the contract for the Fourth Generation (4G) Communications Technology Development Project (ULAK) for Military, Public Security andCivilian Applications under the leadership of the Undersecretary for Defense Industries.
- Netas increased Aydem's productivity through the Automatic Meter Reading System Project.
- Establishment of technology infrastructure for Odeabank.
- Finance Sector's Biggest Project for Cloud Transition - Netas moved all branches of Akbank to cloud.
- Implementation of Network, IP Telephone and Call Center Project covering all branches and ATMs of Ziraat Bank.
- First smart stadium project of Turkey - Establishment of e-ticket infrastructure for 31 stadiums within the scope of Smart Stadium project awarded by Turkish Football Federation.
- Selected as the "Most successful R&D Center in the telecommunications business" in 2013 by the Ministry of Science, Industry and Technology.
- The Turkish Patent Institute published the list of "Companies with the Highest Number of National Patent Applications in 2013" and Netas was ranked 2nd in the telecommunications industry and 7th in Turkey with 34 patent applications.
- Became the highest growing company in the Turkish information technologies industry.
- Given "The Turkish Systems Integrator Partner of the Year" award by Microsoft.

2014

- A first in the history of technology exports of Turkey. Digital Field Exchange, which was developed and manufactured by Netas for 10 years and exported to Canada.

- Signed a fi veyear contract for the improvement of 2G and 3G transmission infrastructure of and delivery of radio frequency (RF) optimization solutions for ATM Mobilis, an Algerian mobile operator.
- Signed a contract with Bangladesh's national service provider BTCL (Bangladesh Telecommunications Company Ltd.) for capacity upgrade of national transmission backbone and renewal of devices and software.
- Signed a contract with Ucell, mobile operator of Uzbekistan, for the nationwide completion of IP-based infrastructure.
- Established network infrastructure for the new Primary Data Center (BVM) of the Istanbul Stock Exchange.
- Signed a contract for the delivery of radio and wire communications in the Haydarpasa-Gebze-Köseköy section of Marmaray and Ankara-Istanbul High-Speed Rail Line.
- Applied for 35 patents.

2015

- With the assistance and guidance of the Undersecretariat for Defense Industries (SSM), the Fourth Generation (4G) Communications Technology Development Project's product (ULAK), locally developed by Turkish engineers.
- Under the FATIH Project, "2nd Phase Local Area Network Installation Work" including infrastructure installation for schools awarded to Netas by the Turkish Ministry of Education.
- The third place award in the Service industry Category at the 9th "Export All Stars 2014" organized by the Istanbul Mineral and Metals Exporters' Association.
- The top prize by BT Haber Yayıncılık in the 16th "ICT 500 - Top 500 ICT Company" survey. Netaş was awarded in the following categories: "Network Hardware of the Year," "Software Export of the Year," and "Systems Integrator and Hardware of the Year."
- In collaboration with Wesley Clover, owned by the Canadian investor, Sir Terrence H. Matthews, there are 7 companies within the Netaş Wesley Clover Technology Fund (NWCTF) where the investment in start-up companies and entrepreneurs takes place, as well as promoting high value-added technology projects.
- Two top prizes at the 4th Private Sector R&D Centers Summit organized by the Ministry of Science, Industry and Technology. The top prize in the "R&D Employment" field in addition to the "Most Successful R&D Center in the Telecommunications Industry in 2014."
- Launching the "Netaş Healing Forest" project in collaboration with the Ministry of Forests and Water Affairs, General Directorate of Forestry and the Provincial Directorate of Forestry of Istanbul. This project aimed to protect and enhance medicinal aromatic plants, and build an additional source of income for the villagers besides wood-chopping. The project has been implemented on a 10-hectare field in Gaziköy, a village in Şarköy/Tekirdağ.
- "Highest Volume of Investment in the Expertise of the Year" and the "Fastest-growing Business Partner in Server Business of the Year" awards by HP.
- Launched Turkey's first locally developed cyber security solutions under NOVA brand; Nova Cyber Security Solutions to ensure safety in online audio and video talks for VoIP and multimedia technologies.
- 71 patent applications in 2015.

CORPORATE PROFILE

Fields of Activity

"*We are the leader in digital transformation in Turkey and in the region as Turkey's and the region's number 1 systems integrator operating at global standards while dominating the local market."*

Turkey's Leading ICT Brand

We provide end-to-end value-added solutions, systems integration, and technology services to service providers and to industries in national and international markets with the same innovative approach that we deliver in ICT (information and communication technologies). In line with our vision "to become number 1 systems integrators of Turkey and the region by working under global standards and dominant in the local market", we continue our endeavors in information technology thanks to our 49 years of hands-on experience in the industry, with the contributions from our state-of-the-art R&D division.

We undertake large-scale customized projects for the communications infrastructures of the leading banks of the country, while focusing on the finance, telecommunications service providers, energy, education, sports and health care. Netaş offers networking, security, integrated communications, virtualization, cloud computing, defense technologies, public security, broadband mobile access, optical and carrier Ethernet, GSM-R, IT integration services, strategic outsourcing, and customized software development solutions. Furthermore, BDH (IT Support Services) a wholly-owned subsidiary of Netaş, offers consulting, strategic outsourcing, hardware and support services to small-scale companies, large enterprises and public institutions with its experienced and certified service team of IT experts, with expertise in different segments of information technology.

Pioneering Digital Transformation in Turkey

We are involved in every project developed to move Turkey ahead in terms of smart technologies. In particular, smart cities, buildings, and stadiums as well as many projects that cover e-identity, e-government applications, and disaster management processes bear our hallmark.

We plan to continue successfully to undertake projects that are aimed at safeguarding our future, and endeavor to become a regional systems integrator. We are working on globally competitive and potential global leader solutions with the hands-on experience of our Turkish engineers at our R&D center. We contribute to the improvement of the country's economy and to the globalization of its companies with our patent applications for the planned, ongoing projects and products in wired and wireless communications, cyber security, defense, multimedia, VoIP, IOT technologies. We modernize public institutions and corporations with our software services in a wide range of fields including finance and mobile communications.

Customer Profile

Telecom

*Providing services to major **telecom service providers** including alternate **operators**. Also serving major operators in the **CIS, North Africa and Bangladesh.***

Public

*ICT provider to the Turkish **government & public safety ecosystem**; largest share in major public ICT projects. Strong footprint outside **Turkey**, including contracts with the **Algerian Ministry of National Defense.***

Finance

*Addressing 95% of the IT infrastructure within the major **banks & financial institutions**; largest banks' branches being served nationwide.*

Sports & Entertainment

*Executed the first **smart stadium** project for Turkish Football Federation.*

Energy

*Designing and delivering ICT solutions for the top **energy companies.***

Retail & FMCG

*70% share within the ICT infrastructure of **other verticals** and Turkey's top **conglomerates.***

Discover Netaş

Networking Solutions
Sustainability and improvement of an efficient network infrastructure is much easier with comprehensive Netas solutions.

ICT Security Solutions
Netas delivers secure and seamless over next generation ICT Security Solutions to meet customer requirements.

Cloud Solutions
Netas Cloud Solutions enables customers to use and manage data efficiently while reducing operational expenditures.

Internet of Things (IoT)
Netas IoT communication solutions help sustain and grow efficiencies in productivity.

Maintenance and Support Services
Netas provides integrated and innovative services for its costumers so they can focus on their core business.

Custom R&D for Enterprises and Service Providers
Netas not only provides products and applications, but also delivers consultancy services to its customers around, next generation technologies.

Vision and Values

Our Vision

Becoming Turkey's and Region's #1 systems integrator working as per global standards.

Our Main Values

- Customers are the driving force
- People are our strength
- Quality is in every aspect
- Innovation fuels our future
- Accountability and integrity underpins everything

Our Quality Policy

To constantly improve and ensure the sustainability of our data-based quality management system established in compliance with international standards and aimed at achieving "Excellence" in order to create maximum value for our customers in line with our vision. It is the responsibility of all Group employees to achieve "Excellence" through constant improvement.

Subsidiaries and Affiliates

Probil

The ever increasing global competition and shifting the focus from product to customer focus solutions mandate companies to always keep up with the IT technologies and use the technology more effectively. Probil has been providing a wide range of services in the international markets from industrial solutions to business solutions, systems integration, outsourcing, care and maintenance services, network solutions and consultancy since 1989.

BDH

BDH offers brand-independent consultancy, strategic outsourcing, hardware and support services in IT field to a wide range of customers from small scaled companies to enterprises and public institutions. With a service team of experienced and certified specialists in different IT fields, the company has a single point of access to its customers in Turkey.

BDH operates with 36 branches and 46 partners in different cities of Turkey. Centers located in Istanbul, Ankara, Izmir, Bursa and Samsun offer hardware support for all kinds of IT products from servers and storage units to hand-held devices and printers.

NETAŞ Telecom LLP

"Netas Telecom LLP" is founded in Almaty, Kazakhstan in 2012. The company is fully owned by Netaş. The Company operates in line with Netaş's vision "To Become the Regional Systems Integrator".

Netaş Telecommunication Malta

A fully-owned subsidiary is established in Malta with an initial capital of € 1,200 for the purpose of improving the operational effectiveness, and registered with the name of Netaş Telecommunications Malta Ltd in 4 November 2014.

Kron

Kron Telekomünikasyon Hizmetleri A.Ş. is a company that produces software solutions for national and regional telecom operators and service providers. Netaş acquired Group A shares of the company in 2013 in line with the strategic growth goal and the purpose of offering innovative solutions to its customers.

Having strengthened its capabilities in the field of systems integration with the acquisition of Kron, a company that develops customized solutions and products, Netaş now provides a wider range of end-to-end solutions to its customers in Turkey and in the region.

Capital and Shareholding Structure

Capital structure of Netaş as of 31 December 2015 is as follows:

Shareholder	No of Shares (TL)	Share %
OEP TURKEY TECH B.V.	31.162.569,63	48,04
Turkish Armed Forces Foundation	9.729.720,00	15
Public Shares	23.972.510,37	36,96
Total	**64.864.800,00**	**100**

As of 31 December 2015, OEP Turkey Tech B.V. represents 48,04of the total shares with 23.351.328 Type A shares and 7.811.242 Type B shares.

Privileges for Certain Share Groups

Company shares are divided to two groups of registered shares. Division of shares to two groups does not grant any privileges to Group A and B shares other than those specified in articles 9 and 15 of the Articles of Association.

Article 9 of the Articles of Association states that the quorum for the Ordinary and Extraordinary General Assembly Meetings is as defined in the relevant provisions of Turkish Commercial Code and Capital Market Legislation. However, decisions on making amendments to Articles of Association require approval of at least half (1/2) of the Group A shareholders.

Article 15 of Articles of Association states that the Board of Directors consists of 7 (seven) members to be selected by the Grand Assembly for a tenure of 3 (three) years. 4 (four) of the members will be selected among the candidates to be nominated by Group A shareholders, and 3 (three) of the members will be selected among the candidates to be nominated by Group B shareholders, 2 (two) of which will be selected among the candidates to be nominated by OEP Turkey Tech B.V., 1 (one) of which will be selected among the candidates to be nominated by Turkish Armed Forces Foundation.

MANAGEMENT

Board of Directors

David Arthur Walsh: Chairman
M. Cumhur Özdemir: Vice Chairman
Joseph Patrick Huffsmith: Board Member
Memet Yazıcı: Board Member
Andrew Glover Dunn: Board Member
Alpaslan Korkmaz: Board Member (Independent)
Emre Şehsuvaroğlu: Board Member (Independent)

The Board of Directors has established three committees: Corporate Governance Committee, Auditing Committee and Committee for the Early Identification of Risks. Corporate Governance Committee consists of a chairman and four members, Auditing Committee consists of two Independent Board Members, and Committee for the Early Identification of Risks consists of one independent member and two members.

Chairman of Corporate Governance Committee is Alpaslan Korkmaz and members are David A. Walsh, M. Cumhur Özdemir and Memet Yazıcı and Pınar Beyzatlar Güvener. *(*) Pınar Beyzatlar Güvener has been replaced by Tuba Bektaş.*

Chairman of Auditing Committee is Emre Şehsuvaroğlu and the member is Alparslan Korkmaz.

Chairman of Committee for the Early Identification of Risks is Alpaslan Korkmaz (the independent member) and members are Joseph Patrick Huffsmith and M. Cumhur Özdemir.

Committee meetings are typically held one day before the Board meetings.

Since Nomination Committee and Remuneration Committee required by Corporate Governance Principles are not established due to the structure of the Board of Directors, their duties are assumed by Corporate Governance Committee.

Executive Committee

C. Müjdat Altay: Chief Executive Officer
M. İlker Çalışkan: Chief Financial Officer
Yasemin Akad: Chief People Officer
Selcan T. Taşkıran: Chief Marketing Officer
Kamil Orman: Public and Defense Sector - General Manager
Ali İhsan Kuralkan: International Markets General Manager
M. Ali Tombalak: Enterprise Sector General Manager
Bilgehan Çataloğlu(*): BDH General Manager
Gönül Kamalı: Carrier Networking Technologies R&D Leader
Ömer Aydın: Defence Technologies R&D Leader
Öner Tekin: ICT R&D Leader

(*) Osman Nuri Ertürk has been replaced by Bilgehan Çataloğlu

Financial Benefits Allocated to the Board of Directors and Senior Management

Financial benefits paid and allocated to the Members of the Board of Directors as of the fiscal year that ended by 31 December 2015 is TRY 0.5 million. Financial benefits paid and allocated to the Members of the Board of Directors and Board of Auditors as of the fiscal year that ended by 31 December 2014 was TRY 0.4 million.

There are no Group credits utilized by the Members of the Board of Directors as of 31 December 2015 and 2014.

Financial benefits paid and allocated to the senior managers as of the fiscal year that ended by 31 December 2015 is TRY 5.7 million. Financial benefits paid and allocated to the senior managers as of the fiscal year that ended by 31 December 2014 was TRY 6.3 million.

There are no Group credits utilized by the senior managers of the Group as of 31 December 2015 and 2014. Group pays bonuses and premiums to the senior managers in addition to their remuneration.

R&D

R&D

43 Years of Netas R&D
5,000 Projects
750+ R&D Engineers
25% of R&D Engineers with Graduate Degrees
30 Million Man-Hours
7,000+ in R&D Engineers 43 Years
One of the Top 10 Global VoIP Multimedia Labs
Regional Leader in Digital Signal Processing
100+ Signalling Protocols
Solutions Exported to 80+ Countries
200 Million Lines of Code
Software Solutions for 200+ Global Operators
1000+ Circuit Boards Design
FX Savings Worth $2 Billion via Local Design
Nova Cyber Security
Public Safety Solutions
4G LTE
and more...
netas.com.tr

R&D in 2015

Launching the first private sector R&D unit of our industry, we develop the technologies of the future.

Cyber Security Solutions

We have finalized cyber security solutions and launched under the Nova brand, in just four years thanks to the power of our R&D center employing over 750 engineers. We lead the development and commissioning of national solutions, as it is not possible to secure critical infrastructures and stay up-to-date in the cyber universe without having national products.

Nova V-Gate VoIP Firewall
Nova V-Spy VoIP Vulnerability Analysis

Considering cyber security as an inseparable part of national security, Netaş has developed Nova V-Gate (VoIP Firewall) and Nova V-Spy (VoIP Vulnerability Analysis) cyber security products to ensure the safety of voice over IP (VoIP) communications, utilizing our competency that ranked us among the top 10 labs of the world in VoIP and multimedia technologies. We developed the Nova V-Spy, bearing in mind the principle of "Establishing a safe VoIP infrastructure begins with the identification of vulnerabilities," is a vulnerability assessment tool capable of detecting vulnerabilities of VoIP systems through powerful modular attack scenarios, offering security measures on an extensive systems scorecard and including protocol compatibility and stress assessments. We analyze the safety of VoIP systems, detect and report internal and external vulnerabilities with Nova V-Spy. Nova V-Gate detects and prevents potential attacks to the VoIP systems with in-depth package and behavior analysis

Nova MSP Media Safety Platform

Among the most up-to-date technologies we have developed in this context is the Media Security Platform (MSP) ensuring safe communications over WebRTC technology. With the proliferation of smartphones and increasing interest in Internet-based communication services, users have started to question the security of communications over media and to demand more security. Accordingly, by designing a modular and flexible solution aimed at satisfying the security needs of users, we have developed client-server applications that provide messaging through Internet-based voice and video communications. Working through a Smart Card, the Nova MSP provides safe communication services on standard smartphones.

Netaş Pioneering R&D Eco-System in 2015...

Netaş has designated its vision "to become Turkey's and the region's number 1 systems integrator, operating with global standards" based on 49-years of experience in telecommunication and ICT field. Netaş, operates with 1,149 employees in total including its R&D Center that employs over 750 people, who have a deep insight into the next generation technologies. The company undertakes large-scale projects for the communications infrastructures of the leading banks of the

country, and customized projects for health care, energy and sports industries, while focusing on the finance, education and public safety.

Netaş was awarded for its activities in line with its "National Goal of Making Turkey a regional center for Medium and High Technology and creating a global brand from Turkey". The company has been the export champions four times in the last eight years and awarded with the "Most Successful R&D Center in the Telecommunications Industry" by the Ministry of Science, Industry and Technology. Knowing the importance of a strong R&D Center, we focus on the following six key topics for the purpose of expanding and strengthening the scope of R&D ecosystem:

1. Innovation and New Products
2. International Relations and Cooperations
3. Academic Relations and Cooperations
4. Number of Patents, National and International Statements and Publications
5. Training of Qualified Personnel
6. Cooperating with Technology Entrepreneurs

Innovation and New Products

One of the most important goals of Netaş is to make innovation an integral part of our corporate culture and enrich our product portfolio by adding high-technology value added products that would compete globally. For this purpose, we have organized various innovation events such as the Focus Innovation/Hackathon, and implemented innovative new products like the first 4G LTE Advanced Base Station design in Turkey, products for 4G infrastructure (RCS, AAA, DRA/DRS), one softswitch for 5G network (MEC), and VoIP cyber security product family (NOVA Cyber Security Solutions) projects with certain "path-breaking" capabilities.

Netaş also planned for other projects to become the market leader in vertical industries. The company started R&D activities in IoT technologies via "Smart Electric Meter" project and wants to maintain its activities in this field with "Mine Project" (EU application filed) and "STeM: Secure Transactions and E-Medical Care Project".

It aims to become a prominent and leading company both in domestic and international markets with its hands-on experience in the IoT.

Our R&D project portfolio includes 11 ongoing, 29 newly started, 38 planned and 24 completed big-sized projects for the operating cycle.

Relations and Cooperation with International Vendors & Associations

We have been strengthening and continuing the R&D relations established with multinational companies such as Genband, Kapsch, Ciena and Microsoft and developing products that would integrate with the products of global giants such as Cisco and Avaya.

We have conducted studies within the scope of the European Union (EU) Framework programs for the purpose of increasing our international cooperations, and completed the first application into the 5G network infrastructure call within the scope of H2020 program in consortia with esteemed companies and universities such as IBM, Italtel and Fraunhofer.

We have participated in over 10 international and three national meetings in order to increase the number of EU program applications. We have applied for 18 EU projects (9 H2020, 4 Celtic+, 5 ITEA3) in total via consortias with national/international companies and universities. We, as Netaş, have two projects with funding confirmed in Celtic+ and five projects with pre-application admitted in ITEA3.

There are also 10 project applications pending for review results in EU Framework Programs. We, as Netaş, are also a member of 5G-Networld2020 technology platform and participate in the meetings of NESSI, CELTIC plus technology platforms regularly.

We aim to become a member of Celtic+ Core Group and the ITEA3 board of directors, while maintaining our focus on EU projects.

Academic Relations and Cooperation

Netaş adopts an "open innovation" approach and aims at strengthening its relations with universities with the purpose of gaining a competitive edge and developing projects that compete globally. In 2015, the following actions were taken for this purpose:

- We have taken part in the selection committee of BiGG-SEA (Sabancı Inovent, Ege University ideEGE-TGB and Adana ÜSAM) as the official executive authority for the 1512 Entrepreneurship Incentive Program by TUBITAK. We have contributed to the assessment of projectof individual young entrepreneurs.
- We have signed and currently maintain framework agreements with Boğaziçi, METU, ITU, Yıldız Teknik, Koç, Sabancı, Bahçeşehir, Yeditepe, Gazi, Özyeğin and Gebze Technical Universities for the purpose of improving university-industry cooperation, institutionalizing the relations and mutually determining projects that would be carried out together. We are still in the negotiation phase with Istanbul Commerce and Kocaeli Universities.
- We have completed the third semester in the postgraduate program with Bahçeşehir University within the scope of "BAU-Netaş Techno Academy". Another postgraduate program that we have been conducting with Yeditepe University is still active.
- We are conducting various activities for the purpose of supporting the education of university students who attend studies that relate to our business. For this purpose we grant short-term internships to 83 students, long-term internships to 97 students, scholarships to 22 students, and Ph.D. dissertation support to 4 students.
- Netaş experts currently lecture in 13 different courses at Boğaziçi, Bahçeşehir, Okan and Işık universities in order to share their insight and experience with üniversities. We contribute to classes and conduct seminars upon invitation from various universities.
- We currently conduct 8 San-Tez (Industry-Thesis) Projects with 6 universities. We are still evaluating one new San-Tez application.
- A total of 112 employees are currently continuing their education. 94 of them are at the postgraduate and 18 of them are at the Ph.D. level.
- We receive academic consultancy services from universities for 25 ongoing projects. We are planning to receive a similar service in the near future for our seven planned and ongoing projects.

Number of Patents, National and International Statements and Publications

With the purpose of offering value added innovative products globally, our Group ensures that our ideas are registered and protected, and our works are shared in scientific platforms.

We use patents and brand protection measures in order to protect intellectual property of our innovative ideas. The number of our patent applications was 32 in the year 2013, increased to 35 in the year 2014, and to 71 (68 domestic and three international applications) in 2015.

The study conducted by Netaş researchers, is shared through scientific papers and publications in order to become a nationally and internationally recognized R&D Center. The number of journal papers and scientific publications of Netaş increased to 33 (18 of which are international) including 6 journal papers and 27 scientific publications in the year 2015, and 5 of our scientific papers are admitted and pending journal publication.

Training of Qualified Personnel

We, as Netaş, know that becoming a globally successful R&D Center, requires innovative employees who are competent, specialized, open to learning and continually developing themselves. One of the most important aspects of our R&D ecosystem is "qualified personnel." It is our common practice to motivate our R&D researchers for self-development and provide them with an environment where they can initiate.

For this purpose, we conduct joint postgraduate and Ph.D. programs with universities, cover all expenses of researchers, related to publications and papers, offer internal and external training sessions and with flexible working hours in a manner to support the education of researchers. 15% of Netaş' researchers currently continue their postgraduate and Ph.D. education.

We have been awarded with the "Best R&D Employment" by the Ministry of Science, Industry and Technology for our emphasis on the quality of employment and activities in this direction.

One of the key factors behind Netaş's being considered as an "institution", is sharing our own trained and qualified personnel with the industry. Drawing strength from 43 years of R&D experience, more than 7,000 researchers, who embraced the Netaş culture and experience, currently serve our country by working in universities as academics or in various companies as specialists or managers.

Netas Wesley Clover Technology Fund (NWCTF)

As the leading system integrator of Turkey, we originated a platform to carry out and develop applications, and to implement value-added initiatives thanks to our globally proven R&D experience.

We have established a highly critical investment model for Turkey, the Netaş Wesley Clover Technology Fund. This was realized under the management of TRPE Capital, and in cooperation with Wesley Clover owned by the Canadian investor, Sir Terrence H. Matthews, intended for investment in start-up companies and entrepreneurs, as well as promoting high value-added technology

projects. The seeds have now been transformed into a powerful platform where nearly 900 engineers are focusing on innovation and successful companies have joined their forces.

Our fund has incorporated the first entrepreneurs at the beginning of 2014. The innovative and entrepreneur young generation have embarked to take action after analyzing business models, to come up with new ideas, with Terry and their teams in Canada for a month. There are now seven companies already established within the fund.

Among these companies, Twentify, established in 2014, has become a champion in the "Webrazzi Arena 2015 Entrepreneurship Contest" for its "Bounty" application realizing on-site operations with mobile mass resources. It has been ranked in the top 10 in the "London TechCrunch Disrupt 2015."

Pisano has built a web-based customer interaction platform to make reciprocal access and communications easier between companies and customers.

Iven develops communications solutions between machinery to increase efficiency of companies, reduce costs and shorten the period of new product introductions for the market. It aims to get into the North American market in the next period.

Startsub company has established a platform offering an out-of-box subscription service. Sellers in this platform meet with their customers through an "Out-of-box Subscription Service."

Deriva collects and analyzes visitor behavior from different data resources for retailers, supplying information to store management that will increase efficiency and customer experience.

Seven start-up companies employ nearly 50 engineers. As Netaş, we not only offer new technology development opportunities for the youth with NWCTF, but also act as mentors, provide them with the opportunity to extend into international markets and create a platform making access to distant targets easier.

Developments in ICT (Information and Communications Technology)

2015 has not been an easy year due to volatility in foreign exchange rates and decrease in oil prices in the region where we operate, covering Turkey, North Africa, Central Asian Republics and Asia-Pacific. However, the Information and Communication Technologies industry holds momentum and Netaş maintains a profitable growth above the industry average.

Market Expanding Despite Volatility in Foreign Exchange Rates

Looking at the performance of the global ICT markets across the world, we notice that the volatility in foreign exchange rates had a significant effect on market figures. While the market shrunk by 5.8% based on nominal exchange rates in Y2015, the growth in terms of fixed exchange rates was 2.4%, meeting expectations. The total nominal size of the Information and Communication Technologies market reached $3.7 trillion in Y2015. In parallel with the rest of the world, the nominal size of the Turkish ICT market is calculated as $17.8 billion due to the high level of depreciation of the Turkish lira against the US Dollar. When we examine the growth forecasts in terms of US Dollars, we see that the average growth of the global market is expected to be 2.4% and the Turkish market is expected to grow by 3.5% in Y2019.

Netaş's Key Markets Are Growing Fast

Taking the geographical performance of the ICT market into account, while North America continues to generate the market, the Asia-Pacific and the Middle East/Africa regions where Netaş is active, became the fastest growing regions with growth rates based on fixed exchange rates of 4.5% and 3.9% respectively.

Looking at the breakdown of the ICT industry, the fastest growing segment was the data center systems category that involves networking equipment, servers and unified communications. Factors such as capacity increase and incentives in the energy industry have helped this field grow in Turkey. The shining star of the ICT industry, the software segment, grew by 6% in Y2015. Software is expected to maintain this growth rate until Y2019. Another significant development was with the devices segment due to volatility in foreign exchange rates. The device market recorded negative growth for the first time; however due to the proliferation of mobility, the device market is anticipated to become one of the fastest growing segments in the future.

Cloud is No More a Trend but an Integral Part of Business Life

Similar to the previous years, the most discussed topics of Y2015 were mobility, cloud computing, big data, Internet of Things and cyber security. Netaş, Turkey's #1 systems integrator, continues to engage in successful activities in these areas as the pioneering company in bringing latest technologies to Turkey. To name a few examples of such projects, Netaş advances transformation projects in cloud computing and plays a crucial role in Turkey's transition into `cloud`, along with smart meter reading systems and street light applications on the Internet of Things field, and 4.5G solutions and locally developed base station efforts with Project ULAK in the mobility field. Netas is also launching its own home-grown product portfolio under the Nova brand in the cyber security field.

We have witnessed the cloud's transformation to an integral part of business life from a common trend in 2015. In addition to an increase in present establishments, when we look at public cloud services, we note that the annual average growth rate in Turkey is estimated to be 16%, and in countries where Netaş operates, between 16.5% and 19%. In other words, cloud projects will sustain a fast growth in the near future. (Sources: Gartner, IDC, SASAD). On the other hand, the Industry 4.0 revolution in which Europe plays a particularly significant role, the ease of robot utilization, the effects of developments such as drones and driverless cars on the real economy, are some of the fields that are expected to shape the future.

Finance and Public Industries Stand Out

Evaluating the ICT industry in Turkey based on vertical industries, we note that the finance, public and telecommunications-media industries maintain their top three positions. Energy & utilities, manufacturing, retail, logistics and healthcare industries are to follow. We observe a focus on industry-specific solutions and verticalized approaches. Accordingly we have implemented the largest digital transformation projects in Turkey by creating solutions on the basis of vertical industries.

Electronics and Informatics are in the Forefront in the Defense and Aviation Industry

In the global defense and aviation industries, which enjoyed stable growth in the last 5 years, we see that Turkey and other regions where Netaş operates have a growing trend. Due to the impact of the strengthening of the US dollar and the profit focus in the industry, Y2015 was a year of relative decrease in growth based on revenues. The size of the industry reached $5 - 5.5 billion in Turkey in Y2014, and it is expected to have a similar trend in Y2016.

Looking at the breakdown of the defense and aviation industries in Turkey, we note that the share of electronics and informatics fields, a portion of which is implemented by Netaş, reach over $1.6 billion, with an ever-growing significance.

Netaş Leads Technology in Turkey and the Region

Leading R&D projects in Turkey, our company also continued to develop technologies in parallel with global trends this past year. Netaş also received many awards in 2015, in areas such as the quality of human resource and commercialization, through its strong suit of R&D, and was selected the “Most Successful R&D Center” of 2014 in the telecommunications field by the Turkish Ministry of Science, Industry and Technology.

Looking at the scope of our operations, we increased our R&D activities, and improved our team in quality and quantity in Y2015. We focused on commercializing technologies such as mobility, 4.5G, cyber security, the Internet of Things, and enterprise software applications, turning them into products in the past year. We launched our product and solution family portfolio in cyber security field under the NOVA brand.

We believe that the region that includes Turkey, can develop through an ICT strategy integrated with other main strategies, and we take pride in being one of the leading contributors in this endavor.

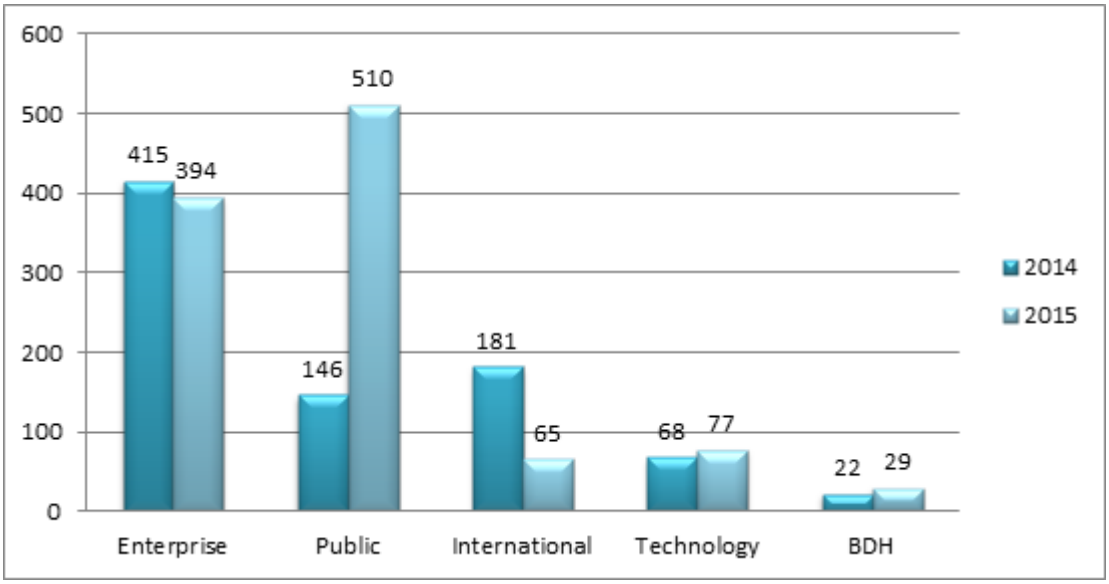
FINANCIAL PERFORMANCE

Financial Indicators

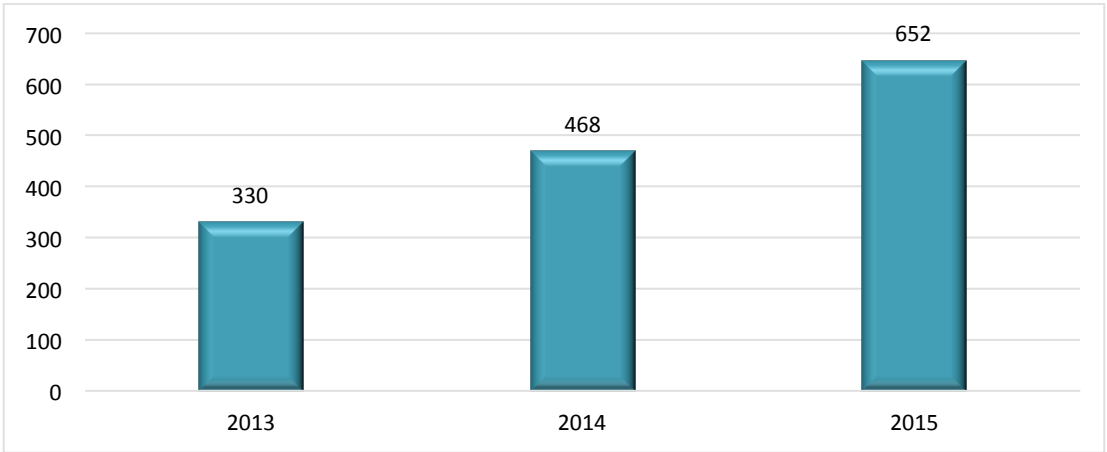
a. Orders

The total orders booked by the Group for the year ending 31 December 2015 reached to TL 1,075 million (1 January-31 December 2014: TL 835 million). Total orders booked increased by 29% year over year. The increase associated with gaining large system integration projects at public sector. In 2015, within the context of FATIH Project, the Group has signed the biggest agreement related to system integration, amounted to approximately TL 250 million. The other driver for such increase relates to an agreement signed with ASELSAN for TASMUS systems, within the context of public security, amounted to approximately TL 98 million.

The orders booked by Business Units is given in summary in the below table:



Orders on hand as of 31 December 2015 isTL 652 million, increased %39 compared to previous year.



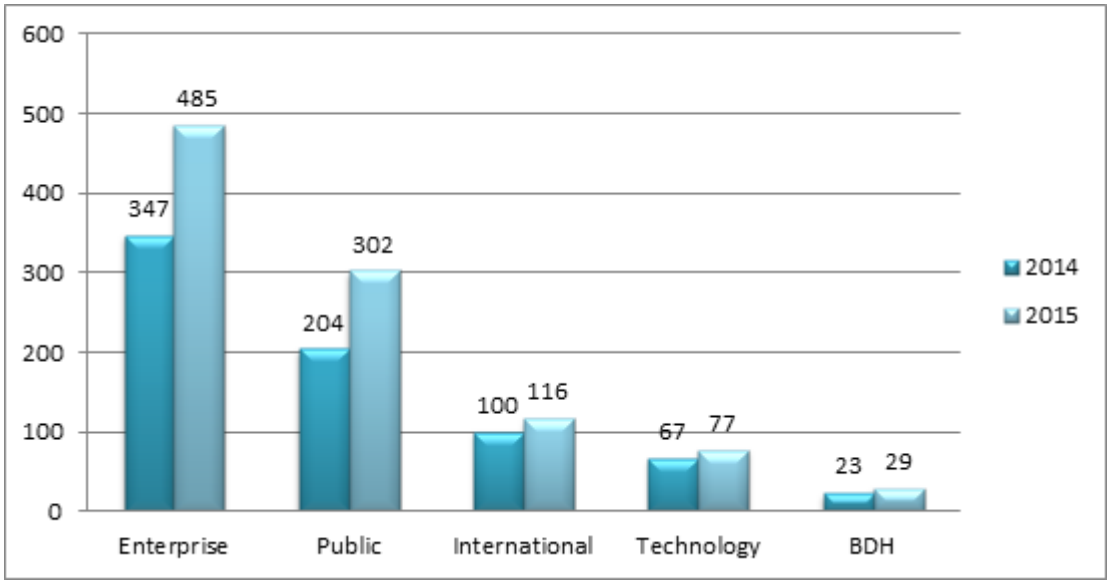
Book to bill ratio is 1,07 as of 31 December 2015. (31 December 2014: 1,13)

b. Income Statements Analysis

1. Revenue

For the year ended 31 December 2015, revenue increases %36 compared to previous year, and reaches amounted to TL 1,009 million. The main driver for such increase relates to higher business volume in Enterprise and Public Business Units. Within the context of Public segmentation especially FATIH project, the total order amounted to approximately TL 250 million is deliberately maintained, and within the context of enterprise segmentation, completing energy and TELEKOM projects on time are the other important reasons of increasing revenue.

Revenue by Business Units is given in the table below:



2. Gross Profit Margin

As of 31 December 2015, the gross profit margin has not changed compared to previous year, stayed at 11%.

3. Sales, Marketing and General Administration Costs (SMGAC)

SMGAC has increased %8 compared to previous year, parallel to increasing of inflation rate. As of 31 December 2015, the ratio of SMGAC to revenue has decreased 100bps, and stayed at %7.

4. Earnings Before Interest and Tax ("EBIT")/ Earnings Before Interest Taxes Depreciation and Amortization ("EBIDTA")

EBIT and EBITDA margins of the Group have annually increased 200 bps. The basic reasons of increasing in EBIDTA are related to controlling SMGAC amounts after restructuring organization at the second quarter of 2014 and increasing of revenue production.

	2015	**2014**	**Change %**
Revenue	1.009	741	36
Cost of Sales	(895)	(658)	36
Gross profit	**114**	**83**	**37**
Gross profit margin	***11%***	***11%***	**-**
Sales and Marketing Costs	(43)	(40)	8
General Administrative Costs	(24)	(22)	9
Research&Development Costs	(4)	(1)	300
Granted Incentives(note 23)	10	3	233
EBIT	**53**	**23**	**130**
EBIT margin	***%5***	***%3***	***200bps***
Depreciation	20	16	25
EBITDA	**73**	**39**	**87**
EBITDA margin	***%7***	***%5***	***200bps***

5. Other

In the financial statements for the year ended 31 December 2015, the net amount of income from operating activities and expense from operating activities is amounted to TL 18 million expenses. The basic reason of TL 9 million increasing compared to previous year is related to discount on trade receivables, and its maturity days spread at 7 years.

Financial income is consisted of foreign exchange gains. Group's functional currency is USD, so when USD increases in value over against TL, the value of TL financial liabilities' denominating at USD decreases. Group's foreign exchange gains are consisted of these valuation differences.

c. Cash Flows

	FY 15	**FY 14**	**Change%**
Net profit	34	12	183
Adjustment to reconcile net profit	60	50	20
Change in net working capital	(5)	10	-150
Taxes paid	(2)	(2)	-
Cash out relates to employee	(21)	(22)	-5
Cash inflow / (outflow) from operations	**66**	**48**	38
Cash outflow from investments	(6)	(8)	-25
Cash inflow from finance activities	87	18	383
Translational difference	(5)	(15)	-67
Net Cash Inflow /(Cash Outflow)	**142**	**43**	230
Start of Period Cash Available	84	41	105
End of Period cash Available	**226**	**84**	169

d. Investor Data

• Share Data

Date of registration: 03.03.1967

Share Number of shares: From 01.01.2012 to 06.08.2012, 6,486,400 shares and from 06.08.2012 to 31.12.2015, 64,864,000 shares (each with a nominal value of TL 1.)

Public offer date: 15.03.1993

Free float rate: 36.96%

Company shares are quoted to XU100 index since the start of 2015.

• Profit per share

Profit per share from January 1st to December 31st, 2015 has been TL 0.5289 TL. Change in profits per share as compared to previous years is summarized below:

	Ernings Per Share	Gross Dividends Paid
2011	0.2771	37,952,961
2012	0.3754	71,027,746
2013	0.0339	-
2014	0.1826	-

(*) Weighted average number of shares used in calculation of profit per share has been achieved by retrospective implementation of issue of non-paid up shares.

(**) Company Board Decision dated April 13th, 2015 states that the offer not to distribute profits in 2014 will be submitted to the approval of shareholders at the ordinary general assembly meeting of shareholders. It is decided at the ordinary General Assembly Meeting held at the Company Headquarters on May 27th, 2015 that no profits will be distributed in 2015 and such profits will be used for financing capitalization.

Company shares were valued at TL 11.15 as of December 31st, 2015 at Istanbul Stock Exchange. (December 31st, 2014: TL 6.67) Market value of the Company has increased by 67% from TL 432.6 million on December 31st, 2014 to TL 723.2 million on December 31st , 2015.

An Overview of the Year 2016

Group predict received orders on dollar basis and sales revenues wil hold up year by year. EBITDA margin getting better year by year at 100 basis point level is targeted by the group. Also group is planning cash generation in its actions.

Policy on and Information Related to Distribution of Profits

Profit distribution policy of the Company is to provide a reasonable income for the shareholders in accordance with the Capital Markets Board Regulations and Communiqués and based on the capitalization requirements. Profit distribution policy is notified to the shareholders at General Assembly meetings and included in the activity report and on the web site. There are no privileges regarding the profit sharing and profit distribution method is detailed in Article 22 of the Main Contract.

Donations and Charities within the Term

There are no donations or charities in 2015.

CORPORATE RESPONSIBILITY

Netas Healing Forest

Netas has realized a significant social responsibility project on November 2015 involving the plantation of initially 16,000 saplings in Gazikoy, Tekirdag on the northern coast of the Sea of Marmara. At the 'Netaş Healing Forest", we aim to plant 23 different species of trees and medicinal aromatic plants in a 10-hectare field not only to preserve & enhance ecological diversity but also build a source of income for the villagers in the area. Locust, walnut, chestnut, almond, rosemary, lavender, sage and many other plants will transform the land into sources of oxygen & nests for animals. This project underpins our company's commitment for a green and healthier, cleaner world.

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Corporate Governance

The Group's vision is to create value for its shareholders, customers, employees, business partners and for society, in general, as specified by its principles and quality policy. In this sense, annual targets are set for each target audience, necessary resources are allocated and the achievement of these targets is guaranteed with reviews. The tools used include training, supplier visits, grants, review of customer complaints, customer surveys and the review of performance indicators.

The quality policy created based on our vision is founded on prevention and constant improvement in an effort to create the best possible value for our customers. Our key values represent corporate culture applicable for all managers and employees.

We employ a data-based approach imposing continual improvement and use internal and external audits on finance, process management and organizational efficiency, customer satisfaction and data security with the purposes of ensuring the success of planned activities.

Our top-level management seeks and implements the methods and tools to create the best value for our stakeholders through participation and training of employees, efficiency of working environment and communication, efficient resource management, the continual improvement of support processes and efficient business processes.

Management reviews meetings with the purposes of ensuring the continuity of suitability, competence and efficiency of management systems are held to review the vision, quality policies, customer expectations, customer complaints, product and service performance indicators and customer survey results and resources required to meet the liabilities are determined.

Human Resources Practices

Performance Management

The Group relies on its young and dynamic employees in the fast-changing and dynamic market conditions of the ICT industry.

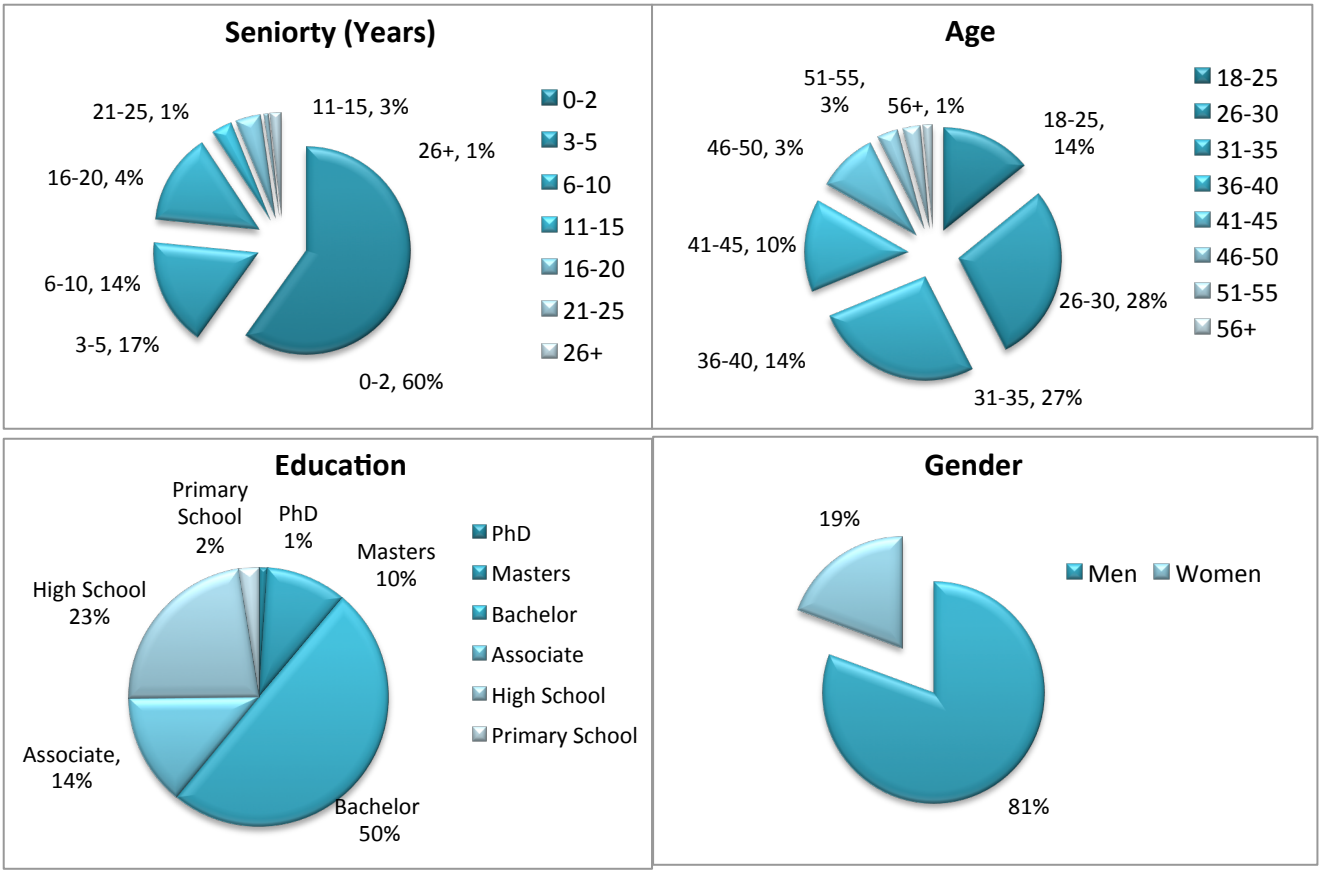
A whole-year performance evaluation system is in place to determine the strengths and improvements opportunities of employees, improve creativity and efficiency, create equal opportunities and support training and career plans. The performance evaluation system is monitored through a three-step on-line system since 2014.

Reward is based on end-of-year evaluations performed as per the "Key Performance Indicator" (KPI) criteria listed within the frame of each employee's tasks, roles and responsibilities.

The Group implements a competitive salary system and social aid programs. Each employee's tasks, roles and responsibilities are evaluated based on "Key Skills" definitions. The employees are given opportunities for evaluation and improvement of their skills throughout the performance management process and career development.

Our Employees in Figures

As of December 31, 2014, we have 2,144 employees with an average age of 32 and 19% of whom are women.



Human Resources Activities

- The Netaş Coop Program (long-term internship program) started in June 2014 helps students gain experience in business life before they start. Within the program, an average of 150 students have a chance to gain experience every year. The program continued in three periods (fall, spring and summer) in 2015.

The program goes beyond the standard procedures and allows the students to gain experience in many projects, including research projects, at various departments of our R&D Center at Kurtköy.

Some of these projects are: VoIP exchange design, VoIP and web security projects, IPv6, JITC, Log Wizard, Smart Office and Application Server Replacement...

The students who successfully complete the full-time internship for a minimum period of three months at fall, spring and summer seasons, are offered part-time or full time job opportunities and this ensures the continuity of internal training and improvement processes and that the students gain professional R&D experience.

Human resources and R&D teams keep in contact and this helps get feedback from young engineers to improve internal trainings.

This program offers full-time job to young people with an 8 to 18 month experience with Netaş technologies, suitable for the company culture, successful in terms of certain criteria and most important of all, willing to make a career in our company. This also supports our cooperation with universities and our social responsibility initiatives.

- Our recognition, compliment and reward system has been completely redesigned and renamed as RecogNetaş. Reward scales, criteria and contents have been renewed and brought into use by our employees on December 15, 2015.
- Five press response templates have been prepared for human resources-related interview requests of magazines and newspapers.
- We have updated our corporate identity with new designs for online media such as Kariyer.net where our company is represented.
- **Annual special occasion calendar** has been drawn up to ensure the message of our CEO is delivered to employees.
- All our employees have been given Turkish delight on religious festivals and cookies on Father's Day.
- **We are contracted with 86 brands for corporate discounts**.
- Employees have been ensured to be notified first, about all changes, important news and success stories within Netaş. Announcement templates and texts have been prepared for this purpose. As of July 2015, our internal displays have been designated as the main communications media. All events and announcements such as birthday celebrations, childbirth, achievements, compliments and awards have started to be published in this media.
- Twelve employees commenced their postgraduate studies and three employees began their Ph.D. studies at Bahçeşehir University within the scope of "BAU-Netaş Techno Academy". With these studies, offered at 75% discount, our employees get the opportunity to improve themselves and certain parts of the lectures were delivered at Netaş offices based on the "my campus my office" approach.

Social Activities

In 2015, 121 internal and external training sessions have been given in line with the development plans of our employees. Training sessions have been given in a way to ensure technical and professional development of our employees.

The Group attaches great importance to employee satisfaction, loyalty and strong communication. An "Internal Communications" function was commissioned for this purpose in April 2015. All processes have been standardized including employee satisfaction, loyalty, concern, notification, participation, and an annual internal communications plan have been formed.

Voluntary event group Netaş ProAktif established in 2012 for this purpose, has been transferred under the management of internal communications as a division strengthening the internal communications, reinforcing employee satisfaction and commitment, aiming to bolster inter-divisional synergy and organizing internal and external events.

In 2015, all operations of Netaş ProAktif have been designated on the calendar. For this purpose these organizations have been implemented: the drama titled "Who is the Boss" has been staged nine times, three product distributions, two trekking tours, TOÇEV-TEGV and Turkish Red Crescent as well as three volunteer projects, two sessions of a photography course, yoga sessions, one winter

event, one session of a boat tour on the Bosphorus, three photography tours, one session of dance training, three awarded quiz contests and daily fruit distribution schedules.
We have started to hold "Midday Conversations" events, as part of internal communications activities, and the following seminars have been realized free and open to every employee:

- Posture and Sitting Failures
- Stress Yoga
- NASP - AntiSmoking
- How to Cope With Children With Behavioral Problems and Techniques to Gain Positive Behavior
- How to Cope With Pains and Fatigue
- Sleep Disorders and Restless Leg Syndrome
- Macroeconomy and the Outlook of Turkey in 2016

Corporate Social Responsibility

Netaş has supported many social projects in education, culture, sports and environment, since day one.
This approach is based on our responsibility against our social stakeholders including employees, customers, strategic partners, shareholders, nongovernmental organizations, universities and the media.

With our faith in the need of social success for a sustainable development in our country, we will continue to support corporate social responsibility projects to the extent our tools and resources allow us.

Some of the Corporate Social Responsibility activities we were involved in 2015 include:

Partnership with the Tüvana Educational Support Foundation (TOÇEV)
We collected stationery kits in cooperation with TOÇEV. Items were sold at booths at Netaş and collected amounts were given to students. Furthermore, stationery donations were made to the bank account of TOÇEV.

GETEM Project
We organized a voluntary audio book reading event for visually impaired people, in cooperation with Boğaziçi University Technology Center for the Visually Impaired (GETEM).

Turkish Red Crescent Blood Donation
The Turkish Red Crescent team visited our office and accepted the blood donations from our volunteer employees.

Netaş Foundation for the Education of Orphans
All employees were notified twice to contribute to the revenues of Netaş Foundation for the Education of Orphans, aiming to offer economic support to the children of our late Netaş employees, which was established in 1985. For six students that we support, a certain amount was deducted from the salary of volunteer employees, or others gave away a one-off donation during the 2015-2016 academic year.

Tomurcuk Foundation Support Concert
Tomurcuk Foundation Percussion Band was hosted at our office to give a concert on December 3rd, the International Day of Persons with Disabilities. Tickets were sold to support the foundation.

RİSK MANAGEMENT

Risks

a) Credit Risk

Collection risk of the Group may be arising from delays in the collection of commercial receivables or lower interest rates applicable to assets in banks as compared to the market revenues. Commercial receivables are evaluated by the Group based on previous experience and current economic situation, a suitable amount is reserved for doubtful receivables (except for the receivables from Nortel group companies dating back to January 14th, 2009 and earlier as detailed in the financial table footnote 7, due to uncertainty of collection) and clearly indicated on the balance sheet.

Doubtful receivables of the Group are 3% of total receivables. Group management does not see any additional risk regarding the receivables other that the reserved amount. A credit limit is assigned to each customer and transactions are kept within such limits. The Group has a significant amount of assets in banks. In this sense, the Group assigns a credit limit to each bank and transactions are kept within such limits. Financial Audit and Treasury Department of the Group controls whether or not transactions are kept within such limits.

b) Liquidity risk

Adaption of a management policy to ensure that the collection due dates for receivables comply with debt due dates protects the Group against liquidity risk. However, in any case the Group keeps sufficient cash and equivalent assets to meet its current and possible liabilities.

c) Currency risk

Functional currency of the Group is USD and therefore, currency risk is associated for the most part with the shifts of USD value against TL and other currencies. With the purpose of limiting the effects of appreciation or depreciation of USD against other currencies, the Group makes use of its assets in compliance with its liabilities to the extent possible and undertakes contracted expenditures in the contract currency.

In order to meet the US Dollar funding requirement and minimize the negative exposure to appreciation of US Dollar against Turkish Lira, the Group has entered into a series of “asymmetric zero-cost collar forward knockout contracts”, which have been accounted for as a derivative instrument.

d) Interest rate risk

The changes in market interest rates are managed by evaluation of interestsensitive assets with short-term instruments.

Information about Internal Control and Internal Auditing Activities

As specified by Serial IV, No. 56 No Communiqué on Definition and Implementation of Corporate Governance Principles by the Capital Markets Board, an Audit Committee with independent Board Members was established within the Group to ensure that the Board accurately performs its tasks and liabilities.

The Group performs internal control activities to define the operational, financial and adaption risks associated with the industry and business processes, take the measures against these risks or avoid them. Internal control activities include increasing process efficiency, ensuring same or similar implementations for all processes by setting certain standard procedures for business flows, facilitating the tasks, roles and responsibilities, increasing coordination between departments and ensuring full compliance with the legislation, laws and regulations.

CORPORATE GOVERNANCE PRINCIPLES

COMPLIANCE STATEMENT

1. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

In the conduct of its business activities our Netaş Telekomünikasyon A.Ş. exerts utmost care to the requirements of Turkish Commercial Code, the Articles of Association of the Company, the Capital Markets Law, the Communiqués of the Capital Markets Board (CMB) and other relevant legislation. Activities concerning compliance with corporate governance principles are covered within this context. Aiming to create the highest level of value to its customers, shareholders, employees, business partners and the society with innovative and creative communication solutions, the Company gives great importance to transparency. In this regard, the Company has adopted "Corporate Governance Principles" promulgated by the Capital Markets Board in July 2003 and since 2004 has issued its Corporate Governance Principles Compliance Report together with its Annual Activity Reports.

The Communique Regarding Determination and Implementation of Corporate Governance Principles (II-17.1) dated January 3, 2014 and published in the Official Gazette numbered 28871 applies to the Company as of its issue date. During 2015 the mandatory principles of the Communique were implemented within the Company. The core values, code of conduct, vision and business objectives of the Company and the Corporate Governance Principles attached to the above mentioned Communique form the basis of our corporate governance understanding and practice.

SECTION I - SHAREHOLDERS

1. Shareholders Relations Unit

In order to facilitate the relations with the shareholders, an Investor Relations Unit was established within the Company. According to a new regulation set by the Communique Regarding Determination and Implementation of Corporate Governance Principles (II-17.1) dated January 3, 2014 and published in the Official Gazette numbered 28871, the unit now operates with the name under "Investor Relations Department". Pınar Beyzatlar Güvener(*) works fulltime as the Investor Relations Manager and is the head of the Department. The manager of the Department, Pınar Beyzatlar Güvener, is the holder of Capital Markets Activities Advanced Level License and Corporate Governance Rating Specialist License.

(*)Pınar Beyzatlar Güvener has been replaced by Tuba Bektaş, who holds the licenses which are set forth in the Communique and started working full time as Investor Relations Manager in our Company.

During the year, in addition to the follow up of legislation, the implementation of the requirements of CMB Communiqués and the disclosure of information to the shareholders, many requests were received by e-mail and by telephone for information from shareholders or their representatives and these requests were replied, to the extent permitted by law.

2. Shareholders Right to Obtain Information

The majority of the requests for information received were related to fluctuations in share prices, Sale of OEP TURKEY TECH B.V.'s shares, investments of the Company and possible new business connections. The requests were mostly received through telephone and electronic mail and were replied based on available information, to the extent permitted by legislation and confidentiality rules relating to business secrets. Requests received through electronic mail were responded through electronic mail.

Information related to the Company's activities and developments, which could be of interest to the shareholders, were disclosed to the public through timely notifications made to the CMB and Bİ (Borsa İstanbul) in accordancewith Communiqué of the CMB on the Disclosure of Special

Circumstances to the Public. The public was informed through Public Disclosures Platform (PDP) and media was informed through press bulletins. These bulletins and disclosures of special circumstances were also placed on the website of the Company at www. netas.com.tr.

The Articles of Association of the Company does not have a provision for the appointment of a Special Auditor; however the shareholders have a right to request the appointment of a Special Auditor in accordance with Article 438 of Turkish Commercial Code. During the period no request was made for the appointment of a Special Auditor.

3. Information Concerning the General Assembly

During the year the Ordinary Annual Meeting of Shareholders was held on 27th of May, 2015. The required majority of shareholders under the Articles of Association of the Company and the Law were present at this meeting. Shareholders and their representatives were present at the meeting. The invitation to the meeting was made in conformity with Article 14 of the Articles of Association of the Company and Article 414 of the Turkish Commercial Code and the provisions of the Capital Markets Law. Additionally, invitations were published in Turkish Commercial Registry Gazette, holders of registered shares were invited by registered mail and the meeting was announced at the Public Disclosure Platform (PDP). The meeting was conducted by the physical attendance and electronic participation of shareholders through the Electronic General Assembly System of the Central Registry Agency. In the notice of invitation, shareholders intending to participate through the Electronic General Assembly System were reminded of their obligations. The Balance Sheet, Profit and Loss Statements, Reports of the Board of Directors and Auditors and the dividend distribution proposal of the Board of Directors were made available for the review of the shareholders fifteen days prior to the Ordinary Annual Meeting. Shareholders were allowed to comment and raise questions at the meeting. Proposals made by shareholders were put to vote at the General Assembly by the Chairman. No proposals were made for addition of items in the agenda of meeting. At the Ordinary Annual Meeting shareholders were informed of donations made under a separate agenda item.

In order to accommodate wider attendance, the meetings were organized at the head office of the Company in its social facilities. The minutes of the Shareholders Meetings were submitted to CMB, Borsa İstanbul and the regional office of the Ministry of Science, Industry and Technology, uploaded on the Public Disclosure Platform (PDP) system, registered with the Commercial Registry, published in the Commercial Registry Gazette and copies were sent to shareholders upon request and additional copies are made available to the shareholders at the head office and the web site of the Company for review.

4. Voting Rights and Minority Rights

According to the Articles of Association of the Company every share has a right to one vote at meetings of shareholders. The ordinary and extraordinary meetings of shareholders are held in accordance with the Turkish Commercial Code. Minority rights are subject to the provisions of the Turkish Commercial Code and Capital Markets Law.

The shares of the Company are divided into two groups, where both (A) group shares are and (B) group shares are registered shares. The differentiation of the shares between (A) and (B) groups,

does not give the owners any rights nor privileges, except as provided in Articles 9, 15, of the Articles of Association.

According to Article 9 of the Articles of Association; the required quorum for meetings and the required majority for resolutions of the shareholders shall be subject to the provisions of the Turkish Commercial Code (T.C.C.) and Capital Markets legislation. However, resolution of the shareholders concerning amendments to the Articles of Association shall require the affirmative votes of the shareholders representing at least one half of the total number of shares within Group A.

According to Article 15 of the Articles of Association; The Board of Directors of the Company shall be composed of 7 (seven) members elected by the general assembly of shareholders, for a period of 3 (three) years. Four of the seven members shall be elected from among the candidates nominated by Group A shareholders, provided that two of the seven shall be elected from among the candidates nominated by OEP Turkey Tech B.V. and one member shall be elected from among the nominees of Turkish Armed Forces Foundation, and three members shall be elected from among the nominees of the Group B shareholders.

Nominations by the Group B shareholders will be subject to their representation at the shareholders meeting and the number of nominees to be elected will be dependent upon the ratio of representation; In case the Group B shareholders are represented at the shareholders meeting by a ratio of at least 30 percent of the capital of the Company, all three members shall be elected from among the nominees of the Group B shareholders,

In case the Group B shareholders are represented at the shareholders meeting by a ratio of at least 20 percent of the capital of the Company, two members shall be elected from among the nominees of the Group B shareholders and one member shall be elected from among the nominees of the Group A shareholders,

In case the Group B shareholders are represented at the shareholders meeting by a ratio of at least 10 percent of the capital of the Company, one member shall be elected from among the nominees of the Group B shareholders and two members shall be elected from among the nominees of the Group A shareholders.

There is no cross shareholding relationship between the Company and its shareholders. Cumulative voting procedure is not stipulated in the Articles of Association and thus not implemented.

5. Dividend Rights

The dividend distribution policy of the Company is; to generate a fair return on investment to our shareholders within the framework of CMB regulations, taking into account the working capital requirements of the Company. Shareholders are informed of this policy at general meetings and the policy is mentioned in annual reports and posted on the website of the Company. There are no privileges concerning dividend distribution. The procedure for dividend distribution is stipulated in Article 22 of the Articles of Association. The dividend distribution proposal of the Board of Directors for the current year was submitted to the shareholders at the Ordinary Annual Meeting and was unanimously approved by those present. Accordingly, no dividends were distributed within 2015.

6. Transfer of Shares

The transfer of shares is stipulated in Article 6 subparagraph (c) of the Articles of Association of the Company. Accordingly, bearer shares can be transferred without being subject to any limitation or condition. However, concerning the transfer of registered Company A shares the existing shareholders in Group A are entitled to preemptive rights which are required to be exercised within 30 days from the date of the offer for sale. Therefore, a shareholder wishing to transfer its shares, in full or in part, must first offer, in writing, to transfer its shares to the other shareholders in Group A in proportion to their respective shares, stating the price and other conditions for sale. If any shareholder, to whom the offer was made, declines to purchase the offered shares, such shares shall be offered to the other shareholders in proportion to their share ownership and this method will be pursued in the same manner until all shares are sold or rejected. Following the application of the above procedures, the transferor will be free to offer any rejected shares to third parties without restrictions, provided that the price and other conditions of sale are no more favorable to the third party than the price and other conditions contained in the initial offer. According to the Articles of Association, the transfer of registered shares can only become effective with respect to the Company after they are entered into the records of shares. However, due to the undertaking submitted to the Bİ during the public offer of the shares, the Board of Directors can not decline from recording the transfer of shares.

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

7. Information Disclosure Policy

The information disclosure policy of the Company is; to inform the general public in a timely, reliable, complete and comprehensible manner. Disclosure of information is made to the CMB, Bİ and PDP within the scope of relevant legislation by way of the most efficient means, media institutions are informed through the press bulletins and such disclosures are placed on the website of the Company. The Investor Relations Department is responsible for the implementation and development of the policy under the supervision of the Board of Directors.

8. Corporate Website and Content

The corporate website is at www.netas.com.tr address. The majority of the information enumerated in Section 2 Article 2.2.2 of the Corporate Governance Principles of CMB, can be found at the website. The majority of the material in the website is also available in English.

9. Activities Report

Activities reports contain information enumerated in the Corporate Governance Principles.

SECTION III – STAKEHOLDERS

10. Informing Stakeholders

Third parties having a direct relationship with the Company are informed through various meetings. Special meetings are arranged for the employees, suppliers and the distribution channels. Additionally, detailed information is provided at the website of the Company. The public is comprehensively informed through press bulletins and interviews to the extent permitted by the regulations of CMB.

A special mechanism is not established for stakeholders to report violations of law or ethically inappropriate transactions of the Company to the Corporate Governance Committee or the Audit Committee.

11. Stakeholders Participation in the Management of the Company

The corporate policy concerning stakeholders such as employees, customers and suppliers is stated in the mission statement. Relevant groups have continued access to the management of the Group. The Company seeks the views and opinions of its stakeholders through employee, supplier and customer satisfaction surveys conducted periodically by itself or independent survey companies and develops strategies based on the feedback received from these surveys.

12. Human Resources Policy

The fundamental aspects of the Company's human resources policy can be outlined as follows;

The success of Netaş in a dynamic and rapidly changing Information and Communication Technologies sector is dependent upon the contributions and development of its employees. The Company aims to maximize the potential, motivation and innovation of its employees in order to achieve corporate objectives. To this end, the Company provides equal opportunities for employment, rewards performance, promotes the development of individuals and teams, fosters environmental protection, and meets the requirements of health and safety regulations. Competitive compensation and social benefit programs are prepared, the knowledge and the competencies of the employees are assessed through the attributes defined in Core Competencies. Within the performance management process and throughout the career development process, employees are given opportunities to assess and develop their skills.

The human resources policy is available at the website of the Company. Related policies and procedures are accessible by all employees. Managers and Human Resources department are responsible to maintain relations with employees in line with the human resources policy. During the period, no discrimination complaint was received from the employees.

13. Ethical Rules and Social Responsibility

The Board of Directors has established a Code of Conduct for the Company and its affiliates and communicated it to employees. No disclosure was made to the public.

Netaş has been implementing Environment, Health and Safety Program since 1997. Within the scope of this program ISO14001 Environmental Management System and OHSAS 18001 Employee Health and Safety Management System are implemented. No claims were raised against the Company for environmental pollution.

Activities related to social responsibility of the Company include maintenance of relations with universities and the provision of scholarship to successful students in need. Students are offered opportunities for internships. Furthermore, through memberships in foundations and associations, contributions are made to the society, and to scientific and technological development. Voluntary initiatives of employees for public aid and environmental activities are encouraged and supported.

SECTION IV - BOARD OF DIRECTORS

14. The Structure and Composition of the Board of Directors

The Board of Directors of the Company is composed of 7 (seven) members elected for three years by the general assembly of shareholders, from among the shareholders or their nominees. Four of the seven members are elected at the meeting of the Shareholders from among the candidates nominated by Group A and three members are elected from among the nominees of the Group B shareholders.

At the Ordinary Annual Meeting of shareholders held on 6 June 2013, the members of the Board of Directors were elected for a term of office of three years. As of the end 2013 the number of Board members reduced to five due to the resignation of two members. 2 appointments were made in 2014 and the number of the members is 7 as of the end 2014.No assignment was talen place in 2015. The members of the Board of Directors can be re-elected.

Members of the Board of Directors as of the end 2015 are as follows

Chairman: David Arthur Walsh (since December 22, 2010)

Vice-Chairperson: M. Cumhur Özdemir (since April 28, 2011)

Member: Joseph Patrick Huffsmith (since December 22, 2010)

Member: Memet Yazıcı (since December 22, 2010)

Member: Alpaslan Korkmaz (independent) (since August 10, 2011)

Member: Emre Şehsuvaroğlu (independent) (since May 6, 2014)

Member: Andrew Glover Dunn (since January 29, 2014)

President: C. Müjdat Altay (since December 14, 2004)

There are no restrictions imposed on the Board of Directors concerning other duties and occupations they can assume other than the restrictions concerning conflict of interest and competition with the Company. Such restrictions are submitted to the approval of the shareholders each year at the General Meeting.

Activities of Directors outside the Company;

David Arthur Walsh is Chief Executive Officer at Genband, Andrew Glover Dunn and Joseph Patrick Huffsimth areexecutive managers at One Equity Partners based in USA, M. Cumhur Özdemir is a manager at Turkish Armed Forces Foundation, Memet Yazıcı is managing partner at TRPE Capital ,Alpaslan Korkmaz is Chief Executive Officer at Kayı Holding and Emre Şehsuvaroğlu is the Head of Internal Audit at Yıldız Holding.

15. The Conduct of the Board of Directors' Activities

The agenda for the meeting of the Board of Directors is determined by consultation between the Chairman, the members of the Board and the President. The Board of Directors has held seven meetings during the period with the attendance of the required majority. Invitations to meetings were made at least three days in advance of the meeting together with the notification of the agenda. In order to facilitate communication with the Board Members and to provide related services a Corporate Secretarial Services function exists within the Company. In the event that differences of opinion are expressed in the Board Meetings, these are reflected in the minutes of the meeting. Questions raised and comments made at the meetings of the Board and related responses are recorded in the minutes of the meeting. Members of the Board of Directors are not granted weighted voting rights or veto rights under the Articles of Association.

According to the Articles of Association, The required quorum for Board meetings is the presence of five members of the Board. The majority vote of those present is required for the approval of any subject.

16. The Number, Structure and Independence of the Committees of the Board

The Board of Directors has established a Corporate Governance Committee, an Audit Committee and a Risk Assesment Committee. The Corporate Governance Committee is composed of a Chairman and four Members of the Board. The Audit Committee is composed of the two independent members of the Board of Directors and the Risk Assesment Committee is composed of three members of the Board.

Corporate Governance Committee is composed of Alpaslan Korkmaz as Chairman, David A. Walsh, M. Cumhur Özdemir and Memet Yazıcı and Pınar Beyzatlar Güvener as members. *(*) Pınar Beyzatlar Güvener has been replaced by Tuba Bektaş.*

Audit Committee consisted of independent members Emre Şehsuvaroğlu as Chairman and Alpaslan Korkmaz as a member.

The Risk Assesment Committee consisted of independent Board member Alpaslan Korkmaz acting as chairman, M. Cumhur Özdemir and Joseph Patrick Huffsmith as members.

Due to the structure of the Board, the functions of Nomination Committee, and Compensation Committee are assumed by the Corporate Governance Committee.

17. Risk Management and Internal Control Mechanism

The Board of Directors has formed an Audit Committee composed of independent members and a Risk Assesment Committee to establish an internal control mechanism for the Company.

The Company implemented Sarbanes Oxley rules which were a requirement for its former parent Nortel Networks and continues to implement the same rules at its discreation even after the affiliation with Nortel Networks ceased. Within this framework the Company operates an internal control process.

The Company maintains its internal control activities in order to determine operational, financial and adaptation related risks originating from market conditions and business processes. Necessary measures to mitigate and avoid risks are taken accordingly. Activities relating to internal control include; increasing efficiency of processes, implementing same or similar procedures for all work conducted within the workflow, contributing to the conduct of roles and responsibilities, promoting coordination between teams, ensuring and controlling full compliance with provisions of rules, regulations and laws.

18. Strategic Objectives of the Company

The strategic objectives of the Company are reviewed and determined by the Board of Directors during budget review discussions within the scope of three year plans prepared by the management and submitted to the Board. The activities of the Company, the level of achievement of objectives and past performance are reviewed by the Board each quarter and at the end of the budget period.

19. Remuneration Rights

Compensation for the Members of the Board of Directors is determined by the General Assembly of the Shareholders each year, in accordance with Article 15 of the Articles ofAssociation. Accordingly, Board Members receive a monthly fee payable at the end of each month. There are no incentives available to Board Members based on performance in connection with the performance of the Company.

Financial benefits provided to members of the Board of Directors and senior management team are explained in the activities report.

The Company did not lend any money, extend any credit, extend a personal credit through a third party, nor provided any guarantees to or in favor of any Member of the Board of Directors or any Manager of the Company.

Compensation policy relating to the compensation of Directors and senior management team is given below.

Compensation Policy;

The compensation policy of Netaş Telekomünikasyon A.Ş. is established to determine the principles applicable to the compensation of members of the Board of Directors and senior management of the Company in order to ensure compliance with corporate governance principles within the scope of Capital Markets Legislation.

While fulfilling the requirements of applicable legislation, the compensation policy of the Company takes into account the current financial status of the Company, its plans, targetted revenues, risk structure and corporate policies. Sector specific compensation market is monitored through regular compensation surveys each year to ensure that the compensation principles applicable to Directors and senior management of the Company are fair, scalable and balanced.

The compensation policy of the Company consists of fixed and variable compensation based on performance.

Fixed salary, is determined on the basis of assumed roles and responsibilities. The nature of the work and required experience is taken into account. It is paid as a fixed sum on specified dates of the year without being subject to performance criteria.

Performance based salary, is determined by an appropriate bonus plan, as per the performance and contribution of individuals against defined performance objectives assigned to individuals within the scope of corporate strategy. In addition to individual performance other criteria such as corporate performance, profitability, liquidity status of the company is also taken into account while determining performance based salary.

Compensation for the members of the Board is determined by the general assembly of shareholders based on their contributions and assumed roles in Committees of the Board. The Articles of Association of the Company allows the distribution of an amount not to exceed 3 percent of the total distributable profit, to be determined by the general assembly of shareholders, as dividend to Board members.

Expenses of the members of the Board such as transportation, accomodation and communication incurred in connection with Company business are reimbursed by the Company.

Stock options and performance based payment plans are not applied to independent members of the Board; their compensation level is determined to ensure the maintenance of their independence.

The Board of Directors is responsible to issue, implement, revise and amend the policy as necessary in accordance with legislation. Procedures and principles relating to the application of the policy is established and managed by the Human Resources Department. The compensation policy and/or its amendments are presented to the shareholders at general meetings and posted on the website of the Company.

INDEPENDENT AUDIT REPORT

NETAŞ TELEKOMÜNİKASYON A.Ş.
AND ITS' SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
AND INDEPENDENT AUDITORS' REPORT

(CONVENIENCE TRANSLATION OF
THE REPORT AND THE FINANCIAL
STATEMENTS ORIGINALLY ISSUED IN TURKISH)

Deloitte.

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(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Netaş Telekomünikasyon A.Ş.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of Netaş Telekomünikasyon A.Ş. ("the Company") and its subsidiaries (together will be referred as "the Group") ,which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards ("TAS") and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by Capital Markets Board and Independent Auditing Standards which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion..

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Netaş Telekomünikasyon A.Ş. and its subsidiaries as at 31 December 2015 and of their financial performance and their cash flows for the year then ended in accordance with Turkish Accounting Standards.

Emphasis of matter

Nortel Networks Corporation, the ultimate parent of Nortel Networks International Finance and Holding B.V. which is holding 53,13% shares of the Company until 22 December 2010 (see note 7), has announced that Nortel Networks Limited, which was another indirect parent of the Company, and certain of its other Canadian subsidiaries have obtained an order from the Ontario Superior Court of Justice for creditor protection under the Companies' Creditors Arrangement Act in Canada filed as of 14 January 2009. Nortel Networks UK Limited, and certain subsidiaries of the Nortel Group incorporated in the EMEA region, obtained an administration order from the English High Court of Justice under the Insolvency Act 1986. As detailed in Note 7, the Company's receivables from Nortel Group companies amounted to TL 39.740.554 as of 31 December 2015 (31 December 2014: TL 31.701.916), and as of our report date, the Company's management attempted by the insolvent estate regarding the collectability of receivables, there is a continuing uncertainty regarding the collectability and collection time table of these receivables due to the reasons explained above.

Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 9 March 2016.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Company's and subsidiaries, localized in Turkey, set of accounts and financial statements prepared for the period 1 January-31 December 2015 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Hakan Erten, SMMM
Partner

İstanbul, 9 March 2016

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2015

(Unless otherwise stated the amounts are in TL).

	Notes	31 December 2015	31 December 2014
ASSETS			
Current Assets		**1.094.101.658**	**734.587.570**
Cash and Cash Equivalents	5	226.061.741	84.325.174
Trade Receivables		596.232.981	464.667.288
Due from related parties	*28*	*18.541.627*	*17.595.491*
Other trade receivables from third parties	*7*	*577.691.354*	*447.071.797*
Other Receivables		397.045	1.654.284
Other receivables from third parties	8	*397.045*	*1.654.284*
Derivative Assets	29	109.927	-
Inventories	9	103.016.525	54.923.946
Deferred Costs	11	99.108.517	88.852.528
Prepaid Expenses	10	32.896.350	8.410.332
Other Current Assets	19	36.278.572	31.754.018
Non-Current Assets		**258.513.498**	**166.518.531**
Trade Receivables	7	109.479.328	39.650.701
Tangible Fixed Assets	12	40.220.084	38.123.936
Financial Investments		862.056	301.458
Intangibles		90.035.336	75.387.137
Goodwill	13	*53.290.807*	*42.501.050*
Other intangibles	13	*36.744.529*	*32.886.087*
Associates	3	2.601.418	*1.980.222*
Other Non-Current Assets	19	6.872.784	3.878.995
Prepaid Expenses	10	1.098.957	-
Deferred Tax Asset	26	7.343.535	7.196.082
TOTAL ASSETS		**1.352.615.156**	**901.106.101**

The accompanying notes form an integral part of these consolidated financial statements.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2015

(Unless otherwise stated the amounts are in TL).

	Notes	31 December 2015	31 December 2014
LIABILITIES			
Short Term Liabilities		**866.372.756**	**544.894.729**
Financial Liabilities	6	333.068.285	215.874.487
Trade Payables		350.117.975	191.397.789
Due to related parties	*28*	*45.443*	*53.131*
Other trade payables to third parties	*7*	*350.072.532*	*191.344.658*
Other Payables		12.731.107	11.717.184
Other payables to third parties	8	*12.731.107*	*11.717.184*
Payables Arising from Employee Benefits	17	13.034.339	4.892.554
Deferred Revenues	11	67.306.810	56.906.075
Short Term Provisions		21.376.150	19.388.779
Provision for Employee Benefits	*17*	*16.637.781*	*15.704.207*
Other Short Term Provisions	*15*	*4.738.369*	*3.684.572*
Advances Received	18	66.778.156	42.883.536
Current Tax Liabilities	26	1.959.934	1.834.325
Long Term Liabilities		**49.041.503**	**33.313.356**
Trade Payables	7	12.781.889	10.310.361
Long Term Provisions		20.513.651	18.242.410
Provision for Employee Benefits	17	*20.513.651*	*18.242.410*
Deferred Tax Liability	26	15.745.963	4.760.585
SHAREHOLDERS' EQUITY		**437.200.897**	**322.898.016**
Capital	20	64.864.800	64.864.800
Capital Reserves		41.612.160	41.612.160
Other comprehensive income to be reclassed in profit and loss		7.661.632	5.315.561
Currency Translation Reserves		*7.661.632*	*5.315.561*
Other comprehensive income not to be reclassed in profit and loss		115.078.646	67.682.699
Actuarial Loss		*(8.321.961)*	*(8.053.531)*
Currency Translation Reserves		*123.400.607*	*75.736.230*
Restricted Reserves Appropriated From Profit		33.182.076	32.809.042
Net Profit for the Year	20	34.305.075	11.845.089
Retained Earnings	20	140.496.508	98.768.665
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1.352.615.156**	**901.106.101**

The accompanying notes form an integral part of these consolidated financial statements.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

(Unless otherwise stated the amounts are in TL).

	Note	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
INCOME FROM OPERATIONS			
Revenue	21	1.008.993.097	740.959.124
Cost of Sales (-)	21	(895.090.264)	(657.649.432)
GROSS PROFIT		**113.902.833**	**83.309.692**
Sales and Marketing Expenses (-)	22	(42.588.722)	(39.869.896)
General and Administrative Expenses (-)	22	(23.844.072)	(21.758.633)
Research and Development Expenses (-)	22	(3.968.273)	(1.242.508)
Income from Other Operating Activities	23	12.155.676	4.557.130
Expense from Other Operating Activities (-)	23	(30.248.471)	(14.099.319)
OPERATING PROFIT		**25.408.971**	**10.896.466**
Income from Investment Activities	24	794.378	509.150
Expense from Investment Activities (-)	24	(248.408)	(1.024.603)
OPERATING PROFIT BEFORE FINANCE PROFIT		**25.954.941**	**10.381.013**
Financial Income	25	59.272.069	17.378.182
Financial Expenses (-)	25	(38.153.518)	(21.713.728)
PROFIT BEFORE TAX		**47.073.492**	**6.045.467**
Tax (Expense) / Income		**(12.768.417)**	**5.799.622**
- Current Tax Expense	26	(2.499.583)	(1.834.325)
- Deferred Tax (Expense) / Income	26	(10.268.834)	7.633.947
PROFIT AFTER TAX		**34.305.075**	**11.845.089**
OTHER COMPREHENSIVE INCOME			
Other comprehensive income or expenses that will not be reclassified subsequently to profit of loss		**47.395.947**	**13.259.647**
Currency translation reserves		47.664.377	15.083.212
Actuarial loss		(268.430)	(1.823.565)
Other comprehensive income or expenses that may be reclassified subsequently to profit or loss		**32.601.859**	**8.730.203**
Currency translation reserves		32.601.859	8.730.203
OTHER COMPREHENSIVE INCOME NET OF TAX		**79.997.806**	**21.989.850**
TOTAL COMPREHENSIVE INCOME		**114.302.881**	**33.834.939**
Profit per share	27	**0,5289**	**0,1826**

The accompanying notes form an integral part of these consolidated financial statements.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015
(Unless otherwise stated the amounts are in TL).

			Other comprehensive income or expenses that may be reclassified subsequently to profit or loss	Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss			Retained Earnings		
	Capital	Capital Reserves	Currency Translation Reserves	Currency Translation Reserves	Actuarial Loss	Restricted Reserves Appropriated from Profit	Retained Earnings	Net Profit for the Year	TOTAL
Balance as at 1 January 2014	**64.864.800**	**41.612.160**	**4.963.386**	**60.653.018**	**(6.229.966)**	**30.924.042**	**90.078.773**	**2.196.864**	**289.063.077**
Currency translation differences	-	-	352.175	15.083.212	-	-	8.378.028	-	23.813.415
Actuarial loss	-	-	-	-	(2.279.456)	-	-	-	(2.279.456)
Deferred tax benefit on actuarial loss	-	-	-	-	455.891	-	-	-	455.891
Net profit for the period	-	-	-	-	-	-	-	11.845.089	11.845.089
Total comprehensive income	**-**	**-**	**352.175**	**15.083.212**	**(1.823.565)**	**-**	**8.378.028**	**11.845.089**	**33.834.939**
Transfer	-	-	-	-	-	-	2.196.864	(2.196.864)	-
Transfer to reserves	-	-	-	-	-	1.885.000	(1.885.000)	-	-
Balance as at 31 December 2014	**64.864.800**	**41.612.160**	**5.315.561**	**75.736.230**	**(8.053.531)**	**32.809.042**	**98.768.665**	**11.845.089**	**322.898.016**
Currency translation differences	-	-	2.346.071	47.664.377	-	-	30.255.788	-	80.266.236
Actuarial loss	-	-	-	-	(335.537)	-	-	-	(335.537)
Deferred tax benefit on actuarial loss	-	-	-	-	67.107	-	-	-	67.107
Net profit for the period	-	-	-	-	-	-	-	34.305.075	34.305.075
Total comprehensive income	**-**	**-**	**2.346.071**	**47.664.377**	**(268.430)**	**-**	**30.255.788**	**34.305.075**	**114.302.881**
Transfer	-	-	-	-	-	-	11.845.089	(11.845.089)	-
Transfer to reserves	-	-	-	-	-	373.034	(373.034)	-	-
Balance as at 31 December 2015	**64.864.800**	**41.612.160**	**7.661.632**	**123.400.607**	**(8.321.961)**	**33.182.076**	**140.496.508**	**34.305.075**	**437.200.897**

Retained earnings contains extraordinary reserves.

The accompanying notes form an integral part of these consolidated financial statements.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2015

(Unless otherwise stated the amounts are in TL).

	Notes	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
A. Cash flows from operating activities			
Profit for the year		**34.305.075**	**11.845.089**
Adjustements related to depreciation	12-13	20.318.101	15.611.855
Adjustments related to loss from the sale of tangible assets	24	78.611	787.198
Adjustments related to unused vacation provision	17	2.053.109	783.372
Adjustments related to severance indemnity and special retirement pay	17	4.217.560	4.273.375
Adjustments related to in premium provision	17	17.684.732	17.189.241
Adjustments related to provisions	15	1.049.896	1.666.077
Adjustments related to doubtful receivable write off	7	4.302.925	5.021.547
Adjustments related to provision for inventories	9	(176.705)	-
Adjustments related to derivative financial instruments	20	(109.927)	-
Adjustments related to interest income	23	(1.054.628)	(467.002)
Adjustments related to interest expense	25	35.076.184	19.762.515
Adjustments related to unrealized currency translation	24-25	(44.282.739)	(9.315.133)
Adjustments related to financial investments under equity method	3	(621.196)	(175.313)
Adjustments related to discount expense	7	8.937.832	-
Adjsutments related to tax income / (expense)	26	12.768.417	(5.799.622)
Adjustments to reconcile income for the period		**60.242.172**	**49.338.110**
Change in trade receivables	7	(85.163.937)	5.587.061
Change in inventory	9	(31.768.997)	8.790.991
Change in short and long term deferred costs	11	11.507.365	(36.630.229)
Change in due from related parties	28	3.293.671	(5.367.410)
Change in prepaid expenses	10	(21.936.844)	6.899.657
Change in other receivables and assets	8-19	4.877.649	(280.251)
Change in other tangible fixed assets	19	(1.879.404)	59.780
Change in trade payables	7	102.907.572	(8.177.663)
Change in advances received	18	12.168.493	8.370.100
Change in deferred revenues	11	(3.784.979)	30.391.086
Change in payables arising from employee benefits	17	6.454.537	(386)
Change in short and long tern other payables	8	(1.834.216)	921.204
Change in due to related parties	28	(19.810)	(143.511)
Movements in working capital		**(5.178.899)**	**10.420.429**
Cash used in from operations		**89.368.348**	**71.603.628**
Taxes paid		(2.373.974)	(2.057.141)
Payment for employee premiums	17	(17.060.199)	(15.256.212)
Payment for unused vacation day accruals	17	(1.367.198)	(1.542.878)
Retirement benefits paid	17	(2.658.726)	(5.115.940)
		65.908.251	**47.631.457**
B. Cash flows from investing activities			
Interest received		1.054.628	467.002
Acquisition of property, plant and equipment	12-13	(6.444.883)	(8.663.032)
Financial investments		(560.598)	(213.093)
Proceeds from sale of property, plant and equipment	12-13	272.883	887.998
		(5.677.970)	**(7.521.125)**
C. Cash flows from financing activities			
Cash inflow due to the financial liabilities		115.302.999	36.344.953
Interest paid		(28.251.660)	(18.034.197)
		87.051.339	**18.310.756**
Net increase in cash and cash equivalents before the effect of exchange rate changes (A+B+C)		**147.281.620**	**58.421.088**
D. Effects of exchange rate changes on cash and cash equivalents		(5.545.053)	(14.965.926)
Net increase in cash and cash equivalents A+B+C+D)		**141.736.567**	**43.455.162**
E. Cash and cash equivalents at the beginning of the period	5	84.325.174	40.870.012
Cash and cash equivalents at the end of the period (A+B+C+D+E)	5	**226.061.741**	**84.325.174**

The accompanying notes form an integral part of these consolidated financial statements.

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Netaş Telekomünikasyon A.Ş. (the "Company") and its' subsidiaries (the "Group") is an incorporated company, registered in Istanbul. The Company is engaged in the manufacture and trade of telecommunication equipment, project installation services, technical support, repair and maintenance services, IT services, strategic outsourcing services, implementation activities, and associated services. The shares of the Company are quoted on the Borsa İstanbul ("BIST"). The headquarter of the Group was located at Alemdağ Caddesi No:171 Ümraniye / İstanbul and then the headquarter is registered as Yenişehir Mah. Osmanlı Bulvarı No:11 34912 Kurtköy-Pendik/İstanbul at Istanbul Trade Registry Office as at 23 July 2013.

The Group works with major clients such as Aselsan, Türk Telekom, Vodafone, Avea, and Turkish Football Association service providers, corporate and governmental institutions in Turkey, to provide communications solutions and the infrastructure needed for modern communication systems. The Company is also engaged in research and development and provides design and development services to the customers of Kapsch and Genband as well as to local customers.

Probil Bilgi İşlem Destek ve Danışmanlık San.ve Tic.A.Ş. ("Probil"), offers industrial solutions, system integration, outsourcing, support services, network solutions and consultancy services to its domestic customers. Founded in 1989, Probil also provides value added solutions to international customers in CIS region, mainly in Asia Pasific (Nepal), Kazakhstan, Azerbaijan, Algeria and Uzbekstan with strategic business partnerships like Cisco and Microsoft. Specialized in all IT services, BDH Bilişim Destek Hizmetleri San. Tic.A.Ş. ("BDH") was founded in April 2006 in order to provide consultancy, strategic outsourcing, data center and support services.

According to Board of Directors resolution as at 11 April 2012, foundation of a "Limited Liability Partnership" (Netas Telecom Limited Liability Partnership) was completed in Kazakhstan Almaty. The amount of capital which solely belongs to Netaş is 161.800 Tenge (approximately 1.100 American USD). Registration was made on 25 June 2012 and it will be valid starting from 4 July 2012.

As at 28 November 2013, an agreement is signed between Kron Telekomünikasyon Hizmetleri A.Ş.' nin ("KRONT") and the Company for the acquisition of 10 % of A group shares from Lütfi Yenel for TL 1.700.000.

The Company has established organization (Netas Telecommunications Malta Ltd.) in Maltha and which hold all of share capital (100%) have belong to the Company which amounted 1.200 EUR. Registiration processes are completed in date of 4 November 2014.

As of 31 December 2015, the Company has no blue collar employee (31 December 2014: None). Average white collar head count is 2.204 (31 December 2014: 2.101).

Approval of Consolidated Financial Statements

Group's consolidated financial statements as of 31 December 2015 have been approved by the Board of Directors on 9 March 2016.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

a) Statement of Compliance

The Company maintains its books of account in accordance with accounting principles set by Turkish Commercial Code ("TCC") and tax legislation.

The subsidiaries in foreign countries prepares their accounting and financial tables in their currency and according to the laws and regulations of their countries.

The consolidated financial statements and disclosures have been prepared in accordance with the communique numbered II-14,1 "Communique on the Principles of Financial Reporting in Capital Markets" ("the Communique") announced by the Capital Markets Board (CMB) (hereinafter will be referred to as "the CMB Accounting Standards") on 13 June 2013 which is published on Official Gazette numbered 28676.

The accompanying consolidated financial statements and disclosures are presented in accordance with the formats and by including the compulsory information announced by the CMB dated 7 June 2013.

b) Basis of presentation of consolidated financial statements:

The details of the Company's subsidiaries as of 31 December 2015 are as follows:

	Place of establishment of operation	Group's shares in capital and voting rights	Main operating activity
Probil Bilgi İşlem Destek ve Danışmanlık San.ve Tic.A.Ş.	Turkey	100%	Consultancy of project installment and network solution
BDH Bilişim Destek Hizmetleri Sanayi ve Ticaret A.Ş.	Turkey	100%	Technical support and maintenance services
Netaş Telecom Limited Liability Partnership	Republic of Kazakhstan	100%	Consultancy of project installment, design and technical support services
Netaş Telecommunications Malta Ltd	Malta	100%	Supply of telecomunication equipment

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

b) Basis of presentation of consolidated financial statements (cont'd):

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

b) Basis of presentation of consolidated financial statements (cont'd)

As of 31 December 2015 and 2014 the details of associate of the Group is given below:

	Main operating activity	Acquisition date	Acquired share of capital	Acquisition amount
Kron Telekomünikasyon Hizmetleri A.Ş.	Information technology	28.11.2013	10%	1.700.000

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or a joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or a joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or a joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of TAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with TAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with TAS 36 to the extent that the recoverable amount of the investment subsequently increases.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS(cont'd)

2.1 Basis of Presentation (cont'd)

b) Basis of presentation of consolidated financial statements (cont'd):

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with TAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss when the equity method is discontinued.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

c) Functional Currency and Reporting Currency

US Dollar (US $) is the currency that the Group's operations are denominated and has a significant impact on the Group's operations. US $ reflects the economic basis of events and situations that are important to the Group. In accordance with the analysis done by the Group's management and current economical and operational conditions, the management has concluded that US $ is the functional currency and TL is the reporting currency of the Group in accordance with Turkish Accounting Standard ("TAS") No:21 - The Effects of Changes in Foreign Exchange Rates ("TAS 21").

For the purpose of the preparation of the consolidated financial statements and the notes in accordance with TAS 21, monetary balance sheet items in the statutory standalone financial statements of the Group are translated to US $ by using rates as at the balance sheet date. Consequently, non-monetary balance sheet items, income, expenses and cash flows are translated to US $ by using rates at the date of transactions (historical rates). Translation gain or losses that are generated from the translation of foreign currency based transactions are recognized in the consolidated statement of profit or loss as net foreign exchange gain or loss.

On 17 March 2005, CMB has announced that the Turkey is no longer hyperinflationary economy and Financial Reporting under Hyperinflationary Economy is not applicable effective from 1 January 2005. Accordingly in the accompanying consolidated financial statements TL is treated as a currency for non-hyperinflationary economy. For the purpose of presentation of the USD financial statements in TL (as explained in the paragraph above), balance sheet (except for some equity accounts) have been translated to TL by using USD rate as of 31 December 2015 (Turkish Central Bank USD Buying rate: 1 USD: 2,9076 TL), statements of income and statements of cash flows have been translated to TL by using twelve months average exchange rate (1 USD: 2,72 TL) for the period ended 31 December 2015 (for the period ended 31 December 2014 1 USD: 2,1879TL) in accordance with TAS 21. In the accompanying consolidated financial statements capital and legal reserves are carried with their values in statutory accounts.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

c) Functional Currency and Reporting Currency (cont'd)

Translation differences for capital and legal reserves due to preparation of the financial statements in accordance with TAS are presented as currency translation reserves and retained earnings respectively in the accompanying consolidated financial statements. Comparative consolidated financial statements are translated by using USD rates as of 31 December 2015 (31 December 2014 1 USD: 2,3189 TL).

2.2 Comparative Information and Restatement of Prior Period Consolidated Financial Statements

Group's consolidated financial statements have been prepared comparatively with the prior period for allow the determination of financial position and performance trend. Comparative information is reclassified when necessary and important differences are explained, in order to conform to the current period financial statement's presentation.

As of 31 December 2014, Nortel balance of trade receivables from third parties that under current assets is TL 39.597.906, and this amount is classified as trade receivable from third parties under non-current asset.

As of 31 December 2014, Nortel balance of trade payables from third parties that under short term liabilities is TL 7.838.291, and this amount is classified as trade payables from third parties under long term liabilities.

2.3 Change in Accounting Policies

Significant changes in accounting policies are applied retrospectively and prior period financial statements are adjusted accordingly. Due to the effects of changes in standards the Company has made a number of changes in accounting policies in the current year.

2.4 Change in Accounting Estimates and Errors

Any error is applied retroactively and the financial statements for the prior years are adjusted accordingly. If changes in accounting policies are for only one period, changes are applied on the current year but if the changes affect the future periods, changes are applied both on the current period and future periods prospectively.

2.5 Summary of Significant Accounting Policies

2.5.1 Revenue

Revenue is recognized when the Group transfers the risk of loss and ownership; deliver the products and services to the buyer.

In general, the Group recognizes revenue from the sale of goods and equipment when persuasive evidence of an arrangement with its customer exists, delivery occurs, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. The Group defers revenue and associated costs until to deliver all contractual obligations. Deferred revenues and cost are presented on the face of balance sheet under "Short and Long Term Deferred Revenues" and "Short and Long Term Deferred Costs" accounts.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.1 Revenue (cont'd)

TAS 11- Construction Accounting ("TAS11") defines a construction contract, as contracts specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose of use. For revenues generated from construction contracts, the Group applies the percentage of completion method of accounting in application of the above principles, provided certain specified conditions are met, based either on the achievement of contractually defined milestones or on costs incurred compared with total estimated costs. Any probable construction contract losses are recognized immediately in costs of sales. If uncertainty exists relating to customer acceptance, or the contract's duration is relatively short, revenues are recognized only to the extent of costs incurred that are recoverable, or on completion of the contract.

The Group records the revenue according to the percentage of completion for the projects that includes product that includes software which is more than incidental to the product as a whole.

The revenues from software licenses are recorded separately from the revenues from services as the agreement criteria like market value can be determined by the Group. If these criteria cannot be provided, the revenues are deferred and recognized when the service is completed.

The revenues related to the agreements of projects with hardware with minimal engineering and related services, training or consulting are recorded when the service is given or the goods are delivered.

Maintenance revenues including post contract support are deferred during the service and recorded as income when the service is rendered.

Advance payments received on construction contracts, before corresponding works had been carried out, are booked in "Order Advances" account group under "Advances Received". Costs incurred to date, adjusted by profits and losses recognized and progress billings, is determined on a contract by contract basis. If the amount is positive it is included as asset under "unbilled receivable" under "Trade receivables" group.

For revenues generated from licensing, selling or otherwise marketing software solution, the Group recognizes revenue generally upon delivery of the software and on the related services as and when they are performed, in application of the principles described in the first paragraph. For arrangements to sell software licenses with services, software license revenue is recognized separately from the related service revenue, provided that the transaction adheres to certain criteria, such as the existence of sufficient vendor-specific objective evidence of fair value to permit allocation of the revenue to the various elements of the arrangement. If the arrangement does not meet the specified criteria, revenue is deferred and recognized ratably over the service period. For arrangements to sell services only, revenue from training or consulting services is recognized when the services are rendered.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.2 Inventories

Inventories are stated at the lower of cost and net realizable value and valued on monthly weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

2.5.3 Tangible Assets

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.4 Intangible Assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (5 years).

Costs associated with developing or maintaining computer software program are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized over their estimated useful lives.

Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the customer relationship.

2.5.5 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.5 Impairment of tangible and intangible assets other than goodwill (cont'd)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.5.6 Borrowing Costs

Interest expenses directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recorded in the income statement in the period in which they are incurred.

2.5.7 Financial Instruments

Financial assets are recognized on a trade-date basis and are initially measured at fair value.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity are measured at amortized cost, less any impairment loss recognized to reflect irrecoverable amounts.

Financial assets other than held-to-maturity debt securities are classified as either held for trading or available-for-sale and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, any gains and losses arising from measurement are recognized in the statements of income. For available-for-sale assets, any gains and losses arising from the measurement are recognized in the shareholders' equity.

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arms length transaction. Market value is the amount obtainable from the sale or payable on the acquisition, of a financial instrument in an active market, if one exists.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.7 Financial Instruments (cont'd)

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented her in may not necessarily be indicative of the amounts the Group could realize in a current market exchange.

The fair values of certain financial assets carried at cost are considered to be representative of carrying values due to their short-term nature.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate fair value.

Cash and cash equivalents: Cash and cash equivalents comprise cash on hand and bank deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Spot loans bearing no interest are shown under cash and cash equivalents. The carrying amount of these assets approximates their fair value.

Trade and other receivables: Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The Group estimates that the carrying amount of trade and other receivables approximates their fair value.

Trade and other payables: Trade and other payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. The Group estimates that the carrying amount of trade and other payables approximates their fair value.

Due to/from related parties: The carrying value of due to and due from related parties are estimated to be their fair value. The details of the receivables from Nortel group companies prior to 14 January 2009 included in trade receivables as of 31 December 2015, where the Group cannot estimate the recoverability, are provided in the financial statement Note 7.

The Group uses financial instruments, such as letter of credits, which have off balance sheet risks for its operations. The possible loss from these instruments to the Group is equal to the amount on the instruments contracts.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.7 Financial Instruments (cont'd)

Credit Risk

The Group's credit risk is primarily dependent upon its trade receivables and exposures to the banks. The amounts presented in the balance sheet are net of allowances for doubtful receivables, (except for the amounts due from Nortel companies prior to 14 January 2009, where the Group has not made a provision against the pre-filing receivables from Nortel as the Group is not able to estimate the recoverability due to uncertainties as at the balance sheet date - see note 7) estimated by the Group's management based on prior experience and the current economic environment. Thus, The Group does not anticipate any risks relevant to the trade receivables except allowances for doubtful receivables. The Group assigns credit limits to its customer and exposures to the customers do not exceed these limits. The Group has significant exposures to the banks. The Group also assigns credit limits to the banks. Treasury and Control department monitors and controls exposures to the banks in order to ensure that the exposures are within the assigned limits.

Foreign Currency Risk

Due to its core business, the Group is subject to exchange rate volatility tied to the value change of foreign currencies. Currency risk is limited by analyzing its net currency position consistently. As of 31 December 2015, in order to meet the US Dollar finding requirement and minimize the negative exposure to appreciation of US Dollar against Turkish Lira, the Group has entered into a series of "asymmetric zero-cost collar forward knockout contracts", which have been accounted for as a derivative instrument. The Group's foreign currency risk for assets and liabilities has been disclosed in Note 30.

Liquidity Risk

The Group is generally raising funds by liquidating its short-term financial instruments such as collecting its receivables and selling out securities. The Group's proceedings from these instruments generally approximate their fair values.

2.5.8 Business combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and the equity interests issued by the Group in exchange for control of the acquire. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.8 Business combinations (cont'd)

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with TAS 12 *Income Taxes* and TAS 19 *Employee Benefits* respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with TFRS 2 *Share-based Payment* at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquire's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another TAS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with TAS 39, or TAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.8 Business combinations (cont'd)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

2.5.9 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

2.5.10 The Effects of Change in Foreign Exchange Rates

The effects of change in foreign exchange rates on the financial statements have been disclosed in note 2 "Basis of Financial Statements" section 2.1.c "Functional and Reporting Currency". For the purpose of presentation of the consolidated financial statements as TL, balance sheet has been translated to TL by using Turkish Central Bank foreign exchange buying rates as of 31 December 2015 (1 US $ = 2,9076 TL , 1EUR = 3,1776 TL , 1 CAD = 2,0945 TL, 1 GBP = 4,3007 TL and 1 BDT = 0,03656 TL).

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.11 Earnings per Share

Earnings per share disclosed in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares in existence during the year concerned.

In Turkey, companies can raise their share capital by distributing "Bonus Shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation

2.5.12 Subsequent Events

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information.

The Group adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

2.5.13 Provisions, Contingent Liabilities and Assets

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.5.14 Leasing

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of the ownership to the Group. All other leases are classified as operational lease. Lease payments for operational lease are recognized in the statement of income during the life of the contract.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.15Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements.

a) A person or a close member of that person's family is related to a reporting entity if that person:

i) has control or joint control over the reporting entity;

ii) has significant influence over the reporting entity; or

iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.16 Reporting of Financial Information on Segment Basis

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group Management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group evaluates the performance of five segments to decide resource allocation. The segments of the Group are system enterprise, public, international, technology and BDH.

2.5.17 Government Grants and Incentives

All government grants, including non-monetary government grants are recognized in the financial statements with their fair values, if the Group provides sufficient assurance that the requirements for such grants will be fulfilled.

Government grants are presented in the consolidated financial statements regardless of whether the grants are obtained in cash or by decreasing a liability to the government. Government grants are presented in Note 14.

2.5.18 Taxation and Deferred Tax

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Tax expense form continues operation includes current year income tax expense and deferred income tax (expense) / benefit.

Current tax

Current year income tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.18 Taxation and Deferred Tax (cont'd)

Deferred tax (cont'd)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that expected to apply to the period when asset is realized or the liability is settled. Deferred tax is charged or credited in the statements of income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.19 Employee Benefits

Termination and retirement benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per Turkish Accounting Standard No. 19 (revised) "Employee Benefits" ("TAS 19").

The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Retirement Plans

As it is disclosed in Note 17, the Group pays a special pension to employees who have worked over 15 years for the Group. The assumptions used in the calculation of future obligations are disclosed in Note 17.

2.5.20 Statements of Cash Flows

In statement of cash flows, cash flows are classified according to operating, investing and financing activities.

2.5.21 Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

2.5.22 Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.22 Determination of Fair Values (cont'd)

(a) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(b) Intangible assets

The fair value of intangible assets recognised as a result of a business combination is based on market values. The market value of intangible assets is the estimated amount for which an intangible could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The fair values of other intangible assets are carried at cost and are considered to approximate its respective carrying amount.

(c) Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(d) Trade and Other Receivables/Due From Related Parties

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purpose.

(e) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Fair value of trade and other payables is carried out at cost and is considered to approximate its respective carrying amount.

2.6 Accounting Estimates and Assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.6 Accounting Estimates and Assumptions (cont'd)

In particular, information about significant areas at estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements is included in the following notes:

Note 7	Trade receivables and payables: Estimations and accounting judgments regarding to collectability of receivables
Note 9	Inventories: Estimations regarding to inventory provision
Note 12 and 13	Tangible and intangible assets: Estimations regarding to useful lives
Note 13	Goodwill: Estimations regarding to impairment of goodwill
Note 15	Provisions: Estimations regarding to provision amounts
Note 26	Tax Assets and liabilities: Estimations regarding to recoverability of deferred tax assets
Note 30	Financial instruments and risk management: Estimations and accounting judgments regarding to collectability of receivables
Note 21	Revenue and cost of sales: Estimation of revenue and cost based on project based analysis

2.7 New and Revised Turkish Financial Reporting Standards

(a) Amendments to TFRSs affecting amounts reported and the disclosures in the consolidated financial statements

None.

(b) New and Revised TFRSs applied in 2015 with no material effect on the consolidated financial statements

Amendments to TAS 19	*Defined Benefit Plans: Employee Contributions* [1]
Annual Improvements to 2010-2012 Cycle	*TFRS 2, TFRS 3, TFRS 8, TFRS 13, TAS 16 and TAS 38, TAS 24, TFRS 9, TAS 37, TAS 39* [1]
Annual Improvements to 2011-2013 Cycle	*TFRS 3, TFRS 13, TAS 40* [1]

[1] Effective for annual periods beginning on or after 30 June 2014.

Amendments to TAS 19 *Defined Benefit Plans: Employee Contributions*

This amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contribution, can, but are not required, to be recognized as a reduction in the service cost in the period in which the related service is rendered.

Annual Improvements to 2010-2012 Cycle

TFRS 2: Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

TFRS 3: Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.7 New and Revised Turkish Financial Reporting Standards(cont'd)

(b) New and Revised TFRSs applied in 2015 with no material effect on the consolidated financial statements (cont'd)

TFRS 8: Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

TFRS 13: Clarify that issuing TFRS 13 and amending TFRS 9 and TAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

TAS 16 and TAS 38: Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

TAS 24: Clarify how payments to entities providing management services are to be disclosed.

Annual Improvements to 2010-2012 Cycle also led to amendments in related provisions of TFRS 9, TAS 27 and TAS 39, respectively.

Annual Improvements to 2011-2013 Cycle

TFRS 3: Clarify that TFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

TFRS 13: Clarify the scope of the portfolio exception in paragraph 52.

TAS 40: Clarifying the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property.

(c) New and revised TAS in issue but not yet effective

The Group has not applied the following new and revised TAS that have been issued but are not yet effective:

TFRS 9	*Financial Instruments*
Amendments to TFRS 9 and TFRS 7	*Mandatory Effective Date of TFRS 9 and Transition Disclosures*
Amendments to TAS 16 and TAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation* [1]
Amendments to TAS 16 and TAS 41 and amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40	*Agriculture: Bearer Plants* [1]
Amendments to TFRS 11 and TFRS 1	*Accounting for Acquisition of Interests in Joint operations* [1]
Annual Improvements to 2011-2013 Cycle	*TFRS 1* [2]
Amendments to TAS 1	*Disclosure Initiative* [2]
Annual Improvements to 2012-2014 Cycle	*TFRS 5, TFRS 7, TAS 34, TAS 19* [2]
Amendments to TAS 27	*Equity Method in Separate Financial Statements* [2]
Amendments to TFRS 10 and TAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [2]
Amendments to TFRS 10, TFRS 12 and TAS 28	*Investment Entities: Applying the Consolidation Exception* [2]
TFRS 14	*Regulatory Deferral Accounts* [2]

[1] Effective for annual periods beginning on or after 31 December 2015.
[2] Effective for annual periods beginning on or after 1 January 2016.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.7 New and Revised Turkish Financial Reporting Standards (cont'd)

(c) New and revised TAS in issue but not yet effective

TFRS 9 *Financial Instruments*

TFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. TFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Amendments to TFRS 9 and TFRS 7 *Mandatory Effective Date of TFRS 9 and Transition Disclosures*

The mandatory effective date of TFRS 9 will be no earlier than annual periods beginning on or after 1 January 2018.

Amendments to TAS 16 and TAS 38 *Clarifications of Acceptable Methods of Depreciation and Amortisation*

This amendment clarifies that that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Amendments to TAS 16 and TAS 41 and Amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40 *Agriculture: Bearer Plants*

This amendment include 'bearer plants' within the scope of TAS 16 rather than TAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with TAS 16. The amendment also introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of TAS 41.

Amendments to TAS 16 and TAS 41 also led to amendments in related provisions of TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40, respectively.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.7 New and Revised Turkish Financial Reporting Standards (cont'd)

(c) New and revised TFRSs in issue but not yet effective (cont'd)

Amendments to TFRS 11 and TFRS 1 *Accounting for Acquisition of Interests in Joint operations*

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- Apply all of the business combinations accounting principles in TFRS 3 and other TAS, except for those principles that conflict with the guidance in TFRS 11,
- Disclose the information required by TFRS 3 and other TAS for business combinations.

Amendments to TFRS 11 also led to amendments in related provisions of TFRS 1.

Annual Improvements 2011-2013 Cycle

TFRS 1: Clarify which versions of TAS can be used on initial adoption (amends basis for conclusions only).

Amendments to TAS 1 *Disclosure Initiative*

This amendment addresses perceived impediments to preparers exercising their judgment in presenting their financial reports.

Annual Improvements 2012-2014 Cycle

TFRS 5: Adds specific guidance in TFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

TFRS 7: Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in financial statements.

TAS 34: Clarify the meaning of 'elsewhere in the report' and require a cross-reference.

Annual Improvements to 2012-2014 Cycle also led to amendments in related provisions of TAS 19

Amendments to TAS 27 *Equity Method in Separate Financial Statements*

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Amendments to TFRS 10 and TAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS(cont'd)

2.7 New and Revised Turkish Financial Reporting Standards (cont'd)

(c) New and revised TFRSs in issue but not yet effective (cont'd)

Amendments to TFRS 10, TFRS 12 and TAS 28 *Investment Entities: Applying the Consolidation Exception*

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by TFRS 12.

TFRS 14 *Regulatory Deferral Accounts*

TFRS 14 *Regulatory Deferral Accounts* permits an entity which is a first-time adopter of Turkish Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of TFRS and in subsequent financial statements.

TFRS 14 also led to amendments in related provisions of TFRS 1.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

3. SHARES IN ASSOCIATES

Associates

Details of Important associates

As of 31 December 2015, the details of important associates are as in the following;

	Main operating activity	Acquisition date	Acquired share of capital	Acquisition amount
Kron Telekomünikasyon Hizmetleri A.Ş.	Information technology	28.11.2013	10%	1.700.000

On 28 November 2013, the Company made a new investment and came to an agreement on acquisition of 10% of the shares of Kron Telekomünikasyon Hizmetleri A.Ş. for TL 1.700.000. Furthermore, the Company acquired the right to be represented with 3 members in the Board of Directors at Kron and to be active in taking strategic growth decisions of the company.

Equity method is used in the accounting of Kron Telekomünikasyon Hizmetleri A.Ş. figures in the accompanying consolidated financial statements.

3. SHARES IN ASSOCIATES (cont'd)

Associates(cont'd)

Goodwill arises from the acquisition of Kron Telekomünikasyon Hizmetleri A.Ş. Additionally; the cost includes synergy, the benefits arising from the rising market share and also the labor force of Kron Telekomünikasyon Hizmetleri A.Ş. As these benefits are not separable, they are not recognized in the accompanying consolidated financial statements.

Goodwill

	Kron Telekomünikasyon Hizmetleri A.Ş.
Amount transferred	1.700.000
Fair value of the net assets of the acquired company	(1.098.805)
Goodwill	**601.195**

The summary of the financial information of Kron Telekomünikasyon Hiz. A.Ş. is explained below. This financial information is prepared according to TAS.

	31 December 2015	31 December 2014
Current assets	18.060.465	14.794.261
Non-current assets	9.131.425	9.142.342
Sort term liabilities	6.627.093	9.548.946
Long term liabilities	562.570	631.240
Net assets	20.002.227	13.756.417
Share of the Group in net assets	2.000.223	1.375.642

	1 January 2015 -31 December 2015	1January 2014 -31 December 2014
Net profit	6.216.280	2.784.124
Other comprehensive income/(loss)	29.530	(66.673)
Total comprehensive income	6.245.810	2.717.451
Share of the Group in total comprehensive income	624.581	271.745

The movement of acquisition balance arising from Kron Telekomünikasyon Hizmetleri A.Ş. is given below;

	31 December 2015	31 December 2014
As at 1 January	1.980.222	1.804.909
Share from the profit of the year	624.581	271.745
Currency translation reserves	(3.385)	(96.432)
Closing balance	**2.601.418**	**1.980.222**

4. SEGMENT REPORTING

The Group evaluates the performance of five segments to decide resource allocation. The following table shows the information about each segment. The operational profit and details below should be considered together in evaluating the performance of segments.

For the period ended 31 December 2015	Enterprise	Public	International	Technology	BDH	Unallocated (*)	Total
Revenue	485.673.470	302.382.758	115.750.722	76.538.488	28.647.659	-	1.008.993.097
Cost of sales	(438.490.845)	(269.515.993)	(82.053.730)	(71.340.214)	(27.621.876)	(6.067.606)	(895.090.264)
Gross margin	**47.182.625**	**32.866.765**	**33.696.992**	**5.198.274**	**1.025.783**	**(6.067.606)**	**113.902.833**
Sales and marketing expenses	(19.674.196)	(14.780.123)	(8.134.403)	-	-	-	(42.588.722)
General administrative expenses	-	-	-	-	-	(23.844.072)	(23.844.072)
Research and development expenses	-	-	-	(3.968.273)	-	-	(3.968.273)
Operating profit / (loss) of segment	**27.508.429**	**18.086.642**	**25.562.589**	**1.230.001**	**1.025.783**	**(29.911.678)**	**43.501.766**

For the period ended 31 December 2014	Enterprise	Public	International	Technology	BDH	Unallocated (*)	Total
Revenue	346.275.401	204.383.563	100.107.161	67.406.516	22.786.483	-	740.959.124
Cost of sales	(311.183.849)	(185.810.991)	(65.458.306)	(60.853.489)	(19.067.053)	(15.275.744)	(657.649.432)
Gross margin	**35.091.552**	**18.572.572**	**34.648.855**	**6.553.027**	**3.719.430**	**(15.275.744)**	**83.309.692**
Sales and marketing expenses	(22.000.440)	(13.115.461)	(4.753.995)	-	-	-	(39.869.896)
General administrative expenses	-	-	-	-	-	(21.758.633)	(21.758.633)
Research and development expenses	-	-	-	(1.242.508)	-	-	(1.242.508)
Operating profit / (loss) of segment	**13.091.112**	**5.457.111**	**29.894.860**	**5.310.519**	**3.719.430**	**(37.034.377)**	**20.438.655**

(*) Unallocated costs of sales are shown as amortization, rent and general expenses etc.

4. SEGMENT REPORTING (cont'd)

31 December 2015	Enterprise	Public	International	Technology	BDH	Unallocated(*)	Total
Trade receivables	194.870.411	346.456.702	89.979.032	599.050	5.626.981	49.638.506	687.170.682
Due from related parties	-	-	-	18.541.627	-	-	18.541.627
Inventories	22.470.332	76.267.437	3.789.681	-	-	489.075	103.016.525
Deferred costs	31.289.755	66.078.132	1.740.630	-	-	-	99.108.517
Segments assets	**248.630.498**	**488.802.271**	**95.509.343**	**19.140.677**	**5.626.981**	**50.127.581**	**907.837.351**
Trade payables (*)	113.524.825	167.329.182	45.447.227	201.574	5.485.100	30.866.513	362.854.421
Due to related parties	-	-	-	45.443	-	-	45.443
Deferred revenues	44.822.619	12.709.886	9.421.140	-	-	353.165	67.306.810
Advances received	763.316	65.802.855	95.108	-	116.877	-	66.778.156
Segment liabilities	**159.110.760**	**245.841.923**	**54.963.475**	**247.017**	**5.601.977**	**31.219.678**	**496.984.830**

31 December 2014	Enterprise	Public	International	Technology	BDH	Unallocated(*)	Total
Trade receivables	127.013.855	213.278.723	97.226.241	3.089.277	6.516.496	39.597.906	486.722.498
Due from related parties	-	-	-	17.595.491	-	-	17.595.491
Inventories	13.831.890	40.898.384	193.672	-	-	-	54.923.946
Deferred costs	40.081.226	39.072.027	227.458	-	9.471.817	-	88.852.528
Segments assets	**180.926.971**	**293.249.134**	**97.647.371**	**20.684.768**	**15.988.313**	**39.597.906**	**648.094.463**
Trade payables (*)	71.134.451	44.832.581	49.626.555	906.191	3.317.023	31.838.218	201.655.019
Due to related parties	-	-	-	53.131	-	-	53.131
Deferred revenues	37.163.157	19.618.632	124.286	-	-	-	56.906.075
Advances received	4.864.666	21.866.661	15.822.603	-	329.606	-	42.883.536
Segment liabilities	**113.162.274**	**86.317.874**	**65.573.444**	**959.322**	**3.646.629**	**31.838.218**	**301.497.761**

(*) Unallocated trade payables are shown as insurance, rent, consultancy and etc. The uncollated amount of trade receivable and trade payables are related to Nortel companies under bankruptcy protection as of 31 December 2015 and 2014.

4. SEGMENT REPORTING (cont'd)

Reconciliation of profit before tax, operating loss, assets, liabilities and other material items:

Profit before tax	Period Ended 31 December 2015	Period Ended 31 December 2014
Operating profit of segment	43.501.766	20.438.655
(Loss) from operations (net)	(18.092.795)	(9.542.189)
Other income/(expense) from investments	545.970	(515.453)
Finance income / (expenses) (net)	21.118.551	(4.335.546)
Profit before tax	**47.073.492**	**6.045.467**

Assets	31 December 2015	31 December 2014
Segment assets	907.837.351	648.094.463
Other assets	444.777.805	253.011.638
Total assets	**1.352.615.156**	**901.106.101**

Liabilities	31 December 2015	31 December 2014
Segment liabilities	496.984.830	301.497.761
Other liabilities	418.429.429	276.710.324
Total liabilities	**915.414.259**	**578.208.085**

5. CASH AND CASH EQUIVALENTS

	31 December 2015	31 December 2014
Bank- demand deposits	38.598.503	8.297.909
Bank- time deposits	187.084.434	75.893.218
Other cash and cash equivalents	378.804	134.047
	226.061.741	**84.325.174**

Currency	Amount	Interest Rate %	Maturity	31 December 2015
US$	51.285.090	0,25-2,90	January 16	149.116.529
EURO	822.245	2,75	January 16	2.612.767
TL	35.355.138	7,50-13,90	January 16	35.355.138
				187.084.434

Currency	Original Currency Amount	Interest Rate %	Maturity	31 December 2014
US$	28.526.531	0,15-1,75	January 15	66.150.173
EURO	379.000	0,15	January 15	1.069.045
TL	8.674.000	7,50-9,50	January 15	8.674.000
				75.893.218

The credit risk, foreign currency and sensitivity risks of financial assets and liabilities are disclosed in Note 30.

As of 31 December 2015 and 2014, there are no restriction / blockage on bank accounts.

6. FINANCIAL LIABILITIES

Short term financial liabilities	31 December 2015	31 December 2014
Short term unsecured loans	329.886.371	213.036.774
Non interest bearing unsecured spot loans	3.181.914	2.837.713
	333.068.285	**215.874.487**

As of 31 December 2015, the average interest rate for TL loans is 13,40 % and USD loans is 3,13 % (2014: for TL loans is 10,13% and for USD loans is 2,75%).

The details of loans of the Group are given below;

Currency	Original Currency Amount	Effective interest rate %	Maturity	31 December 2015
US$	20.103.125	3,00-3,25	October 16- November 16	58.451.846
TL	271.434.525	12,45-14,50	February 16- October 16	271.434.525
				329.886.371

Currency	Original Currency Amount	Effective interest rate %	Maturity	31 December 2014
US$	10.063.403	2,75	October 15	23.336.025
TL	189.700.749	10,13	January 15- November 15	189.700.749
				213.036.774

The Group had no collaterals given for bank loans as of 31 December 2015 and 2014.

7. TRADE RECEIVABLES AND PAYABLES

Other Trade Receivables from Third Parties	31 December 2015	31 December 2014
Trade receivables	405.517.617	287.071.625
Unbilled receivables	192.680.792	173.747.313
Notes receivable	553.318	508.183
Allowances for doubtful receivables	(21.060.373)	(14.255.324)
	577.691.354	**447.071.797**

Movement of Allowance for Doubtful Receivables	2015	2014
Balance at beginning of the year	(14.255.324)	(9.141.289)
Charge for the year	(4.302.925)	(5.021.547)
Provision reversal	578.356	942.399
Currency translation differences	(3.080.480)	(1.034.887)
Balance at 31 December	**(21.060.373)**	**(14.255.324)**

No guarantee has been obtained for trade receivables.

7. TRADE RECEIVABLES AND PAYABLES (cont'd)

Long Term Trade Receivables from Third Parties	31 December 2015	31 December 2014
Trade Receivables	118.417.160	39.650.701
Discount on Trade Receivables(-)(*)	(8.937.832)	-
	109.479.328	**39.650.701**

(*) As of 31 December 2015, Group will collect its trade receivable in every year by equal payment; total amount is USD 26.723.580 (TL 77.701.482) based on the agreement, and its maturity date spreads 7 years. Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

Short term other trade payables	31 December 2015	31 December 2014
Trade payables	347.705.986	187.882.148
Other trade payables	2.366.546	3.462.510
	350.072.532	**191.344.658**

Long term other trade payables	31 December 2015	31 December 2014
Other trade payables	12.781.889	10.310.361
	12.781.889	**10.310.361**

Nortel Networks Corporation, the ultimate parent of Nortel Networks International Finance and Holding B.V. ("NNIFH"), which was shareholder of the Company until 22 December 2010, holding 53,13 % of the share capital of the Company, has announced that it, Nortel Networks Limited, which is another indirect parent of the Company, and certain of its other Canadian subsidiaries have obtained an Order from the Ontario Superior Court of Justice (the "Canadian Court") for creditor protection under the Companies' Creditors Arrangement Act ("CCAA") in Canada filed as of January 14, 2009. Under the terms of the Order, Ernst & Young Inc. serves as the Court-appointed Monitor under the CCAA process and assists the Company in formulating its restructuring plan.

Nortel Networks Corporation's certain subsidiaries (Alteon Websystems International Inc., XROS Inc., Sonoma Systems, CoreTek Inc.) by Nortel Network Inc. and its' subsidiaries (QTERA Corporation, Nortel Networks Optical Components Inc., Nortel Networks Capital Corporation, Nortel Networks International Inc., Northern Telecom International Inc., Nortel Networks Cable Solutions, Inc.) also have made similar filings in the United States under Chapter 11 of the U.S: Bankruptcy Code.

The Company offset its payables to Nortel Group Companies by USD 277.820, and made CAD 5.282.370 of payment to Nortel Networks Limited as at 24 April 2013.

The Company management attempted by the insolvent estate regarding the collectability of receivables from Nortel Group companies, the company management has not booked provision for the these mentioned receivables since there is a continuing uncertainty regarding the collectability and collection time table of these receivables due to the bankruptcy process.

7. TRADE RECEIVABLES AND PAYABLES (cont'd)

The details of trade receivables and payables of the Company to and from Nortel companies under bankruptcy protection as of 31 December 2015 and the bankruptcy protection filing date of 14 January 2009 are given below:

		14 January 2009			31 December 2015			31 December 2014		
Country	Company	Trade Receivables	Trade Payables	Net Balance	Trade Receivables	Trade Payables	Net Balance	Trade Receivables	Trade Payables	Net Balance
USA	Nortel Networks Inc.	41.466.950	(7.267.399)	34.199.550	47.614.139	(9.719.208)	37.894.931	37.973.734	(7.753.439)	30.220.295
Ireland	Nortel Networks (Ireland) Limited	1.412.901	-	1.412.901	1.412.902	-	1.412.902	1.126.832	-	1.126.832
Canada	Nortel Networks Technology Corporation	331.175	(44.848)	286.328	-	-	-	-	-	-
Egypt	Nortel Networks Inc. (Egypt Branch)	251.800	-	251.800	255.174	-	255.174	203.508	-	203.508
Europe	Nortel Networks N.V.	130.218	-	130.218	130.217	-	130.217	103.852	-	103.852
India	Nortel Networks (India) Private Limited	39.942	-	39.942	27.800	-	27.800	31.854	-	31.854
Holland	Nortel Networks BV.	78.867	-	78.867	-	-	-	-	-	-
Italy	Nortel Networks S.p.A.	19.529	-	19.529	19.530	-	19.530	15.575	-	15.575
		43.731.381	**(7.312.247)**	**36.419.134**	**49.459.762**	**(9.719.208)**	**39.740.554**	**39.455.355**	**(7.753.439)**	**31.701.916**
Mexico	Nortel de México, S. de R.L. de C.V.	-	(14.272)	(14.272)	-	(14.273)	(14.273)	-	(11.383)	(11.383)
Germany	Nortel GmbH	-	(203.114)	(203.114)	-	-	-	-	-	-
France	Nortel Networks S.A.	29.948	(86.624)	(56.676)	178.744	(73.173)	105.571	142.551	(73.469)	69.082
Canada	Nortel Networks Limited	475.732	(1.194.642)	(718.910)	-	-	-	-	-	-
England	Nortel Networks UK Limited	5.090.466	(5.636.633)	(546.167)	-	-	-	-	-	-
Canada	Nortel Networks Limited - EMEA Sales	-	(13.939.065)	(13.939.065)	-	-	-	-	-	-
		49.327.528	**(28.386.610)**	**20.940.920**	**49.638.506**	**(9.806.654)**	**39.831.852**	**39.597.906**	**(7.838.291)**	**31.759.615**

The foreign currency risk and liquidity risk of short term trade receivables and payables are disclosed in Note 30.

8. OTHER RECEIVABLES AND PAYABLES

Other receivables from third parties	31 December 2015	31 December 2014
Deposits given	164.093	135.890
Other	232.952	1.518.394
	397.045	**1.654.284**

Other current payables	31 December 2015	31 December 2014
Taxes and dues payables	12.731.107	11.332.246
Other	-	384.938
	12.731.107	**11.717.184**

9. INVENTORIES

	31 December 2015	31 December 2014
Raw materials	25.109.488	15.480.461
Finished goods	47.400.127	28.075.289
Trade goods	38.444.605	18.089.760
Other inventories	917.753	491.573
Allowance for inventory impairment	(8.855.448)	(7.213.137)
	103.016.525	**54.923.946**

Movement for allowance	2015	2014
1 January - opening balance	(7.213.137)	(6.638.923)
Release / (charge) for the period	176.705	-
Foreign currency exchange differences	(1.819.016)	(574.214)
Closing balance	**(8.855.448)**	**(7.213.137)**

10. PREPAID EXPENSES

Short Term Prepaid Expenses

	31 December 2015	31 December 2014
Advances given for inventory purchases	25.951.614	2.114.189
Prepaid expenses Relating to Future Months	4.818.986	4.644.912
Goods in transit	1.946.039	848.908
Business advances	179.711	802.323
	32.896.350	**8.410.332**

Long Term Prepaid Expenses	31 December 2015	31 December 2014
Prepaid Expenses Relating to Future Years	1.098.957	-
	1.098.957	**-**

11. DEFERRED COSTS AND DEFERRED REVENUES

Details of the deferred costs given below;

Customer	31 December 2015			31 December 2014		
	Short Term	Long Term	Total	Short Term	Long Term	Total
Telco	26.576.052	-	26.576.052	26.928.442	-	26.928.442
Enterprise	49.782.110	-	49.782.110	41.379.308	-	41.379.308
Public	21.324.271	-	21.324.271	7.454.110	-	7.454.110
Defense	1.174.883	-	1.174.883	4.068.581	-	4.068.581
Other	251.201	-	251.201	9.022.087	-	9.022.087
	99.108.517	**-**	**99.108.517**	**88.852.528**	**-**	**88.852.528**

Details of the deferred revenue given below;

Customer	31 December 2015			31 December 2014		
	Short Term	Long Term	Total	Short Term	Long Term	Total
Telco	8.290.394	-	8.290.394	16.244.053	-	16.244.053
Enterprise	44.796.275	-	44.796.275	26.160.261	-	26.160.261
Public	12.039.252	-	12.039.252	1.497.562	-	1.497.562
Defense	2.023.382	-	2.023.382	1.046.077	-	1.046.077
Other	157.507	-	157.507	11.958.122	-	11.958.122
	67.306.810	**-**	**67.306.810**	**56.906.075**	**-**	**56.906.075**

12. TANGIBLE FIXED ASSETS

	Buildings,Machinery and Equipment	Vehicles	Furniture and fixtures	Leasehold Improvement	Total
Cost					
At 1 January 2015	**98.602.887**	**1.108.336**	**8.032.412**	**20.280.162**	**128.023.797**
Translation difference	24.809.554	263.219	2.041.034	8.612.451	35.726.258
Purchases	2.800.198	-	358.021	62.235	3.220.454
Disposals	(8.058.131)	(1.065.125)	(331.292)	-	(9.454.548)
At 31 December 2015	**118.154.508**	**306.430**	**10.100.175**	**28.954.848**	**157.515.961**
Accumulated Depreciation					
At 1 January 2015	**(83.192.175)**	**(195.035)**	**(4.222.324)**	**(2.290.328)**	**(89.899.861)**
Translation difference	(18.367.699)	(46.321)	(1.127.395)	(3.345.003)	(22.886.418)
Period charge	(8.878.184)	(59.940)	(1.105.296)	(2.852.627)	(12.896.047)
Disposals	7.955.035	100.122	331.293	-	8.386.450
At 31 December 2015	**(102.483.023)**	**(201.174)**	**(6.123.722)**	**(8.487.958)**	**(117.295.877)**
Net book value at 31 December 2015	**15.671.485**	**105.256**	**3.976.453**	**20.466.890**	**40.220.084**

As of 31 December 2015 assets have been covered by insurance worth of TL 180.600.245.

As of 31 December 2015 depreciation charge is TL 12.896.047. TL 8.880.009 is accounted in cost of sales, TL 2.982.726 in general administrative expenses, TL 1.033.312 in sales and marketing expenses.

12. TANGIBLE FIXED ASSETS (cont'd)

	Machinery and Equipment	Vehicles	Furniture and fixtures	Leasehold Improvement	Construction in progress	Total
Cost						
At 1 January 2014	**96.488.764**	**1.187.725**	**6.470.158**	**19.578.844**	**89.073**	**124.485.624**
Translation difference	7.871.423	40.631	616.244	1.855.924	2.247	10.403.325
Purchases	3.200.024	125.089	1.097.689	841.122	-	5.263.924
Transfers	-	-	-	19.142	(19.142)	-
Transfers to intangibles	-	-	-	-	(72.177)	(72.177)
Disposals	(8.957.324)	(245.109)	(151.679)	(2.014.870)	-	(12.056.898)
At 31 December 2014	**98.602.887**	**1.108.336**	**8.032.412**	**20.280.162**	**-**	**128.023.797**
Accumulated Depreciation						
At 1 January 2014	**(79.895.217)**	**(256.483)**	**(3.160.482)**	**(1.385.785)**	**-**	**(84.886.034)**
Translation difference	(4.226.534)	(16.596)	(317.989)	(331.251)	-	(4.897.095)
Period charge	(7.432.030)	(28.420)	(833.067)	(2.204.917)	-	(10.498.434)
Disposals	8.361.606	106.464	89.215	1.631.625	-	10.381.702
At 31 December 2014	**(83.192.175)**	**(195.035)**	**(4.222.324)**	**(2.290.328)**	**-**	**(89.899.861)**
Net book value at 31 December 2014	**15.410.712**	**913.301**	**3.810.088**	**17.989.834**	**-**	**38.123.936**

As of 31 December 2014 assets have been covered by insurance worth of TL 71.935.000.

As of 31 December 2014 depreciation charge is TL 10.498.434. TL 6.090.661 is accounted in cost of sales, TL 4.152.210 in general administrative expenses, TL 252.992 in sales and marketing expenses and TL 2.571 in research and development costs.

12. TANGIBLE FIXED ASSETS (cont'd)

Tangible fixed assets are depreciated principally on a straight-line basis using the following rates, which amortize the assets over their expected useful lives:

	Depreciation rate (%)
Buildings	2,5
Land Improvement	3,7
Machinery and Equipment	10 - 50
Vehicles	20
Leasehold Improvement	20
Furniture and fixtures	10
Other	16,7

13. INTANGIBLE ASSETS

Goodwill

The shares transfer of Probil Bilgi İşlem Destek ve Danışmanlık Sanayi ve Ticaret A.Ş ("Probil") and its subsidiary BDH Bilişim Destek Hizmetleri Sanayi ve Ticaret A.Ş. ("BDH") to the Company was completed on 11 October 2011.

During the acquisition, fair value of the customer relations have been identified as a separable intangible asset. Further, a write-up is made on the inventory based on the mark-up margin on the inventory. The difference between the net amount transferred and the total fair value of the net assets acquired is recognized as goodwill.

Changes in goodwill between the acquisition date and the balance sheet date is presented below:

	Goodwill TL
Goodwill calculated as of acquisition date	**33.820.858**
Currency Translation Reserves	799.105
Goodwill as of 31 December 2011	**34.619.963**
Currency Translation Reserves	(1.948.278)
Goodwill as of 31 December 2012	**32.671.685**
Currency Translation Reserves	6.445.996
Goodwill as of 31 December 2013	**39.117.681**
Currency Translation Reserves	3.383.369
Goodwill as of 31 December 2014	**42.501.050**
Currency Translation Reserves	10.789.757
Goodwill as of 31 December 2015	**53.290.807**

13. INTANGIBLE ASSETS (cont'd)

Goodwill(Cont'd)

Group according to pilicies has been indicated in note 2.5.9, has put goodwill amount to the test of impairment.

Netas has engaged an independent assessment report to perfom a valuation analysis of Probil as of 31 December 2015. An independent assessment has been prepared a valuation of 100% of the share capital of Probil, based on its financial statements on a consolitated basis,by applying adjusted Discounted Cash Flow("DCF") valuation. The DCF model is based on a cash flow forecast provided by Management over the period of 1 January 2016-31 December 2020.

According to DFC method, company's estimated periodic cash flow has been reduced the present value, as a result, companies present value of of future cash flow has been attained.

Weighted average cost of capital has been calculated as 11,4 per cent, based on USD Dollar. While calculating Probil's final term value has been based on USD Dollar long term inflation expectation report, as a result, 1,8 per cent final growth rate has been predicted. As of the valuation date, Probil has net debt of 27,3 million USD. Company management has not predicted any investment cost.

The result of DCF analysis concluded indicative firm value of Probil is in a range of 70,2 -77,7 million USD. As of the valuation date Probil has a net debt of 27,3 million USD,Equity value of Probil with considering its net debt position as of 31 December 2015 is between 43,0 –50,4 million USD.

The result of the sensitivity analysis is conducted by changing the WACC value between 11,9 % to 10,9 %, Equity value of Probil as of 31 December 2015 is between 43,0 –50,4 million USD with a midpoint of 46,5 million USD.

13. INTANGIBLE ASSETS (cont'd)

Other Intangible Assets

	1 January- 31 December 2015		
	Customer Relations	Other Intangible Assets	Total
Cost			
At 1 January opening balance	24.737.194	39.137.593	63.874.787
Purchases	-	3.224.429	3.224.429
Translation difference	6.280.041	10.156.895	16.436.936
Closing as at 31 December 2015	**31.017.235**	**52.518.917**	**83.536.152**
Accumulated amortization			
At 1 January opening balance	(8.039.589)	(22.949.111)	(30.988.700)
Translation difference	(2.241.138)	(6.139.731)	(8.380.869)
Period charge	(2.901.599)	(4.520.455)	(7.422.054)
Closing as at 31 December 2015	(13.182.326)	(33.609.297)	(46.791.623)
Net book value	**17.834.909**	**18.909.620**	**36.744.529**

As of 31 December 2015 amortization charge is TL 7.422.054. TL 3.901.247 is accounted in cost of sales, TL 3.276.138 in general administrative expenses and TL 244.669 in sales and marketing expenses.

	1 January- 31 December 2014		
	Customer Relations	Other Intangible Assets	Total
Cost			
At 1 January opening balance	22.767.947	32.615.244	55.383.191
Transfers from tangible assets	-	72.177	72.177
Purchases	-	3.399.108	3.399.108
Translation difference	1.969.247	3.051.064	5.020.311
Closing as at 31 December 2014	**24.737.194**	**39.137.593**	**63.874.787**
Accumulated amortization			
At 1 January opening balance	(5.122.789)	(18.390.020)	(23.512.809)
Translation difference	(582.827)	(1.779.643)	(2.362.470)
Period charge	(2.333.973)	(2.779.448)	(5.113.421)
Closing as at 31 December 2014	(8.039.589)	(22.949.111)	(30.988.700)
Net book value	**16.697.605**	**16.188.482**	**32.886.087**

As of 31 December 2014 amortization charge is TL 5.113.421. TL 2.308.578 is accounted in cost of sales, TL 2.716.710 in general administrative expenses and TL 88.133 in sales and marketing expenses.

Intangible fixed assets are depreciated principally on a straight-line basis using the following rates, which amortize the assets over their expected useful lives:

	Depreciation rate (%)
Software Licences	20
Customer Portfolio	10

14. GOVERNMENT GRANTS

For the period ended 31 December 2015 the Group has received TL 14.057.190 incentive from TÜBİTAK for its research and development activities and TL 207.654 is accounted under cost of sales and TL 9.480.821 is accounted under Income From Operating Activities and TL 4.368.715 is offset against Research and Development Expenses (For the period ended 31 December 2014: TL 3.020.997 cash incentive received, TL 22.667 is accounted under cost of sales and TL 2.998.330 is accounted under income from operating activities).

The Group is qualified for the incentives and exemptions provided by Support of Research and Development Act, numbered 5746 effective from 24 November 2008.

As of 31 December 2015 the Group has a corporate tax benefit of TL 162.422.957 due to research and development disbursement and TL 67.996.102 of this amount is utilized by the period end (As of 31 December 2014, the benefit is TL 80.800.912 and TL 843.797 of this amount is utilized by the period end). The Group has booked deferref tax assets for unused R&D tax benefit (Note 26).

For the period ended 31 December 2015, the amount of income tax incentive within the scope of Act numbered 5746 is TL 10.728.973 (For the period ended 31 December 2014: TL 9.049.869) and the total amount of social premium incentive within the scope of Act numbered 5746 and Social Security and General Health Insurance Act numbered 5510 is TL 7.429.510 (For the period ended 31 December 2014: TL 5.150.581).

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other Short Term Provisions	31 December 2015	31 December 2014
Provision for legal cases	4.309.760	1.759.816
Other provisions	428.609	1.924.756
	4.738.369	**3.684.572**

For the period ended 31 December 2015, the Group had a cash outflow of TL 4.201.720 for legal cases during the period (For the period ended 31 December 2014: TL 2.565.124).

	Provision for Legal Cases	Other Provisions	Total
1 January 2015 opening	1.759.816	1.924.756	3.684.572
Provision booked	6.751.664	974.283	7.725.947
Paid / provision no longer required	(4.201.720)	(2.474.331)	(6.676.051)
Foreign currency exchange differences	-	3.901	3.901
31 December 2015 closing	**4.309.760**	**428.609**	**4.738.369**

	Provision for Legal Cases	Other Provisions	Total
1 January 2014 opening	786.951	1.113.770	1.900.721
Provision booked	3.628.989	2.636.787	3.874.896
Paid / provision no longer required	(2.656.124)	(1.943.575)	(2.208.819)
Foreign currency exchange differences	-	117.774	117.774
31 December 2014 closing	**1.759.816**	**1.924.756**	**3.684.572**

16. COMMITMENTS

The Group's off-balance sheet commitments and contingencies as of 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Guarantee letters given(*)	318.911.600	209.046.195

(*) The group has no off-balance sheet commitments and contingencies in favor of subsidiaries which are fully consolidated and non-consolidated as of 31 December 2015.

16. COMMITMENTS (cont'd)

Maturities of guarantee letters are given below.

31 December 2015

		Original Currency		
Maturity	**TL Equivalent**	**TL**	**USD**	**EUR**
2015	267.700	267.700	-	-
2016	75.048.546	48.416.015	9.110.683	44.785
2017	10.634.419	1.792.411	2.421.003	567.315
2018	3.694.889	1.758.398	666.010	-
2019	24.873.584	817.265	8.273.600	-
2025	210.000	210.000	-	-
Indefinite	204.182.462	80.986.849	40.335.371	1.861.936
	318.911.600	**134.248.638**	**60.806.667**	**2.474.036**

31 December 2014

		Original Currency		
Maturity	**TL Equivalent**	**TL**	**USD**	**EUR**
2013 (*)	969.804	135.000	360.000	-
2014 (*)	25.118.300	4.623.862	8.838.000	-
2015	38.530.523	15.563.061	9.759.786	118.940
2016	4.239.489	2.369.741	806.308	-
2017	8.051.302	1.447.214	2.167.470	559.415
2018	2.499.155	967.498	660.510	-
2019	2.636.470	120.000	1.085.200	-
Indefinite	127.001.152	39.128.698	36.132.601	1.448.068
	209.046.195	**64.355.074**	**59.809.875**	**2.126.423**

(*) Guarantee letters from 2013 and 2014 consist of the letters to be returned by the customers.

16. COMMITMENTS (cont'd)

The off-balance sheet commitments and contingencies as of 31 December 2015 and 2014 are as follows:

Commitments, Pledges, Mortgages ("CPM") are given by the Company	31 December 2015	31 December 2014
A. Total amount of CPM is given on behalf of own legal personality	318.911.600	209.046.195
B. Total amount of CPM is given in favor of subsidiaries which are fully consolidated	-	-
C. Total amount of CPM is given for assurance of third party's debts in order to conduct of usual business activities	-	-
D. Total Amount of other CPM	-	-
i. Total amount of CPM is given in favor of parent company	-	-
ii. Total amount of CPM is given in favor of other group companies, which B and C doesn't include	-	-
iii. The amount of CPM is given in favor of third party which C doesn't include	-	-
	318.911.600	**209.046.195**

The rate of total amount of other "CPM"s to total equity of the Company is 0%.

The off-balance sheet commitments as of 31 December 2015 and 2014 are as follows:

31 December 2015		Original Currency		
Maturity	TL Equivalent	TL	USD	EUR
2007-2014 (*)	14.178.465	966.496	4.543.943	-
2015	12.668.836	302.000	4.208.621	40.864
2016	2.156.016	193.000	670.297	4.425
2017	2.529.022	2.162.000	100.000	24.000
2018	2.185.020	576.100	202.767	320.794
2019	437.172	204.000	80.194	-
2020	1.996.710	412.068	545.000	-
Indefinite	404.400	126.500	95.577	-
	36.555.641	**4.942.164**	**10.446.399**	**390.083**

31 December 2014		Original Currency		
Maturity	TL Equivalent	TL	USD	EUR
2007-2013 (*)	12.396.619	919.800	4.922.673	21.850
2014	1.074.164	220.000	368.349	-
2015	1.015.802	208.700	298.347	40.864
2016	92.278	30.000	21.474	4.425
2017	534.269	234.682	100.000	24.000
2018	1.430.060	55.000	202.767	320.794
2019	389.962	204.000	80.194	-
Indefinite	2.369.365	2.357.800	5.000	-
	19.302.519	**4.229.982**	**5.998.804**	**411.933**

(*) Balances for the years between 2007 and 2014 consist of the letters to be returned to the suppliers

16. COMMITMENTS (cont'd)

Rent Agreements

As at 7 June 2012, the Company signed an agreement with ESAS Real Estate Group EAG Turizm İnşaat Sanayi ve Ticaret A.Ş. to rent the real estate ("Esas Aeropark") addressed in İstanbul city, Pendik district, Kurtköy Mahallesi with 15.744 square meters area. The rental period is 5 years begining from 1 May 2013. The rent for the five years was USD 6.339.816 + VAT at the begining of the rental period and the aggrement has been revised for the remaining four years as USD 5.563.920 + VAT. The rents to be paid quarterly USD 1.046.756 + VAT for the first year, USD 1.339.848 for the second year, USD 1.507.328 for the third year, USD 1.669.988 for the fourth year. The leased real estate is used as the new Head Office and operation building of the Group.

As at 3 October 2012, Probil Bilgi İşlem Destek ve Danışmanlık Sanayi ve Ticaret A.Ş., the subsidiary of the Company, signed an agreement with Ahmet Bülent Koyuncuoğlu to lease the real estate adressed Orhanlı District, İrfan St. No. 28, Tuzla, İstanbul. The rental period is 5 years begining from 1 October 2012. The rents to be paid in cash are USD 480.000+witholding tax for the first year, USD 504.000+witholding tax for the second year, USD 529.200 +witholding tax for the third year, USD 603.288 +witholding tax for the fourth year and USD 633.442 +witholding tax for the fifth year.

Company signed a rent contract for a period of 5+5 years with Yudo Leon Mizrahi and Salvo Özsarfati for 15. And 16. floors in C Blok at "Buyaka İs Merkezi" each of which is 845 m2 that make a total of 1.690 m2 in Istanbul, Umraniye, İnkılap (Çakmak) Mahallesi, starting on 11 February 2013. Monthly rental fee of the leased office is USD 22.252 net- for the first lease period (11 February 2013-31 January 2014) and USD 33.378 net for the rest of the months. 3% will be applied for the increase of next year rental.

Unrevokable Operational Lease Commitments	31 December 2015	31 December 2014
Within one year	8.656.502	6.114.231
Between 1-5 years	10.805.625	15.521.642
	19.462.127	**21.635.873**

Guarantees Given

According to the System Integration Agreement signed between Probil and Cisco System International B.V. , the Company agrees that all financial obligations will be jointly performed by the Company and Probil.

17. EMPLOYEE BENEFITS

Payables Arising From Employee Benefits:

	31 December 2015	31 December 2014
Prepaid expenses to employees	7.905.105	329.646
Prepiad social security premiums	5.129.234	4.562.908
	13.034.339	**4.892.554**

Short Term and Long Term Provisions for Employee Benefits:

Short Term	**31 December 2015**	**31 December 2014**
Provision for employee premiums	11.361.325	10.736.792
Unused vacation provision	3.758.229	2.625.526
Provision for severance indemnity	1.033.200	1.878.245
Provision for retirement benefits	485.027	463.644
	16.637.781	**15.704.207**
Long Term		
Unused vacation provision	1.254.241	1.701.033
Provision for severance indemnity	16.309.816	13.675.971
Provision for retirement benefits	2.949.594	2.865.406
	20.513.651	**18.242.410**
Total		
Provision for employee premiums	11.361.325	10.736.792
Unused vacation provision	5.012.470	4.326.559
Provision for severance indemnity	17.343.016	15.554.216
Provision for retirement benefits	3.434.621	3.329.050
	37.151.432	**33.946.617**

An actuarial valuation was performed by an independent and authorized company named Aon Hewitt for the Company's total liability for severance indemnity and retirement benefit as of 31 December 2015. Expected interest and service charges for 2016 have also been calculated by the actuarial firm. Expected service and interest charges for 2016 will be amortized on a periodic basis during the year.

Severance Indemnity

Under Turkish Law, the Company is required to pay employment termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires.

The provision is made in respect of all eligible employees, at a rate of 30 days gross pay for each year of service. The retirement pay provision ceiling at the respective balance sheet dates, is subject to a maximum of TL 3.828,37 per year as of 31 December 2015 (31 December 2014: TL 3.438,22 per year).

17. EMPLOYEE BENEFITS (cont'd)

***Severance Indemnity* (cont'd)**

The movement for severance indemnity provision is as follows:

	31 December 2015	31 December 2014
Present value of severance indemnity provision	17.343.016	15.554.216
Net liability in balance sheet	**17.343.016**	**15.554.216**

	31 December 2015	31 December 2014
Current service cost	2.593.501	1.432.463
Interest cost	1.074.203	1.010.501
Extra payment	345.675	1.366.624
Period charge at 31 December	**4.013.379**	**3.809.588**

Portion that is accounted under other comprehensive income	(64.485)	1.953.875

Movement for severance indemnity provision	31 December 2015	31 December 2014
At 1 January	15.554.216	12.912.418
Period charge	4.013.379	3.809.588
Severance indemnity paid	(2.160.094)	(3.121.665)
Actuarial loss /(gain)	(64.485)	1.953.875
At 31 December	**17.343.016**	**15.554.216**

Retirement Benefit Provision

As of 31 December 2012 the Company repealed the Lump Sum plan for new eligibility and HR department announced this to all employees on 27 December 2012. Accordingly, only the employees who are already entitled to Lump Sum as of 31 December 2012 will continue to be considered as members and also continue accrual of future benefits as well. This calculation is prepared by Aon Hewitt and reported at their current value.

The movement for retirement benefit provision is as follows:

	31 December 2015	31 December 2014
Present value of retirement benefit provision	3.434.621	3.329.050
Net liability in balance sheet	**3.434.621**	**3.329.050**

17. EMPLOYEE BENEFITS (cont'd)

Retirement Benefit Provision **(cont'd)**

	31 December 2015	31 December 2014
Current service cost	-	-
Interest cost	133.162	219.897
Extra payment of gain/(loss)	71.019	243.890
Period charge at 31 December	**204.181**	**463.787**
Portion that is accounted under other comprehensive income	400.022	325.581

Movement for retirement benefit provision	31 December 2015	31 December 2014
At 1 January	3.329.050	4.533.957
Period charge	204.181	463.787
Actuarial loss	400.022	325.581
Benefit paid	(498.632)	(1.994.275)
At 31 December	**3.434.621**	**3.329.050**

The assumption used to determine present value of severance indemnity and retirement benefit provision as of 31 December 2015 and 2014 are as follows:

Assumptions	31 December 2015	31 December 2014
Annual inflation rate	% 7,75	% 6,00
Annual discount rate	% 10,70	% 8,00

Provision for Employee Premiums and Unused Vacations

The movement for employee premiums provision is as follows:

	31 December 2015	31 December 2014
At 1 January	10.736.792	8.803.764
Period charge	17.684.732	17.189.240
Premium payments	(17.060.199)	(15.256.212)
At 31 December	**11.361.325**	**10.736.792**

The movement for unused vacation provision is as follows:

	31 December 2015	31 December 2014
At 1 January	4.326.559	5.086.065
Period charge	2.053.109	783.372
Payments	(1.367.198)	(1.542.878)
At 31 December	**5.012.470**	**4.326.559**

18. ADVANCES RECEIVED

As of 31 December 2015 advances received balance is consisted of TL 39.837.286 related to the defense projects and TL 26.940.870 related to system integration projects (2014: defence projects; TL 17.153.832, system integration projects; TL 25.729.704).

19. OTHER ASSETS AND LIABILITIES

Other current assets	**31 December 2015**	**31 December 2014**
VAT receivable	30.855.989	29.420.300
Prepaid taxes	4.717.257	1.391.192
Personel advances	457.979	644.399
Other	247.346	298.127
	36.278.571	**31.754.018**

Other non-current assets	**31 December 2015**	**31 December 2014**
Other non-current assets (*)	6.872.784	3.878.995
	6.872.784	**3.878.995**

(*) The balance includes spare parts which will be used in long term.

20. SHAREHOLDERS' EQUITY

Paid in Capital

As of 31 December 2015 and 2014, capital structure of the Company is as in the following:

	Share %	**Share %**		
	31 December 2015	**31 December 2014**	**31 December 2015**	**31 December 2014**
OEP (*)	48,04	48,59	31.162.570	31.517.570
TSKGV (**)	15,00	15,00	9.729.720	9.729.720
Public	36,96	36,41	23.972.510	23.617.510
Total	**100,00**	**100,00**	**64.864.800**	**64.864.800**

(*) OEP RHEA Turkey Tech B.V.
(**) Turkish Armed Forces Foundation

The Company's issued capital assigned to 64.864.800 shares with nominal value of 1 TL each. (31 December 2014: 64.864.800 shares with nominal value of TL 64.864.800)

As at 22 December 2010 Nortel Networks International Finance and Holding B.V. transferred and sold its % 53,13 shareholding to OEP RHEA Turkey Tech B.V. ("OEP RHEA").

The shares of the company are divided into two groups, where (A) group shares are registered and (B) group shares are bearer shares. (A) group shares are owned by OEP RHEA and Turkish Armed Forces Foundation. The differentiation of the shares between (A) and (B) groups, does not give the owners any rights nor privileges, except as provided in Articles 9, 15 and 19 of the Articles of Association.

20. SHAREHOLDERS' EQUITY (cont'd)

Paid in Capital (Cont'd)

According to the Article 6 of Articles of Association section B, concerning the transfer of registered Group A shares the existing shareholders in Group A are entitled to pre-emptive rights which are required to be exercised within 30 days from the date of the offer for sale. Therefore a shareholder willing to sell its shares, in full or in part, must first offer, in writing, to the other shareholders in Group A in proportion to their respective shares, stating the price and other conditions for sale.

According to Article 9 of the Articles of Association; the required quorum for meetings and the required majority for resolutions of the shareholders shall be subject to the provisions of the Turkish Commercial Code (T.C.C.). However, resolution of the shareholders concerning matters stipulated in Article 388 of T.C.C. shall require the affirmative votes of the shareholders representing at least one half of the total number of shares within Group A.

According to Article 15 of the Articles of Association; The Board of Directors of the Company shall be composed of 7 (seven) members elected by the general assembly of shareholders, for a period of 3 (three) years. Four of the seven members shall be elected from among the candidates nominated by Group A shareholders, provided that two of the seven shall be elected from among the candidates nominated by OEP RHEA and one member shall be elected from among the nominees of Turkish Armed Forces Foundation, and three members shall be elected from among the nominees of the Group B shareholders.

According to Article 19 of the Articles of Association; the Board of Auditors composed of five members shall be elected by the General Assembly of shareholders for a period of three years. Three auditors shall be elected from among the nominees of the Group A, two auditors shall be elected from among the nominees of the Group B shareholders.

With the resolution of the board of directors dated 20 September 2011 and numbered 1, it is decided that the Company applies for the registered capital system, and the registered capital limit is to be set as 300.000.000 TL, and to be proposed for approval of the General Assembly upon completion of the formal procedures. Company's application to the Capital Markets Board on 19 October 2011 for the registered capital system has been reviewed and approved by the Capital Markets Board Council at the meeting dated 16 December 2011 and numbered 42/1117, and this approval is announced to the Company on 28 December 2011.

Share Capital Adjustments

According to CMB Decree No: XI-26 "Changes to CMB Decree No: XI-20 Accounting Principles in Hyperinflationary Periods", account differences occurred in correction of shareholders' equity are shown at their nominal values in the financial statements, under currency translation reserves account. The differences arise from inflation adjustment of shareholders' equity accounts are shown together at "Currency Translation Reserves" account. According to Board of Directors decision on 5 April 2004 referring to the Annual General Meeting decision and related CMB Decrees, conversion differences within the meaning of the law, occurred in prior periods were net-off with accumulated losses.

Legal Reserves

According to Turkish Commercial Code, legal reserves consist of first and second legal reserves. The first legal reserves, appropriated out of historical statutory profit at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid in share capital. The second legal reserve is appropriated after the first legal reserves and dividends, at the rate of 10% per annum of all cash distributions.

20. SHAREHOLDERS' EQUITY (cont'd)

Paid in Capital (Cont'd)

Total of first and second legal reserves in the Company's statutory books of account is TL 33.182.076 as of 31 December 2015 (31 December 2014: TL 32.809.042). Translation differences are presented in currency translation reserves in the accompanying consolidated financial statements prepared by in accordance with TAS.

	Retained Earnings	Extraordinary Reserves	Total Retained Earnings
At 1 January 2015	199.577.931	(88.964.177)	110.613.754
Transfers to legal reserves	(373.034)	-	(373.034)
Currency translation difference	30.255.788	-	30.255.788
Net profit for the year	34.305.075	-	34.305.075
At 31 December 2015	**263.765.760**	**(88.964.177)**	**174.801.583**

	Retained Earnings	Extraordinary Reserves	Total Retained Earnings
At 1 January 2014	167.347.251	(75.071.614)	92.275.637
Transfers to legal reserves	(1.885.000)	-	(1.885.000)
Currency translation difference	22.270.591	(13.892.563)	8.378.028
Net profit for the year	11.845.089	-	11.845.089
At 31 December 2014	**199.577.931**	**(88.964.177)**	**110.613.754**

Capital Market Board set the rules for profit distributions in the Capital Market Board bulletin numbered 2010/4. Accordingly, : the Company makes the profit distribution based on the financial statements filed at Capital Market Board prepared in accordance with Communique Series IX, No. 29., in accordance with Communique Series IV No: 27.

Based on the authority granted to the Board by Article 6 of the Articles of Association of the Company and within the authorized capital ceiling of 300.000.000 TL; it is resolved to increase the issued capital of TL 6.486.480 through a bonus issue of shares utilising internal resources from capital reserves amounting to TL 58.378.320, representing a ratio of 900% bonus issue, increasing the issued capital to TL 64.864.800 and to distribute the bonus shares within the framework of Capital Markets Legislation and to authorise the management to make applications for approval to the Capital Markets Board and conduct necessary activities. The applications are sent to CMB as at 7 May 2012 and CMB has approved the applications by its decision numbered 25/852 as at 19 July 2012 and the certificate dated 23 July 2012 and numbered 78/852 is given to the Company. The certificate was registered in Istanbul Trade Registry on 30 July 2012 based on the resolution of Board of Directors to increase the issued capital. Distribution of issued capital to shareholders started and was completed on 3 August 2012.

The total amount of the Company's net income and all available resources that can be distributed in its' a statutory financial statement as of 31 December 2015 is TL 202.019.007 (31 December 2014: TL 136.726.158).

21. REVENUE AND COST OF SALES

Sales:

	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Total domestic	**800.171.666**	**569.717.754**
United States	73.271.042	65.542.853
Asia	3.601.409	14.937.978
Africa	113.097.961	76.100.830
Europe	18.851.019	14.354.876
Other	-	304.833
Total export	**208.821.431**	**171.241.370**
Total sales	**1.008.993.097**	**740.959.124**

Cost of Sales:

	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Equipment expenses	578.928.834	395.198.525
Personnel expenses	157.388.991	139.313.964
Service/ support expenses	128.760.557	96.995.736
Depreciation expenses	12.781.256	8.399.239
Rent Expenses	6.065.015	5.219.031
Transportation cost	3.526.411	4.734.707
Other	7.639.200	7.788.230
	895.090.264	**657.649.432**

22. RESEARCH AND DEVELOPMENT, SELLING AND MARKETING, AND GENERAL ADMINISTRATIVE EXPENSES

	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Sales and marketing expenses	42.588.722	39.869.896
General administrative expenses	23.844.072	21.758.633
Research and development expenses	3.968.273	1.242.508
	70.401.067	**62.871.037**

The details of research and development, selling and marketing and general administrative expenses are as in the following:

	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Payroll expenses	36.388.323	30.814.625
Depreciation expenses	7.536.845	7.212.616
Rent expenses	4.931.424	2.268.498
Provision Expenses	3.254.999	4.106.181
Consultancy, audit and legal consultancy expenses	2.652.616	2.954.273
Travel and meeting expenses	2.555.323	2.775.242
Maintenance expenses	1.721.444	576.637
Fair and advertising expenses	1.728.712	1.718.217
Personal transportation expenses	929.672	207.762
Stamp tax expenses	915.625	1.317.897
Software expenses	833.232	866.053
Severance indemnity and pension provision	785.210	803.849
Electricity,water and gas expense	779.127	1.888.040
Cafeteria expenses	735.472	443.237
Private health insurance expense	607.925	456.052
Communication expenses	534.062	736.854
Salaries of the BOD and BOA members	365.426	658.334
Training expenses	369.640	319.981
Other	2.775.989	2.746.689
	70.401.067	**62.871.037**

During the year 2015 Group's organization structure changed; therefore reclassifications has been made between operational expenses.

23. INCOME AND EXPENSES FROM OTHER OPERATING ACTIVITIES

Income from other operating activities	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
R&D Incentives	9.480.821	2.998.330
Interest income	1.054.628	467.002
Service income	1.128.250	455.155
Income from inventory sales	9.845	-
Other income and gains	482.132	636.643
	12.155.676	**4.557.130**

Expenses from other operating activities	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Foreign exchange loss	12.656.014	8.063.049
Discount interest expense(*)	8.937.832	-
Legal case provision expenses	4.932.571	3.360.082
Taxes and penalties	137.416	876.210
Other tax expenses	371.277	381.573
Charity expenses	-	119.728
Other expenses and loss	3.213.361	1.298.677
	30.248.471	**14.099.319**

(*) Discount interest expenses related to trade receivables are accounted under expenses from other operating activities.

24. INCOME AND EXPENSES FROM INVESTMENTS ACTIVITIES

Income from investments:

	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Shares in profit/(loss) of associates	624.581	271.745
Gain from sale of tangibles	169.797	237.405
	794.378	**509.150**

Expense from investments:

	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Loss from sale of tangibles	248.408	1.024.603
	248.408	**1.024.603**

25. FINANCIAL INCOME / (EXPENSES)

Finance Income:

	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Foreign exchange gain from loans	56.938.753	17.378.182
Income from option contracts	2.333.316	-
	59.272.069	**17.378.182**

Finance Expense:

	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Interest expenses	35.076.184	19.762.515
Guarantee letter commissions	2.674.342	1.733.143
Other finance expenses	402.992	218.070
	38.153.518	**21.713.728**

26. TAX ASSETS AND LIABILITIES

Corporate Tax

The Company is subject to Turkish corporate taxes. Provision is made in the accompanying consolidated financial statements for the estimated charge based on the Company's results for the period.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

As of 31 December 2015 and 2014, tax rate is 20%.

In Turkey, advance tax returns are filed on a quarterly basis. The rate applied for advance corporate income tax rate for 2015 is 20% (2014: 20%).

Accumulated losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. However, accumulated losses cannot be deducted from the profit occurred in the prior years retroactively.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the fiscal year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Withholding tax

In addition to corporate taxes, companies should also calculate withholding taxes surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% with the code numbered 5520 article 15 commencing from 23 July 2006. Transfer from retained earnings to share capital is not subject to withholding taxes.

Deferred Taxes

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising from its financial statements prepared in accordance with TAS and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TAS and tax purposes and are set out below. Tax rates applicable as of 31 December 2015 and 2014 is 20%.

26. TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax assets/(liabilities)	31 December 2015	31 December 2014
Trade receivables	(41.139.634)	(35.874.160)
Tangible and intangible assets	(9.628.160)	(7.408.373)
Trade payables and provisions	2.240.615	(3.268.110)
Carryforward tax loses	1.227.063	1.938.391
Unused R&D tax exemption	18.885.370	15.991.423
Provision for unused vacation	1.002.494	865.312
Inventory and deferred costs	3.360.460	11.231.492
Accruals for employee bonuses	2.272.264	2.147.358
Advances received	2.168.521	1.298.299
Deferred revenues	6.279.027	11.381.215
Severance and retirement provisions	4.155.527	3.776.653
Other	774.025	355.997
	(8.402.428)	**2.435.497**

As of 31 December 2015 and 2014, the movement of deferred tax assets and liabilities is as follows:

Movement for deferred taxes is as follows:	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Opening at 1 January	2.435.497	(5.511.203)
Current charge	(10.268.834)	7.633.947
On equity	67.107	455.891
Translation difference	(636.198)	(143.138)
Closing at 31 December	**(8.402.428)**	**2.435.497**

	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Current Tax Expense	(2.499.583)	(1.834.325)
Deferred Tax (Expense) / Income	(10.268.834)	7.633.947
	(12.768.417)	**5.799.622**

	31 December 2015	31 December 2014
Corporate tax	2.499.583	1.834.325
Prepaid taxes	(539.649)	-
Current tax liabilities	**1.959.934**	**1.834.325**

26. TAX ASSETS AND LIABILITIES (cont'd)

Movement for deferred taxes as of 31 December 2015 and 2014 are as follows;

	1 January 2015	Charge to Profit or Loss	Charge to Equity	Translation Difference	31 December 2015
Tangible and intangible assets	(7.408.373)	131.081	-	(2.350.868)	(9.628.160)
Trade receivables	(35.874.160)	3.594.030	-	(8.859.504)	(41.139.634)
Trade payables and provisions	(3.268.110)	5.929.444	-	(420.719)	2.240.615
Inventory and deferred costs	11.231.492	(10.030.561)	-	2.159.529	3.360.460
Advances received	1.298.299	505.741	-	364.481	2.168.521
Provisions for employee bonuses	2.147.358	(393.130)	-	518.036	2.272.264
Provision for unused vacation	865.312	(77.172)	-	214.354	1.002.494
Severance and retirement provisions	3.776.653	(594.900)	67.107	906.667	4.155.527
Deferred revenues	11.381.215	(7.475.923)	-	2.373.735	6.279.027
Unused R&D tax exemption	15.991.423	(1.090.583)	-	3.984.530	18.885.370
Carryforward tax loses	1.938.391	(1.125.782)	-	414.454	1.227.063
Other	355.997	358.921	-	59.107	774.025
	2.435.497	**(10.268.834)**	**67.107**	**(636.198)**	**(8.402.428)**

	1 January 2014	Charge to Profit or Loss	Charge to Equity	Translation Difference	31 December 2014
Tangible and intangible assets	(8.176.481)	1.508.530	-	(740.422)	(7.408.373)
Trade receivables	(27.836.044)	(5.312.438)	-	(2.725.678)	(35.874.160)
Trade payables and provisions	2.344.188	(5.486.546)	-	(125.752)	(3.268.110)
Inventory and deferred costs	12.050.651	(1.756.287)	-	937.128	11.231.492
Advances received	2.488.666	(1.326.210)	-	135.843	1.298.299
Provisions for employee bonuses	1.760.753	251.849	-	134.756	2.147.358
Provision for unused vacation	1.017.213	(226.330)	-	74.429	865.312
Severance and retirement provisions	3.489.275	(443.739)	455.891	275.226	3.776.653
Deferred revenues	4.545.883	6.070.726	-	764.606	11.381.215
Unused R&D tax exemption	5.234.798	9.721.769	-	1.034.856	15.991.423
Carryforward tax loses	-	1.828.887	-	109.504	1.938.391
Other	(2.430.105)	2.803.736	-	(17.634)	355.997
	(5.511.203)	**7.633.947**	**455.891**	**(143.138)**	**2.435.497**

The Group has no loss of tax to be used future as of 31 December 2015 (31 December 2014: TL 9.691.954).

26. TAX ASSETS AND LIABILITIES (cont'd)

Tax reconciliation	31 December 2015	31 December 2014
Profit before tax	47.073.492	6.045.467
Tax rate	% 20	% 20
Computed tax expense	(9.414.698)	(1.209.093)
Tax effects of:		
Non-deductible expenses	(2.497.729)	(877.635)
Nondutiable Gain	758.221	-
Tax losses carried forward	1.227.063	1.828.887
Loss used	(711.328)	-
R&D deduction	2.893.948	9.890.528
Tax effect of other adjustments	(5.023.893)	(3.833.065)
Total tax income	**(12.768.417)**	**5.799.622**

As of 31 December 2015, the Company has TL 94.426.855 unused R&D tax exemption provided by Support of Research and Development Act, numbered 5746 (31 December 2014; TL 79.957.115).

27. EARNING PER SHARE

	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Number of shares	64.864.800	64.864.800
Net profit for the year	34.305.075	11.845.089
Profit earning per share	0,5289	0,1826

Earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

28. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

David Arthur Walsh and Joseph Patrick Huffsmith were selected as the member of the Board of Directors of the Company as at 22 December 2010. As David Arthur Walsh and Joseph Patrick Huffsmith are also the members of the Board of Directors of Genband US LLC, and its associates (collectively Genband) Genband is accounted as related parties effective from 22 December 2010.

Due from related parties as of 31 December 2015 and 2014 is as follows:

Due from Related Parties	31 December 2015	31 December 2014
Genband US LLC	17.903.265	17.023.399
Genband Ireland Ltd.	319.025	369.206
Genband Japan GK	41.917	21.064
Genband Telecommunications AUS	-	73.915
Genband Telecommunications (UK)	196.044	107.907
Genband Telecomunicacoes	81.376	-
	18.541.627	**17.595.491**

Due to Related Parties	31 December 2015	31 December 2014
Genband Ireland Ltd.	21.588	53.131
Genband IUS LLC	23.855	-
	45.443	**53.131**

28. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont'd)

Main transactions with related parties are as follows for the period ended 31 December 2015 and 2014:

Sales	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Genband US LLC	71.898.510	63.381.199
Genband Ireland Ltd.	1.806.737	1.581.091
Genband Telecommunications(UK)	958.535	371.068
Genband JAPAN GK	14.506	320.034
Genband Telecomunications	76.125	302.204
Genband RUS LLC	-	39.142
Genband Holdings B.V.	-	17.906
	74.754.413	**66.012.644**

Purchases	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Genband Ireland Ltd.	2.019.032	510.255
Kron Telekomunikasyon A.Ş.	1.799.596	-
Genband IUS LLC	46.240	-
	3.864.868	**510.255**

For the year ended 31 December 2015, total remuneration for the directors, management, and board members of the Group is TL 6.193.549 (for the year ended 31 December 2014 total remuneration for the directors, management, and board and audit members are TL 6.683.161). As of 31 December 2015 and 2014 there is no credit granted to the Group's management.

29. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments and hedge accounting

Derivative financial instruments are calculated according to the fair value at the contract date and again are calculated in the following reporting period at fair value base. The effective portion of changes in the fair value of derivatives which are designed as cash flow hedge are recognized in other comprehensive income. Any ineffective portion of the changes in fair value of the derivatives is recognized in profit or loss.

When the hedging instrument expires, is sold, or when a hedge no longer meets the criteria for the hedge than hedge accounting is terminated. Any cumulative gain or loss exsting in equity at that time remains in equity and is recognized when the committed or forecasted transaction ultimately is recognized in the statement of income. However, if the hedge transaction is not realized, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss of the current period.

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk in accordance to Group's risk management policy. Derivative financial instruments does not match the hedge accounting criteria's in TAS 39 (Financial Instruments: Recognition and Measurement), consequently stated as available for sale derivative financial instruments in the accompanying consolidated financial statements. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Asymmetric Forward Knockout

In order to meet the US Dollar funding requirement and minimize the negative exposure to appreciation of US Dollar against Turkish Lira, the Group has entered into a series of "asymmetric zero-cost collar forward knockout contracts", which have been accounted for as a derivative instrument. For each of these contracts, with maturities within a range of 3 months to 9 months, the Group has agreed to purchase US Dollars:

a) At strike rate, if the spot rate effective on the maturity of the forward contract is above the strike rate, which is ranging between 2,57 and 2,75 USD/TL,

b) At strike rate, with 25% additional notional amount, if the spot rate effective on the maturity of the forward contract is below the strike rate, mentioned under a) above.

If the spot rate is above the "barrier" rate, which is ranging between 2,6075 and 2,75 USD / TL, then the forward contracts will not be effective at all. The notional amounts and the fair values of these derivative instruments as of 31 December 2015 are as follows:

	Currency	Nominal Value		Fair Value	
		2015	2014	2015	2014
Asymmetric forward knockout	US $	4.800.000	-	109.927	-

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's financial risk management policies are as follows:

Credit risk

Carrying values of the financial assets represents their maximum exposed credit risk. As at the date of balance sheet maximum credit risks are as follows:

31 December 2015	Trade Receivables		Other Receivables	
	Related Parties	Other	Other (*)	Deposits at Banks
Maximum credit risks as of balance sheet date(A+B+C+D+E)	**18.541.627**	**687.170.682**	**397.045**	**225.682.937**
Maximum risk guaranteed by collateral	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	18.032.221	596.400.799	397.045	225.682.937
(B) Net book value of overdue but not impaired financial assets (**)	509.406	90.769.883	-	-
Guaranteed by collateral	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-
Overdue (gross book value)	-	21.060.373	-	-
Impairment (-)	-	(21.060.373)	-	-
Guaranteed by collateral	-	-	-	-
Unexpired (gross book value)	-	-	-	-
Impairment (-)	-	-	-	-
Guaranteed by collateral	-	-	-	-
(D) Off balance sheet risks	-	-	-	-

(*) VAT receivable, prepaid taxes are not classified as financial assets and therefore are not included in other receivables and other current assets.

(**) TL 49.638.506 of overdue but not impaired is receivable from Nortel companies and as there is a continuing uncertainty regarding the collectability and collection time table of these receivables, no provision has been made.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Credit risk (cont'd)

31 December 2014	Trade Receivables		Other Receivables	
	Related Parties	Other	Other (*)	Deposits at Banks
Maximum credit risks as of balance sheet date (A+B+C+D+E)	**17.595.491**	**486.722.498**	**1.654.284**	**84.191.127**
Maximum risk guaranteed by collateral	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	11.342.162	397.646.200	1.654.284	84.191.127
(B) Net book value of overdue but not impaired financial assets (**)	6.253.329	89.076.298	-	-
Guaranteed by collateral	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-
Overdue (gross book value)	-	14.255.324	-	-
Impairment (-)	-	(14.255.324)	-	-
Guaranteed by collateral	-	-	-	-
Unexpired (gross book value)	-	-	-	-
Impairment (-)	-	-	-	-
Guaranteed by collateral	-	-	-	-
(D) Off balance sheet risks	-	-	-	-

(*) VAT receivable, prepaid taxes are not classified as financial assets and therefore are not included in other receivables and other current assets.

(**) TL 39.597.906 of overdue but not impaired is receivable from Nortel companies and as there is a continuing uncertainty regarding the collectability and collection time table of these receivables, no provision has been made.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Credit risk (cont'd)

As at the date of balance sheet aging of overdue but not impaired financial assets are as follows:

	Receivables	
31 December 2015	**Trade Receivables**	**Other Receivables**
1-30 days overdue	19.776.922	-
1-3 months overdue	3.332.034	-
3-12 months overdue	9.656.393	-
1-5 years overdue	8.875.434	-
Overdue more than 5 years	49.638.506	-
Total	**91.279.289**	**-**

	Receivables	
31 December 2014	**Trade Receivables**	**Other Receivables**
1-30 days overdue	15.224.216	-
1-3 months overdue	8.653.697	-
3-12 months overdue	6.990.329	-
1-5 years overdue	64.461.385	-
Total	**95.329.627**	**-**

Liquidity risk

The Group holds adequate sources to be able to fulfill its current and future liabilities. As of 31 December 2015 and 2014 liquidity risk table are as follows;

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Liquidity risk (cont'd)

31 December 2015

Maturities due to agreements	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
Non- derivative financial liabilities	**695.968.149**	**716.692.411**	**448.957.765**	**264.759.409**	**2.975.237**
Financial liabilities	333.068.285	353.792.547	89.033.138	264.759.409	-
Due to related parties	45.443	45.443	45.443	-	-
Other trade payables to third parties	362.854.421	362.854.421	359.879.184	-	2.975.237

Expected maturities	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
Non- derivative financial liabilities	**30.503.815**	**30.503.815**	**25.765.446**	**4.738.369**	**-**
Other short term provisions	4.738.369	4.738.369	-	4.738.369	-
Payables related to employee benefits	13.034.339	13.034.339	13.034.339	-	-
Other payables to third parties (*)	12.731.107	12.731.107	12.731.107	-	-

The Group management considers that net book value of financial instrument reflects with the fair value.

(*) Social security premiums, income tax and other taxes payable are included in other liabilities.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Liquidity risk (cont'd)

31 December 2014

Maturities due to agreements	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
Non- derivative financial liabilities	**417.582.637**	**429.262.442**	**329.901.818**	**99.360.624**	-
Financial liabilities	215.874.487	227.554.292	130.675.316	96.878.976	-
Due to related parties	53.131	53.131	53.131	-	-
Other trade payables to third parties	201.655.019	201.655.019	199.173.371	2.481.648	-

Expected maturities	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
Non- derivative financial liabilities	**20.294.310**	**20.294.310**	**16.609.738**	**3.684.572**	-
Other short term provisions	3.684.572	3.684.572	-	3.684.572	-
Payables related to employee benefits	4.892.554	4.892.554	4.892.554	-	-
Other payables to third parties (*)	11.717.184	11.717.184	11.717.184	-	-

The Group management considers that net book value of financial instrument reflects with the fair value.

(*) Social security premiums, income tax and other taxes payable are included in other liabilities.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Liquidity risk (cont'd)

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1 The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2 The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: The fair value of the financial assets and financial liabilities where there is no observable market data. The fair value of derivative instruments, are calculated using quoted prices.

In accordance with fair value hierarchy; while cash and cash equivalent are categorized as at Level 1, other financial asset and liabilities in the table are categorized as Level 2.

Interest rate risk

Interest rate sensitive financial assets are placed in short term instruments in order to avoid any possible interest rate fluctuations. The Group has the following interest sensitive liability as at the balance sheet date.

	31 December 2015	31 December 2014
Fixed interest rate financial instruments	**516.970.805**	**288.929.992**
Financial assets (*)	187.084.434	75.893.218
Financial liabilities	329.886.371	155.036.774
Variable interest rate financial instruments	**-**	**58.000.000**
Financial liabilities	-	58.000.000
Interest-free financial instruments	**3.181.914**	**2.837.713**
Financial liabilities	3.181.914	2.837.713

(*) As of 31 December 2015 and 2014, time deposits are included in the fixed interest rate financial instruments.

Foreign currency risk

The Group's foreign currency risk is mainly associated with change in value of US Dollar against TL and other currencies. In order to avoid possible losses due to fluctuations of foreign exchange rates, the Group places its assets with the same currency for liabilities and bears its contractual expenses in the same currency of contracts if possible.

	31 December 2015	31 December 2014
Export	208.821.431	171.241.370
Imports	374.793.579	524.128.430

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Foreign currency risk (cont'd)

As of 31 December 2015 and 2014, the Group's foreign currency position table is given below.

		Original Currency					
31 December 2015	**TL Equivalent (*)**	**TL**	**EURO**	**CAD**	**GBP**	**TAKA**	**Other**
Current Assets	**230.670.927**	**216.714.939**	**2.865.403**	**-**	**62.797**	**15.361.031**	**579.561.650**
Cash and cash equivalents	58.084.253	49.582.078	1.455.245	-	61.726	15.358.695	535.666.291
Trade receivables	118.104.174	113.899.625	1.040.627	-	511	-	37.590.930
Other receivables	397.045	397.045	-	-	-	-	-
Prepaid expenses	18.066.540	17.095.629	297.433	-	560	2.336	612.103
Other current assets	36.018.915	35.740.562	72.098	-	-	-	5.692.326
TOTAL ASSETS (A)	**230.670.927**	**216.714.939**	**2.865.403**	**-**	**62.797**	**15.361.031**	**579.561.650**
Short Term Liabilities	**417.175.437**	**412.562.934**	**1.290.374**	**3.138**	**1.357**	**-**	**19.204.072**
Financial liabilities	274.616.439	274.616.439	-	-	-	-	-
Trade payables	95.397.802	90.793.273	1.290.374	3.138	1.357	-	18.276.863
Other payables	12.750.707	12.745.554	-	-	-	-	599.186
Payables from employee benefits	13.034.339	13.031.518	-	-	-	-	328.023
Employee benefits	16.637.781	16.637.781	-	-	-	-	-
Other short term provision	4.738.369	4.738.369	-	-	-	-	-
Long Term Liabilities	**20.513.651**	**20.513.651**	**-**	**-**	**-**	**-**	**-**
Employee benefits	20.513.651	20.513.651	-	-	-	-	-
TOTAL LIABILITIES (B)	**437.689.088**	**433.076.585**	**1.290.374**	**3.138**	**1.357**	**-**	**19.204.072**
Net Foreign Currency Asset / (Liability) Position (A-B)	**(207.018.161)**	**(216.361.646)**	**1.575.029**	**(3.138)**	**61.440**	**15.361.031**	**560.357.578**

(*) Since the functional currency of the Group is USD the currencies other than USD are shown in the table. Foreign currencies are denominated in their original currency amount and TL equivalents are calculated by using yearend rates.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Foreign currency risk (cont'd)

		Original Currency					
31 December 2014	**TL Equivalent (*)**	**TL**	**EURO**	**CAD**	**GBP**	**TAKA**	**Other**
Current Assets	**146.757.629**	**130.536.319**	**2.233.739**	**-**	**2.876**	**24.888.822**	**706.618.735**
Cash and cash equivalents	17.085.784	11.714.678	462.311	-	2.149	16.289.845	280.344.681
Trade receivables	90.558.741	81.790.958	1.036.174	-	602	8.598.977	425.640.826
Other receivables	1.654.284	1.654.284	-	-	-	-	-
Prepaid expenses	5.704.803	3.863.140	652.910	-	-	-	-
Other current assets	31.754.017	31.513.259	82.344	-	125	-	633.228
TOTAL ASSETS (A)	**146.757.629**	**130.536.319**	**2.233.739**	**-**	**2.876**	**24.888.822**	**706.618.735**
Short Term Liabilities	**271.772.089**	**261.337.309**	**2.165.591**	**3.138**	**22.473**	**-**	**333.797.625**
Financial liabilities	192.538.462	192.538.462	-	-	-	-	-
Trade payables	43.235.110	34.859.009	1.474.862	3.138	20.680	-	325.617.074
Other payables	11.717.184	9.658.917	690.729	-	1.793	-	8.148.110
Payables from employee benefits	4.892.554	4.892.142	-	-	-	-	32.441
Employee benefits	15.704.207	15.704.207	-	-	-	-	-
Other short term provision	3.684.572	3.684.572	-	-	-	-	-
Long Term Liabilities	**18.242.410**	**18.242.410**	**-**	**-**	**-**	**-**	**-**
Employee benefits	18.242.410	18.242.410	-	-	-	-	-
TOTAL LIABILITIES (B)	**290.014.499**	**279.579.719**	**2.165.591**	**3.138**	**22.473**	**-**	**333.797.625**
Net Foreign Currency Asset / (Liability) Position (A-B)	**(143.256.870)**	**(149.043.400)**	**68.148**	**(3.138)**	**(19.597)**	**24.888.822**	**372.821.110**

(*) Since the functional currency of Group is USD, the currencies other than USD are shown in the table. Foreign currencies are denominated in their original currency amount and TL equivalents are calculated by using yearend rates.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Foreign currency risk (cont'd)

Exchange Rate Sensitivity Table
31 December 2015

	Profit / Loss	
	Appreciation	Devaluation
Effect of 10 % appreciation/devaluation in TL -USD exchange rate :		
Net asset / (liability) in TL	(21.636.165)	21.636.165
Not subjected to TL risk (-)	-	-
(1) Net effect of TL	**(21.636.165)**	**21.636.165**
Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :		
Net asset / (liability) in EUR	500.481	(500.481)
Not subjected to EUR risk (-)	-	-
(2) Net effect of EUR	**500.481**	**(500.481)**
Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:		
Net asset / (liability) in other currencies	433.868	(433.868)
Not subjected to other currency risk (-)	-	-
(3) Net effect of other currencies	**433.868**	**(433.868)**
TOTAL (1+2+3)	**(20.701.816)**	**20.701.816**

31 December 2014

	Profit / Loss	
	Appreciation	Devaluation
Effect of 10 % appreciation/devaluation in TL -USD exchange rate :		
Net asset / (liability) in TL	(14.904.340)	14.904.340
Not subjected to TL risk (-)	-	-
(1) Net effect of TL	**(14.904.340)**	**14.904.340**
Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :		
Net asset / (liability) in EUR	19.222	(19.222)
Not subjected to EUR risk (-)	-	-
(2) Net effect of EUR	**19.222**	**(19.222)**
Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:		
Net asset / (liability) in other currencies	559.431	(559.431)
Not subjected to other currency risk (-)	-	-
(3) Net effect of other currencies	**559.431**	**(559.431)**
TOTAL (1+2+3)	**(14.325.687)**	**14.325.687**

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

31 December 2015	Loans and Receivables (including cash and cash equivalents)	Amortized value of financial liabilities	Note
Financial assets			
Liquid assets	226.061.741	-	5
Trade receivables	687.170.682	-	7
Due from related parties	18.541.627	-	28
Financial investments	862.056	-	
Other current assets	397.045	-	8
Financial liabilities			
Borrowings	-	333.068.285	6
Trade payables(net)	-	362.854.421	7
Due to related parties	-	45.443	28
Other financial liabilities	-	12.731.107	8

31 December 2014	Loans and Receivables (including cash and cash equivalents)	Amortized value of financial liabilities	Note
Financial assets			
Liquid assets	84.325.174	-	5
Trade receivables	486.722.498	-	7
Due from related parties	17.595.491	-	28
Financial investments	301.458	-	
Other current assets	1.654.284	-	8
Financial liabilities			
Borrowings	-	215.874.487	6
Trade payables(net)	-	201.655.019	7
Due to related parties	-	53.131	28
Other financial liabilities	-	11.717.184	8

32. SUBSEQUENT EVENTS

None.

33. DISCLOSURE OF OTHER MATTERS THAT MAY AFFECT CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR IS NECESSARY FOR CONSOLIDATED FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND COMPREHENSIBLE

None.