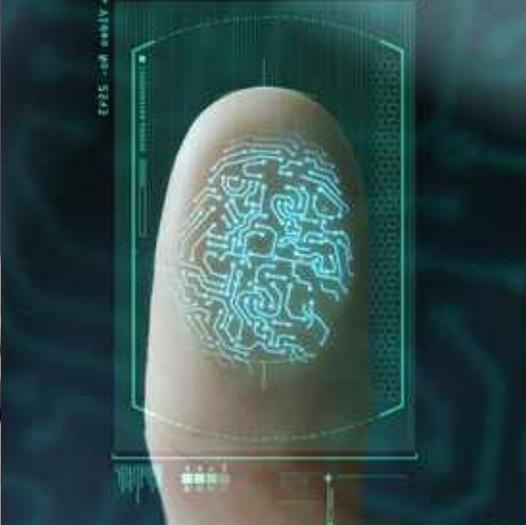


# Smart life for a sustainable future

ANNUAL REPORT 2019

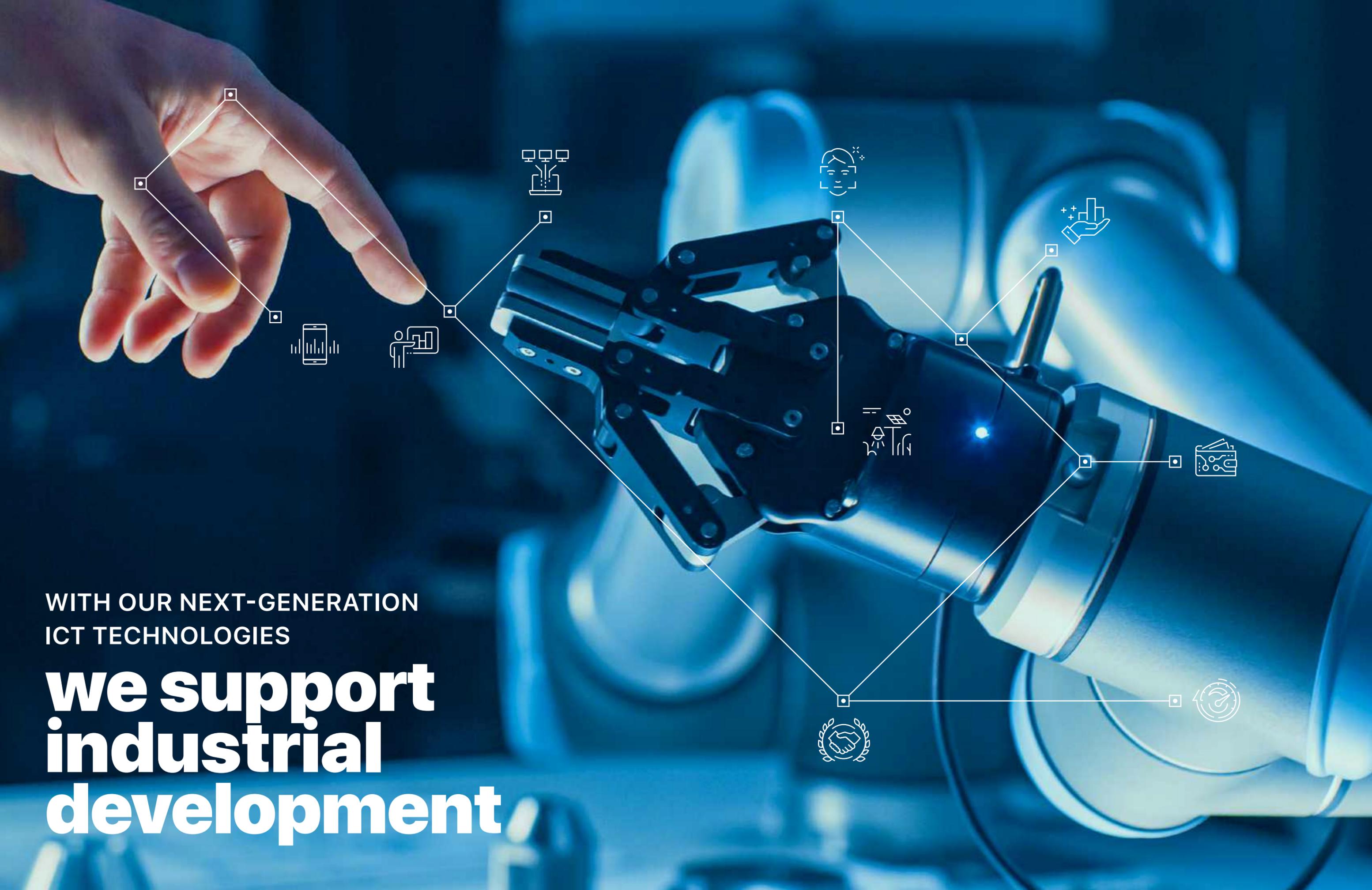


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WITH OUR SMART TECHNOLOGIES

# we enable efficient use of resources





WITH OUR NEXT-GENERATION  
ICT TECHNOLOGIES

**we support  
industrial  
development**

KEEPING IN MIND THAT EDUCATION  
IS THE MOST SUSTAINABLE INVESTMENT

# we focus on training professionals





BY INCREASING THE RATE OF  
OUR LOCAL CONTENT

**we contribute  
to the domestic  
economy**



WITH OUR TECHNOLOGIES AND  
SOCIAL BENEFIT PROJECTS

# we support a sustainable social life



## MESSAGE FROM CHAIRMAN

## XIAO MING

**Dear Shareholders,**

We are passing through a crucial turning point in history in which the staggering pace of progress in the information and communication technologies is remoulding our society and economy as a whole. This transformation with an unrivalled magnitude into a more productive, creative and connected phase is increasingly felt at every stage across our businesses and personal lives, as the digitalization has dramatically affected the way we work, connect to each other and share information.

The commercial deployment of 5G in certain markets around the globe in 2019 has marked a remarkable beginning. In 2020, 5G is expected to provide further impetus for the digitalization, and for the global economy in return and will create new opportunities for our customers and partners while stakeholders are exploring potentials of 5G with more use scenarios.

ZTE as the main shareholder of Netaş, has an established leadership already in 5G, through heavy investment in standardization and product R&D. With this expertise of the main shareholder; Netaş, who has the experience of developing the base band unit of ULAK, which brought Turkey to become one of the five countries using its domestic 4G base station, will be stronger in 5G solutions in the coming period, especially in application cases of 5G in various scenarios.

Localization is one of the main pillars of integration strategy. Netaş to leverage its localization capabilities with the support of ZTE, and to offer new domestically developed and manufactured solutions to its home market. Aligning with the localization strategy; ZTE's FTTx systems, offering operators an efficient solution to enhance their fibre infrastructure, has been localized. Following this robust step, we will increase our efforts in 2020, to power up the exports of ZTE and Netaş technology and expertise into markets in which we have a foothold. Netaş registered growth in the business volume and regained a solid ground to deepen its business with telecommunication operators in its domestic market.

Another success we achieved this year, was to deepen our presence in Turkey's leading enterprises, while increasing our customer base. Netaş continued to succeed in delivering leading digital transformation projects in Turkey both in enterprises and public communities. It is an honour for us that, Netaş provided technology for Turkey's new airport commissioned in 2019, one of the world's largest of its kind. Moreover, another major project for 2019 was the project ASOS of the Ministry of Health where Netaş has implemented technologies to integrate dissimilar processes.

In the international markets, it is a big pleasure to see that Netaş increases to export its own solutions and products developed by its own powerful R&D. In the neighbourhood countries, Netaş will be more active player with the synergy of ZTE. Its colossal R&D power, broad network of partners, hands-on experience and more importantly its great brand equity based rightfully on trust and success for more than half a century, allows Netaş to act as a solid opening gate to the EMEA region and the CIS for ZTE.

It is remarkable that Netaş has continued its tremendous efforts in terms of trade compliance in 2019 and rapidly adapted relevant policies and is on a path to create a sustainable compliance program.

As Turkey's vivid economy and society, powered by a significantly young population with a strong embrace of technology bolsters its potential as a technology hub in its region and an essential post within China's Belt and Road Initiative, Netaş plays an important role.

In 2019, Netaş teams had an important opportunity to increase their experience in working together with ZTE. Moving forward, we firmly believe that our entire solutions portfolio, including the products and services we are providing together as ZTE and Netaş with its more than 50 years of experience in the ICT industry, will offer significantly increased added value to our customers and the countries where we operate.

In an era of an exciting transformation, we, as Netaş and ZTE, are proud to work vigorously to provide a sustainable contribution to the economies and communities we live in and will continue to serve Turkey and our shareholders to the largest extent possible, leveraging our synergy and investing great effort.

After we overcame the challenges of 2019, Netaş is ready for next year with a strong strategy. On behalf of the Board of Directors, I congratulate the executive team for their professionalism in observing the obligations towards every shareholder and for their elaborate work in shaping future strategy.

Based on our technological and business achievements, as well as our business organization structured for success over the past year, we will continue to increase the value we offer to our customers and investors in the year to come. Netaş will continue to move forward, with a healthier structure with ZTE.

**Best regards,**

**XIAO MING**  
CHAIRMAN OF THE BOARD  
OF DIRECTORS



## MESSAGE FROM CEO

## C. MÜJDAT ALTAY

## Dear Shareholders,

Turkey's only technology company, collecting five competences, including a powerful R&D unit, having its roots since 1973 as the country's first private telecom R&D center, as well as a multi business partner structure, a wide technology services network, manufacturing capacity and a technology training center under its roof as a systems integrator, Netaş achieved remarkable projects in 2019.

While completing important digital transformation projects of the leading companies and the public sector in Turkey and in the region with our identity as a leading systems integrator, we deepened our relations in the field of service providers with our main shareholder ZTE and started quite important projects together.

### Accelerated our integration efforts with ZTE

In order to further increase our contribution to the country's economy, we completed our preparations to produce the global telecommunications giant ZTE's technology in Turkey in the second half of 2019. Using our R&D and systems integrator competencies, we have obtained the "domestic goods" certificate from the Istanbul Chamber of Industry for FTTx fiber infrastructure systems of ZTE, which we produce at our facility in Orhanlı, Istanbul. With our localization strategy, which we have strengthened again with ZTE, we aim to localize more products in 2020. While continuing our R&D studies with our own engineering capability, we will continue to produce ZTE's globally pioneering telecom technologies and bring them to our country.

On the other hand, we started undertaking telecom projects in international markets with ZTE in 2019. We started to migrate the telecom infrastructure of Turkish Republic of Northern Cyprus (TRNC), Azerbaijan and Kazakhstan to digital together with ZTE. We have added new reference building automation projects abroad in Turkmenistan and Algeria to our portfolio, in partnership with Turkish construction companies.

### We continued to grow with our R&D

With our identity as Turkey's architect of digital transformation, we have completed new projects in the past year, focused on saving human life, just like we had with AYDES project we developed for AFAD in the previous year. In the field of healthcare, we have delivered the Bursa City Hospital project. Having implemented the Emergency Health Automation Systems Project for Turkey's Ministry of Health (ASOS), we have played an important role in migrating Turkey's healthcare system into the digital.

We continue to swiftly carry out e-government projects in the public sector. We continue the digital transformation of the TRNC, which we started with the census project, with the Customs and E-Corporate projects that we have been shown as an example and referenced.

In the meantime, we are proud that Turkey's local base station ULAK, the major springboard in the Turkish telecommunication R&D history with its BBU developed in Netaş R&D, is providing the country's communication across 1,200 locations.

In the past year, we restructured our e-ticketing software we had developed for the Turkish Football Federation – a major success for Netaş, so that it can now serve in the large-scale events like concerts, plays and festivals, surpassing beyond sports organizations. Accordingly, our software is improved to a higher level and we exported our locally developed Event Management Platform 'Eventizer' to Algeria, accelerating our expansion into world markets.

We will continue to develop new products and solutions specific to various sectors in our R&D. With the engineering power of Netaş, we will meet the needs of our country with domestic solutions and at the same time, we will continue to export technology to more countries.

### We established a consortium to export "Smart Cities"

We have established the Smart City Consortium by bringing together 24 institutions and organizations in order to get cities smarter with domestic technologies at home and abroad. The consortium has already started to work with a focus on providing integrated smart solutions in energy, building management systems, emergency management, healthcare, environment & waste management, parking and transportation systems. The Consortium's smart city project, aimed at contributing in increasing Turkey's high technology exports, is qualified in the first phase of SAYEM (Industrial Innovative Network Mechanism program of the Scientific and Technological Research Council of Turkey (TÜBİTAK)).

We continue to grow, increase our strength and the number of our customers with our value-added test services products and solutions. We switched to the model of selling the test products we developed as a service over the cloud and completed the first sales. In the position we have reached today, we are providing service to Turkey's large corporate structures, including the country's leading banks.



## We gained new customers in enterprise markets and deepened in existing ones

In enterprise markets, we grew by diversifying the services we offer to existing customers as well as new customer acquisitions. On the enterprise markets side, we reached over 25 new customers the past year. Important companies of the business world operating in different fields joined our customer portfolio.

We played a strategic role in the digital transformation processes of the companies by migrating the workloads of our customers to the cloud structures. We stepped forward in SDWAN technology with our consultant identity and implemented many projects, especially in the financial sector, with our different vendor business partners. We have realized projects in new technologies such as HPC (high performance computing) and RPA (robotic process automation).

We have expanded our Field Support Services to customers outside the financial sector, thereby achieving a deeper penetration in this business line.

In 2019, we gained strength in the cyber security business, both by increasing the number of our customers and also by diversifying our services. The past year, was an important year in terms of the added value growth we registered in our business partnerships. Also in 2020, we will put more focus on managed services, that we set foot with cyber security services, by entering into new collaborations with manufacturers and strengthening our expertise in cloud computing. We will focus on our self-financing projects and service sales, while continuing to grow our business volume, maintaining our pioneer and explorer role in new technologies with our strategic business partners.

## BDH has become more effective and competitive

Our strength in the field and in the managed services, BDH (Bilgi Destek Hizmetleri) has passed through a successful transformation with our efforts throughout 2019. This transformation focused on providing managed services with next generation technologies and developing projects with high added value. We centralized the management of field operations and increased our efficiency with the strengthened business partner structure. In 2019, we gathered our BDH operations, which are being carried out in 4 different locations, under the same roof of a new building in Maltepe, that will provide more efficiency and synergy.

## We bring training legacy of Netaş to the industry with "n-telligent institute"

One of our major achievements in Netaş during 2019 was the opening the structure we established under the roof of "n-telligent institute" to our ecosystem. This structure is now serving both our employees and our ecosystem. We continue our efforts to make the "n-telligent institute", which we have incorporated in order to train the human resources equipped with the competencies needed for the digital age, a high technology training center for our country and a regional learning center for ZTE.

## We continued to direct 5G studies within the European Union

We continued to work on 5G and beyond technologies under the umbrella of the European Union. As of the end of 2019, we have participated in 52 EU project applications, 30 of which are H2020 programs. In this context, we work with 360 companies and universities from 16 European countries. While the average acceptance rate in H2020 was three percent, the success rate Netaş achieved was 10 percent.

## We prioritize sustainability with the transformative power of technology

Sustainability is inevitably shown among the long-term goals of the entire business world. The rapidly increasing awareness in every segment of the society in this regard has already begun to reshape the financial industry as well as all other industries. Investors have begun to make their investment assessments considering "customers' concern for a sustainable world", as surveys reveal conducted by many institutions and organisations, including the United Nations. During the World Economic Forum meeting in Davos last spring, one of the issues that businesspeople emphasize the most was, what should be done to develop solutions that address sustainability problems.

As Netaş, we are developing new projects, with the awareness we have of our responsibilities, using the transformative power of our technology for a "sustainable society" and a "sustainable environment". In 2019, we implemented new projects and enriched our existing projects.

Our vision for "raising new generation that not only consume, but also produce technology" guided us to expand the scope of our NextCoders project, which we have initiated to inspire our children to choose engineering as a profession and to show that they can make their dreams come true with technology. We have added math lessons with games to the existing coding training of the program, which I find important for the sustainability of our ecosystem. In addition, we continued to go to public schools with our volunteer engineers and provide coding training for our children, especially those with limited access to technology.

As the world population increasingly centralize in cities, more populated cities have become the sources of heavier air pollution, more energy loss, traffic jams and waste problems. As the reduced resources risk the basic needs, the necessity for smart city applications focusing on savings and efficiency grows larger. Accordingly, we have led the establishment of the Smart Cities Consortium to meet this requirement of our country and its neighbouring region.

## We are listed on Sustainability Index

Our R&D efforts continued to focus on innovation-based technologies such as the smart energy solutions product family NEOS, which enables efficient use of energy resources, and the smart field services management platform Mobi-fi, which supports the reduction of carbon footprint. Within the European Union, we also played an important role in sustainability focused R&D projects such as IoT powered smart agriculture and smart aquaculture.

We continued to migrate public processes to digital and reduced the negative impact of these processes on the environment and life safety. Following the AYDES for AFAD, and SEGBIS for the Ministry of Justice, the latest example in 2019 was the ASOS project for the Ministry of Health. We fulfil our corporate responsibility and commitments as per the Environment, Health and Safety Policy. As a result of all these efforts, Netaş is now listed in the Sustainability Index, which includes public companies of Borsa Istanbul that have high sustainability performances.

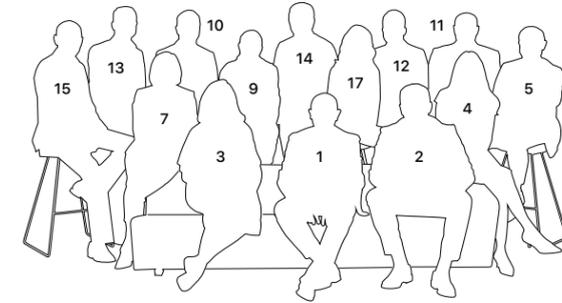
We continued to work based on our R&D strength and our systems integrator competence without making any compromise on our values we created in the past 53 years. We began 2020 with a stronger and a more solid structure with our new strategy that will increase the contributions we provide to our country by bringing up the localization and technology exports.

I believe that we will continue to rise on the values we have in 2020 and following years, and to add value first to our country and then to all people with these values.

**C. MÜJDAT ALTAY**  
CEO

## SENIOR MANAGEMENT MEMBERS

1. **C. MÜJDAT ALTAY**  
CHIEF EXECUTIVE OFFICER
2. **M. İLKER ÇALIŞKAN**  
VICE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
3. **YASEMİN AKAD**  
CHIEF PEOPLE OFFICER
4. **BUKET OKUMUŞ**  
CHIEF COMMUNICATIONS OFFICER
5. **KAMİL ORMAN**  
PUBLIC & DEFENCE AND TELECOM SECTOR BUSINESS UNIT GENERAL MANAGER
6. **SİNAN DUMLU**  
INTERNATIONAL MARKETS BUSINESS UNIT GENERAL MANAGER
7. **SELDA PARIN**  
ENTERPRISE BUSINESS UNIT GENERAL MANAGER
8. **DR. GUANGQING XI**  
CTO
9. **BANU TESAL**  
CEO ADVISOR
10. **BİLGEHAN ÇATALOĞLU**  
CHIEF DIGITAL OFFICER
11. **ÖMER AYDIN**  
LOCALIZATION STRATEGIES SENIOR DIRECTOR
12. **BURAK ŞALK**  
NETRD GENERAL MANAGER
13. **ALTAY DOĞU**  
CARRIER TELCO BUSINESS ACTING GENERAL MANAGER
14. **BÜLENT KEMAL MUTLU**  
NETAŞ R&D GENERAL MANAGER
15. **EMRE ŞEHSUVAROĞLU**  
CHIEF COMPLIANCE OFFICER
16. **BÜLENT ŞEREF ŞENYÜREK**  
SPC P&D SOLUTIONS SENIOR DIRECTOR
17. **NESLİHAN BEYHAN**  
STRATEGY DIRECTOR



# COMPANY PROFILE

NETAŞ AT A GLANCE

SERVICE MAP

SHAREHOLDING STRUCTURE

OPERATIONAL STRUCTURE

MILESTONES

AWARDS

**NETAŞ AT A GLANCE**

# Turkey's most competent technology brand

Netaş has been continuously contributing in Turkey's sustainable development for the past 53 years, as the country's only brand in digital transformation, gathering a vast R&D experience, a wide service network, a skilful manufacturing competency, a technology training center and a broad ecosystem consisting of global providers, under a common roof.

Netaş is founded in 1967 with a partnership agreement signed between PTT and Northern Electric to deploy Turkey's telecommunication infrastructure with local solutions, and the company went public in Borsa Istanbul (BIST) in 1993. The company continues its operation as a ZTE Cooperatief U.A. (ZTE) subsidiary since July 2017.

The company's achievements include the establishment of Turkey's first private telecom R&D and its first software exports. Today, with the professional services it is offering, its service strength in the field, its wide business partnership network, manufacturing capacity and its training skills consolidated further with the incorporation of the n-telligent institute, Netaş continues to move forward towards its goal of becoming an important technology brand in its region.

**THE ARCHITECT OF KEY DIGITAL TRANSFORMATION PROJECTS**

Netaş is leading important digital transformation projects both in Turkey and abroad, in strategical verticals including finance, sports, entertainment, defence, transportation, healthcare, as well as private and public sector, with its R&D power at the center of its focus and its almost 120 global and local business partners.

In a region spanning from the North Africa to Southeast Asia, the company provides digital transformation solutions for corporations from various industries, and exports software, as it works to make Turkey a hub for telecommunication technologies. Netaş has matured its ability to ensuring an uninterrupted service to its clients even under extraordinary circumstances, in order to provide a seamless business continuity, by maintaining its readiness for different risks in Turkey and elsewhere in the world.

**A CENTER FOR DEVELOPING HIGH TECHNOLOGIES AND LOCALIZATION**

The Netaş R&D center focuses on developing the technologies of today and the future including IoT, VoIP, Big Data analytics, cloud computing, multimedia, broadband access, GSM-R, cyber security, and 5G and Beyond, while it has accelerated its localization efforts.

After having started the "localization" move for telecommunication technologies 47 years ago in order to keep the national capital in the domestic economy by establishing Turkey's first private telecom R&D, Netaş has finalized its preparations to manufacture the products of its main shareholder ZTE, in its Orhanlı facility in Istanbul.

Accordingly, Netaş obtained the "Domestic Goods Certificate" of Istanbul Chamber of Industry for ZTE's FTTx systems used in fiber optic infrastructures and became ready to produce them in Turkey. In the coming period, Netaş aims to increase the number of ZTE technologies within the scope of localization.

**NETAŞ LISTED IN SUSTAINABILITY INDEX**

Standing out with its turn-key smart city solutions, such as smart stadiums, smart energy and smart field service management tools, each bringing improved efficiency, predictability, energy-saving and planning Netaş keeps on focusing on developing technologies and implementing social responsible projects for a sustainable future. As a result of these works, upon the responsibility it bears for a sustainable future, Netaş has been listed in the Sustainability Index of Borsa Istanbul which includes companies having high sustainability performances.

**COMPETENCIES OF NETAŞ**

**GLOBAL SYSTEMS INTEGRATOR**



**STRONG R&D EXPERTISE**



**GLOBAL TECHNOLOGY VENDORS ECOSYTEM**



**BROAD SERVICE NETWORK & DIGITAL CONSULTANCY COMPETENCY**



**MANUFACTURING CAPACITY**



**TECHNOLOGY TRAINING CENTER**

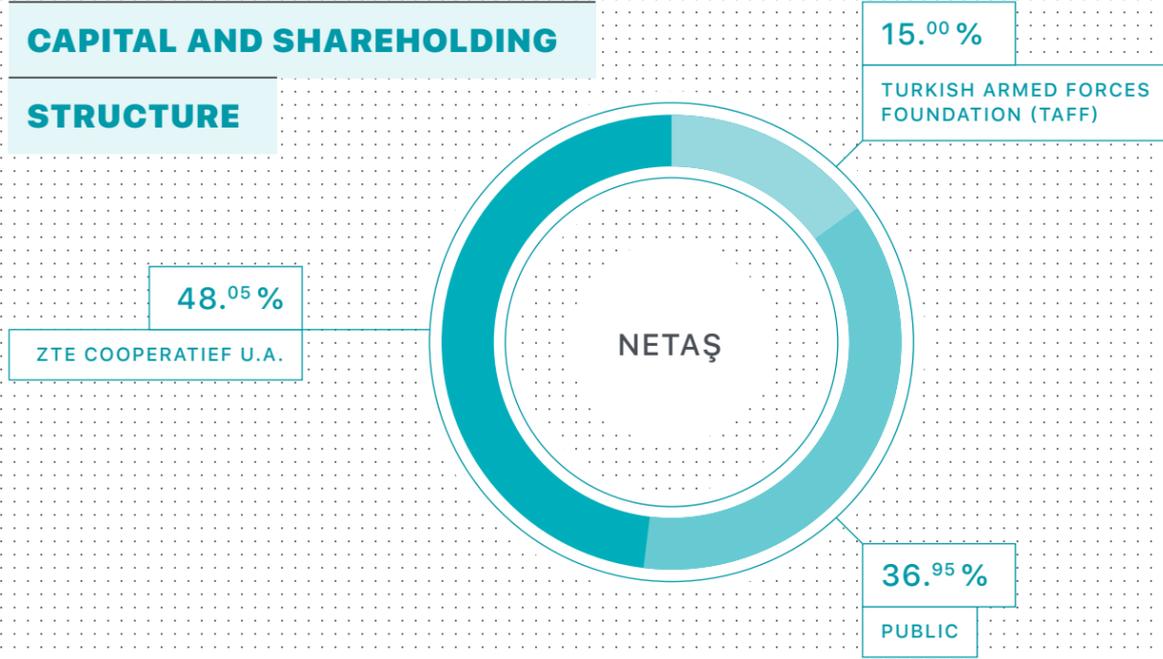


## SERVICE MAP

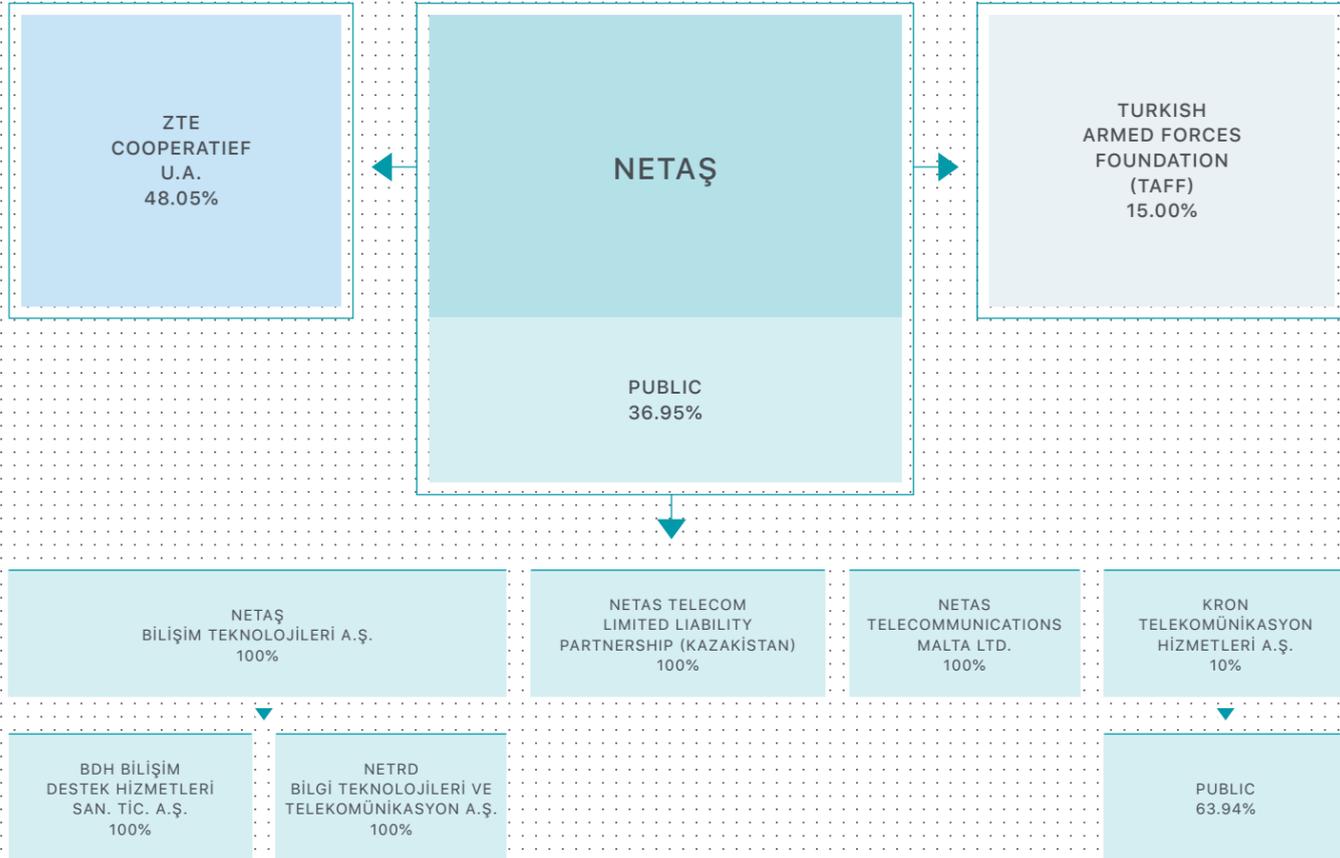
TECHNOLOGIES	DIGITAL TRANSFORMATION CONSULTANCY	SERVICES	INNOVATION AND PRODUCTS	INDUSTRIES	LOCALIZATION
 4/5G	 DIGITAL TRANSFORMATION READINESS	 NETAŞ TEST CENTER	 NEOS ENERGY MANAGEMENT SOLUTIONS	 TELECOM SERVICE PROVIDERS	<b>TRAINING</b>
 MOBILE BROADBAND	 NETWORK COMMUNICATION	 CYBER SECURITY OPERATIONS CENTER (CSOC)	 VIO VIDEO COMMUNICATION PLATFORM	 FINANCE	 N-TELLIGENT INSTITUTE
 UNIFIED COMMUNICATIONS	 NEXT-GEN VOIP SOLUTIONS	 NETWORK OPERATIONS CENTER (NOC)	 NOVA CYBER SECURITY PRODUCTS	 TRANSPORTATION	
 IOT	 CYBER SECURITY	 MICROSOFT OPERATION CENTER	 MOBI-FI FIELD SERVICE MANAGEMENT	 PUBLIC	
 CYBER SECURITY	 DATA CENTER SOLUTIONS	 MANUFACTURER GUARANTEE SERVICES	 ION IOT PLATFORM	 ENERGY	
 CLOUD COMPUTING	 BUSINESS INTELLIGENCE AND ANALYTICS	 ADVANCED PROFESSIONAL SERVICES	 EVENTIZER EVENT MANAGEMENT PLATFORM	 SPORTS	
 BIG DATA ANALYTICS	 BUSINESS SOLUTIONS	 SUPPORT SERVICES	 SERVICE VIRTUALIZATION PLATFORM	 RETAIL	
			 DEFENCE COMMUNICATION SOLUTIONS	 FMCG	
			 BROADBAND MOBILITY APPLICATIONS	 CONSTRUCTION	
			 AUTHENTIC SOFTWARE APPLICATION SOLUTIONS	 EDUCATION	
				 DEFENCE	

## CAPITAL AND SHAREHOLDING

### STRUCTURE



## OPERATIONAL STRUCTURE



## MILESTONES

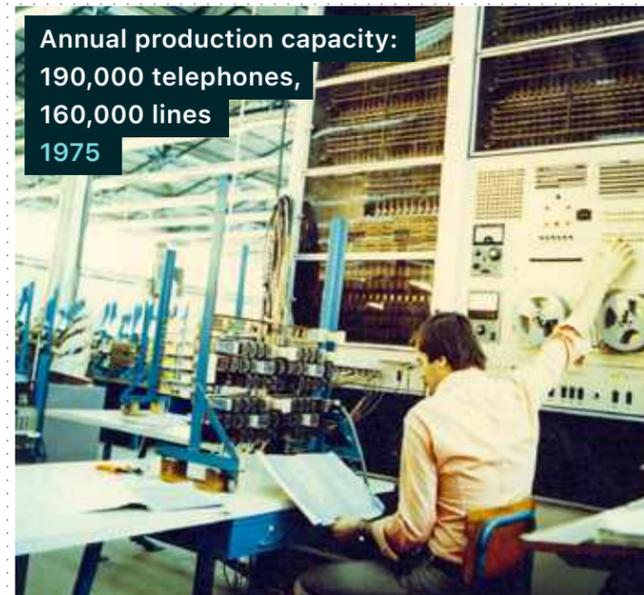
<p><b>1967</b> <b>1969</b></p> <p>Establishment of Netaş under the partnership agreement between PTT and Northern Electric. 51 percent of shares owned by Northern Electric and 49 percent by PTT.</p>	<p><b>1981</b> <b>1989</b></p> <p>Commissioning of the 1 million<sup>th</sup> telephone line.</p>	<p><b>1990</b> <b>1998</b></p> <p>Production of the 1.5 million<sup>th</sup> DMS line.</p>
<p>Capacity at the time of establishment was 40,000 lines.</p>	<p>Designing of Turkey's first rural exchange.</p>	<p>Expansion of exports territory: Soviet Union, Azerbaijan, Nigeria, Turkish Republic of Northern Cyprus and Canada.</p>
<p><b>1970</b> <b>1979</b></p> <p>First exports of the company start with Lebanon.</p>	<p>Establishment of Printed Circuit Board plant.</p>	<p>Netaş establishes the data network to be used within the scope of interbank Electronic Fund Transfer (EFT) project.</p>
<p>500 automatic telephone units are exported.</p>	<p>DMS 10, Turkey's first digital exchange is manufactured.</p>	<p>The largest R&amp;D department in the private sector - 200 employees.</p>
<p>Establishment of Turkey's first private telecom R&amp;D.</p>	<p>Introduction of Efes touch-tone telephone set.</p>	<p>NATO AQAP-110 quality certification.</p>
<p>Manufacturing of exchanges and telephone units by Netaş helps save more than TL 100 million equivalent of foreign currency.</p>	<p>DMS 200, Turkey's first long distance digital exchange commissioned in Tahtakale, followed by Ankara.</p>	<p>Begins multiplexer production for transmission network.</p>
<p>Commissioning of the 500,000<sup>th</sup> line in Ankara.</p>	<p>Number of active lines exceeds 2 million.</p>	<p>Design of the first ASIC.</p>
<p>First exports to Ireland and Canada.</p>	<p>Turkey steps into a fully-digital communications era.</p>	<p>Start of production for the first project for Turkish Air Force: Identification Friend-or-Foe System.</p>
<p>First automatic international call.</p>	<p>Number of lines delivered to PTT exceeds 3.5 million.</p>	<p>Commissioning of the 1 million<sup>th</sup> PABX line.</p>
<p>Production of the 1 million<sup>th</sup> telephone unit.</p>	<p>Global design ownership of digital DMS 100i product.</p> <p>Dicle (DRX-4), the first digital rural exchange is designed, developed and commissioned in Yalova and Istanbul.</p>	<p>Started the production of TASMUS (Tactical Field Communications System) for Turkish Land Forces.</p> <p>Netaş becomes the first Turkish information technology company to receive ISO 14001 environmental certificate.</p> <p>Software exports totalling USD 10 million.</p>



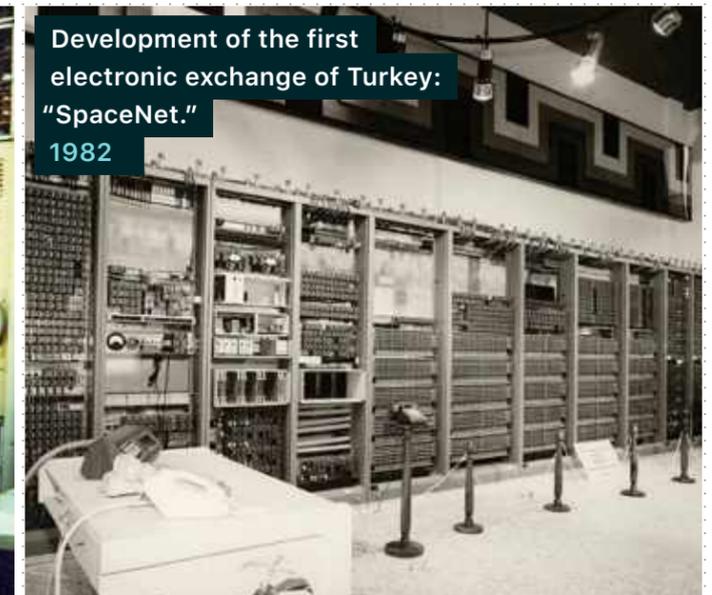
Commissioning of the factory.  
1969



Number of employees reaches 1,000.  
1971



Annual production capacity:  
190,000 telephones,  
160,000 lines  
1975



Development of the first electronic exchange of Turkey: "SpaceNet."  
1982



Netaş switches into digital technologies.  
1983



Commissioning of Netaş Training Center featuring computer aided training facilities and modern test devices.  
1986

**New projects in defence communications:  
New patrol boat, as part of  
MILGEM, search and  
rescue boat projects  
2006**



**2000** Netaş signs contract for the sale and delivery of SDH transmission products.

**2009** 40 percent year-on-year growth in Russia, Morocco, Bangladesh and Kazakhstan.

As Turkey's largest supplier of telecommunications equipment infrastructure, Netaş manufactures carrier optical and data network equipment worth USD 70 million.

Commissioning of the state-of-the-art SDH optical system for Türk Telekom, with a data transmission capacity of 10GB/s.

Signing of Aycell GSM 1800 mobile telecommunication network contract worth USD 145 million. 400 base stations installed in 35 cities across Turkey.

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 fully entrusted to Netaş.

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

TN-1XE, a domestic product of Netaş, introduced in transmission infrastructure of Türk Telekom.

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

Two separate transmission projects completed and commissioned in Bangladesh.

Nortel Global High Technology Development and Solution Center established: 800 R&D engineers working for the development of next generation communication networks.

'R&D Center' status granted within the scope of the relevant law.

Begins developing third generation (3G) mobile core technologies.

**2010** OEP RHEA Türkiye Teknoloji

**2012** BV acquires 53.13 percent of Nortel's shares in Netaş.

Partnership and R&D cooperation contracts signed with global technology giants including Genband, Avaya, Ciena, Kapsch and CarrierCom.

Acquisition of Probil.

Named as the first Cisco Cloud Infrastructure Provider of Turkey.

Continuing growth of Strategic Partnership Network with the participation of global technology companies such as Microsoft, Cisco, HP, Motorola, Oracle, Fujitsu, Hitachi and Mitel.

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 Largest Voice and Video Network Project of Turkey: Contract with the Ministry of Justice for Voice and Video IT System (SEGBIS) interconnecting courts and prisons.

Smart Classrooms project with the Ministry of Education: Implementation of smart classroom concept in 110 classrooms nationwide, enabling centralized training facility for teachers.

Named as 'Genband R&D Center of Excellence'.

Netaş Kazakhstan office established.

**Celebrated its 50th anniversary with the motto of  
"Proud of its Past, Ready for the Future"  
2017**



**2013** Acquisition of 10 percent Group A shares of Kron.

Celebrating the 40<sup>th</sup> anniversary in R&D, Netaş moves to its new technology base in Kurtköy.

Awarded the contract for the fourth generation (4G) communications technology development project (ULAK) for military, public security and civilian applications under the leadership of the Undersecretary for Defence Industries.

Netaş increases Aydem's productivity through the Automatic Meter Reading System Project.

Deployment of technology infrastructure for Odeabank.

Finance sector's largest project for cloud transition - Netaş moves 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 - Deployment of e-ticketing infrastructure for 31 stadiums within the scope of Smart Stadium project awarded by Turkish Football Federation.

Becomes the highest growing company in the Turkish information technologies industry.

**2014** A first in the history of technology exports of Turkey: Digital Rural Exchange, developed and manufactured by Netaş for 10 years, exported to Canada.

Signed a five-year 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 & software.

Signed a contract with Ucell, mobile operator of Uzbekistan, for the nationwide completion of IP-based infrastructure.

Deployed the network infrastructure for the new Primary Data Center of the Istanbul Stock Exchange.

Signed a contract for the delivery of radio and wire communications in the Haydarpaşa-Gebze-Köseköy section of Marmaray and Ankara-Istanbul High-Speed Rail Line.

**2015** With the assistance and guidance of the Under Secretariat for Defence Industries (SSM), the Fourth Generation (4G) Communications Technology Development Project's (ULAK) prototype, locally developed by Turkish engineers, presented.

Under the FATİH Project, '2nd Phase Local Area Network Installation Work' including the infrastructure installation for schools awarded to Netaş by the Turkish Ministry of Education.

Foundation of Netaş Wesley Clover Technology Fund (NWCTF), in collaboration with Wesley Clover, owned by the Canadian investor Sir Terrence H. Matthews and TRPE Capital, in order to invest in start-up companies and entrepreneurs, as well as to promote high value-added technology projects.

Launched the "Netaş Remedy Forest" project in collaboration with the Ministry of Forests and Water Affairs, General Directorate of Forestry and the Provincial Directorate of Forestry of Istanbul.

Launched Turkey's first locally developed cyber security solutions under NOVA brand; NOVA Cyber Security Solutions to ensure safety in online audio and video conference for VoIP and multimedia technologies.

<b>2016</b>	<p>The '5G Technologies Consortium Cooperation Agreement' is signed with Aselsan and Havelsan, under the leadership of the Turkish Armed Forces Foundation (TSKGV).</p> <p>USD 44.2 million digital transformation project agreement signed with Sonatrach, the largest oil company of Algeria and Africa, and the 11th largest oil company of the world.</p> <p>The number of its employees since its foundation exceeds 10,000 people.</p> <p>Elected to the board of directors of NetWorld2020, which aims to contribute to and steer the research of future mobile and fixed communication systems to be used in 2020 and beyond.</p>
<b>2017</b>	<p>World leader in telecommunication technologies ZTE, acquired 48.04 percent of Netaş shares through its subsidiary ZTE Cooperatief U.A.</p> <p>First orders received from Turkey's three operators for ULAK, the first locally developed base station in the country, where Netaş designed the base band unit.</p> <p>Launch of a horizontal cloud-based IoT (Internet of Things) platform, ION by Netaş that provides the infrastructure for the IoT applications of objects.</p> <p>Awarded the contract from IGA Havalimanı İşletmesi A.Ş. to deploy all wired and wireless communication networks of Istanbul Airport, expected to become the world's largest airports, in cooperation with Cisco and to manage its operation for five years.</p> <p>Signed a set of business partnership protocols with TÜBİTAK BİLGEM for the development of new generation cyber security products and projects.</p> <p>Signed a memorandum of understanding with Istanbul Metropolitan Municipality's company for smart city applications (ISBAK) for the development of projects within "Istanbul, a Smart City", and for the establishment and management of network and operation management centers.</p> <p>Opening of Netaş Cyber Security Operations Center, in order to provide cyber security operation services (SOC), network operation services (NOC), consultancy and managed services.</p>

<b>2018</b>	<p>Foundation of a representative office in Azerbaijan.</p> <p>86 patent and 19 brand applications are made.</p> <p>Domestic Product Certificate is obtained with 100% domestic participation rate for two software products/solutions: Nova V-Gate and Mobi-fi.</p>
<b>2019</b>	<p>Foundation of a local subsidiary in Algeria.</p> <p>Netaş is listed in Borsa İstanbul's Sustainability Index, formed with companies with a high level of sustainability performance.</p> <p>Netaş participates in European Union's Health 5G Consortium, thanks to its expertise in cloud computing, IoT and digital transformation.</p> <p>Reigniting its localization efforts, Netaş obtained Domestic Product Certificate from Istanbul Chamber of Industry, in order to manufacture ZTE's FTTx fiber infrastructure systems.</p> <p>30 patent and 10 brand applications are made.</p>

## AWARDS

<b>1996</b>	European Quality Achievement Award
<b>1998</b>	European Quality Achievement Award
<b>2007</b>	'Software Export Champion' of Turkey
<b>2008</b>	'Software Export Champion' of Turkey
<b>2010</b>	'Software Export Champion' of Turkey
<b>2011</b>	Microsoft - Enterprise Sales Partner of the Year Award
<b>2012</b>	Named as the "Most successful R&D Center in telecommunications business" by the Ministry of Science, Industry and Technology.

<b>2013</b>	<p>Awarded 'Best Global Partner in Enterprise Business' by Cisco.</p> <p>Named as the "Most successful R&amp;D Center in telecommunications business" by the Ministry of Science, Industry and Technology.</p> <p>Ranked 2<sup>nd</sup> in in the telecommunications industry category of Turkish Patent Institute's "Companies with the Highest Number of National Patent Applications in 2013" and 7<sup>th</sup> in the country overall list with 34 patent applications.</p> <p>Crowned 'The Turkish Systems Integrator Partner of the Year' award by Microsoft.</p>
<b>2015</b>	<p>Ranked 1<sup>st</sup> at BT Haber Yayıncılık's ICT 500-Top 500 ICT Company survey in the following categories: 'Network Hardware of the Year', 'Software Export of the Year' and 'Systems Integrator and Hardware of the Year'.</p> <p>Ranks first in two different categories at the 4<sup>th</sup> Private Sector R&amp;D Centers Summit organized by the Ministry of Science, Industry and Technology: 'R&amp;D Employment' and 'Most Successful R&amp;D Center in the Telecommunications Industry in 2014'.</p> <p>"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.</p>
<b>2017</b>	<p>Received the grand prize in the Competition for Energy Efficiency in Industry of the Directorate General of Renewable Energy of the Ministry of Energy and Natural Resources in the category of 'The Most Efficient Industrial Facility'.</p>

<b>2018</b>	<p>NEOS OSOS (Automatic Meter Reading and Energy Monitoring System), which is offered within the scope of smart city solutions was awarded "Commercialization of Innovation" award in Turkish Electronics Industrialists Foundation (TESİD) 16<sup>th</sup> Innovation and Creativity Awards, in "Large-Scale Corporation" segment.</p> <p>Chosen as the Systems Integrator of the Year within the research of Turkey's First 500 IT Companies, in "Hardware" and "IoT and M2M", "Network Hardware", "Service Exports", "Data Backup and Storage Hardware" categories. As to the "IT Service Exports" category, the company was awarded a Contribution to Economy Special Award.</p> <p>Received the "2018 - The Corporate Business Partner of the Year" and in the corporate segment "Architectural Excellence" awards from Cisco, world leader in network technologies.</p> <p>Ranked among the top 10 companies of Turkey within the Turkishtime magazine's "R&amp;D 250, Turkey's Top R&amp;D Spending Companies" research. Netaş was also named as one of the top 10 companies with the most R&amp;D staff employment. As for Information Technologies, the company maintained its leadership.</p> <p>According to Turkey's 500 Large-Scale Service Exporter Research conducted by the Turkish Exporters Assembly (TİM), Netaş is named the second largest information services exporter of Turkey.</p>
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# Proud with awards again in 2019

A pioneer of Turkey's information and communication technologies, Netaş crowned its successful work and projects with awards for another year in 2019.



**NETAŞ IS NAMED "ICT SERVICES EXPORT CHAMPION"**

Netaş ranked the first place in four categories of Turkey's only extensive ICT survey, namely Turkey's Top 500 ICT Companies. Exporting ICT services to a wide array of countries from the USA to Australia, Netaş is named as "ICT Services Export Champion of 2018" and received a Special Award for Contribution to the Turkish Economy. Netaş was granted two awards in the Systems Integration and Partnership category, "Business Applications" and "Network Hardware" for its successful work in Istanbul Airport, where the company laid the ICT infrastructure, breaking Turkey's widest network record. Netaş also ranked first in the "500+ Systems Integrator, IoT & M2M" category, with its IoT platform ION, that the company developed for smart city and smart manufacturing applications and launched in 2017.



**SUPPLY CHAIN PROFESSIONALS AWARD**

The blockchain-based project management and operation system project of its Purchasing team brought Netaş the "5<sup>th</sup> Supply Chain Professionals Award" from Supply Chain Professionals Club. Accordingly, one of the Blockchain application components, Hyperledger Fabric 1.4 software is used in the project and a decentralized system, where all the stakeholders are able to manage together, is being developed. The system allows the real-time operational monitoring of a product, developed by different operation centres in different locations of multiple companies.



**"COMMERCIALIZATION OF INNOVATION" FROM TESİD**

Netaş is crowned with the "Commercialization of Innovation" award in Turkish Electronics Industrialists Foundation (TESİD) 17<sup>th</sup> Innovation and Creativity Awards. The company is granted the award with the Netaş engineers' cloud-based multimedia communication platform Talki, which was also exported to Australia. The award was presented with a ceremony on March 26, 2019. Talki stands out as an innovative product, integrated on the e-government system and featuring an IVR portal for itself on Amazon. The platform assigns a virtual phone number for the users, so the users can use both their personal lines and business lines on a single mobile device separately. The services can be started to be used with an online credit card transaction in 15 minutes of time.



**"BEST PROGRESS IN SUPPLIER EXCELLENCE PROGRAM 2019" AWARD FROM HP**

Netaş received "Best Progress in Supplier Excellence Program 2019" award with the "Saving Spare Parts Used in Repairs" project of its BDH teams in the HP Supplier Excellence contest. The contest aims to extend the usage of "Lean Six Sigma" methodology in the project management and quality systems across country service partners of HP in the CEMA region. The project stood forward from projects coming from almost 10 countries in three continents and is now advised to all the countries in the CEMA region.



**"QUALIFIED TRAINING" AWARD WITH NETAŞ NEXTCODERS AND CODING HOUR PROJECTS**

Netaş received the "Qualified Training" award during 11<sup>th</sup> Corporate Social Responsibility Summit and SKA Awards with Netaş NextCoders and Coding Hour projects the company introduced in 2019. Within the scope of 11<sup>th</sup> Corporate Social Responsibility Summit, which brings together social responsibility solutions that creates benefits and value for the society, and the stakeholders from different industries, an independent jury assessed projects. The CSR projects contributing to UN's Sustainable Development Goals are awarded.



**BDH IS NAMED "BEST GUARANTEE SERVICE PROVIDER"**

BDH Bilişim Hizmetleri, the service provider subsidiary of Netaş, is chosen as the "Best Guarantee Service Provider" of 2018 by Turkey's first computer store.



**"DIGITAL TRANSFORMATION OF THE PUBLIC SECTOR" AWARD FROM MICROSOFT**

Successful licencing projects in the public sector of Netaş in 2019, primarily with Turkish Aerospace (TAI) and Turkey's Ministry of National Defence brought the company "Digital Transformation of the Public Sector" Award during Microsoft Business Partners Summit 2019.



**"CORPORATE SECTOR BUSINESS PARTNER OF THE YEAR" AWARD FROM FORTINET**

Netaş is crowned with "Enterprise Partner of the Year" Award from Fortinet, during Fortinet Partner SYNC Turkey 2019 in Antalya between May 3 and 5, 2019. The award is a recognition of the annual turnover and the business volume across different customers Netaş achieved through the projects in partnership with Fortinet.



**TWO AWARDS IN EMEA CUSTOMER CARE CUP**

In recognition of the successful service provided by its BDH teams, Netaş is qualified in the first place in the 4<sup>th</sup> Quarter of 2018, and third place in 2018, during 2018 EMEA Customer Care Cup. Awards are given by Hitachi Vantara, of which Netaş acts as the exclusive service partner in Turkey and as a result of a survey measuring the service quality and customer satisfaction in Europe, the Middle East and Africa



**"ICT SERVICES" AWARD FROM TURKISH EXPORTERS ASSEMBLY**

Netaş became one of the highest-ranking companies in the annual Turkey's 500 Largest Service Exporters survey in 2019, conducted by Turkish Exporters Assembly (TİM), in the "ICT Services" category. Accordingly, working with a vision to become one of Turkey's global technology brands, Netaş is chosen the second largest ICT services exporter.

# NETAŞ IN 2019

NETAŞ IN 2019

LOCALIZATION

EU PROJECTS

MARKET OUTLOOK

## NETAŞ IN 2019

## After a busy year

Netaş had a busy agenda in the past year, delivering projects for the digital transformation of Turkey and also conducting R&D studies of next-generation technologies for the EU. Here are some of prominent achievements of Netaş in 2019.



### AI technology partnership with Nvidia

Taking a strategic step forward, by empowering Turkish companies with AI technologies and strengthen their global competitiveness, Netaş went on a partnership with the world's largest GPU-based AI technology provider Nvidia. Through this partnership, Netaş began providing enterprises with AU, HPC and GPU supported desktop virtualization (GRID) solutions. Commenting on the new partnership, Netaş Enterprise Business Unit General Manager Selda Parin highlighted that the MENA region including Turkey is expected invest more than USD 207 million in AI, and said, "With this partnership, we, as Netaş, aim to make use of Nvidia's strength in the AI to our economy's digital transformation. The industries in our focus include finance, telecom, manufacturing, energy, transportation and retail. We will get our infrastructure, solution and consulting services we provide to corporations to a new level using Nvidia's AI technology.



### Netaş is now a member of EU's Health 5G Consortium

Leading the digital transformation in the healthcare, a focus industry for the company, Netaş has taken its place in the European Union's Health 5G Consortium, thanks to its expertise in cloud computing, IoT and digital transformation. The Consortium is conveyed for a period of three years and aims to develop smart infrastructure systems for emergency and nursing at home services. Within this scope, Netaş will gather data coming from sensors of healthcare providers into the cloud and allow these data to produce meaningful outputs through its IoT platform ION. Commenting on the project, Netaş R&D Acting General Manager Bülent Kemal Mutlu said, "In Turkey, we provided smart infrastructures and relevant services for four city hospitals so far. Now, we are putting forward our vast expertise in this field in the international consortiums we are participating. The most recent example is that we are now a founding member of Health 5G, with 32 other organizations from different countries and will contribute in the research of next generation healthcare contents for the European Union."



### Netaş is listed in Borsa İstanbul's Sustainability Index

Working for a sustainable future through the technologies it develops and the social responsibility projects it realizes, Netaş is listed in Borsa İstanbul's Sustainability Index, formed with public companies with a high level of sustainability performance.



### Netaş establishes a new company in Algeria for digital transformation

The architect of the digital transformation Netaş continues its structuring in the neighbouring regions with its vision to become a leader technology brand in the region. Accordingly, continuing to open representative offices and local incorporations in its key markets, Netaş created a local subsidiary in Algeria in 2019. Netaş has been playing an important role in Algeria, particularly in the digital transformation of its public sector.



### Netaş at the Mobile World Congress

Stepping forward with its successful projects in Turkey as well as abroad, Netaş presented its innovative products, solutions and services during Mobile World Congress in Barcelona, Spain in February 25-29, 2019, one the telecom industry's most important gathering. Netaş showcased its product and services in digital transformation, R&D – Innovation, telecom solutions and professional services categories.



### Support for a School Removing Boundaries

Netaş continues to use its technological power to contribute in the social equality of opportunity. The company has transformed the information and telecommunication infrastructure of almost 10 thousand schools in Turkey so far, in partnership with the Ministry of National Education. With this expertise, Netaş supported the incorporation of Haypader Special Education Application School, designed specifically for handicapped children.



### Smart City Consortium of Netaş qualifies in Turkey's Technology Council's Program

Netaş brought together 22 corporations and formed the Smart City Consortium in order to provide smart solutions in Turkey and abroad using local technologies. The consortium will focus on providing integrated smart solutions in energy, building management systems, emergency management, healthcare, environment & waste management, parking and transportation systems. The consortium, aimed at contributing in increasing Turkey's high technology exports, is qualified in the first phase of SAYEM (Industrial Innovative Network Mechanism program of the Scientific and Technological Research Council of Turkey (TÜBİTAK).



### Netaş steps in to inspire Turkey's engineers of next generation

Having begun to work for raising engineers of the next generation, Netaş has realized projects to inspire children to choose engineering as a profession. First with its employees' children, and now at various schools, 61 engineers from the Umutluyuz [We have hope] Voluntary Platform of Netaş, coach children within the framework of "Next Coders" project, by providing basic coding training and help them to better understand what it is to be an engineer. "We aim to pass our engineering tradition to the coming generations with the coding training we have initiated with our 'Umutluyuz' platform," says Buket Okumuş, Netaş Chief Communications Officer. "We have provided more than 1,700 hours of training only in four months by the efforts of this platform and we will continue training projects in the coming period."



### Netaş showcase next-gen local defence communication technologies at IDEF

Turkey's leader systems integrator took its place at IDEF '19 - 14th International Defence Industry Fair, presenting its various local defence communication solutions and products, ranging from naval communications to cyber security solutions it developed with its 45-year-long R&D expertise. The Netaş stand featured its NEOS product family solutions, incorporating smart city solutions applicable at military garrisons, as well 4.5G base band unit Netaş developed for Turkey's local base station ULAK.

## LOCALIZATION

# An important localization step from Netaş

Netaş will provide further contribution to its national economy with its main shareholder ZTE, reigniting its localization efforts, after having provided savings more than USD4 billion to the Turkish economy since 1967.

Netaş took an important step to manufacture its main shareholder telecommunications giant ZTE's technology in Turkey to provide a contribution to the national economy. Netaş is now ready to produce ZTE's FTTx systems at its Istanbul Orhanlı production facility, as the company obtained the required "Domestic Goods Certificate".

With this move, after developing Turkey's first local 4.5G base station, Netaş proceeds to offer local fiber broadband solutions supplementing the infrastructure of 5G and Beyond technology, with a vision to contribute more to the national economy.

Netaş aims to add new ZTE products in its localization agenda after FTTx and strengthen its localization strategy in 2020. The next goal of Netaş will be to export these products to international markets in which it has a presence.



## EU PROJECTS

# Netaş introduces projects to make Turkey a stakeholder in the EU

Netaş has introduced striking and important projects, keeping on playing an active role in the EU with its smart Technologies, developed for a sustainable life.

## BLOCKCHAIN

The H2020 EU Project of Netaş, namely "IoT & Blockchain Enabled Security System for New Generation Critical Cyber-Physical Systems in Finance Sector" or "Critical-Chains" in short, is qualified to receive a grant.

The project in question aims to eliminate obstacles across the European Union, created by unhealthy or off-the-books transactions, cyber security threats, non-user friendly, inefficient or inadequate banking processes, complicated contracts, cumbersome finance and insurance infrastructures.

The basic innovative idea of the project is to create a unified infrastructure in order to offer efficient, trackable, accessible, fast, secure and private financial contracts and transactions, by using new developing technologies including block-chain, cyber-physical security and modelling of inter/intra-organizational information flow together on a cloud-based structure and in a "as-a-service" manner. Within the scope of the project, Netaş will provide its services, for the establishment of the cloud infrastructure, securing the cloud infrastructure, systems integration, cyber security, anomaly identification and pilot validations.

## SMART FISH FARM

Contributing to European Union's research and innovation program Horizon 2020, through its IoT applications in the IMPAQT project, Netaş introduced a remotely-monitorable, eco-conscious and sustainable model by the integration of smart management systems. The project aims to increase the survival rate of the fish and other aquatic creatures to 90 percent, while reducing the feed waste rate to 10 percent.

Within the IMPAQT project, there are six fish and aquaculture facilities, including one in Turkey. The departure point of the project was to automatize these farms using IoT applications. In the project, where the Turkish company Çamlı Yem Besicilik of Yaşar Holding is also involved, the farm can manage itself using the data coming from the cameras and sensors, and the ecosystem is able of continuously renewing itself. So that the goals of the project include the tracking of the environmental impact through sensors, interpretation of the farm data as they are transferred to the cloud-based management system, and increasing the effectiveness of the farm management through the guiding information provided to the users.

## SMART-PDM

The Industry 4.0 project of Netaş within the ITEA3 framework, namely Smart-PDM, aims the handling of the data coming from critical modules of wind turbines and metal rolling facilities with AI-supported Big Data analyse techniques. The processed data is used to predict possible breakdowns of the critical parts and to offer solutions to the technical teams regarding the maintenance of these modules.

## SMART FARMING PROJECT FOR QATAR

The 5GPPGreenhouse project of Netaş, upon the joint call from the Scientific and Technological Research Council of Turkey (TÜBİTAK) and Qatar National Research Fund (QNRF), aims to process data coming from greenhouses through ION and increase the efficiency, in order to secure the sustainability of the agricultural production. As a pilot study, a greenhouse in Qatar will be controlled through ION set up on cloud in Istanbul.

## 5G-MEDIA

5G-MEDIA project within the scope of European Union's research and innovation Horizon 2020 program, aims to develop innovative applications towards media streaming, in order to provide users with high-quality, high-res and uninterrupted experience using 5G networks and infrastructure. The project will be developed using agile software designing, as well as validation and adjusting, will see the development of network functions and applications for various usage scenarios defined.

In the project, Netaş leads the Business Package 5, called 5G-Media Service Development Software Tools. The 5G-Media platform being developed, will create important benefits for companies developing, merging, validating and running media applications using 5G networks, offering a software development set and service virtualization platform. The project will also bring the media industry the Service-as-a-Service model, merging multiple services, and moving the distribution process into the cloud.



MARKET OUTLOOK

# ICT Industry Dynamics

The stagnancy of markets across the world in 2019 was reflected in the global ICT market. On the other hand, the Turkish information technologies market registered a growth of 14.6 percent on TRY basis and followed a relatively positive trend as compared to the global fluctuations.



The rising tensions in trade and geo-politics in 2019 resulted in a number of uncertainties on the future of the global trade system and international collaborations. The stagnancy of markets was felt widely both in advanced markets like Europe and also in developing economies. Bilateral Sino-US negotiations and countervailing duty practices raised questions over the existing and future trade relations of the parties. However, the reduced interest rates and supportive monetary policy actions alleviated the pressure on the markets.

Turkey's real GDP in the third quarter of 2019 increased by 0.9 percent year-on-year, while consumption expenditure showed some recovery. The 3Q 2019 data confirmed the economic recovery following a challenging half year. According to the World Bank data, the downtrend in inflation and interest rates will be reflected positively in spending and investments in 2020 and is expected to bring the economic growth up to three percent at the end of the year.

The global ICT market was one of the most affected industries from the abovementioned trade wars. New technologies including cloud computing and 5G found place in the political agenda and in the media. However, despite the protective trade policies, the ICT industry managed to grow by 4.9 percent on the USD basis in 2019. In the coming year, led by enterprise ICT spending, the industry is foreseen to grow by 3.6 percent. (Source: IDC)

**TURKISH ICT MARKET SAW A 14.6 PERCENT GROWTH**

Registering a growth of 14.6 percent on TRY basis in 2019, the Turkish ICT market managed to follow a relatively positive trend compared to the fluctuations in the global market. Moving in line with the global technology trends, the market saw an acceleration in the applications and developments of 5G, cloud computing, IoT, AI, blockchain and robotics.

In the coming period, with the realization of projects focused on the digital transformation, the enterprise ICT market is expected to grow by five percent, led by business applications, infrastructure software, industry specific software and ICT services. (Source: IDC) Technopoles keep on having an important share in the development of the industry and its volume. As of the end of 2019, there are a total of 81 technopoles in Turkey, of which 61 are actively operating. In the meantime, the infrastructure works still continue in 20 technopoles.

The companies are observed to materialize extensive digital transformation projects, in order to create innovative business models through digital technologies providing significant economic benefits, to pressure their operational spending and to increase their competitiveness by better responding increased customer demands. During this transformation process;

- The rate of digital investments within the ICT and telecommunication spending is expected to reach 50 percent by 2023, from the existing 36 percent, while data analytics is foreseen to outpace the others in the spending rate.
- Against the developing digital applications and increased cyber threats, 65 percent of the companies are expected to renew their infrastructures and bring them suitable for the digital transformation until 2023.
- 40 percent of the companies are foreseen to switch to a hybrid infrastructure, using both cloud and conventional infrastructures by 2021.
- The Turkish public sector is expected to invest more than USD 297 million in cloud services in 2020. As of 2021 more than 40 percent of enterprises/corporations in Turkey will remain stick to on premise/private cloud solutions and to certain public cloud solutions and platforms.
- As of 2025, a minimum of 80 percent of applications of new ventures are expected to integrate AI, while more than 50 percent of user interface interactions are foreseen to use AI-enabled computer vision, speech and VR.
- As of 2023, 50 percent of European G2000 enterprises are expected to have a digital developer ecosystem consisting of thousand of developers, while half of these companies will gain more than 20 percent of their turnover from these digital ecosystems/platforms.

- As of 2023, 50 percent of Europe's top 500 companies are expected to assign a Chief Trust Offices for data security and this officer will regulate and organize the trust between security, finance, human resources, risk, sales, manufacturing and legal functions. (Source: IDC)

**THE MOST ICT SPENDING INDUSTRIES**

The industries, which made an annual spending over USD 100 billion in the ICT:

TELECOMMUNICATION

INFORMATION TECHNOLOGY SERVICES & SOFTWARE

BANKING & STOCK EXCHANGES

WHOLESALE TRADE (DURABLE & NON-DURABLE GOODS)

HOSPITALS

UTILITY PROVIDERS

INSURANCE (NON-HEALTHCARE)

NATURAL RESOURCES & MATERIALS

HEAVY INDUSTRY

NON-DURABLE CONSUMER GOODS

# A next-generation training partner: n-telligent institute

In order to support the corporations to train a workforce fit for the digital age, Netaş opened its 53-year-long know-how to the ecosystem with n-telligent institute.

In face of the rapid changes in the technology, the corporations in the business world can only remain competitive, as long as they continuously diversify and strengthen the skillset of their workforce in line with the exigences of the digital transformation. Under these circumstances, offering a lifetime training opportunity, the training programs of n-telligent institute are designed to address the needs of the new generations.

The program focuses on two main domains:

- Next-generation technology trainings fitted with engineering competences of Netaş
- Social skills trainings designed to raise competence awareness

Under the next-generation technology training category, the training modules include cyber security, agile management, software testing, software development, data analysis, data science & machine learning, business intelligence and telecommunication technologies such as 5G. On the other hand, social skills trainings include, leadership, conflict management, mentorship, efficient communication, team management, problem solving, sales and strategy.

The n-telligent institute offers both in-class and online trainings from skilled ICT experts; and an education from iconic academics who are closely following the latest technology trends.

## YENİ MEZUN YETENEKLERE DE ODAKLANIYOR

The n-telligent institute is offering training programs for new graduates. The Edgile MT program, conceptualized to bring new talents to Netaş and the industry, trains successful students from both engineering and non-engineering backgrounds to become the leaders of the future.

## COLLABORATION WITH LINKEDIN VE HBR

The Institute is collaborating with significantly important establishments including LinkedIn, Harvard Business Review, Boğaziçi University, Istanbul Technical University, Bahçeşehir University and Özyeğin University and offers a wide variety of trainings.

n-telligent institute grants free access to LinkedIn Learning to all Netaş employees. So that all its employees can have access to more than a thousand online courses prepared by the industries' most skilful professionals, according to their professional interests.

The trainees of n-telligent institute can access to most of the content of Harvard Business Review Turkey free of charge and can follow the important business trends.

## WHERE ENGINEERING MEETS ART

The Art of Engineering Certification Program, created in collaboration with Istanbul Technical University, allows its participants to get informed about art, science and technology, while exploring the inevitable bound between technology and creativity.

### Training leader engineers

### ICT instructors competent in R&D

### Technological content from ZTE, main shareholder of Netaş

### Training a workforce to keep up the pace of technology

### Assessment Center supporting employees' development

### Online and multiplatform training infrastructure

### A content crafted in line with the expectations of the Y & Z generations

# R&D

INTERNATIONAL R&D

CYBER SECURITY R&D

ICT TECHNOLOGIES R&D

TEST CENTER

## The center of the next-generation technologies: Netaş R&D

Since 1973, Netaş has kept its focus continuously on R&D and continued its investments uninterruptedly. Developing new next-generation technology products, the company aims to increase its contribution into the technology leap of Turkey.

Founded Turkey's first private telecom R&D in 1973, Netaş today produces globally competitive products and solutions in its R&D Center, home to over 800 engineers. With its multi-tech competency, R&D power, innovation culture, vast knowledge base and expertise, the company is pioneering its corporate and public clients across all the verticals from different regions in their digital transformation journeys, offering products and solutions, improving the efficiency, communication and mobility.

Standing out with its simultaneous multi-project management capacity, Netaş has been filing patent applications for planned and ongoing projects and products on mobile telecommunication, cyber security, defence, multimedia, cloud computing, data centers, managed services and IoT.

The Netaş R&D aims to improve its international activities in the coming years, introducing solutions particularly on Big Data, 5G and smart cities.

**TURKEY'S FIRST PRIVATE  
TELECOM R&D**

**MORE THAN 800  
ENGINEERS**

**SIMULTANEOUS  
MULTI-PROJECT  
MANAGEMENT CAPACITY**

MOBILE TELECOMMUNICATION

CYBER SECURITY

DEFENCE

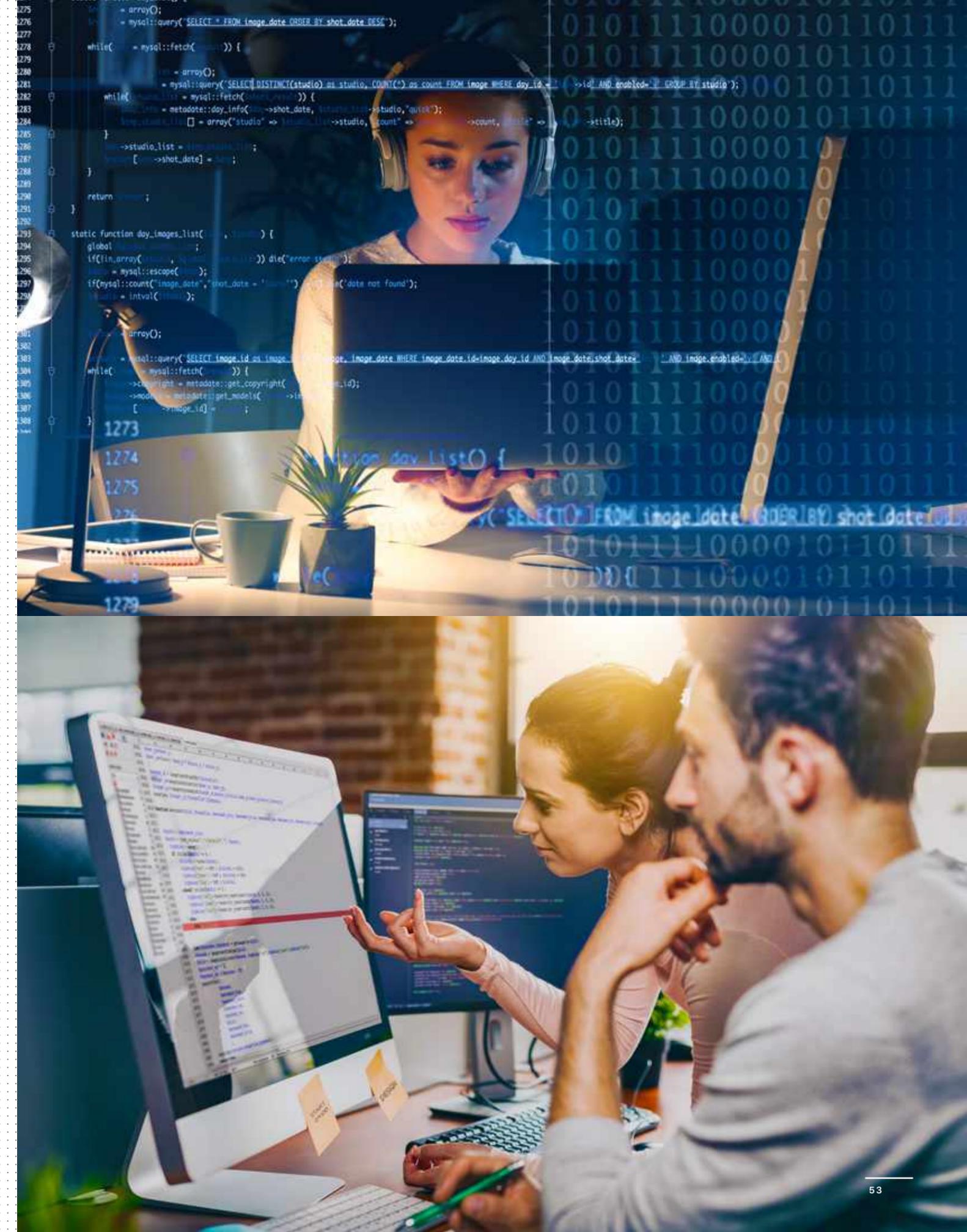
MULTIMEDIA

CLOUD COMPUTING

DATA CENTERS

MANAGED SERVICES

IOT



## TECHNOLOGICAL EXPERTISE

### CYBER SECURITY



### IOT



### MULTIMEDIA



### MOBILITY 4.5 / 5G



### TEST SERVICES, BIG DATA & BUSINESS ANALYTICS



### NETWORK SOLUTIONS & APPLICATIONS



### ACTIVE PARTICIPATION TO INTERNATIONAL WORK GROUPS

One of Turkey's most important enterprises empowering the country's telecommunication leap thanks to its local R&D culture and manufacture strength, Netaş is representing Turkey in the international arena as well.

In order to closely following technological developments in the European Union and contribute, Netaş participates 5G workgroups, as a member of ETSI and 3GPP, regarding standardization efforts. In addition, Netaş is a board member of NetWorld2020 Platform, one of the most active platforms guiding 5G and Beyond studies of the European Union, and a member of 5G IA- Infrastructure Association. The company is also the vice chair of Celtic Plus, the organization managing technological partnerships in the ICT and telecom fields.

### NATIONAL AND INTERNATIONAL COLLABORATIONS

Celtic Plus Vice Chairmanship

European Union Network 2020 Board Membership

ETSI membership / oneM2M studies 5GIA Membership

4 x Celtic Plus, 4 x ITEA3, H2020 projects already accepted

4.5G Base Station "ULAK" Consortium

About 90 collaborations (with 60 corporations and 28 universities) with 18 European countries within the scope of European Union Collaboration

### COLLABORATION WITH UNIVERSITIES

Maintaining its uninterrupted collaboration with the aim of increasing university-industry cooperation, the number of universities in which Netaş signed the Framework Agreement to institutionalize relations and to identify the scope of the joint works reached 18.

BAU-NETAŞ Techno Academy Computer Engineering Post-Graduate and Ph.D. Program, that Netaş started in 2014, continues. In order to support the education of the university students, Netaş continues to provide supports, such as short and long-term internships, scholarships and doctoral dissertation and also forms platforms on which Netaş engineers support students. Netaş also takes consultancy to benefit from the knowledge and research of academic staff in the projects it carries out. Since 2015, the number of academic consultations that Netaş has received from universities has reached 42.

### THE SCOPE OF ACTIVITY OF THE NETAŞ R&D

International R&D

Cyber Security R&D

ICT Technologies R&D

Netaş Test Center

### INCREASE IN NUMBER OF BRAND AND PATENT APPLICATIONS

As Netaş prioritizes the protection of intellectual property of the original products and ideas, and sharing the results of its R&D studies on scientific platforms, the Company filed 30 patent applications in 2019. As such, the total patent applications of Netaş since 2012 reached 487, while the number of its registered patents totaled 106. In 2019, Netaş filed 10 brand applications, six of which were international. The number of its brand applications increased to 125, while the number of its registered trademark to 50, both since 1984.

As a reputable R&D center, Netaş researchers published 108 scientific publications over the past four years, 23 of which are national, while the number of scientific publications since 2014 reached 165.

### 46 YEARS OF R&D

800+ engineers

5,000 projects

8,000+ R&D engineers in 46 years

Solutions used in over 80 countries

Regional leader in digital signal processing

100+ Signalization protocols

Over 200 million lines of code

Software solutions delivered to 200+ operators around the globe

1,000+ Circuit board design

Over \$4 billion savings to national economy through local designs

## INTERNATIONAL R&amp;D

## Technology transfer on a global scale

Today, with the telecommunications infrastructure products on an international it has been developing with its long-standing R&D power, Netaş is delivering its services to more than 80 countries.

The Netaş International R&D Unit consists of three main teams; software development, software testing, and customer support. Thanks to R&D expertise and service quality, in addition to skills of Turkish engineers and Turkey's central and strategic position, Netaş is forming long-term partnerships with its customers in international markets.

Netaş software solutions are being used by more than 200 operators worldwide and its largest international R&D customer is USA-based Ribbon Communications. The products of Ribbon Communications, the world leader in VoIP (Voice over Internet Protocol), are being used by more than 800 service providers and companies in more than 80 countries.



## CYBER SECURITY R&amp;D

## Local cyber security solutions

Running one of the world's most competent VoIP laboratories, Netaş aims a growth both in its domestic market and in its region, offering authentic & local cyber security solutions.

Offering innovative, end-to-end systems integration and technology services in the ICT, providing added value, Netaş offers a wide range of cyber security solutions with Turkey's first local VoIP security product family under the NOVA brand.



## NOVA V-GATE

Many attacks targeting the VoIP infrastructure use signaling technologies and the most common signaling protocol used for VoIP communication is SIP (Session Initiation Protocol). Certified for being developed entirely locally by Istanbul Chamber of Industry (ISO), NOVA V-Gate is an application level firewall, capable of real-time call tracking and detailed reporting, making VoIP network management easy for its users, thanks to operational management modules.



## NOVA V-SPY

NOVA V-SPY (VoIP Vulnerability Analysis) examines all security infrastructures of VoIP/UC systems from end-user phones to call servers, revealing security vulnerabilities in products and reports system configuration errors.



## NOVA S/COM

NOVA S/COM provides security for both inter-client communication and client-server communication, even in non-secure open networks regardless of device and operating system. Nova S/COM client application benefits from state-of-the-art technologies and offers secure voice and video communication and instant messaging platform that prevents man-in-the-middle, intervention, eavesdropping attack. The platform is flexible and it can be situated on premise or in the cloud.



## NOVA PENTEST

NOVA Pentest Services test applications, infrastructures and the devices and reports protection recommendations against network, VoIP, WEB and unified communication linked attacks. With NOVA Pentest Services, communication system topology detailed analysis and security checks are performed to determine the required security procedures. Basic infiltration and safety tests are conducted and a comprehensive report is provided. Verification tests are carried out after the detection of the findings at the end of the testing.



## NOVA FMS

NOVA Fraud Management System (NOVA FMS) is a big data security analytics platform that supports deep, holistic, correlative assessment using statistical and machine learning approaches.

ICT TECHNOLOGIES R&D

# Local contribution to ICT technologies

Designing solutions in line with software needs of large scale projects and integrating them when needed, Netaş is providing strength and value to Turkey with the products it develops focusing on exports since its foundation.

The Netaş R&D is developing authentic technologies tailored for industries ranging from finance to entertainment, from public sector to defence, as well as for energy, transportation and education. With its experience coming from offering local defence telecommunication solutions for the army, navy and air force, Netaş developed the base band unit for Turkey's local base station ULAK. Now, the company is working on developing 5G and Beyond technologies.

The company aims to keep its innovative and creative solutions sustainable, as they are resulted from a strong innovation and R&D culture and it focuses on enriching its portfolio with globally competitive products.



## AN EVENT MANAGEMENT PLATFORM FROM NETAŞ: EVENTIZER

With the experience it gained developing Passolig platform for the Turkish Football Federation, Netaş developed its smart event management platform, Eventizer, 100 percent locally. Offering an improved CRM approach, Eventizer by Netaş is an all-in-one easy-to-use event management platform, gathering customer relations management, e-ticketing, corporate sales and loyalty campaign management together. Cloud-based Eventizer is scalable and upgradable, and is capable of managing and ticketing of all types of sports, entertainment and other types of events. The platform allows crafting of custom-tailored sales and loyalty campaigns based on insights and offers its users a significant functionality thanks to its multi-channel sales features.



## MOBI-FI TAKES FIELD SERVICE MANAGEMENT TO THE DIGITAL AGE

With its long-standing expertise in the field service management and its know-how in software technologies Netaş designed a powerful service management software: Mobi-fi. Mobi-fi has a multi-language support, and it allows the easy management of deployment, maintenance and repair processes of large-scale businesses and projects, as well as providing internal and external communication, inventory, workforce and client management and top-end monitoring on a single system.

## NETAŞ IOT SOLUTION

The Internet of Things (IoT), a telecommunication network of physical objects that are connected to each other or larger systems, has been developing rapidly in recent years. Parameters such as data width, high speed and low latency to be provided by 5G technology are the key basis for M2M and IoT solutions, and different IoT solutions with heterogeneous structure are intended to provide interoperability with each other and provide end-to-end service. Netaş provides solutions in line with this target and reflects its technological competence to the field in accordance with industrial scenarios. For Netaş smart city solutions, please check Digital Transformation Projects section of this report.



## NETAŞ IOT PLATFORM: ION BY NETAŞ

Developed by Netaş 100 percent locally, ION provides all underlying IoT device and data services for massive IoT networks. Ensures end-to-end security and privacy of the valuable data and offers automated elastic scalability for ever changing traffic conditions, as it is designed as a cloud-native micro services-based platform. ION is based on a horizontal model to foster rapid growth and innovation in the industry by allowing multiple providers to work with a common framework. It provides an abstraction on top of different types of devices and communication protocols in order to provide centralized management, app creation and innovative value generation.

## NETAŞ IOT GATEWAY

The Netaş IoT Gateway product provides software services that allow the integration of various protocol adapters to devices, sensors and actuators in the south direction and also in the north direction towards different IoT Core/ cloud platforms. The product plays an important role in ensuring that both the old and non-existing devices and the next generation smart infrastructure are connected to the cloud. Aiming to increase its activity in international markets with the knowledge and experience it has acquired in IoT, Netaş has made a total of 52 EU applications, eight of which in 2019. A total of three H2020 applications were made in 2020.



## SMART ENERGY MANAGEMENT PLATFORM NEOS

Developed 100 percent locally, Netaş Energy Automation Systems (NEOS) digitalize cities' energy and resource management. NEOS Photon Smart City Lightning Management Platform provides energy savings up to 75 percent in the city lightning, while NEOS Hydro prevents losses and seepage in water distribution thanks to sensors placed in water meters, while keeping water usage under control. The cloud-based NEOS OSOS provides the reading of all sorts of meter data remotely and automatically.



## VIDEO COMMUNICATION PLATFORM VIO

Netaş offers a secure video conferencing communication platform, which is connected through the web without the need for installation, under the VIO (Video Communication Environment) brand, for institutions and industry. With its conferencing features, easy installation, and interface solutions VIO offers an efficient use. Bringing employees, customers, business partners, students, trainers together with audio, video and file sharing, VIO offers a secure and interactive communication environment.

## SOFTWARE TEST TOOL VISIUM

With its long-established experience in software development, Netaş developed local test tools for companies to achieve timely and good quality results. The Visium test products family is consisted of Service Virtualization Platform – Visium Serv, Load Per-formance Test – Visium Load, and Mobile Device Farm – Visium Far.

**Netaş Visium Farm** allows mobile and internet apps to be tested on hundreds of differ-ent devices of different brands and models, so that the necessary improvements can be identified. In addition, user experience tests for different languages allow the veri-fication of the mobile apps' quality.

**Visium Serv** allows simultaneous development, testing, and verification, improves ap-plication quality, reduces costs and risks by eliminating the dependence on live com-ponents without the need for 'Mock Codes'.

Cloud-based scalable load and performance test platform **Visium Load**, on the other hand, is designed to test the performance of the applications, during their development phase, in a fast and reliable manner.

## NETAŞ TEST CENTER

# A striking difference in test services from Netaş

Today, the competition is ruled by speed and quality. In such context, Netaş Test Center supports enterprises to go live with their software in the shortest time possible with the highest quality, with a team of about 400 experts.

Netaş Test Center serves to various industries ranging from finance to telecom, from retail to energy and from insurance to e-commerce, with its homegrown local test tool product group Visium and its experienced workforce. In 2019, the Center not only improved the diversity of its customer base but increased the depth and variety of its services. Currently, Netaş Test Center is providing support for four out of Turkey's top 5 banks, for their banking applications.

## TESTING OUTSOURCING SERVICE

The Testing Outsourcing Service reduces project costs and allows for the efficient use of resources and technologies. It also helps organizations to manage and control testing activities and processes more efficiently.

## SOFTWARE TESTING SERVICES

Software Testing service offers software tests for various platforms, including web, desktop, server, embedded software and business applications software.

## TEST AUTOMATION

Test Automation Service increases the speed and efficiency of the test stage using the most suitable automation method.

## M2M AND MOBILE TERMINAL TESTS

Netaş Test Center tests phones, tablets, M2M devices, PCs, modems and routers, with operators' existing and new SIM cards.

## PENETRATION TESTS

The Penetration Testing (Pentest) Service analyses the status of the IT infrastructure and the steps to be taken in order to create a secure IT infrastructure. Accordingly, vulnerabilities in web applications and VoIP systems are identified and an analysis report is offered, including the security measures. In addition to using a rich mix of testing tools, Netaş experts work on test scenarios specific to the client. Security checks with Netaş Pentest are recommended periodically.

## MOBILE APPLICATION TESTS

Mobile Application Testing Service ensures increased end-user satisfaction through comprehensive tests on different mobile devices, using the maximum number of mobile devices available.

## PERFORMANCE TESTS

Performance Tests allow to define the performance of software, whether they respond under the heavy traffic and if so, their lagging time. The results provide the maximum load possible of a software, then it is tested under the maximum load. As a result, performance improving suggestions are made.

## CONTINUOUS INTEGRATION SERVICE

Within the continuous integration service, an efficient and manageable software development setting is offered. Continuous Integration (CI) and Continuous Deployment (CD) processes allows an efficient and manageable software development and forms an important part of the agile software development business model.

## ENVIRONMENTAL TESTS

The environmental tests allow to identify accurately the resilience of military and civilian purpose systems under the natural environmental conditions.



**MANAGED**

**SERVICES**

CYBER SECURITY OPERATIONS CENTER (CSOC)

NETAŞ NETWORK OPERATION CENTER (NOC)

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## **Managed services improve operation quality**

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Undertaking the IT management of the companies, Netaş provides them to reduce their operating expenditures and improve their operation quality, with its proactive management and control.

**CYBER SECURITY OPERATIONS CENTER (CSOC)**

# Holistic cyber security services

The Cyber Security Operations Center, provides an efficient cyber security service, with its distinguished approach and skilful team specialized in cyber security in general and in threats specific to industries in particular.

Netaş supports enterprises to overcome the challenges including the employment of competent personnel and making required technology investment in face of cyber threats becoming more complicated day by day. Netaş structured its services so that the corporations can fill their security gap far more efficiently than they could by themselves and with a sustainable model. Its cyber security service customer portfolio includes many companies from a wide array of industries, including insurance, retail, manufacturing and e-commerce.

Netaş Cyber Security Services begin with the security analysis of the companies against a cyber attack and the identification of their risk status. Following necessary measures are taken and suggestions are made for an action plan, a penetration test is performed to measure the efficiency of the actions, to see the real status of the enterprise after a cyber attack and to ensure the continuity of the measures. In addition to these, Red Team activities, brand specific cyber intelligence services, social engineering attack tests for the employees, security hardening in the systems and 24/7 security incidents monitoring and response, all provide the elements of a holistic cyber security service.

The NOVA product family, developed 100 percent locally by the Netaş R&D Center, for the security of VoIP systems, are among the tools used within the scope of these services.

**NETAŞ CYBER SECURITY SOLUTIONS**

**Cyber Security Operations Centre, Threat Detection and Response Services:** SIEM & SOC Management, Blue Team, Red Team, Forensic, Vulnerability Management, Cyber Threat Intelligence, EPP, EDR, UBA, Phishing Awareness, Incident Response

**Managed Security Services (Technology Consultancy and Test Services):** IT GAP Analysis and Security Hardening Program, GDPR Consultancy, Risk and Compliance Management, Enhanced Test Services

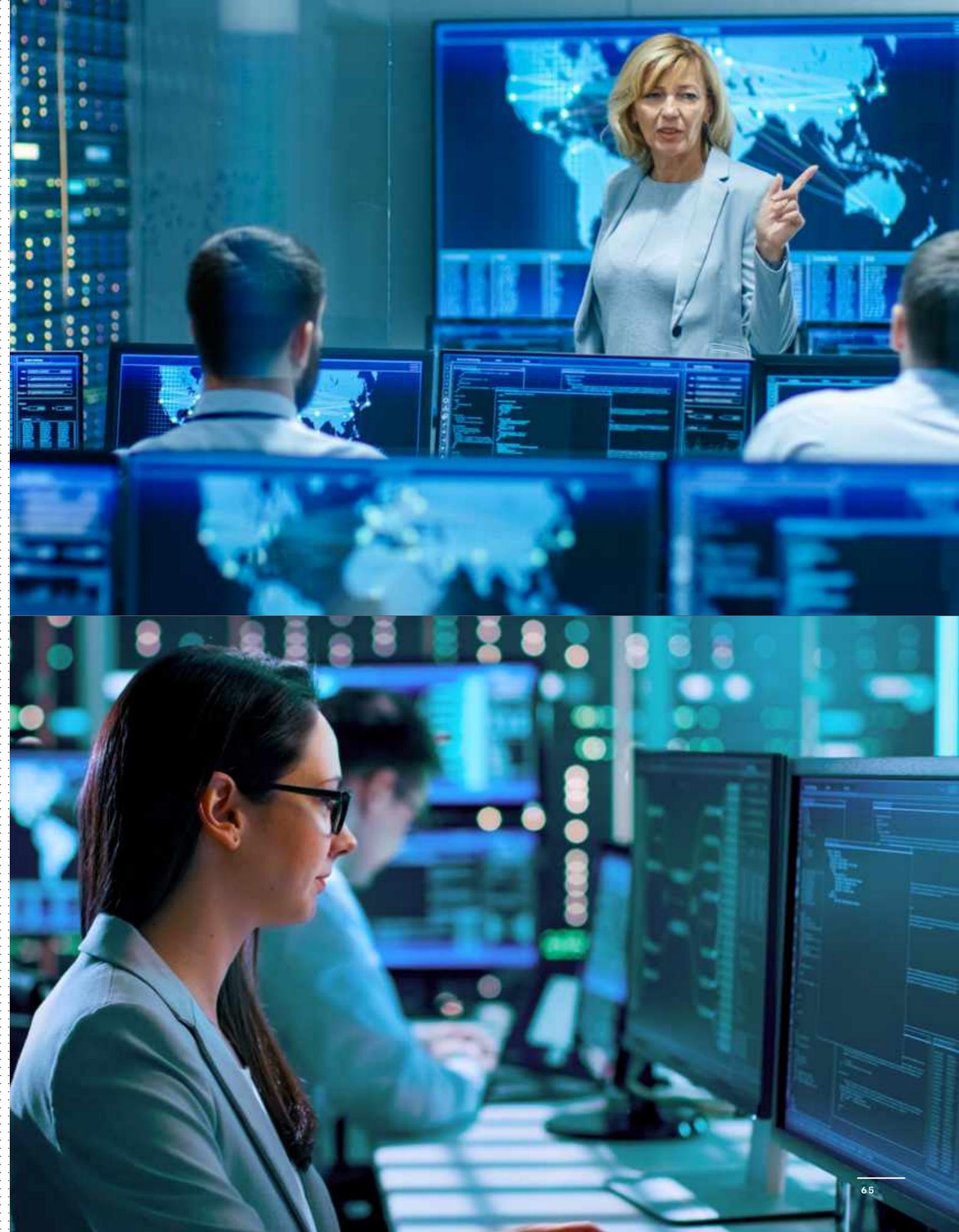
**SIEM & SOC Management:** Today, organizations are facing new cyber threats and an increased regulatory pressure. As a result, SIEM and SOC stand out as analytical skills to improve security controls of an organization and reduce risks at the same time. Netaş provides SIEM & SOC consultancy, 24/7 cyber incident management, SIEM installation, management, health-check and training, correlation consultancy.

**Cyber Threat Intelligence:** Netaş monitors intelligence platforms and databases on the surface web, as well as deep and dark web and tracks down potential threats, before these evolve into actual attacks; and takes necessary actions in order to eliminate the threat; drafts action plans for protection and impact controls.

**Penetration Tests & App Scans:** Netaş ensures holistic application security through analysis, design, implementation, verification, testing, correction and development. According to detailed pen tests and app scans, services provided are, Threat Modelling Services, Static Code Security Testing, Dynamic & Interactive Application Security Tests, Safe Coding Trainings.

**Managed UBA:** Netaş teams performs user behaviour analytics (UBA) in order to support cyberattack prevention, by detecting anomalies, using machine-learning based techniques. Services include attack, identity, cloud, and fraud analytics.

**Managed DLP:** In addition to conventional data loss prevention (DLP) approach, Netaş provides discovery, classification, labelling, monitoring and leak prevention for both structural and non-structural data.



## NETAŞ NETWORK OPERATION CENTER (NOC)

# 24/7 network monitoring and management support from Netaş

The Netaş Network Operation Center (NOC) provides the highest quality service keeping the necessary infrastructure installation and employment costs of staff necessary for a central management in the most economical level.

The Netaş Network Operation Center (NOC) monitors the system and network infrastructures that enable all business data of customers constantly and centrally, and on a 24/7 basis. The necessary actions are taken as soon as possible, and a proactive approach is adopted to manage network and system infrastructure in terms of business continuity.

### NOC SERVICES

Information collected simultaneously from the devices that form the company network, is reported within specific time intervals.

The problems on the network are determined in advance and are fixed on short notice, and the workflow is maintained without interruption.

Network performance measurements are made and evaluated to ensure that the required optimization and systems work at the ideal performance.

Software and application management and its updates are performed from a single center on time.

### ELEMENTS OF NETWORK OPERATIONS MANAGEMENT

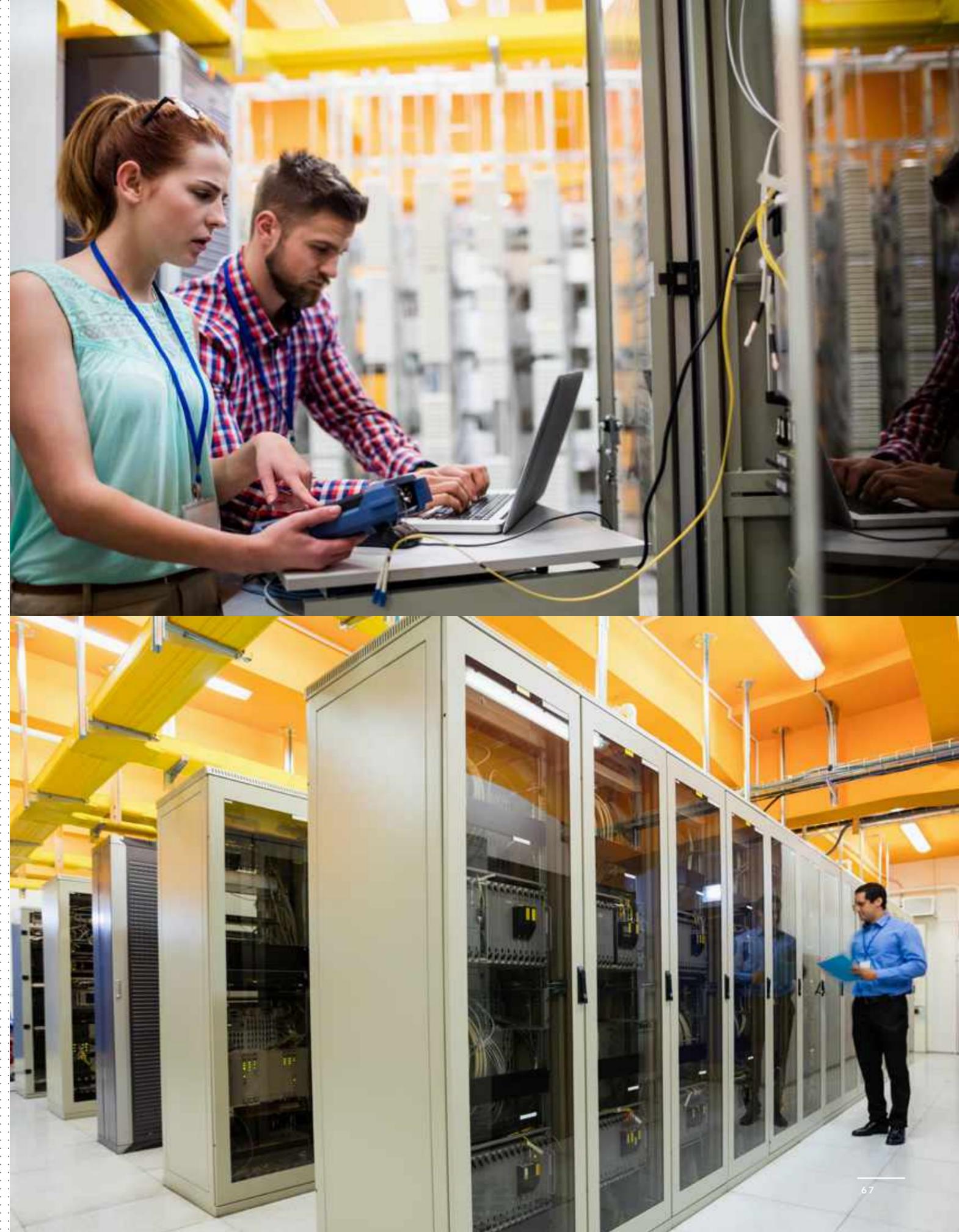
**Configuration management:** It enables the configuration of all assets (hardware, software, network products, documentation, connected systems), keeping detailed information, monitoring and reporting its history.

**Change management:** It provides the use of standard process and procedures determined by the company. The impact of the change-related incidents on the quality of service is minimized and, as a result, the company's daily operations are accelerated.

**Version management:** It enables the control and distribution of newer versions of hardware or software that will be created by Netaş or outsourced from the company.

**Event management:** According to the IT incident management process that will be created by Netaş or outsourced from the company, it makes the right decisions for identification, analysis, and elimination of incidents occurring during the service.

**Problem management:** According to the purpose of problem management, it provides studies to find root problems within the IT infrastructure being serviced and ensures that the problems are solved without being occurred again.



## DIGITAL TRANSFORMATION

### PROJECTS

SMART TRANSPORTATION

SMART ENTERTAINMENT

SMART PUBLIC SOLUTIONS

SMART ENERGY

SMART CITY

SMART EDUCATION

SMART HEALTHCARE

DATA AND BUSINESS ANALYTICS

TELECOMMUNICATION

FINANCE

## Technology in service of smart life

Offering the technology it develops in service of a smarter life, Netaş continues to realize large-scale digital transformation projects in every industry including telecommunications, public sector, finance and energy.

## SMART TRANSPORTATION

### A NEW NETWORK COVERAGE RECORD IN ISTANBUL AIRPORT

Netaş has continued to transform and simplify the daily life, with the telecommunication infrastructure and data center cloud automation system it deployed in Istanbul Airport, the country's largest project ever.

Having deployed the wired and wireless telecommunication network infrastructure of Istanbul Airport, Netaş has broken a new network coverage record in Turkey with almost 5 thousand access points on this network. Thanks to this extensive access network, passengers are provided with seamless, fast and secure internet service from the moment they park their cars to the moment their plane takes off. All businesses inside Istanbul Airport, including the security, the customs checkpoints, and the duty-free shops, are being run using the said communication infrastructure.

### DATA CENTER CLOUD AUTOMATION SYSTEM

Netaş has also built the data center cloud automation system of Istanbul Airport. Systems such as area management system that sets the gate number, changes, arrival gate; exchange system; passenger management system that will allow passengers to receive efficient service; car park management and loyalty system that will provide special campaigns and privileges will all run on this infrastructure. The airport management will be able to offer sources to the enterprises within the airport with automatic server provisioning through cloud automation integration. The system includes two active-active data centres.

Besides the above, Netaş has also built the information infrastructure for the biggest airport hotel in the world constructed in Istanbul Airport premises.

An infrastructure ready for innovative and smart technologies

Almost 5,000 access points on wired and wireless networks

Simultaneous, uninterrupted, fast and secure internet access for 55,000 people

7/24 monitoring

Reduced waiting time in passport and customs check points and check in counters

Maximum operational efficiency

### SAFETY ON RAILROAD TRANSPORT

Having successfully completed a total of nine rail communication projects so far with its vast experience in railway communication networks, Netaş provides high-performance connectivity and operational efficiency with its GSM-R solutions, a wireless and secure broadband communication standard optimized for railroads.

In addition to four completed GSM-R projects and two transmission projects, here are some of the ongoing GSM-R projects:

**Sivas-Yerköy High-Speed Train Project**  
(GSM-R Exchange, GSM-R Radio Communication Network and Wired Network Communication infrastructure, construction infrastructure for facilities like Tower)

**Yerköy-Kayaş High-Speed Train Project**  
(GSM-R Radio Communication Network and Wired Network Communication infrastructure, construction infrastructure for facilities like Tower)

**Bandırma-Menemen Project** (GSM-R Radio Communication Network and construction infrastructure for facilities like Tower)

9 railroad communication projects

High performance connectivity and efficiency



## SMART ENTERTAINMENT

### MOVING TURKISH FOOTBALL TO THE DIGITAL FUTURE

Within the Smart Stadium Project for the Turkish Football Federation (TFF) since 2014, Netaş has deployed the electronic ticketing infrastructure of over 50 stadiums and laid the IT infrastructure of these stadiums by installing the entire network and systems of the facilities including CCTV Surveillance Systems, Access Control Systems, Match Operation Centers, Stadium Data Centers.

The company has also established a Data Center in İstanbul Gayrettepe, a Data Recovery Center in Ankara Ümitköy, and the Main Match Operation Center of the Turkish Football Federation in Riva. Thanks the systems it has built, Netaş ensured an integrated and single-center management for the entire structure, including central ticketing, network, system, CCTV, GKS and IT infrastructure.

More than 50 smart stadiums

Secure network

Surveillance systems

Beacon

High capacity Wi-Fi

Match network and operation center

Digital wall and video streaming

E-ticketing

Access control systems

Data center

New payment methods

Smart money

### AN IMPORTANT EXAMPLE FOR ALGERIA'S DIGITAL TRANSFORMATION

Transferring its smart entertainment experience to Algeria, Netaş is implementing integrated solutions in accordance with international standards identified by FIFA and building Tizi Ouzou Stadium Complex consisting of a stadium with a capacity of 50 thousand visitors and an athleticism center of a capacity of 6 thousand 500 people.

The project that will be an outstanding example for the digital transformation in Algeria, will provide Netaş with a significant experience due to the fact that the project accommodates many new technologies at international standards.

Capacity of 50 thousand people

IP CCTV

Fire alarm

Carbon monoxide detection

Announcement systems

SMATV

Access control

Central clock system stage management system

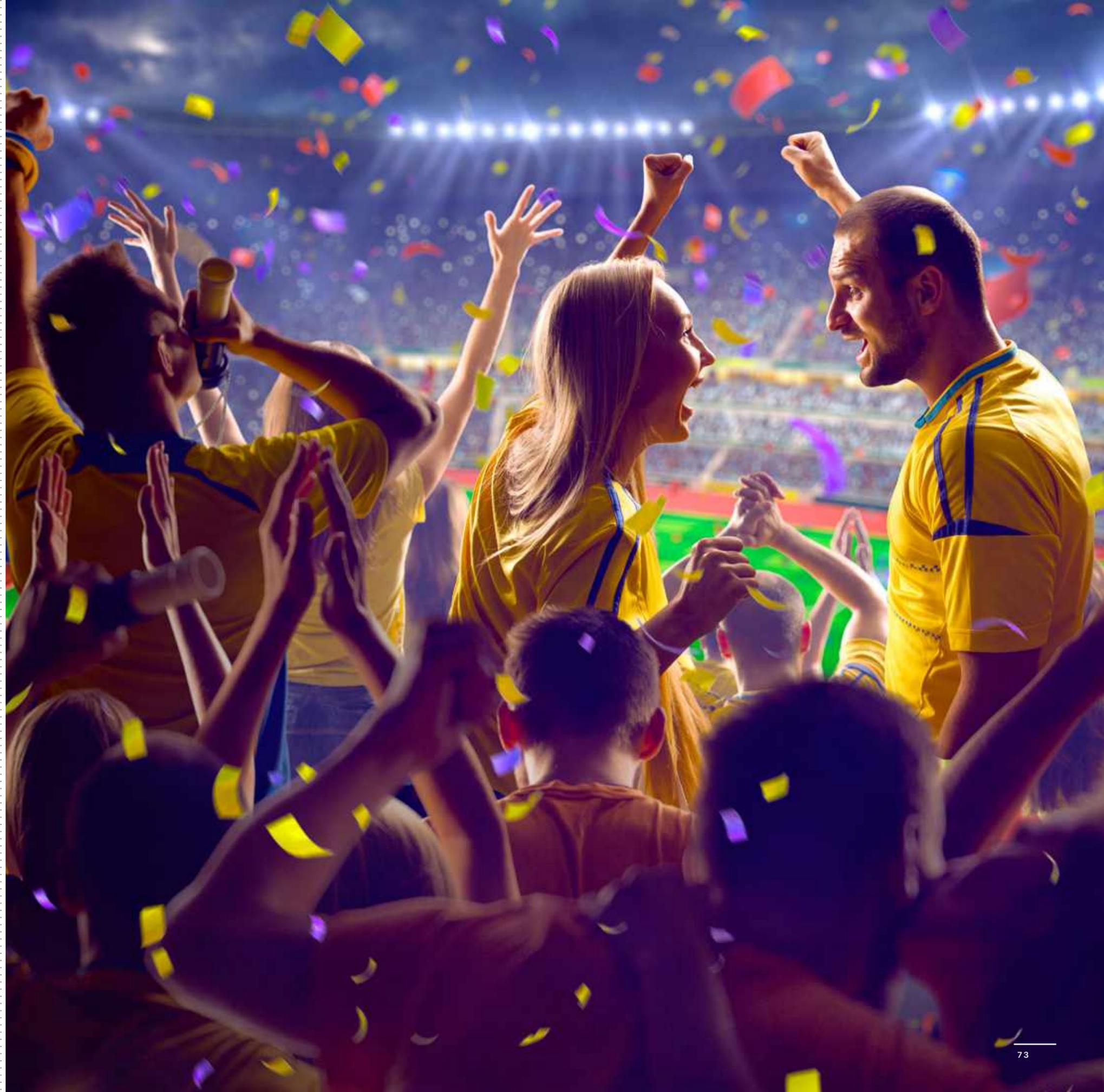
Lighting automation system

Broadcast system

Stage management system

LED screens

Parking systems



## SMART PUBLIC SOLUTIONS

### ONE OF THE WORLD'S FEW DIGITAL DISASTER MANAGEMENT SYSTEMS

Playing an active role in projects contributing in our country's emergency management, Netaş initiated the Disaster Management and Decision Support System (AYDES), an AFAD project that in 2013, developed for the digital management of all phases of a disaster and the efficient use of resources.

Thanks to AYDES, one of the few digital disaster management systems in the world, the resources in disasters and emergencies are managed efficiently and a smooth operation of the commanding process is provided. AYDES is being used by about 7 thousand active users in 81 cities, among which are institutions/ organizations, NGO's and field services that also include eight ministries and the Red Crescent and which play a role in national disaster management.

Working integrally with more than 50 internal and external systems, AYDES also serves, for instance, information on "Meeting Points in cases of Disasters and Emergencies" which is put to public use over the e-Government portal.

### FEATURES OF AYDES

- Creating risk maps according to the disaster type
- Predicting the impact of a possible disaster according to previous disaster and emergency drills
- Management of actions after a disaster on the decision support system
- Management of the recovery processes after a disaster
- Data collecting through mobile apps and its transfer into database
- Dynamic and instant reporting on the dashboard with decision support system
- 7 thousand active users in 81 provinces
- Unified disaster management
- Geographical information based decision support system
- Integrated with more than 50 internal and external systems

### SAFER CITIES

As part of the City Safety Management System Contract negotiated with Aselsan; Netaş has been carrying out the deployment of the infrastructure, construction, installation and repair and maintenance work for the City Safety Management System and Vehicle Identification System to be implemented in 80 provinces so that security forces can more effectively ensure order and safety and perform inspections.

### SAFER SCHOOLS

Netaş has completed the Safe School Project conducted by the Ministry of National Education for the safety of the children in schools.

Accordingly, Netaş has completed the installation and integration of all network, system, cameras, and infrastructure of a total of 762 schools in 71 cities across Turkey. Netaş started to provide guarantee and maintenance service after the school systems have been commissioned. As a result of the project, schools can be monitored live by security forces and the CSMS (City Security Management System) Centers.

- 762 safer schools across 71 cities
- Network, system, CCTV and relative infrastructure deployment
- Live surveillance

### E-GOVERNMENT TRANSFORMATION IN CYPRUS

Netaş has been conducting three major projects under the TRNC (Turkish Republic of Northern Cyprus) e-Government Program undertaken by Türksat on behalf of T.R. Ministry of Transportation and Infrastructure to transform public institutions and organizations to e-Institution.

### E-CENSUS SYSTEM PROJECT IN TRNC

It is the most important project of the first phase of the TRNC e-Government Program and the core of e-Government. During the project, it was Netaş providing detailed analysis, software design and development, integration of the system with other institutions and systems, testing, installation, commissioning, training, data digitalization, and counseling. Now the company undertook the responsibility for providing the guarantee, maintenance and support.

### TRNC E-CORPORATE (CENTRAL REGISTRATION SYSTEM FOR E-COMPANIES) PROJECT

The scope of the project includes a detailed analysis for the implementation of TRNC e-Corporate System, software design and development, integration with the other institutions and systems, testing, data digitization, data transfer, hardware supply, installation, configuration, commissioning, training/technical support, three years of guarantee, maintenance, support and integration.

### TRNC E-CUSTOMS / CIS (CUSTOMS INFORMATION SYSTEM) PROJECT

The project includes a detailed analysis for the Customs Information System, software design and development, integration with the other institutions and systems, testing, counseling, hardware supply, installation, configuration, commissioning, training/technical support, three years of guarantee, maintenance, support and integration.

- e-Census System
- e-ID System
- Securing data privacy
- Access to information from a single point
- Compliance to global trade norms
- Compliance to European Union Customs legislation



## SMART ENERGY

### DIGITAL TRANSFORMATION IN THE ENERGY INDUSTRY WITH NEOS

Netaş makes a difference in the energy industry with its locally developed technologies. Netaş Energy Automation Systems (NEOS) provide digital infrastructure for the energy and resource management of the cities.

#### neos osos

##### NEOS OSOS

NEOS OSOS (Automatic Meter Reading System), a cloud-based automatic remote meter reading and management system, not only allows significant savings of time and workforce through easy electricity consumption monitoring, but also enables real-time budgeting of demand, facilitated billing, identification of energy losses, and making consumption estimations.

#### neos hydro

##### NEOS HYDRO

The benefit of NEOS in resource management is also similarly applicable to water distribution where NEOS Hydro remotely reads water meters and prevents any fraud and leakage.

#### neos photon

##### NEOS PHOTON

NEOS photon, developed for increased efficiency and savings in city street lighting, was delivered to be used in a local municipality in Istanbul. This platform, which allows for remote and real-time tracking of all devices in the field can automatically identify the failures and steers the field operation teams to repair the breakdown as soon as possible. NEOS photon can provide electricity consumption savings up to 70 percent in city street lighting.

### GIANT DATA CENTERS IN THE DESERT

Netaş deployed six data centers for the digital transformation of Sonatrach, the largest oil company in Algeria and Africa. Now the company is providing maintenance support for three years.

Thanks to this important project that integrated Sonatrach to the digital age, the employer of about 120 thousand people and accounts for 30 percent of the Algerian GDP, operational costs of the corporate IT infrastructure are reduced, data centers are managed easily from a single point, the infrastructure is totally renewed and an end-to-end security is achieved. As a result of the project, the distributed IT infrastructure of Sonatrach is consolidated and standardized, gaining a scalable and simple structure that is flexible enough for easy integration to new technologies.

- 6 data centers in the desert
- Reduced operation costs
- Easy and single-point management of data centers

### WORLD' FIRST PLANT TO CONVERT NATURAL GAS TO GASOLINE

The Gas-to-Gasoline (GTG) Project developed by Rönesans Holding in Turkmenistan will, once complete, be the world's first production plant equipped with process automation that converts natural gas to gasoline. Netaş undertook the development of the project network, telephony infrastructure, IP CCTV and card access systems and the integration software that will enable the integration of operation among them.



## SMART CITY

### SMART CITIES FOR A SUSTAINABLE FUTURE

ION, the IoT (internet of things) platform developed by Netaş, provides a robust and secure infrastructure for brand new solutions for increased savings and efficiency in smart city applications deployed by local governments. The platform is designed to ensure the end-to-end data security of IoT applications and as automatically scalable depending on the changes in data traffic. ION is designed with a horizontal infrastructure to encourage fast growth and innovation in the industry by enabling different IoT device and application providers to work under a common roof. It isolates various device and connection types from the application layer to enable innovative applications across various verticals with the central data management it offers.

The Taxi Cap Project conducted with Istanbul Metropolitan Municipality has the capability of assessing and analyzing information such as air and road quality and traffic status based on data collected by the sensors attached to taxis. The Yellow Truck Project, on the other hand, implemented through ION is aimed at monitoring the excavation trucks to prevent illegal unloading.

More savings, improved efficiency

Encourages fast growth and innovation

Allows innovative applications across various verticals

### ENVIRONMENTAL AND URBAN NEEDS BECOMING DIGITAL

Undertaking the maintenance and updating of approximately 80 applications currently used by Turkey's Ministry of Environment and Urbanization, Netaş has been playing an important role in the digitalization of the needs regarding the environment and urbanization. Here are the systems that Netaş took an active role in the development:

Zero Waste Information System

Waste Water Information System

Vessel Waste Tracking System

E-Control

E-Qualification

E-Permit

E-Application

E-Worksite

EÇBS (Integrated Environmental Information System)

E-ÇED (Environmental Impact Assessment System)

YAMBİS (Building Contractor's Information System)

MYS (Contractor Qualification System)

Investment Monitoring Portal

AATPO (Waste Water Treatment Facility Project Approvals)

Environmental Import Exports Warrants

Zoning Peace Inquiry



## SMART EDUCATION

### NEXT GENERATION SMART CLASSROOMS

As part of the Movement of Enhancing Opportunities and Improving Technology (FATİH) initiated by the Ministry of National Education, Netaş established the ICT infrastructure of almost 7,700 schools. The schools were equipped with high-speed broadband internet infrastructure within the scope of the technological infrastructure for next-generation smart classrooms. The project that enables teachers and students to have access to educational documents and social information in the electronic environment is among the largest projects that have been implemented in Turkey concerning the digitalization of education.

ICT infrastructure for about 7,700 schools

Schools with high-speed broadband internet infrastructure

One of Turkey's largest projects concerning the digitalization of education

### ONLINE AND REMOTE EDUCATION TOOLS

VIO Akademi, developed by the Netaş R&D based on WebRTC technology, stands out as a cost-effective, result-driven, and efficient remote education tool for educational establishments and can be used without any installation. VIO Akademi offers the features of a virtual classroom with multiple and concurrent video connections and the screen sharing feature allows collaborative working on the same document and sharing the whiteboard for working on the same whiteboard.

The first pilot scheme of VIO in higher education institutions was implemented in Isparta Applied Sciences University. VIO connects the university and the students receiving workplace and practical training in other cities. Thus, the academic staff can now be able to provide support to their students through remote monitoring.



## SMART HEALTHCARE

### TURKEY'S PRE-HOSPITAL HEALTHCARE SYSTEM DIGITALIZED WITH ASOS

Keeping on making Turkey ready for the ICT and digital transformation world of the future with its engineering competency, Netaş implemented the Emergency Healthcare Automation Systems Project (ASOS) of Turkey's Ministry of Health, opening a new digital era in the Turkish healthcare system.

It is the first and only project that provides data integrity, coordination and communication among the Ministry of Health central organization, Provincial Health Directorates, 112 Command Control Centers, 112 Stations and healthcare facilities. ASOS enables immediate access to information such as reporting/call and case information, patient information, supply and medication status, personnel actions, hospital bed occupancy rates, transport processes, 112 training information, ambulance and inventory maintenance & repair, insurance/traffic insurance processes, shift lists and scoring information.

Aiming to increase the efficiency, activity and accessibility of emergency healthcare services on a national scale, ASOS project enables the servicing of 5 thousand ambulances and 15 thousand users in 81 provinces across Turkey. The goal of the system is to direct the ambulances owned by the Ministry of Health, transfer the patient as soon as possible to the nearest and most suitable hospital and service with available beds based on initial findings and the location. With ASOS, patients can be monitored to see whether the first intervention was sufficient even after the ambulance transfers the patient to the hospital. The personnel are trained in case any shortfalls are detected.

OYS (Incident Management System) Module developed in ASOS can monitor patients affected by mass incidents that reach SAKOM (Health and Disaster Coordination Center) and require Crisis Coordination Intervention live from the time they are affected until they arrive at the hospital and clinic treating them, and even through discharge processes.

81 provinces	5 thousand ambulances	15 thousand users
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### DIGITAL TRANSFORMATION IN CITY HOSPITALS

Netaş completed the installation of data centers and network infrastructures of four city hospitals so far, in Yozgat, Adana, Elazığ and in Bursa, Turkey. Thanks to the infrastructure built by Netaş, the information systems of hospitals are unified, and all types of medical equipment can exchange information over the network using the installed system. Hospital management reaches a seamless operation through systems that have been integrated with smart building technology as well, and the diagnosis procedure is shortened since documents such as x-rays, reports, and blood tests are electronically received directly by the physicians. In addition, polyclinic processes have been facilitated thanks to the desktop computers installed in the hospital and the tablets that enable data entry. Netaş is providing 24/7 network monitoring and maintenance for systems components and peripheral equipment.

End-to-end system back-up

Seamless operation warranty

Integrated with smart building technologies

Reduced diagnosis process

24/7 network monitoring and system maintenance

### A NEW SMART HOSPITAL IN ALGERIA

Another remarkable project Netaş in Algeria is the Kayı Ouargla Military Hospital project. Netaş has been building all network, telephone, weak current and automation systems of the 180-bed hospital, which is currently under construction in the city of Ouargla.



## DATA & BUSINESS ANALYTICS

### INOVATIVE SOLUTIONS ENERGIZING INDUSTRIES

As a provider of end-to-end solutions in the field of big data and business analytics starting by process analysis stage, Netaş shares its international market experiences with its customers. Optimal solutions are produced for customer needs in the field of big data using open source services and micro-services developed by Netaş R&D engineers within the framework of industrial standards and installations are being made for big data infrastructures.

Netaş develops big data solutions concurrently for different industries in its Big Data Platform and Test Laboratory. Netaş Big Data Platform collects instant and periodical logs from server data to instantly process and assess all kinds of demands received from mobile and web platforms; transfer the data in structural databases to the big data platform as well as processing the data received from the IoT applications.



## TELECOMMUNICATION

### INTEGRATED AND PROFITABLE SOLUTIONS FOR OPERATORS

Netaş offers solutions including instant messaging, status information, voice communication, mobile capabilities, voice/web/video conference, convergence, desktop sharing, call center applications, voice recording and analysis, voice signature and text-to-voice and voice-to-text to the corporate market in the form of real-time integrated solutions as a part of its unified communication solutions. The company has been implementing major infrastructure projects, focusing on telecom systems modernization, unified communication/multimedia communication, telecom transfer to cloud.

### EFFECTIVE AND MODERN TELECOMMUNICATION NETWORK FOR CYPRUS

Netaş undertook its first project with ZTE in the Turkish Republic of Northern Cyprus (TRNC). The project which is carried out for the TRNC Telecom Authority involves the installation and maintenance of IMS and number porting systems in Cyprus telecommunication network. Cyprus Telecom Authority will acquire a more effective and modern infrastructure and become compatible with the 5G technology.

### TELECOMMUNICATION SOLUTION FOR SMES IN AUSTRALIA

With the communication project it developed for one of Australia's biggest telecom service providers, Netaş designed a brand-new communication system for the SMEs which are considered to be of key importance for the Australian economy. With the solution in which 12 different web/mobile applications and cloud infrastructure have been developed, SMEs can purchase a company phone line in 15 minutes online using a credit card, install a virtual reception service to this phone line and program such functions as meeting and directing the calling customers and make use of mobile applications among themselves for communication and conference services with rich content.

### NEW SOLUTIONS LAUNCHED IN SWITZERLAND

With a project it realized for one of the major service providers in Switzerland, Netaş offers a set of new communication solutions needed by companies at any scale. The project involves the management of SipPBX servers included in the operator's communication network by the application server developed by Netaş. Thus, the operator has the chance of enhancing the contents of the SipPBX services provided to its corporate customers and Netaş has performed the software development needed for increasing subscriber and call capacities and managing the traffic of SipPBX servers. Thousands of corporate customers at varying scales in the country now receive secure services over Netaş systems.

### A TELECOMMUNICATIONS SYSTEM FOR UAE

Netaş has been developing a communication system in line with the local communication legislation for one of the largest operators in the UAE. With the project, the numerous foreign employees in the country will have access to easy and affordable international communication.



## FINANCE

### SPECIAL SOLUTIONS FOR THE FINANCE INDUSTRY

Netaş continues to provide highly specialized services for the finance and insurance industry, such as software and application testing services, data center installation, migration and maintenance, network installation, cyber security services.

## TEST SERVICES

### BANKING APPLICATIONS TESTING SERVICE

Netaş has been awarded the "Banking Applications Testing Service" project for Ziraat Technology, which has been providing technology services to Ziraat Bank, Turkey's oldest and largest public bank with a history of 157 years, and its subsidiaries. Within the scope of the project, Netaş is responsible for managing the end-to-end test processes of Ziraat Technology, defining test automation strategies, managing the projects and resources, developing and training the testing team, monitoring the business outcomes and quality, reporting, and identifying and using the required automation tools.

### DSS PROJECT

Netaş, as the only company that provides test services in Turkcell DSS project, started to provide high value-added test services with Visium Go and Visium Load from Netaş portfolio and automation and performance test solutions. Within the scope of this project, Netaş started to cooperate with Applause, one of the world's leading companies, for the Abroad Crowd Testing Solution, and end-user and exploration tests of Turkcell DSS applications have been started worldwide.

## CYBER SECURITY SERVICES

### SOC & CYBER INTELLIGENCE SERVICE

Netaş undertook the "SOC Premium" and "Improved Cyber Intelligence Service" projects of 40 thousand EPS for sahibinden.com, which is one of the largest e-commerce portals in Turkey with 49 million users. Within the project, Netaş Cyber Security team provides SOC Premium Service and is responsible for managing and 24/7 monitoring the SIEM device and for responding to incidents (IR). The team also provides cyber intelligence service; the platforms and producer databases in the web, deep web and dark web is continuously monitored to identify any possible threats to sahibinden.com and develops action plans to remove the threat or perform impact control.

### CYBER SECURITY SYSTEMS

Recording a fast growth with every new store, Defacto entrusted its cyber security systems both in Turkey and at the global level to Netaş. In the project, which aims to minimize the impact on the company during a possible cyber attack and to ensure uninterrupted workflow, a SIEM device has been deployed from scratch in Defacto, enabling 24/7 proactive monitoring of all cybersecurity systems.

### CUSTOMIZED REPORTING PLATFORM FOR MIGROS

By customizing and modeling the classic vulnerability management for Migros, Netaş differentiates itself from its competitors, thanks to the customer-based reporting platform that has been developed within the service.

### CYBERSECURITY SERVICES MANAGEMENT

One of the alternative telecom operators, Millenicom, has started to work with Netaş for purposes of managing the cyber security systems of the company. What makes this project different from the others of Netaş and especially outstanding is that it includes a detailed outsource service, including SIEM health-check, SIEM operation dedicated firewall and DLP management, managed GDPR service, static code analysis, and vulnerability management. This is proof of the fact that Netaş is a reliable business partner for Millenicom beyond being a sole external supplier that provides services.



# Architect of digital transformation of turkey and the region

As a business partner in digital transformation projects of a vast zone extending from Asia-Pacific to the Turkic Republics, and from North Africa to the Middle East, Netaş offers technological solutions and services in many fields spanning from telecom to finance, and from energy to the public sector.

Playing a role in the digital transformation of not only Turkey, but also its neighbouring countries, Netaş, today, is providing solutions for telecommunications networks, cloud computing infrastructures, data centers, and also in the fields of cyber security and software development.

Having defined Algeria and Kazakhstan as two main hubs, Netaş completed the incorporation of its subsidiary in Algeria and continues its structuring in international markets. The company, which continues its operations in Algeria and Kazakhstan with its full staff offices, has a representative office in Azerbaijan and a representative in Georgia.

## MANY TALENTS UNDER A SINGLE ROOF

As an international manufacturer with the support of its main partner ZTE and its own R&D, Netaş is also a systems integrator that can create and implement turn-key projects with complementary products from other vendors. The company manages large projects on a global scale with its wide technical staff including both carrier network and information technology expertise. The fact that these talents resides under a single roof provides Netaş a competitive upper hand.

## NEW PROJECTS IN KAZAKHSTAN AND ALGERIA

Netaş has been gradually increasing the number of countries it serves, and 2019 was an important year as the company launched products developed in its R&D such as Eventizer and NOVA in international markets. As a result of the cooperation between ZTE and Netaş in international markets, projects in Kazakhstan and TRNC were launched in 2019, a year when carrier networks projects, won in Kazakhstan and using mostly ZTE's optical and IP backbone products, also became important references.

For Netaş, 2020 will be a year that Kazakhstan and Algeria country offices will gain further strength and ZTE & Netaş products will be used more. Technological transformation projects that will serve as a reference will continue in all countries in which it operates.

## TARGET: GROWING IN THE GLOBAL MARKET TAKING THE ECOSYSTEM ALONG

Planning to take all of its main shareholder ZTE's products and services to the countries it is responsible for, and to implement complicated ICT integration projects with the products of ZTE and other complementary products, Netaş also aims to launch the national and domestic products it develops in its R&D to international markets, aims to grow in markets and contribute to the technological and digital transformation of all the countries where it operates.

# The utmost important force: Employees

Netaş is considered as a school in the Turkish telecommunications sector and with this mission, it is performing exemplary human resources practices for many years. The company's focus remains on the happiness, efficiency, training and personal development of its employees.

Believing that it can only achieve long-term vision and goals with the right team, the Human Resources Department of Netaş aims to move forward with decided steps by preserving the company's values, culture and business practices inherited from its past over 50 years.

## HUMAN RESOURCES PRACTICES

### Netaş COOP Program

Netaş Coop Program which started in 2014 is a long-term internship program, and it is creating opportunities for university students to have a career at Netaş. Every year, in three semesters named fall, spring, and summer, within the scope of the program that takes place in three months, 200 students on average are offered a full-time internship opportunity in Netaş R&D Headquarters.

During the internship, students have an active role in projects such as VoIP switchboard design, VoIP and web security projects, IPv6, JITC, Log Wizard, Smart Office, and Application Server Replacement. While the training of students who successfully completed their internship carries on, they are offered a part-time job, ensuring that they get professional R&D experience, and their training and development processes in the company continue.

With this program, full-time jobs are offered to the candidates that are experienced for 8 to 18 months in Netaş technologies, suitable for Netaş organizational culture, who meet the evaluation criteria, and who proved themselves with their success, and who want to shape their career with Netaş. Up until today, out of 972 students that joined the Netaş COOP Program, 227 of them managed to join the Netaş family, whether it is part time or full time.

In 2019, when 212 students from contracted universities participated in the long-term internship program, 21 students found the opportunity to work in full-time engineering positions with R&D teams.

### Benefit&Banafit Flexible Side Benefit Program

Netaş has flexible side benefit practice as a part of Benefit&Banafit Program. As one of the pioneering companies in Turkey using such program, Netaş allows its employees to choose their own side benefit packages, according to their own preferences and needs.

### RecogNetaş Reward Portal

Everyone who works at Netaş can reward each other. Netaş employees can reward each other or be rewarded on any day of the year for different reasons, in different categories, without having to wait for the end of the year.

### BAU Netaş Techno Academy

Netaş employees can get post-graduate education with a 75 percent discount. Hereby, Netaş offices turn into a campus for its employees.

### JOBSHOP

Netaş employees are given the opportunity of lateral and vertical transfers to vacant positions in the company.

### Netaş ProActive

Netaş provides its proactive platform as a part of internal communication activities, giving the utmost importance to the communication of employees. ProActive organizes internal and external events, aiming to increase the synergy between the units and supporting employee satisfaction and commitment.

### Netaş Theatre Company

Netaş Theatre Company was founded in 2005 with an amateur spirit and great enthusiasm. Since 2006, the company staged over 13 plays for over 80 times. The company is formed by a team of 25 employees.

## NETAŞ EMPLOYEES IN FIGURES\*

The average age of Netaş employees is 33 and 28 percent of the employees are women. The total number of employees reached 2,380 by the end of 2019.

AGE		EDUCATION	
21-25	16%	PhD	1%
26-30	30%	Elementary School	2%
31-35	21%	Undergraduate	57%
36-40	16%	High School	11%
41-45	9%	Associate Degree	13%
46-50	4%	Technical High School	6%
51-55	2%	Post-graduate	10%
56+	2%		
SENIORITY (YEAR)		GENDER	
0-2	56%	Female	28%
3-4	14%	Male	72%
5-9	17%		
10-14	8%		
15-19	2%		
20-24	2%		
25+	1%		

\*Consolidated figures from BDH, Netaş, Netaş Bilişim and NetRD.

# Supporting Turkey's sustainable development since 1967

With the products and services based on technology it developed for the past 53 years, Netaş is contributing in the sustainable development of Turkey, with the successes it achieved for the first time in the history of the country, the employment it provided, its investments and contributions to the economy through exports, as well as the importance it attributes on the environment and the social responsibility projects it realizes.

### NETAŞ LISTED IN SUSTAINABILITY INDEX

Today, differentiating needs and changing expectations of society in parallel with environmental, social and economic factors have pushed all the parties of the community to create technology-based innovative solutions. The speed and accessibility provided by technology has become the transformative force of a better life in every sense. In this process, Netaş assumes an important responsibility in terms of technology and innovation, which is the driving force of communities in sustainable development in terms of both economically and socially, with its identity as a digital transformation architect.

Thanks to its efforts for a sustainable future with this responsibility, Netaş was entitled to be listed in the Sustainability Index, which includes companies that are traded on Borsa Istanbul and have high corporate sustainability performances.

### A VITAL PART OF BUSINESS PROCESSES: SUSTAINABILITY

Netaş sees the sustainability strategy as a part of a whole with business strategy, which complement and nurture each other. With its approach putting people at the center and focusing on efficiency and growth, Netaş puts social and environmental benefits as a priority in all business processes. The company carries out its sustainability activities under four main titles:

- 1. Focuses on developing new generation smart technologies that will support efficient use of energy resources and reduce carbon footprint of companies and institutions.**
- 2. Puts equal opportunity and rural development as a priority with projects that provide social benefits.**
- 3. It supports start-ups for the sustainable growth of its ecosystem, and works to increase the rate of female employees in the sector.**
- 4. With its Environment, Health and Safety Policy, it fulfills its responsibilities and commitments towards the environment.**

## 1. Creates value with the technologies it develops

Developing high technologies building smart cities, that serve to protect natural resources and environment, Netaş takes our country to the digital age. Netaş, with its leadership in domestic R&D and systems integration, makes an important contribution to the development of our country on an end-to-end sustainable life with reference digital transformation projects it implements for various industries spanning from public sector to transportation, energy to entertainment, retail to education, telecom technologies and defence.

### ESTABLISHED AN EXPORT-ORIENTED SMART CITY CONSORTIUM

Smart city spending, which was 81 billion dollars in 2018, is estimated to reach 158 billion dollars in 2022. Netaş, which made cities smarter with its digital transformation projects with this awareness, took a strategic step for our country and established the Smart City Consortium. Bringing together 22 institutions and organizations in its ecosystem consisting of universities, start-ups and technology companies in different fields under the roof of this consortium, Netaş aims to make cities smarter in Turkey and abroad. With its smart city technology exports, it plans to both provide gains for our country and contribute to the sustainability of a wider geography in the world.

The smart city project offered by the consortium, which focuses on integrated smart solutions in the fields of energy, building management systems, emergency management, health, environmental and waste management, parking and transportation systems, is qualified in the first phase of TÜBİTAK's Industrial Innovation Network Mechanism (SAYEM) applications.

### ENERGY EFFICIENCY INCREASED WITH HIGH TECHNOLOGY

One of the areas where Netaş contributes to sustainability by developing local solutions is smart grids. Cities with more than half of the world's population are responsible for 75 percent of total energy consumption and about 80 percent of carbon dioxide emissions. Setting out to support the efficient use of the cities' resources, Netaş developed the "NEOS solution family".

With the NEOS Photon Smart City Lighting Management Platform, up to 70 percent energy saving is achieved in city lighting, while NEOS Hydro prevents water loss/leakage automatically with the sensors placed on the water meters. The savings on water consumption is increased as a result.

With the cloud based NEOS OSOS system, any type of meter can be automatically read remotely. In this way, since the teams do not have to go around to check the meters themselves, labour and energy savings are provided. Approximately 15 percent of our country's electricity distribution is managed through Netaş systems.

### SYSTEMS REDUCING CARBON FOOTPRINT

The carbon footprint of the companies providing field services is especially more than other companies. In order to find a solution to this problem, Netaş developed the "Mobi-fi Smart Field Service Management Platform" that reduces fuel consumption and also carbon emissions in return, by providing the most optimal automatic assignment to the workforce on a map basis. The Mobi-fi Platform, which Netaş also uses itself and exported to Malaysia, will soon be used in a much wider geography.

Developments in telecommunications in recent years have eliminated time and space constraints, allowing energy savings to be increased and carbon emissions reduced. Another example of this is the SEGBİS project developed by Netaş for the Ministry of Justice. In this project, Netaş connected 600 court buildings, 3 thousand court rooms and 550 prisons to each other with a secure video conference system. In this way, the defendants no longer need make long journeys to appear before a court.

## 2. Focuses on equal opportunities for social impact

Netaş aims to support equality of opportunity and rural development with projects that provide social benefits, as the company's strategic priorities include qualified education, sustainable cities and living spaces and reducing inequalities, as per United Nations Sustainable Development Goals.

### TECHNOLOGY IN THE SERVICE OF EDUCATION

Netaş, which also uses the power of technology in education, established the internet infrastructure of approximately 7,700 schools across the country, integrated smart boards and provided children with access to technology and information.

In order to provide an exemplary "Technology Classrooms" for the elementary education in Turkey, Netaş deployed the ICT infrastructure of Havva Yıldırım Kindergarten and Bahar Yıldırım Elementary School in İzmir, and commissioned two technological classrooms. This investment, which has been implemented with a vision to improve children's analytical intelligence, learning skills and raise their curiosity, has become a technology education base in primary education in Izmir and its vicinity.

In addition to a laptop for each student, a 3D printer was provided to increase students' three-dimensional thinking ability and to let them transform their creativity into objects. Tools such as the Lego WeDo set, WeDo software, which triggers the curiosity of elementary school students, enabling them to develop in science, are provided, in addition to other tools offering engineering, technology and coding experiences with real life projects. Another learning tool is Nao Robot, which is used in 70 countries. Nao can measure human responses, one of the most complex behaviours in humanoid robots, and develop appropriate behaviour.

### SUPPORTING DISABLED INDIVIDUALS' PARTICIPATION INTO LIFE WITH TECHNOLOGY

Netaş supported the Haypader Special Education Application School, which was built in Istanbul Bağcılar for children with disabilities. The company also provided a visionary device within the scope of the Gören Göz Project, which aims to enable the visually impaired people to act more independently and to facilitate their living conditions.

### NETAŞ VOLUNTEERS RAISING THE NEXT GENERATION ENGINEERS

Netaş wants to train individuals and engineers who are capable of questioning, analysing, developing different perspectives, and capable of solving problems in parallel with the needs of the digital age for the sustainability of our country and ecosystem. In this context, Netaş Volunteers formed by the employees set out with the motto "We can be an important part of social transformation as well as digital transformation thanks to the Netaş spirit", and saying "We are Hopeful" [Umutluyuz] for projects that will contribute to society and make a difference. Employees with a sincere effort are involved in projects where they transfer their knowledge, time, skills, experience and resources in areas such as education, environment, health, and social awareness. On the other hand, volunteers who provide coding training to students in public schools try to instil children an awareness to choose a profession at an early age by explaining the engineering profession.

### NETAŞ HEALING FOREST FOR ENVIRONMENT AND RURAL DEVELOPMENT

Working to create and maintain a healthy ICT ecosystem, Netaş also supports biodiversity and rural development. For this purpose, in collaboration with the Ministry of Forestry and Water Affairs, the General Directorate of Forestry and the Istanbul Regional Forestry Directorate, Netaş launched the "Netaş Healing Forest" project in 2015 in Gaziköy, a village the district of Şarköy in Tekirdağ. As Turkey's first healing forest, the Netaş Healing Forest aims the protection of the healing plants as for environmental dimension, and provide an alternative source of income from the forest other than wood for Gaziköy villagers. In the project, which transforms the village residents into "exporters", 23 kinds of medicinal and / or plants with an economical value are grown.

### FOCUSES ON INCLUSION

The increase in diversity in an engineering origin technology company like Netaş is directly connected to growth in the number of female engineers raised in Turkey. Accordingly, the success female engineers of Netaş inspires women who want to pursue a career in technology. One-third of the Executive Board and more than 300 of its 900 engineers are women in Netaş.

Netaş has taken steps to define the diversity culture of the company within a certain frame since its establishment, and Netaş has prepared a special Principles Commitment and all employees have signed this commitment.

Realizing the mentor and mentee program with the Turkish Education Foundation (TEV), Netaş supports female students studying at the university in every instant they need for them to take a robust step into business life.

### SUPPORTS INTERNATIONAL INITIATIVES

**UN Women's Empowerment Principles (Weeps):** Netaş signed the Women's Empowerment Principles issued by the initiative formed in partnership with the United Nations Global Compact (UN Global Compact) and the United Nations Gender Equality and Women's Empowerment Unit (UN Women), with the aim of ensuring women to participate in economic life and a gender equality in every field.

**HeforShe:** Aiming to increase the number of its women employees even further, Netaş is committed to continue supporting the active participation of women in the economy by signing the "HeforShe" initiated by the UN Women Unit (UN Women).

**UN Global Compact:** Netaş signed the United Nations Global Compact as an indicator of its determined steps in the field of sustainability, and it continues its activities in the light of 10 globally accepted principles under the titles of human rights, working conditions, environment and anti-corruption.

**CDP:** CDP is an international institution established to reduce the effects of climate change and protect natural resources. Organizations report their own data on climate change strategies, greenhouse gas emissions and water use to their shareholders and investors on a voluntary basis through CDP. In this context, Netaş prepares the climate change report that reveals the effects of greenhouse gas emissions on global warming every year, and the results of the report are announced by the CDP institution.

## 3. Keeps its ecosystem sustainable

Netaş attributes great importance to the sustainable growth of its ecosystem. In this context, it supports start-ups, contributes to increasing the rate of female employees in the sector, and undertakes remarkable training projects.

### NETAŞ WESLEY CLOVER TECHNOLOGY FUND

The Netaş Wesley Clover Technology Fund, founded in Turkey in cooperation with one of the world's largest angel investment institutions, Canadian Wesley Clover and Netaş has reached \$10 million with seven start-ups and it supports dozens of young entrepreneurs.

### NETAŞ AS A PLATFORM

Netaş enables the start-ups to use its R&D infrastructure with its 'Netaş as a platform' model and helps these companies to obtain international references by positioning their products and solutions in its own solution set.

### NEXTCODERS

Netaş wants to train individuals and engineers who are capable of questioning, analysing, developing different perspectives, and capable of solving problems in parallel with the needs of the digital age for the sustainability of our country and ecosystem and thus transfers its engineering know-how of 53 years to coming generations.

With the NextCoders Platform, Netaş provides coding trainings to both the children of Netaş employees and the students of demanding schools, to inspire them to become engineers. In the first stage of the program, volunteer engineers from Netaş visit schools and provide training to primary school students to raise awareness at an early age. In 2019, over 1,700 hours of training is provided in 4 months, and the children of the employees are included in the second phase of the trainings. Next Coders trainings, which were 12 weeks in 2019, are increased to 28 weeks in 2020 in cooperation with the Mathematics Workshop with Games for Children.

### OPENED ITS KNOWLEDGE TO THE ECOSYSTEM

After having gained its reputation as "Turkey's engineering school" with its 53-year long knowledge base in the ICT, Netaş took another step and established a next generation training center: n-telligent institute. Netaş, with its vision of "growing with the ecosystem", offers all its knowledge to train its own workforce and also the human resources fit for the digital age, as required by all institutions and organizations.

## 4. Fulfills its responsibilities with company policies

Fulfilling its responsibilities and commitments with its Environmental, Health and Safety Policies, Netaş applies a detailed sustainability policy in the supply chain for social and economic sustainability.

Expressing that it is against discrimination, unequal wage policies, child labour, precarious work, corruption and environmentally harmful activities, Netaş applies audits and blacklist systems to ensure that all its suppliers comply with its Supply Chain Management Ethical Principles and Rules. The company, which controls the environmental, health, safety, quality and social aspects within the scope of the audits, implements a process that can end up with the termination of the supplier agreement in cases contrary to its standards.

The "Anti-Corruption" training, which covers all employees of the company, is given online every year by the Human Resources Department. Netaş, which has a commitment to fully comply with the laws and regulations of all countries in which it operates, works to set an example for the sector in this regard.

# INVESTOR RELATIONS AND SHARE STOCK PERFORMANCE

## INVESTOR RELATIONS

### DEPARTMENT

Netaş Telekomünikasyon A.Ş. has an Investor Relations Department reporting to the Deputy Chairman of the Executive Committee and the Chief Financial Officer (CFO).

In addition to meeting the information requests of existing shareholders, the Investor Relations department focuses on expanding the domestic and foreign investor portfolio of Netaş. Throughout 2019, various meetings were held with stock analysts, domestic and foreign corporate investors and individual investors, and they were informed about the operational and financial performance of Netaş. Netaş Investor Relations has adopted the understanding of conducting its activities in a transparent and effective manner, remaining equidistant to all investors. Within this scope, shareholders can reach the relevant department via the e-mail address of [yatirimci@netas.com.tr](mailto:yatirimci@netas.com.tr) and through +902165222804 by phone. All requests for information are met in accordance with the principle of equality, except those requiring confidential information or trade secrets.

The Investor Relations Department ensures that records of correspondence between investors and the shareholding as well as the records pertaining to other data and documents are kept correctly, safely and up to date at the same time.

The Investor Relations Department plays an active role in overseeing and monitoring the fulfilment of obligations arising from capital market legislation, including all aspects of corporate governance and public disclosure, and informs the relevant managers in line with the regulations.

### GENERAL ASSEMBLY MEETINGS

Investor Relations Department has responsibilities regarding the organization General Assembly Meeting; such as preparing the documents to be submitted to the perusal of the shareholders and taking necessary measures as to ensure that general meetings are held in compliance with the relevant legislation, articles of association and other internal regulations. The department carries out these duties in coordination with the Department of Law and Regulations.

In 2019, the General Assembly meeting for 2018 was held in accordance with the current legislation, articles of association and other in-house regulations, and the general meeting agenda and information document were prepared for the shareholders prior to the General Assembly.

The obligations regarding public disclosure were fulfilled in accordance with the legislation, and necessary disclosures were provided in the Public Disclosure Platform (KAP – [kap.gov.tr](http://kap.gov.tr)) to be complete, direct, easily understandable, containing sufficient information and far from misleading statements.

## STOCK PERFORMANCE OF NETAŞ TELEKOMÜNİKASYON

### COMPARATIVE PERFORMANCE OF NETAŞ STOCK AND BORSA ISTANBUL TECHNOLOGY INDEX (2017 YE- 2019 YE)



\*Stock and Index performance are taken account for 3 years between 02.01.2017- 31.12.2019.

As putting forward many successful projects and solutions for enterprise, public and international customers, Netaş targets to be sustainably successful, increase its company value and stock performance.

## INVESTOR

## RELATIONS

### STUDIES FOR –

### SUSTAINABILITY

### INDEX OF –

### ISTANBUL

### STOCK EXCHANGE

The trend and necessity of investing in environmentally friendly, sustainable companies (responsible investing), which have become prominent recently, brings new responsibilities to investor relations. According to 2019 data, almost all institutional investors state that they consider “climate change” when making their investment decisions; the 17 “Sustainable Development Goals” are observed to have been playing a key role ensuring the global economic growth as revealed in the United Nations Development Program (UNDP). In the long run, sustainable economic growth triggers a turnover and profit growth for companies, which provide gains in stocks and other assets. Therefore, aligning investors and companies in line with the goals of the society is gaining importance day by day.

In line with all these developments, Netaş Investor Relations continued to work the be listed in the Borsa Istanbul’s “Sustainability Index” in 2019, and managed to be listed in the Sustainability Index in the period of November 2019 - October 2020. The purpose of the BIST Sustainability Index is to create an index for companies traded with a high sustainability performance in Borsa Istanbul and improve the understanding, knowledge and practices regarding the sustainability among companies in Turkey, and more particularly among companies listed in Borsa Istanbul. While this study, which was carried out for these purposes and to be included in the index, provided a basis for the sustainability journey of Netaş, it also provided useful feedback for the development of existing policies.

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**FINANCIAL PERFORMANCE**

2019 Year Summary;  
Consolidated orders booked was 1,377 million TL.  
Sales Revenue increased by 30% and reached to 1,328 million TL.  
Order on Hand was 808 million TL as 2019 Year End.

**Financial Highlights**

TL Million	2019 YE	2018 YE	y/y %
<b>Revenue</b>	<b>1.328</b>	<b>1.024</b>	<b>30%</b>
<b>Cost of Sales</b>	<b>(1.168)</b>	<b>(890)</b>	<b>31%</b>
<b>Gross Profit</b>	<b>160</b>	<b>134</b>	<b>19%</b>
<i>Gross Margin %</i>	12%	13%	(10%)
<b>Operating Expenses</b>	<b>(192)</b>	<b>(165)</b>	<b>16%</b>
General administrative expenses	(88)	(84)	4%
Sales, marketing & distribution expenses	(97)	(68)	43%
Research & development expenses	(7)	(13)	(45%)
Incentives	4	-	-
<b>EBIT</b>	<b>(28)</b>	<b>(31)</b>	<b>(9%)</b>
<i>EBIT margin %</i>	-2%	-3%	89
Depreciation	61	33	89%
<b>EBITDA</b>	<b>33</b>	<b>2</b>	<b>-</b>
<i>EBITDA margin %</i>	2,5%	0%	234

**FVÖK=**  
Brüt Kar - Pazarlama, Satış ve  
Dağıtım Giderleri - Genel Yönetim  
Giderleri - Araştırma ve Geliştirme  
Giderleri + ARGE Teşvikleri

**ARGE Teşvikleri:**  
Sermaye Piyasası standartların göre  
hazırlanan mali tablolarda Esas  
Faaliyetlerden Diğer Gelirler hesabında  
gösterilmiştir.

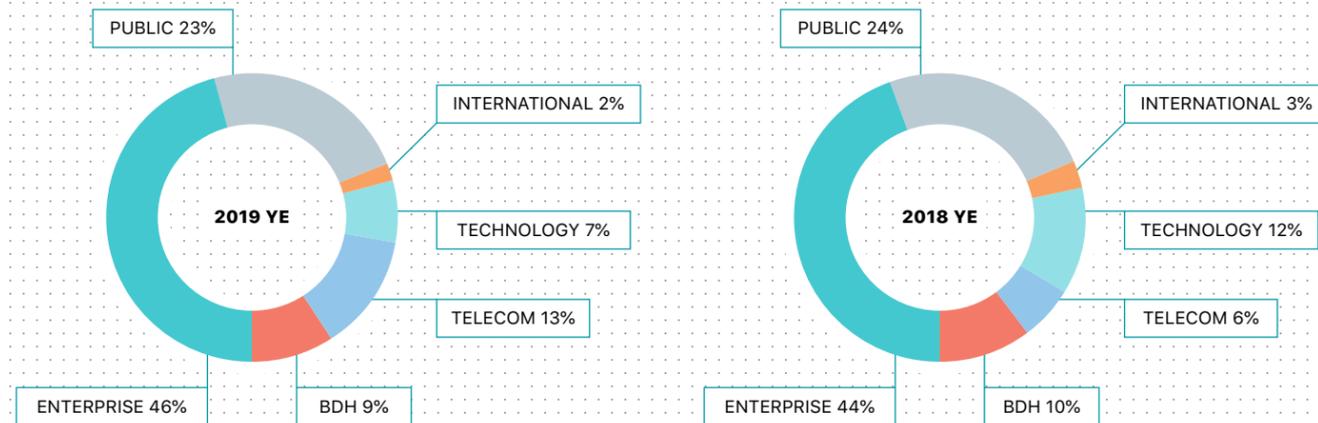
**FAVÖK =**  
FVÖK + Amortismanlar

## ORDERS & SALES REVENUE

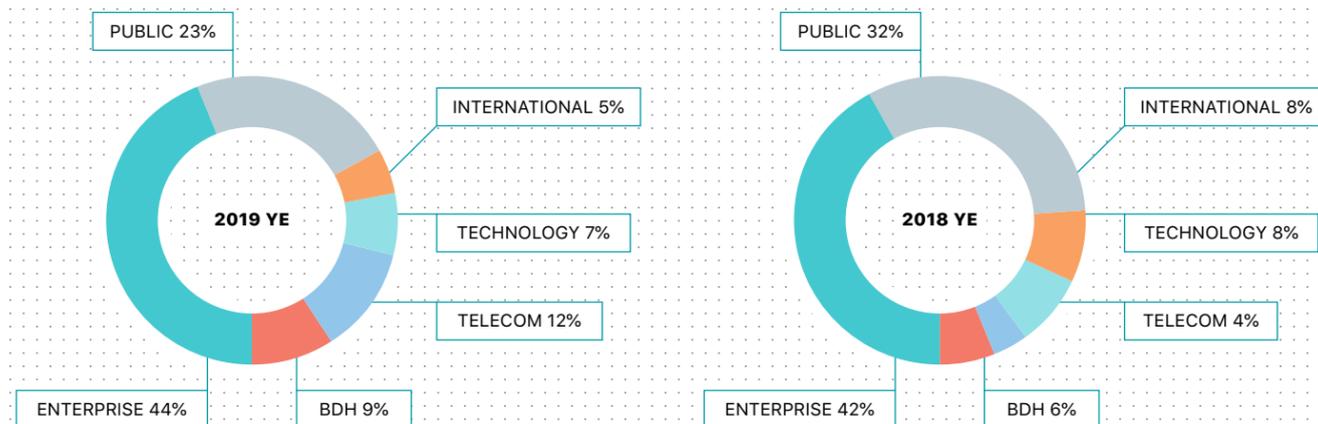
**Orders:** Orders booked in 2019 increased by 7% year over year and recorded at 1,377 million TL (242.9 million USD).

**Sales Revenue:** In 2019 Consolidated Group revenues was recorded at 1,328 million TL with a sharp 30% increase year over year.

## BREAKDOWN OF ORDERS BOOKED



## SALES BREAKDOWN



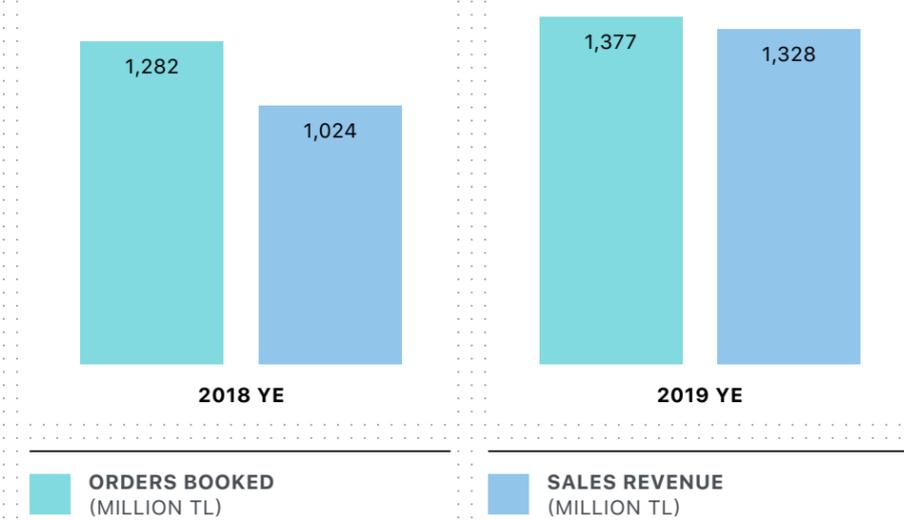
## CONSOLIDATED FINANCIAL PERFORMANCE

Group's consolidated order booking performance was reported at 1,377 million TL in 2019 with a 7% increase year over year. Enterprise, Public and Telecom segments contributed positively to the increase in order booking performance of 2019.

Consolidated sales revenue of the Group increased 30% year over year in 2019 to 1.328 million TL.

Group's consolidated gross profit, increased 19.2% year over year, and realized as 160 million TL as of 2019 Year End.

Consolidated operating expenses (OPEX) increased as a result of increasing marketing, sales and distribution expenses and general & administrative expenses. Operational expenses reached to 192 million TL in 2019 versus 165 million TL in 2018. Consequently, consolidated Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) figure improved especially in the 4th quarter and realized as 33 million TL in 2019.



## FINANCIAL PERFORMANCE BASED ON SEGMENTS

2019 YE (Million TL)	Enterprise	Public	International	Technology	Telecom	BDH	Unallocated	Total
<b>Orders Booked</b>	<b>627,6</b>	<b>317,1</b>	<b>33,9</b>	<b>93,3</b>	<b>182,3</b>	<b>123,4</b>	-	<b>1.377,5</b>
<b>Sales Revenue</b>	<b>578,7</b>	<b>303,2</b>	<b>64,5</b>	<b>99,3</b>	<b>158,5</b>	<b>123,4</b>		<b>1.327,6</b>
Cost of Sales	(539,8)	(246,9)	(54,1)	(77,8)	(147,8)	(101,2)		(1.167,6)
<b>Gross Profit</b>	<b>38,9</b>	<b>56,4</b>	<b>10,4</b>	<b>21,5</b>	<b>10,8</b>	<b>22,2</b>	-	<b>160,0</b>
Sales, marketing & distribution expenses	(36,9)	(11,1)	(13,8)	-	(13,1)	(22,5)	-	(97,2)
General administrative expenses	-	-	-	-	-	-	(87,6)	(87,6)
Research & development expenses	-	-	-	(7,4)	-	-	-	(7,4)
<b>Operating profit / (loss) of segment</b>	<b>2,0</b>	<b>45,3</b>	<b>3,4</b>	<b>14,1</b>	<b>(2,3)</b>	<b>(0,2)</b>	<b>(87,6)</b>	<b>32,2</b>
<b>Operating profit margin</b>	<b>0%</b>	<b>15%</b>	<b>-5%</b>	<b>14%</b>	<b>-1%</b>	<b>0%</b>		<b>-2%</b>

2018 YE (Million TL)	Enterprise	Public	International	Technology	Telecom	BDH	Unallocated	Total
<b>Orders Booked</b>	<b>558,1</b>	<b>315,5</b>	<b>41,4</b>	<b>158,9</b>	<b>82,1</b>	<b>128,3</b>	-	<b>1.282,2</b>
<b>Sales Revenue</b>	<b>425,4</b>	<b>332,1</b>	<b>80,0</b>	<b>81,0</b>	<b>44,9</b>	<b>61,1</b>	-	<b>1.024,5</b>
Cost of Sales	(386,5)	(278,9)	(60,2)	(77,9)	(41,1)	(45,6)		(890,2)
<b>Gross Profit</b>	<b>38,9</b>	<b>53,2</b>	<b>19,8</b>	<b>3,0</b>	<b>3,8</b>	<b>15,5</b>		<b>134,2</b>
Sales, marketing & distribution expenses	(32,1)	(20,9)	(12,2)	-	(2,6)	-	-	(67,8)
General administrative expenses	-	-	-	-	-	-	(83,9)	(83,9)
Research & development expenses	-	-	-	(13,4)	-	-	-	(13,4)
<b>Operating profit / (loss) of segment</b>	<b>6,9</b>	<b>32,3</b>	<b>7,6</b>	<b>(10,4)</b>	<b>1,2</b>	<b>15,5</b>	<b>(83,9)</b>	<b>(30,8)</b>
<b>Operating profit margin</b>	<b>2%</b>	<b>10%</b>	<b>10%</b>	<b>-13%</b>	<b>3%</b>	<b>25%</b>		<b>-3%</b>

## ENTERPRISE SEGMENT

Despite the uncertainties in the markets the Group managed to increase its order bookings by 12% year over year to 627.6 million TL in the Enterprise segment in 2019.

Sales revenue of the Group from enterprise segment increased significantly by 36% year over year to 578.7 Million TL in 2019 Year End. Increasing FX rates was the main reason for the increase in OPEX of enterprise segment in 2019 compared to the last year.

Enterprise segment generated 43.6% of total Group's consolidated revenue in 2019.

## PUBLIC SEGMENT

Orders received from Turkish Football Federation contributed positively to the order booking performance of the Public segment; order bookings increased 1% year over year in 2019 and recorded as 317.1 million TL.

Sales revenues from Public segment decreased 9% year over year and realized as 303.2 million TL in 2019. Solution team operating under the umbrella of Public segment has been repositioned under the Telecom segment; and this was the primary reason for 47% decrease in Opex of Public segment in 2019 compared to the last year.

## INTERNATIONAL SEGMENT

Orders booked and sales revenue from international segment decreased 18% and 19% year over year in 2019. Execution processes are extended for some projects in international segment in the year of 2019.

## TECHNOLOGY SEGMENT

Long-term business relations with Ribbon continues in Technology segment. Orders booked decreased 41% year over year in 2019. Sales revenue of the segment improved throughout the year starting from the second quarter, it was up 23% year over year, realized as 99.3 million TL for the year of 2019.

## TELECOM SEGMENT

ZTE ürünleri ile alınan yeni projeler segmentin hacmini büyütülmektedir. Telekom segmentinde 2019 yılında alınan sipariş miktarı %122 oranında artmış, 182,3 milyon TL olarak gerçekleşmiştir. Segmentin satış gelirleri 2019 yılında önceki yıla kıyasla %253 artarak 158,5 milyon TL olmuştur.

## BDH

Orders-booked of BDH declined 4% year over year and sales revenue increased by 102% in 2019; sales revenue of the segment reached to 123.4 million TL.

## DEBT STRUCTURE &amp; NET WORKING CAPITAL

Group's cash and cash equivalents was 152.3 million TL as of 2019 year end with a net debt position of 408 million TL.

Gross financial debt was 603.3 million TL as 2019 year end. Maturity of the 68% of the total financial debt was less than one year as of 2019 year end.

Group's net working capital\* (incl. non-current trade receivables and trade payables) was 578 million TL as of 2019 Year End (2018 YE: TL 650 million).

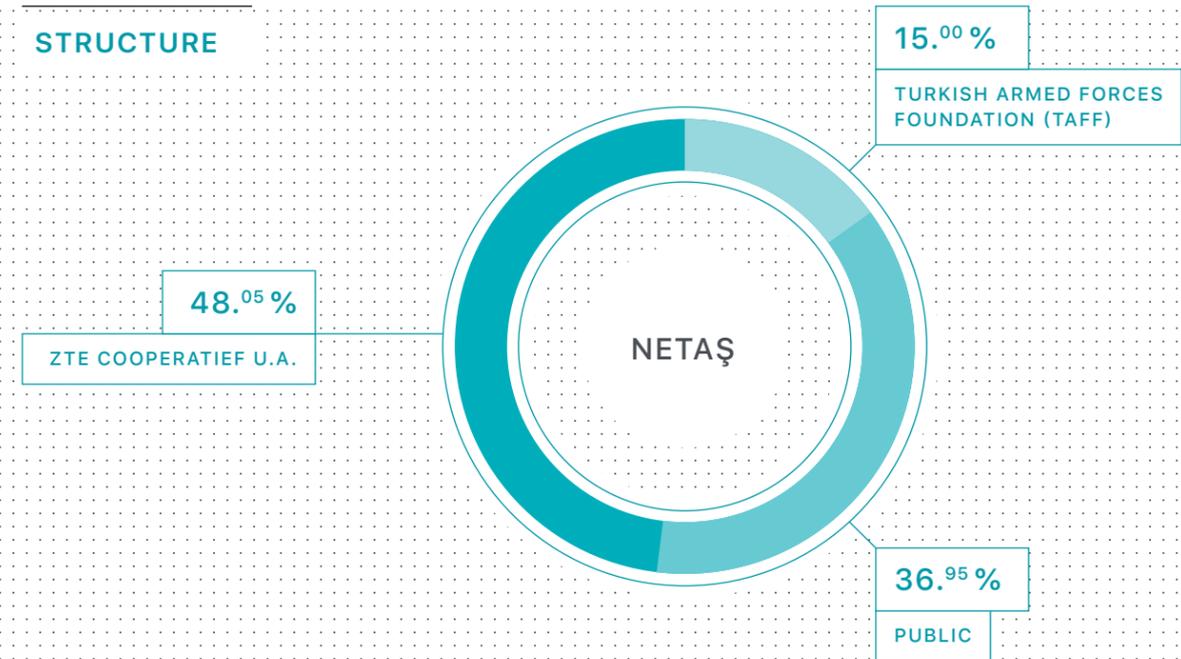
(million TL)	Consolidated Total Financial Debt	Cash and Cash Equivalents	Net Debt
2019	603,3	195,3	408,0
2018	487,8	192,8	295,0
<b>2019</b>		<b>TL</b>	<b>USD</b>
Short Term Financial Debt (Bank Loans)		389,8	65,6
Long Term Financial Debt (Bank Loans)		195,0	32,8
Interest Expense Accruals for Borrowings		18,6	3,1
<b>Total Debt</b>		<b>603,3</b>	<b>101,6</b>

\* Net Working Capital = (Total Current Assets - Cash & Cash Eq. + Non-current Trade Receivables) - (Total Short Term Liabilities - Financial Liabilities + Long Term Trade Payables)

**NETAŞ'S SHAREHOLDING STRUCTURE**

**CAPITAL AND SHAREHOLDING**

**STRUCTURE**



As of 31 December 2019, main shareholder of Netaş Telekomünikasyon A.Ş is ZTE Cooperatief U.A with 48.05%. 15% of the company's shares are owned by Turkish Armed Forces Foundation. Netaş stock is listed in Turkey and the company's free float is 36.95% as of 31 December 2019.

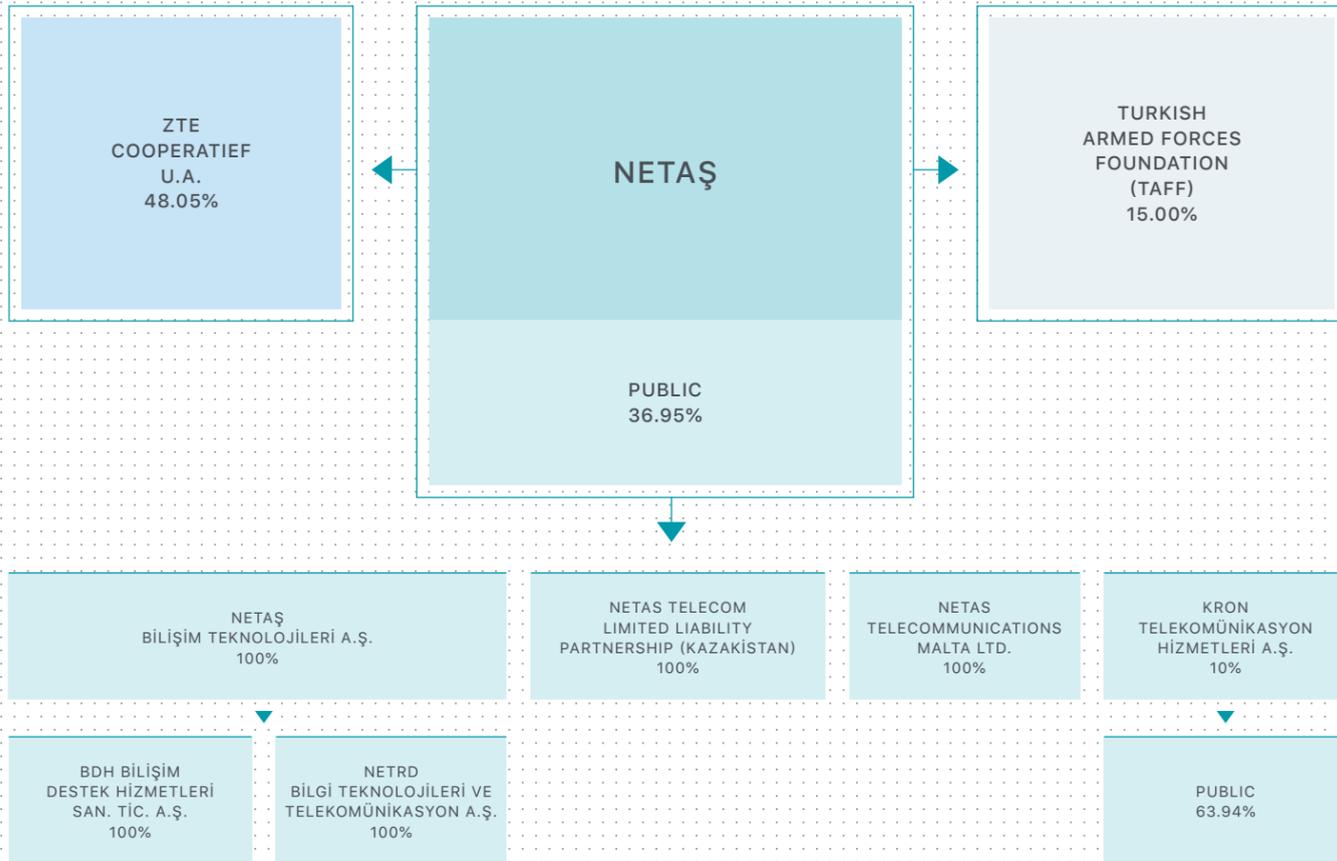
The company shares are divided into two groups and all are registered shares. Separation of the shares into two groups grants no privileges to the mentioned (A) and (B) group shares other than as specified in article 9 and 15 of the Articles of Association.

**As of 31 December 2019, capital structure of the company as in the following:**

31 December 2019	Nominal Value (TL)	Share (%)
ZTE Cooperatief U.A. (*)	<b>31,168,351.34</b>	<b>48.05%</b>
Turkish Armed Forces Foundation (TSKGV)	<b>9,729,720.00</b>	<b>15.00%</b>
Public	<b>23,966,728.66</b>	<b>36.95%</b>
<b>Total Paid in Capital</b>	<b>64,864,800.00</b>	
<b>Istanbul Stock Exchange Code</b>	<b>NETAS</b>	

\* As of July 28, 2017, the conditions precedent to completion of the Transaction stipulated under the Share Purchase Agreement have been satisfied in full and the shares of OEP were transferred to ZTE Cooperatief. Following the transaction, a Mandatory Takeover Bid Obligation has arisen for the shares owned by ZTE Cooperatief. Takeover bid has been completed on October 17, 2017. As of October 17, 2017, ZTE Cooperatief holds 48.05% of Netas.

## OPERATIONAL STRUCTURE



## RELATED TO JOINT VENTURES AND ASSOCIATION OF THE COMPANY

## NETAŞ BİLİŞİM TEKNOLOJİLERİ A.Ş.

Global competition is constantly increasing and companies now begin to operate on a service- and customer oriented basis rather than simply focusing on the products. This mandates companies including Netaş Bilişim to closely follow and use IT technologies more effectively. From industrial solutions to business solutions and from systems integration and outsourcing to care and maintenance services, network solutions and consultancy, "Netaş Bilişim" has been providing a wide range of services in international markets since 1989. The Company has 100% shares of Netaş Bilişim Teknolojileri A.Ş.

## NETRD

The business area of NETRD, includes all kinds of information and telecommunication systems, hardware and software design and coding, research and development activities, product development, consultancy, including all kinds of information activities and services, technical support, technological solution, integration, VOIP to develop, install, service, operate and operate advanced communication technologies in Turkey or abroad, to provide business services and to carry out all these activities on behalf of its own customers or to the customers it serves.

## BDH

BDH offers brand-independent consultancy, strategic outsourcing, hardware and support services in the IT sector to a wide range of customers from small-medium sized enterprises to large ones and public institutions. With a service team of experienced and certified professionals specializing in different areas of IT, BDH provides with 18 branches and 45 partners to its customers throughout Turkey.

Centers located in Istanbul, Ankara, Izmir, Bursa and Samsun offer hardware support for all kinds of IT products including servers, storage units, handheld devices, printers and more. The Company indirectly has 100% shares of BDH.

## NETAŞ TELECOM LLP (KAZAKHSTAN)

Founded in Almaty, Kazakhstan, in 2012, Netaş Telecom LLP operates in line with Netaş's vision of becoming "Regional System Integrator". Netaş Telecom LLP is fully owned (100%) by the Company.

## NETAŞ TELEKOMÜNİKASYON MALTA

"Netaş Telecommunications Malta Ltd" was established with an initial capital of 1.200 Euros on 4 November 2014 for the purpose of improving operational efficiency. Netaş Telecommunication Malta is fully owned by the Company.

## NETAŞ TELEKOMÜNİKASYON ALGERIA

"Netaş Telecommunications Algeria Sarl LLC" was established in Algeria, field of activity of the company is manufacturing of small installation and electric lighting equipments; registration of the company completed on 31 March 2019. In accordance with the agreement, Netaş Telecommunication A.S owns 49% of "Netaş Telecommunication Algeria" and has the management control.

## KRON

Kron Telekomünikasyon Hizmetleri A.Ş. produces software solutions for national and regional telecoms operators and service providers. The Company acquired the company's Group A shares in 2013 in line with its strategic growth goal and for the purpose of offering innovative solutions to its customers. Having strengthened its systems integration capabilities by acquiring Kron, the Company now provides a wider range of end-to-end solutions to its customers in Turkey and the region. The Company has 10% shares of Kron.

## BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE

### BOARD OF DIRECTORS

Name Surname	Title
Xiao Ming	Chairman
Şuay Alpay	Vice Chairman
Jiang Xiangyang	Board Member
Ding Minzhongxia	Board Member
Ming Li	Board Member
Ali Zülfü Tigrel	Independent Board Member
Özer Karabulut	Independent Board Member

Board Members are appointed on 29th of May, 2019 with General Assembly and are selected for 3 years.

### BOARD COMMITTEES

Three committees were formed by the Board of Directors as the Corporate Governance Committee, the Audit Committee and the Committee for Early Detection of Risk.

### CORPORATE GOVERNANCE COMMITTEE

**Chairman:** Ali Zülfü Tigrel (Independent Board Member)  
**Member:** Xiao Ming  
**Member:** Şuay Alpay  
**Member:** Ding Minzhongxia  
**Member:** Feyruze Aslı Kondu

### AUDIT COMMITTEE

**Chairman:** Ali Zülfü Tigrel (Independent Board Member)  
**Member:** Özer Karabulut (Independent Board Member)

### COMMITTEE FOR EARLY DETECTION OF RISKS

**Chairman:** Ali Zülfü Tigrel (Independent Board Member)  
**Member:** Özer Karabulut (Independent Board Member)  
**Member:** Şuay Alpay  
**Member:** Ding Minzhongxia

Audit Committee and Early Detection of Risk Committee meets one day before the Board Meetings in general. Since Nomination Committee and Compensation Committee required by Corporate Governance Principles are not established due to the structure of the Board of Directors, their duties are fulfilled by Corporate Governance Committee. Background (CVs) of Board Members takes place on the corporate website of the company.

### REMUNERATION PROVIDED FOR BOARD OF DIRECTORS AND TOP MANAGEMENT

Total remuneration provided for the board of directors for the period ended 31 December 2019 is 0.5 million TL. It was 0.6 million TL for the period ended 31 December 2018.

As of 31 December 2019 and 31 December 2018 there is no credit granted to the Group's board of directors.

For the period ended 31 December 2019, total remuneration provided to the upper management of the Group is 19.4 million TL. For the period ended 31 December 2018, it was 13 million TL.

As of 31 December 2019 and 31 December 2018 there is no credit granted to the Group's management.

## RISK MANAGEMENT AND INTERNAL CONTROL MECHANISMS

### CREDIT RISK

The Group has applied the simplified approach stated in IFRS 9 to calculate the expected credit loss provision for trade receivables. This approach allows for a lifetime expected loan loss provision for all commercial receivables. In order to measure the expected credit loss, the Group first classifies its trade receivables by taking into account the characteristics of credit risk and credit risk. Expected credit loss ratios for each class of commercial receivables grouped using past credit loss experience, forward macroeconomic indicators were calculated, and the expected credit loss provision was calculated by multiplying the determined ratio by the trade receivable totals.

### 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. The Group holds adequate sources to be able to fulfill its current and future liabilities.

### 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. Further Information concerning currency risk is provided in the Financial statements footnote 29.

### INTEREST RATE RISK

Interest rate-sensitive financial assets are placed in short term instruments in order to avoid any possible interest rate fluctuations. Interest rate-sensitive liabilities constitute 41% of the total liabilities.

### INFORMATION CONCERNING INTERNAL CONTROL AND INTERNAL AUDIT ACTIVITIES

As specified on CMB Corporate Governance Principles, an Audit Committee with independent Board Members is established within the Group to ensure that the Board accurately performs its tasks and liabilities. There is also a Committee for Early Detection of Risk, formed of Board Members.

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.

## SHAREHOLDERS

### EXERCISE OF THE INFORMATION RIGHTS BY SHAREHOLDERS

The majority of the requests and questions from shareholders were concerning the operational and financial performance of the company, developments of the projects and fluctuations in the stock price.

The requests from local individual investors were mostly received through telephone and 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.

Announcements related to the Company's activities and developments, which could be of interest to the shareholders, were disclosed to the public through Public Disclosure Platform in accordance with Communiqué of the CMB Material Events Disclosure. The media was also informed through press releases. These released and announcements were also placed on the website of the Company at [www.netas.com.tr/en](http://www.netas.com.tr/en)

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.

### GENERAL ASSEMBLY MEETINGS

During the year, one ordinary general meeting were held. Netaş Telekomünikasyon A.Ş held its Ordinary General Shareholders' Meeting for the period 01 January 2018-31 December 2018 on 29 May 2019 and meeting quorum realized at 63.25%. Media representatives did not attend the General Shareholders' Meeting. Shareholders' 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 Financial Statements, Annual Report and The Dividend Distribution Proposal were made available for the review of the shareholders three weeks prior to the Ordinary General Assembly. 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 General Assembly, shareholders were informed of donations made under a separate agenda item. There are no donations or charities for the aforementioned period.

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 announced to the public through Public Disclosure Platform (PDP), registered with the Commercial Registry and published in the Commercial Registry Gazette. Additional copies are made available to the shareholders at the head office and the web site of the Company for review.

### 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.

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

### DIVIDEND RIGHTS

There is no privilege granted to shareholders regarding participation to the company profit; and the profit distribution procedure has been described in article 22 of the Articles of Association. The Dividend Policy of the company has been announced to shareholders on Public Disclosure Platform and the corporate website of the company. Dividend distribution policy has been shared with the shareholders existent in the General Assembly held on May 29, 2019.

At the general assembly meeting of the company held on May 29, 2019, the Proposal to Not Distribute Profit for the period (01.01.2018 – 31.12.2018) due to the economic conditions of the country and recognition of net loss, presented by the Board of Directors, was submitted for the shareholders' information and approval and was accepted unanimously by all participants.

### TRANSFER OF SHARES

The transfer of shares is stipulated in Article 6 subparagraph (c) of the Articles of Association of the Company.

Accordingly, (B) group registered shares can be freely transferred without being subject to any limitation or condition within the framework of Turkish Commercial Code and Capital Markets Legislation. However, concerning the transfer of (A) group registered 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 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 favourable to the third party than the price and other conditions contained in the initial offer.

## PUBLIC DISCLOSURE AND TRANSPARENCY

### CORPORATE WEBSITE AND CONTENT

The corporate website [www.netas.com.tr/en](http://www.netas.com.tr/en) of the Company is actively used both in Turkish and in English for implementation of the disclosure policy within the framework of the Corporate Governance Principles of the Capital Market Board. Majority of information takes place on the website also is presented in English.

## STAKEHOLDERS

### INFORMING STAKEHOLDERS

Stakeholders are persons, corporations or interest groups such as employees, creditors, customers and suppliers, in direct relation with the company and having interest in the achievement of the Company objectives or in its activities. Stakeholders are invited to the meetings regarding any matters concerning them. Informative meetings are held for suppliers and distributors. Public announcements are made through press releases, press bulletins and interviews; published press releases are simultaneously announced on corporate web sites and corporate social media accounts. Employees are regularly informed via announcements and various events organized by Company.

With the general assembly meetings, open to all stakeholders, the company's website, annual and interim reports, press releases and Public Disclosure Policy based on transparency aim to inform not only the shareholders but also all stakeholders.

Stakeholders may share information through the investor relations e-mail and phone, to communicate any practices that they consider to be breaching the legislation or to be ethically inappropriate to the Audit Committee.

### PARTICIPATION OF STAKEHOLDERS IN MANAGEMENT

Models are being developed to support participation of stakeholders, especially company employees, in the company management, without disrupting company operations. The relevant groups can meet with company executives at any time. The opinions of relevant groups are received through employee and customer satisfaction surveys that are periodically conducted by independent organizations and the company, and strategies are developed accordingly.

### HUMAN RESOURCES POLICY

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 under the title of "Human Resources". 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.

### ANNUAL REPORT

The annual report presents information required by Corporate Governance Principles of the Capital Markets Board.

All employees are informed in detail and transparently about all human resources processes including their employment contracts, mutual responsibilities of the company and its employees and working standards defined in the Personnel Regulations since their recruitment. Employee rights are governed by human rights principles, current legislation, labor contracts, personnel regulations and ethical rules.

### 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.

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. 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.

## STRUCTURE OF THE BOARD AND PRINCIPLES OF ACTIVITY

### 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. There are two Independent Board Members among the Board of Directors.

Name of the Board Members, starting date of employments and duty terms take place in the section of "Corporate Governance Information Form" at the end of this report. Background (CVs) of Board of Directors are presented on the corporate website of the company, [www.netas.com.tr](http://www.netas.com.tr)

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 (as stated in Turkish Commercial Code) and competition with the Company. Such restrictions are submitted to the approval of the shareholders each year at the General Meeting.

The written statements of all independent members, regarding their independence in line with the criteria specified in the legislation, the articles of association and the communiqué are presented at the end of this annual report.

There have been no events compromising the independence of the independent members serving as members of the board of directors in 2019.

### WORKING PRINCIPLES OF THE BOARD OF DIRECTORS

The agenda for the meeting of the Board of Directors is determined by consultation between the Chairman, the members of the Board and the General Manager. Invitations to meetings were made at least seven days in advance of the meeting together with the notification of the agenda. The Board of Directors has held four meetings during the year of 2019 with the attendance of the required majority. 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.

An amount of USD 20 million has been insured against possible losses to be incurred by the Company arising from faults of Members of the Board of Directors during service, and the insurance exceeds 25% of our capital.

### NUMBER, STRUCTURE AND INDEPENDENCE OF THE BOARD COMMITTEES

Three committees have been established by the Board of Directors as the Corporate Governance Committee, the Audit Committee and Early Detection of Risks Committee. Details concerning Committees, Committee members, frequency of committee meetings are presented in the "Corporate Governance Information Form". One Independent Board member takes role more than one committee.

Withing the calander year, the Audit Committee has communicated to the board of directors all its proposals regarding issues under its responsibility. The Corporate Governance Committee has offered recommendations to the board of directors on improvement of corporate governance applications and has supervised the duties of the Investor Relations Department. The Early Detection of Risks Committee which works for early detection of risks jeopardizing the existence, development and sustainment of the company, responsible for taking measures, for detected risks and for risk management; has reviewed the Risk Management Systems of the Company in accordance with the Corporate Governance Principles and the Early Detection of Risks Committee Regulations.

### 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.

### FINANCIAL BENEFITS

Board Members receive a monthly fee payable at the end of each month. 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 of Association. 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 annual 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 is available at the company website.

### OTHER ISSUES CONCERNING THE OPERATIONS OF THE COMPANY

- The company acquired none of its own shares during the reporting period.
- Special Compliance Monitors appointed by U.S Court and Bureau of Industry and Security (BIS) to ZTE the main shareholder of the company, performed periodic audits during 2019 concerning export compliance regulations.
- In the year of 2019, there is no administrative and judicial sanction applied to the company or the company's management due to practices contrary to the provisions of the legislation.
- The company compared its 2019 targets with its budget, upper management examined the deviations and determined the necessary strategic actions to be taken. The company applied the decisions taken in the general assembly of 2018.
- There is no taken or avoided to taken measures which may cause a loss for the company in the year of 2019.

**CORPORATE  
GOVERNANCE  
COMPLIANCE  
REPORT**

	Compliance Status					Remarks
	Yes	Partially	No	Exempted	N/A	
<b>1.1. FACILITATING THE EXERCISE OF SHAREHOLDERS RIGHTS</b>						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors on the corporate website	X					
<b>1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION</b>						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
<b>1.3. GENERAL ASSEMBLY</b>						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7 - Insiders with privileged information have informed the Board of Directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.			X			Stakeholders without having the right to speak did not specifically request to attend the Meeting. General Assembly Meeting is not open to media due to security and time manegment concerns.
<b>1.4. VOTING RIGHTS</b>						
1.4.1- There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2- The company does not have shares that carry privileged voting rights.			X			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.
1.4.3- The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.	X					
<b>1.5. MINORITY RIGHTS</b>						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2- The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of minority rights.			X			For Considerations did not take place in the Articles of Association, verdicts of Capital Markets Board of Turkey and Turkish Commercial Code is applicable.

	Compliance Status					Remarks
	Yes	Partially	No	Exempted	N/A	
<b>1.6. DIVIDEND RIGHT</b>						
1.6.1 - The dividend policy approved by the General Assembly is posted on the company website.	X					
1.6.2 - The dividend policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	X					
1.6.4 - The Board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
<b>1.7. TRANSFER OF SHARES</b>						
1.7.1 - There are no restrictions preventing shares from being transferred.		X				The transfer of shares is stipulated in Article 6 subparagraph (c) of the Articles of Association. (B) group registered shares can be freely transferred without being subject to any limitation. Article 6 subparagraph (c) of the Articles of Association is applicable for theTransfer of (A) shares.
<b>2.1. CORPORATE WEBSITE</b>						
2.1.1 - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.		X				Most of the content taking place on the corporate website also presented in English.
<b>2.2. ANNUAL REPORT</b>						
2.2.1 - Board Members ensure that annual report of the company reflects the operations of the company as whole and complete.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
<b>3.1. CORPORATION'S POLICY ON STAKEHOLDERS</b>						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3- Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing program is in place for reporting legal and ethical issues.	X					
3.1.5- The company addresses conflicts of interest among stakeholders in a balanced manner.	X					

	Compliance Status					Remarks
	Yes	Partially	No	Exempted	N/A	
<b>3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT</b>						
3.2.1- The Articles of Association, or the internal regulations (terms of reference/manuals) regulate the participation of employees in management.		X				The participation of employees to the management are promoted with periodic meetings within the company in particular goal setting and performance evaluation meetings. The results out of these meetings are used for necessary changes to be made by the management.
3.2.2- Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.		X				If the decisions have specific consequences for the relevant stakeholders; the opinions of relevant groups are received through talks, surveys and their suggestions are received. For other stakeholders (suppliers, business partners) communication channels are always open.
<b>3.3. HUMAN RESOURCES POLICY</b>						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organizes trainings for employees.	X					
3.3.4 - Meetings have been organized to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					Decisions which may affect employees are reported to them. Our employees are non unionised.
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them, and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					

	Compliance Status					Remarks
	Yes	Partially	No	Exempted	N/A	
<b>3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS</b>						
3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
<b>3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY</b>						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.		X				Ethic Rules take place on the corporate website under the topic of Sustainability.
3.5.2 - The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
<b>4.1. ROLE OF THE BOARD OF DIRECTORS</b>						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
<b>4.2. ACTIVITY OF THE BOARD OF DIRECTORS</b>						
4.2.1 - The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3 - The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7 - The board of directors ensures that the Investor Relations Department and the corporate governance committee work effectively. The Board works closely with them when communicating and settling disputes with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers Liability insurance covering more than 25% of the capital.	X					
<b>4.3. STRUCTURE OF THE BOARD OF DIRECTORS</b>						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The Board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			There is no policy concerning a target to have women board members at a minimum of 25%
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/ accounting and finance.	X					

	Compliance Status					Remarks
	Yes	Partially	No	Exempted	N/A	
<b>4.4. BOARD MEETING PROCEDURES</b>						
4.4.1 - Each board member attended the majority of the board meetings in person.		X				Some of the Board Members attended to the board meetings with teleconference time to time.
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	X					
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions, if any.	X					
4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.			X			There is no internal regulation specifying any limitations in this respect due to the contribution of different experiences of Board Members to the Board. CVs of Board members can be found on the corporate website of the company.
<b>4.5. BOARD COMMITTEES</b>						
4.5.5 - Board members serve in only one of the Board's committees.			X			Some Board Members have duties in more than one committee.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	There is no consultancy services used in this manner.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
<b>4.6. FINANCIAL RIGHTS</b>						
4.6.1 - The board of directors has conducted a Board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			There was no performance evaluation at the Board of Directors level.
4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favor of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.			X			Remuneration of board members and executive management is disclosed in the annual report; however it is not in the individual basis.

## CORPORATE GOVERNANCE INFORMATION FORM

1. SHAREHOLDERS	
<b>1.1. Facilitating The Exercise of Shareholders Rights</b>	
The number of investor meetings (conference, seminar/etc.) organized by the company during the year	More than 20
<b>1.2. Right to Obtain and Review Information</b>	
The number of special audit request(s)	None
The number of special audit requests that were accepted at the General Shareholders' Meeting	None
<b>1.3. General Assembly</b>	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1 (ad)	<a href="https://www.kap.org.tr/Bildirim/761075">https://www.kap.org.tr/Bildirim/761075</a>
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Documents presented only in Turkish.
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	None.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1)	None.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1)	None.
The name of the section on the corporate website that demonstrates the donation policy of the company	Investor Relations – Corporate Governance-Articles of Association
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	<a href="https://www.kap.org.tr/Bildirim/766391">https://www.kap.org.tr/Bildirim/766391</a>
The number of the provision(s) of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	Clause 8
Identified stakeholder groups that participated in the General Meeting of Shareholders, if any	Some of the shareholders and their representatives, Board Members, Auditor of the company, some members of the executive committee and the employees responsible for the general assembly attended to the General Assembly Meeting.
<b>1.4. Voting Rights</b>	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares	-
The percentage of ownership of the largest shareholder	48,05%
<b>1.5. Minority Rights</b>	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of association	No
If yes, specify the relevant provision of the articles of association.	-
<b>1.6. Dividend Right</b>	
The name of the section on the corporate website that describes the dividend distribution policy	Investor Relations / Corporate Governance /Policies / Dividend Distribution Policy
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend	At the general assembly meeting of the company held on May 29, 2019, the Proposal to Not Distribute Profit for the period due to the economic conditions of the country and recognition of net loss, presented by the Board of Directors, was submitted for the shareholders' information and approval.
PDP link to the related general meeting minutes in case the board of directors proposed to the General Assembly not to distribute dividends	<a href="https://www.kap.org.tr/Bildirim/766284">https://www.kap.org.tr/Bildirim/766284</a>

General Assembly Meetings	
General Meeting Date	29.05.2019
The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	0
Shareholder participation rate in the General Shareholders' Meeting	63.25%
Percentage of shares directly present at the GSM	0%
Percentage of shares represented by proxy	63.25%
Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the number of votes for or against	Investors Relations / General Assembly Info (in Turkish)
Specify the name of the page of the corporate website that contains all questions asked in the general assembly Meeting and all responses to them	Investors Relations / General Assembly Info (in Turkish)
The number of the relevant item or paragraph of the General Shareholders' Meeting minutes in relation to related party transactions	Item 9
The number of declarations by insiders received by the board of directors	67
The link to the related PDP general shareholder Meeting notification	<a href="https://www.kap.org.tr/Bildirim/766391">https://www.kap.org.tr/Bildirim/766391</a>

## 2. DISCLOSURE AND TRANSPARENCY

### 2.1. Corporate Website

Specify the names of the sections of the website providing the information requested by the Principle 2.1.1.	Investor Relations
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares	Investor Relations – Shareholder Structure
List of languages for which the website is available	Turkish, English

### 2.2. Annual Report

The page numbers and/or names of the sections in the annual report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the external of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Annual Report – Corporate Governance – Structure of Board and Principles of Activity
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Annual Report - Corporate Governance Information Form – Board Committees
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Annual Report - Corporate Governance Information Form – Board of Directors – Principles of Activity
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in legislation which may significantly affect the activities of the Corporation	Annual Report - Corporate Governance Compliance Report - Other Issues Concerning the Operations of the Company
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Annual Report - Corporate Governance Compliance Report - Other Issues Concerning the Operations of the Company
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	None
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	There is no cross-ownership relationship in the company's capital
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Annual Report – Sustainability

3. STAKEHOLDERS	
3.1. Corporation's Policy on Stakeholders	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	–
The number of definitive convictions the company was subject to in relation to breach of employee rights	31
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Human Resources
The contact detail of the company alert mechanism	insan_kaynaklari@netas.com.tr
3.2. Supporting The Participation Of The Stakeholders in The Corporation's Management	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies.	–
Corporate bodies where employees are actually represented	Executive Committee
3.3. Human Resources Policy	
The role of the Board on developing and ensuring that the company has a succession plan for the key management positions	The Board Supports the Human Resources Department
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy	Netaş-Human Resources
Whether the company provides an employee stock ownership program	There isn't an employee stock ownership programme
The name of the section on the corporate website that demonstrates the human resources policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy	Investor Relations – Sustainability Section
The number of definitive convictions the company is subject to in relation to health and safety measures	0
3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	Investor Relations – Sustainability Section
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide information about any measures taken on environmental, social and corporate governance issues.	Investor Relations – Sustainability Section
Any measures combating any kind of corruption including embezzlement and bribery	Investor Relations – Sustainability Section

4. BOARD OF DIRECTORS - I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	–
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	None
Number of reports presented by internal auditors to the audit committee or any other relevant committee of the board	–
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Annual Report – Risk Management and Internal Control Systems
Name of the Chairman	MING XIAO
Name of the CEO	CEMİL MÜJDAT ALTAY
If the CEO and Chair functions are combined, provide the link to the relevant PDP announcement providing the rationale for such combined roles	The roles of the Chairman and CEO are undertaken by different individuals.
Link to the PDP notification stating that any damage that may be caused by the members of the Board of Directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	Year End Annual Report <a href="https://www.kap.org.tr/tr/Bildirim/746558">https://www.kap.org.tr/tr/Bildirim/746558</a>
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	There is no such policy.
The number and ratio of female directors within the Board of Directors	0

STRUCTURE OF THE BOARD							
Name/Surname of Board Member	Whether Executive Director or not	Whether Independent Director or not	The First Election Date to Board	Link to Pdp Notification that Includes the Independence Declaration	Whether the Independent Director Considered by the Nomination Committee	Whether She/He is the Director Who Ceased to Satisfy the Independence or not	Whether the Director Has at Least 5 Years' Experience on Audit, Accounting and/or Finance or not
MING XIAO	No	No	28.07.2017	–	No	No	Yes
ŞUAY ALPAY	No	No	29.05.2019	–	No	No	Yes
MINZHONGXIA DING	No	No	28.07.2017	–	No	No	Yes
XIANGYANG JIANG	No	No	28.07.2017	–	No	No	Yes
MING LI	No	No	03.04.2019	–	No	No	Yes
ALİ ZÜLFÜ TİGREL	No	Yes	07.06.2018	<a href="https://www.kap.org.tr/tr/Bildirim/687920">https://www.kap.org.tr/tr/Bildirim/687920</a>	No	No	Yes
ÖZER KARABULUT	No	Yes	09.05.2007	–	No	No	No

4. BOARD OF DIRECTORS - II	
4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	4
Director average attendance rate at board meetings	71%
Whether the board uses an electronic portal to support its work or not	No
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	7
The name of the section on the corporate website that provides information about the board charter	Investor Relations – Corporate Governance – Articles of Association
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	Turkish Commercial Code is applicable in this manner, it is submitted to the approval of General Assembly every year.
4.5. Board Committees	
Page numbers or section names of the annual report where information about the board committees are presented	Annual Report – Corporate Governance Compliance Report – Number, Structure and Independence of the Board Committees
Link(s) to the PDP announcement(s) with the board committee charters	<a href="https://www.kap.org.tr/tr/Bildirim/746558">https://www.kap.org.tr/tr/Bildirim/746558</a>

BOARD COMMITTEES -I				
Names of the Board Committees	Name of Committees Defined as "Other" in the First Column	Name-Surname of Committee Members	Whether Committee Chair or not	Whether Board Member or not
Corporate Governance Committee	-	ALİ ZÜLFÜ TİGREL	Yes	Board Member
Corporate Governance Committee	-	MING XIAO	No	Board Member
Corporate Governance Committee	-	ŞUAY ALPAY	No	Board Member
Corporate Governance Committee	-	DING MINZHONGXIA	No	Board Member
Corporate Governance Committee	-	FEYRUZE ASLI KONDU	No	Not a Board Member
Audit Committee	-	ALİ ZÜLFÜ TİGREL	Yes	Board Member
Audit Committee	-	ÖZER KARABULUT	No	Board Member
Early Detection of Risk Committee	-	ALİ ZÜLFÜ TİGREL	Yes	Board Member
Early Detection of Risk Committee	-	ÖZER KARABULUT	No	Board Member
Early Detection of Risk Committee	-	ŞUAY ALPAY	No	Board Member
Early Detection of Risk Committee	-	DING MINZHONGXIA	No	Board Member

4. BOARD OF DIRECTORS -III	
4.5. Board Committees -II	
Specify where the activities of the Audit Committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report – Corporate Governance Compliance Report – Number, Structure and Independence of the Board Committees
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report – Corporate Governance Compliance Report – Number, Structure and Independence of the Board Committees
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report – Corporate Governance Compliance Report – Number, Structure and Independence of the Board Committees
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report – Corporate Governance Compliance Report – Number, Structure and Independence of the Board Committees
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report – Corporate Governance Compliance Report – Number, Structure and Independence of the Board Committees
4.6. Financial Rights	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Annual Report – CMB Report
Specify the section of the website where remuneration policy for executive and non-executive directors are presented	Investor Relations - Corporate Governance - Policies-Remuneration Policy
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Annual Report - Remuneration Provided for Board of Directors and Top Management

BOARD COMMITTEES -II					
Names of the Board Committees	Name of Committees Defined as "Other" in the First Column	The Percentage of Non-Executive Directors	The Percentage of Independent Directors in the Committee	The Number of Committee Meetings Held in Person	The Number of Reports on its Activities Submitted to the Board
Corporate Governance Committee	-	100%	20%	1	1
Audit Committee	-	100%	100%	4	4
Early Detection of Risk Committee	-	100%	50%	6	6

**NETAŞ TELEKOMÜNİKASYON A.Ş.**

**AND ITS' SUBSIDIARIES**

**AS AT AND FOR THE YEAR ENDED**

**31 DECEMBER 2019**

**CONSOLIDATED FINANCIAL STATEMENTS**

**AND INDEPENDENT AUDITORS' REPORT**

*(CONVENIENCE TRANSLATION OF*

*THE REPORT AND THE CONSOLIDATED FINANCIAL*

*STATEMENTS ORIGINALLY ISSUED IN TURKISH)*



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(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Netaş Telekomünikasyon Anonim Şirketi

### A) A) Report on the Audit of the Consolidated Financial Statements

#### 1) Opinion

We have audited the consolidated financial statements of Netaş Telekomünikasyon Anonim Şirketi (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

#### 2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<b>Key audit matter</b>	<b>How the matter was addressed in the audit</b>
<p><b>Recognition of revenue</b></p> <p>As explained in Note 21 of the consolidated financial statements as of 31 December 2019, the Group recognised revenue amounting to TL 1.327.640.194.</p> <p>Contracts with customers are accounted separately and at the beginning of each contract, the Group considers the goods or services that are promised within the scope of the contract. The Group recognises revenue on contracts with customers when the Group satisfies the performance obligations by transferring the goods or services to the customer. When the control of an asset is transferred (or as transferred) to the customer, the ownership of the asset is transferred. The Group determines whether the identified performance obligations are satisfied over time or at a point in time, at the beginning of each contract.</p> <p>Since the commercial contracts can be complicated, significant judgments are required by the Management in relation to determination of the accounting basis for each situation. There are risks of miscalculation and misrecognition of revenue in the correct period due to inclusion of estimations of the management on the determination of revenue earned but not invoiced or invoiced but not earned and due to modifications of the contracts related to changes in price or scope of the contracts. For this reason, recognition of revenue in the correct period and in the correct amount requires significant judgment of the management and it is considered as a key audit matter.</p>	<p>The design, implementation and functioning of the internal controls related to recognition of revenue in the consolidated financial statements, have been tested and evaluated by the assistance of our information technology specialists.</p> <p>The appropriateness of the accounting policies applied by the management for the recognition of revenue for each type of revenue stream has been evaluated.</p> <p>Selected samples of the contracts with customers has been reviewed and questioned with the management to test whether the performance obligations are satisfied over time or at a point in time and with the supporting documents retained, the correctness of recognition of revenue in the correct period is tested.</p> <p>Within the scope of the substantive procedures, evaluation process of the management on the revenue recognized has been examined for the selected samples, contracts, invoices and payments are tested, analytical procedures have been applied, and the historical accuracy of the management's estimates has been evaluated by comparing the estimates made in the previous periods.</p> <p>Confirmation letters have been received for the selected samples of outstanding balances with customers and examined conformity with the financial statements.</p> <p>In addition, the adequacy of the disclosures provided have been evaluated in accordance with the disclosure requirements of TFRSs.</p>

<b>Key audit matter</b>	<b>How the matter was addressed in the audit</b>
<p><b>Goodwill impairment test</b></p> <p>As disclosed in Note 13 of the consolidated financial statements as of 31 December 2019, the Group has goodwill amounting to TL 108.872.627 provided in intangible assets. In accordance with TFRSs, the Group is required to test impairment of goodwill annually.</p> <p>Goodwill balance is significant to the consolidated financial statements in terms of the amount and the impairment tests conducted by the Group management includes significant estimates and assumptions. Such assumptions are; growth rate of earnings before interest tax depreciation and amortization ("EBITDA"), long term growth rate, discounted cash flows.</p> <p>The assumptions are highly sensitive to the expected future market or economic conditions. Thus, annual impairment testing of goodwill considered as a key audit matter.</p>	<p>Assessment of accuracy of cash generating units identified by the management has been performed.</p> <p>Discussion with Group management has been held where assessments related to the future projections have been assessed in the light of the macroeconomic data and sectoral developments.</p> <p>Assessment of the reasonableness of the cash flow projections for the cash generating unit and the comparison of the prior year actual financial performances has been performed.</p> <p>Assessment of the reasonableness of key assumptions incorporated in discounted cash flows such as long-term growth rates, discount rate has been evaluated by the comparison of these assumptions with the assumptions used in the sector with the support of our valuation specialist.</p> <p>The structure and the mathematical accuracy of the discounted cash flow model has been assessed.</p> <p>The sensitivity of the assumptions determined by the management to the market conditions has been performed.</p> <p>The adequacy of the disclosures provided including estimations and the judgements related to testing of and the results along with the sensitivities have been evaluated in accordance with the disclosure requirements of TFRSs.</p>

**4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

#### 5) Other Matters

The consolidated financial statements of the Group as of and for the year period ended 31 December 2018 were audited by another independent auditor who expressed an unmodified opinion on those consolidated financial statements on 8 March 2019.

Within the scope of our audit we have performed related to the 2019, we have also audited the restatements disclosed in note 2.2 related to 2018. In our opinion, the restatements are appropriate and have been applied appropriately. Aside from these restatements, we do not express an audit opinion or any other assurance on consolidated financial statements related to 2018 as we are not assigned as to perform independent audit of 2018 consolidated financial statements or any other procedures related to 2018.

#### 6) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern

(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### B) Report on Other Legal and Regulatory Requirements

- 1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 5 March 2020.
- 2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2017 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Sinem Arı Öz.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited

Sinem Arı Öz, SMMM  
Partner



5 March 2020  
İstanbul, Türkiye

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**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**  
**AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF 31 DECEMBER 2019, 2018 and 2017**

(Unless otherwise stated the amounts are in TL).

	Notes	Current Period 31 December 2019	Restated(*) Previous Period 31 December 2018	Restated(*) Previous Period 1 January 2018
<b>ASSETS</b>				
<b>Current Assets</b>		<b>1.495.185.090</b>	<b>1.360.046.995</b>	<b>1.215.540.886</b>
Cash and Cash Equivalents	5	195.340.538	192.787.683	187.212.070
Trade Receivables		871.112.583	820.134.934	783.373.147
<i>Due from related parties</i>	28	8.287.038	7.142	-
<i>Trade receivables, third parties</i>	7	862.825.545	820.127.792	783.373.147
Other Receivables		531.110	1.728.286	1.479.485
<i>Other receivables, third parties</i>	8	531.110	1.728.286	1.479.485
Inventories	9	124.259.454	89.782.997	74.080.893
Deferred Costs		239.795.554	199.663.095	118.376.945
<i>Deferred Costs</i>	11	239.795.554	199.663.095	118.376.945
Prepaid Expenses	10	10.409.097	12.956.423	8.178.799
Assets related to current year tax	26	16.324.031	5.335.193	227.117
Other Current Assets	19	37.412.723	37.658.384	42.612.430
<b>Non-Current Assets</b>		<b>511.005.625</b>	<b>335.863.301</b>	<b>276.676.540</b>
Trade Receivables		42.312.492	37.505.767	71.865.551
<i>Trade receivables, third parties</i>	7	42.312.492	37.505.767	71.865.551
Property, Plant and Equipment	12	58.083.609	51.441.407	36.598.628
Right of Use Assets	2	52.251.621	-	-
Financial Investments		5.533.199	4.733.887	2.928.818
Intangible Assets		190.731.271	129.450.068	103.327.185
<i>Goodwill</i>	13	108.872.627	96.422.343	69.131.791
<i>Other intangible assets</i>	13	81.858.644	33.027.725	34.195.394
Associates	3	9.401.553	7.784.350	6.155.424
Other Non-Current Assets	19	29.887.249	25.401.602	18.909.728
Prepaid Expenses	10	1.626.760	554.765	416.766
Deferred Tax Assets	26	121.177.871	78.991.455	36.474.440
<b>TOTAL ASSETS</b>		<b>2.006.190.715</b>	<b>1.695.910.296</b>	<b>1.492.217.426</b>

(\*) The restatement effects are explained in Note 2.

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**
**AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS OF 31 DECEMBER 2019, 2018 and 2017**

(Unless otherwise stated the amounts are in TL).

	Notes	Current Period 31 December 2019	Restated(*) Previous Period 31 December 2018	Restated(*) Previous Period 1 January 2018
<b>LIABILITIES</b>				
<b>Short Term Liabilities</b>		<b>1.198.142.317</b>	<b>1.042.607.751</b>	<b>876.171.165</b>
Short Term Financial Liabilities		434.015.226	487.836.269	302.073.547
<i>Bank Loans</i>	6	407.122.680	487.836.269	302.073.547
<i>Lease Liabilities</i>		26.892.546	-	-
Trade Payables		512.397.434	326.972.225	415.020.635
<i>Due to related parties</i>	28	93.593.477	353.107	1.715.824
<i>Trade payables, third parties</i>	7	418.803.957	326.619.118	413.304.811
Other Payables		22.141.209	17.064.203	10.710.962
<i>Other payables, third parties</i>	8	22.141.209	17.064.203	10.710.962
Employee Benefit Obligations	17	24.660.041	22.373.870	11.623.440
Contract Liabilities		106.554.998	83.881.957	55.182.524
<i>Contract Liabilities</i>	11	106.554.998	83.881.957	55.182.524
Provisions		36.704.941	32.824.733	25.889.324
<i>Provision for Employee Benefits</i>	17	29.428.553	24.116.396	20.324.706
<i>Other Short Term Provisions</i>	15	7.276.388	8.708.337	5.564.618
Deferred Income	18	61.319.303	66.589.646	52.676.354
Current Tax Liabilities	26	349.165	5.064.848	2.994.379
<b>Long Term Liabilities</b>		<b>271.838.979</b>	<b>35.646.940</b>	<b>61.517.051</b>
Long Term Financial Liabilities		226.254.958	-	24.044.293
<i>Bank Loans</i>	6	196.209.584	-	24.044.293
<i>Lease Liabilities</i>		30.045.374	-	-
Trade Payables		61.801	57.416	46.357
<i>Trade payables, third parties</i>	7	61.801	57.416	46.357
Provisions		29.114.925	33.762.755	26.385.750
<i>Provision for Employee Benefits</i>	17	29.114.925	33.762.755	26.385.750
Deferred Tax Liabilities	26	16.407.295	1.826.769	11.040.651
<b>SHAREHOLDERS' EQUITY</b>				
<b>Equity Attributable to Equity Holders of the Parent</b>		<b>535.890.730</b>	<b>617.655.605</b>	<b>554.529.210</b>
Share Capital	20	64.864.800	64.864.800	64.864.800
Share Capital Adjustments		41.612.160	41.612.160	41.612.160
Other comprehensive income to be reclassified in profit and loss		(4.241)	(42.740)	(10.603)
<i>Foreign Currency Translation</i>		(4.241)	(42.740)	(10.603)
Other comprehensive income not to be reclassified in profit and loss		300.432.088	233.635.192	86.267.718
<i>Actuarial Loss</i>		(9.309.272)	(7.862.007)	(8.901.434)
<i>Foreign Currency Translation</i>		309.741.360	241.497.199	95.169.152
Restricted Reserves Appropriated From Profit	20	34.897.360	34.897.360	34.897.360
Retained Earnings		242.688.833	326.897.775	326.897.775
(Loss) for the Year	20	(148.600.270)	(84.208.942)	-
<b>Non-controlling interests</b>		<b>318.689</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2.006.190.715</b>	<b>1.695.910.296</b>	<b>1.492.217.426</b>

(\*) The restatement effects are explained in Note 2.

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**
**AUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER**
**COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated the amounts are in TL).

	Notes	Current Period 1 January- 31 December 2019	Restated(*) Previous Period 1 January- 31 December 2018
<b>INCOME OR LOSS FROM OPERATIONS</b>			
Revenue	21	1.327.640.194	1.024.463.920
Cost of Sales (-)	21	(1.167.599.493)	(890.226.071)
<b>GROSS PROFIT</b>		<b>160.040.701</b>	<b>134.237.849</b>
Sales, Marketing and Distribution Expenses (-)	22	(97.234.551)	(67.776.617)
General Administrative Expenses (-)	22	(87.612.151)	(83.895.910)
Research and Development Expenses (-)	22	(7.405.105)	(13.407.445)
Other Income from Operating Activities	23	14.807.993	1.483.323
Other Expenses from Operating Activities (-)	23	(44.448.943)	(146.363.708)
<b>OPERATING (LOSS)</b>		<b>(61.852.056)</b>	<b>(175.722.508)</b>
Income from Investment Activities	24	85.437	72.674
Expenses from Investment Activities (-)	24	(316.717)	(18.675)
Income from Associates	3	1.000.942	375.187
<b>OPERATING (LOSS) BEFORE FINANCE INCOME AND EXPENSES</b>		<b>(61.082.394)</b>	<b>(175.293.322)</b>
Financial Income	25	72.110.488	153.910.189
Financial Expenses (-)	25	(189.265.051)	(87.815.832)
<b>(LOSS) BEFORE TAX</b>		<b>(178.236.957)</b>	<b>(109.198.965)</b>
<b>Tax Income</b>		<b>29.457.192</b>	<b>24.990.023</b>
<i>Current Tax Expenses</i>	26	(437.037)	(5.150.867)
<i>Deferred Tax Income</i>	26	29.894.229	30.140.890
<b>(LOSS) AFTER TAX</b>		<b>(148.779.765)</b>	<b>(84.208.942)</b>
<b>Attributable to:</b>			
Non-controlling Interest		(179.495)	-
Equity Holders of the Parent		(148.600.270)	(84.208.942)
(Loss) per share		(2,2937)	(1,2982)
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Other comprehensive income or expenses that will not be reclassified subsequently to profit of loss</b>		<b>66.796.896</b>	<b>147.367.474</b>
Currency translation reserves		68.244.161	146.328.047
Actuarial gain/(loss)		(1.809.081)	1.299.284
Actuarial gain/(loss), deferred tax		361.816	(259.857)
<b>Other comprehensive income or expenses that will be reclassified subsequently to profit of loss</b>		<b>38.499</b>	<b>(32.137)</b>
Currency translation reserves		38.499	(32.137)
<b>OTHER COMPREHENSIVE INCOME</b>		<b>66.835.395</b>	<b>147.335.337</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>(81.944.370)</b>	<b>63.126.395</b>
<b>Attributable to:</b>			
Non-controlling Interest		(179.495)	-
Equity Holders of the Parent		(81.764.875)	63.126.395

(\*) The restatement effects are explained in Note 2.

The accompanying notes form an integral part of these consolidated financial statements.  
(Convenience translation of the report and the consolidated financial statements originally issued in Turkish)

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**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**  
**AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated the amounts are in TL).

	Other comprehensive income or expenses will be reclassified subsequently to profit or loss		Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		Retained Earnings		Equity Holders of the Parent	Non-controlling Interest	TOTAL		
	Share Capital Adjustments	Currency Translation Differences	Currency Translation Differences	Remeasurement gain/(loss) on defined benefit plans	Restricted Reserves	Retained Earnings				Net (Loss) for the Period	
<b>Balance as at 31 December 2017</b>	64.864.800	41.612.160	6.008.477	291.106.537	(8.901.434)	34.897.360	215.018.724	-	644.606.624	-	644.606.624
Mandatory changes in accounting policies	-	-	-	(15.431.643)	-	-	(39.091.077)	-	(54.522.720)	-	(54.522.720)
Restatement effects	-	-	(6.019.080)	(180.505.742)	-	-	150.970.128	-	(35.554.694)	-	(35.554.694)
<b>(Restated) as of 1 January 2018 (*)</b>	64.864.800	41.612.160	(10.603)	95.169.152	(8.901.434)	34.897.360	326.897.775	-	554.529.210	-	554.529.210
<b>Total comprehensive income</b>	-	-	(32.137)	146.328.047	1.039.427	-	(84.208.942)	-	63.126.395	-	63.126.395
Transfer	-	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31 December 2018</b>	64.864.800	41.612.160	(42.740)	241.497.199	(7.862.007)	34.897.360	326.897.775	(84.208.942)	617.655.605	-	617.655.605
<b>Balance as at 1 January 2019</b>	64.864.800	41.612.160	28.564.108	495.474.961	(7.862.007)	34.897.360	175.927.647	(19.814.091)	813.664.938	-	813.664.938
Restatement effects	-	-	(28.606.848)	(253.977.762)	-	-	150.970.128	(64.394.851)	(196.009.333)	-	(196.009.333)
<b>(Restated) as of 1 January 2019(*)</b>	64.864.800	41.612.160	(42.740)	241.497.199	(7.862.007)	34.897.360	326.897.775	(84.208.942)	617.655.605	-	617.655.605
<b>Total comprehensive income</b>	-	-	38.499	68.244.161	(1.447.265)	-	-	(148.600.270)	(81.764.875)	(179.495)	(81.944.370)
Additions to the scope of consolidation	-	-	-	-	-	-	(84.208.942)	-	-	-	498.184
Transfer	-	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31 December 2019</b>	64.864.800	41.612.160	(4.241)	309.741.360	(9.309.272)	34.897.360	242.688.833	(148.600.270)	535.890.730	318.689	536.209.419

(\*) The restatement effects are explained in Note 2.

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(Convenience translation of the report and the consolidated financial statements originally issued in Turkish)

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**  
**AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated the amounts are in TL).

	Notes	Current Period 1 January- 31 December 2019	Restated(*) Previous Period 1 January- 31 December 2018
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Net (Loss) for the Period</b>		(148.779.765)	(84.208.942)
<i>(Loss) from Continuing Operations</i>		(148.779.765)	(84.208.942)
<b>Adjustments to Reconcile Profit/Loss</b>		<b>167.761.085</b>	<b>(27.465.492)</b>
Adjustments for Depreciation and Amortisation Expense	12-13-19	61.430.161	32.539.262
Adjustments for (Reversal of) Impairment Loss Recognised in Profit or Loss		(3.289.044)	(2.753.150)
<i>Adjustments for (Reversal of) Provision of Receivables</i>	7	(3.289.044)	12.981.830
<i>Adjustment for Reversal of Provision of Inventory</i>	9	-	(15.734.980)
Adjustments For Provisions		40.077.918	43.012.594
<i>Adjustments for Provisions Related with Employee Benefits</i>	17	40.560.967	38.862.231
<i>Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions</i>	15	1.557.603	1.643.580
<i>Adjustments for (Reversal of) Other Provisions</i>	15	(2.040.652)	2.506.783
Adjustments for Interest (Income) and Expenses		162.839.937	71.214.846
<i>Adjustments for Interest Income</i>	25	(9.838.767)	(9.655.423)
<i>Adjustments for Interest Expense</i>	25	179.721.554	81.948.273
<i>Unearned Financial Loss/Income from Credit Sales</i>	23	(7.042.850)	(1.078.004)
Adjustments For Unrealised Foreign Exchange Losses (Gains)	25	(63.071.033)	(146.059.835)
Adjustments for Share of Profit of Investments Accounted for Using the Equity Method	3	(1.000.942)	(375.187)
Adjustments for Losses Tax Expense	26	(29.457.192)	(24.990.023)
Adjustments for (Gains)/Losses disposal of non-current assets		231.280	(53.999)
<i>Adjustments for (Gains)/Losses Arising From Sale of Property, Plant and Equipment</i>	12	231.280	(53.999)
<b>Changes in Working Capital</b>		<b>150.599.894</b>	<b>71.674.754</b>
Adjustments for Decrease / (Increase) in Trade Receivables		50.882.255	282.908.321
<i>Decrease (Increase) in Trade Accounts Receivables from Related Parties</i>	28	(7.903.507)	(6.537)
<i>Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties</i>	7	58.785.762	282.914.858
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(3.600.368)	15.640.633
<i>Adjustments for Decrease (Increase) in Other Receivables Related with Operations from Third Parties</i>	8-19	(3.600.368)	15.640.633
Adjustments for Decrease / (Increase) in Inventories	9	(4.120.001)	24.312.743
Decrease / (Increase) in Prepaid Expenses	10	(14.651.748)	2.420.927
Adjustments for (Decrease) in Trade Payables		136.708.210	(230.492.331)
<i>Increase (Decrease) in Trade Accounts Payables to Related Parties</i>	28	88.968.206	(1.866.758)
<i>(Decrease)/Increase in Trade Accounts Payables to Unrelated Parties</i>	7	47.740.004	(228.625.573)
Increase (Decrease) in Payables due to Employee Benefits	17	(575.461)	5.638.503
(Decrease)/Increase in Contract Assets	11	(13.700.613)	(31.620.114)
Adjustments for Decrease in Other Operating Payables		2.743.312	1.944.456
<i>(Decrease) in Other Operating Payables to Unrelated Parties</i>	8	2.743.312	1.944.456
(Decrease)/ Increase in Deferred Income	11	11.304.944	6.328.056
Other Adjustments for Other (Decrease)/ Increase in Working Capital		(14.390.636)	(5.406.440)
<b>Cash Flows (Used in) Generated From Operations</b>		<b>169.581.214</b>	<b>(39.999.680)</b>
Payments Related with Provisions for Employee Benefits	17	(41.705.721)	(26.394.579)
Income Taxes Paid	26	(5.150.867)	(3.016.501)
Payments Related with Lawsuits	15	(1.076.899)	(1.413.608)
		<b>121.647.727</b>	<b>(70.824.368)</b>

(\*) The restatement effects are explained in Note 2.

The accompanying notes form an integral part of these consolidated financial statements.  
(Convenience translation of the report and the consolidated financial statements originally issued in Turkish)

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES****AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated the amounts are in TL).

		Current Period 1 January- 31 December 2019	Restated(*) Previous Period 1 January- 31 December 2018
	Notes		
<b>B.CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES</b>			
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		85.437	72.674
<i>Proceeds from Sales of Property, Plant, Equipment</i>	24	85.437	72.674
Purchase of Property, Plant, Equipment and Intangible Assets		(7.907.144)	(17.732.020)
<i>Purchase of Property, Plant, Equipment</i>	12	(5.470.680)	(15.910.061)
<i>Purchase of Intangible Assets</i>	13	(2.436.464)	(1.821.959)
Interest Received	25	9.838.767	9.655.423
		<b>2.017.060</b>	<b>(8.003.923)</b>
<b>C.CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES</b>			
Proceeds from Borrowings/Outflows,net	6	90.767.785	155.460.036
Interest Paid		(154.993.344)	(75.689.880)
Payments of lease liabilities		(20.016.801)	-
		<b>(84.242.360)</b>	<b>79.770.156</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)</b>		<b>39.422.427</b>	<b>941.865</b>
<b>D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		(36.869.572)	4.633.748
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>		<b>2.552.855</b>	<b>5.575.613</b>
<b>E.CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	5	192.787.683	187.212.070
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (A+B+C+D+E)</b>	5	<b>195.340.538</b>	<b>192.787.683</b>

(\*) The restatement effects are explained in Note 2.

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated the amounts are in TL).

**1. ORGANIZATION AND OPERATIONS OF THE GROUP**

Netaş Telekomünikasyon A.Ş. (the "Company") and its' subsidiaries (together 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") since 1993. The former headquarter which was located at Alemdağ Street No: 171 Ümraniye/ İstanbul has been registered at Yenişehir Mah. Osmanlı Bulvarı No: 11 34912 Kurtköy-Pendik/İstanbul at Istanbul Trade Registry Office as of 23 July 2013.

The Group works with major clients such as Aselsan Elektronik Sanayi ve Ticaret A.Ş., Türk Telekomünikasyon A.Ş., Vodafone İletişim Hizmetleri A.Ş., Avea İletişim Hizmetleri A.Ş., Turkcell İletişim Hizmetleri A.Ş, 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 provided design and development services to the foreign customers as well as to local customers.

Netaş Bilişim Teknolojileri A.Ş. ("Netaş Bilişim") which is the %100 subsidiary of the Group offers industrial solutions, system integration, outsourcing, support services, network solutions and consultancy services to its domestic customers. Netaş Bilişim founded in 1989, also provides value added solutions to international customers in Commonwealth of Independent States (CIS), mainly in Asia Pasific (Nepal), Kazakhstan, Azerbaijan, Algeria and Uzbekistan with strategic business partnerships.

BDH Bilişim Destek Hizmetleri San. Tic.A.Ş. ("BDH") founded in April 2006 in order to provide consultancy, strategic outsourcing, hardware, support services and service solutions in the field of information technologies.

Based on the decision of the Board of Directors of the Company dated 11 April 2012, a "Limited Liability Partnership" (Netas Telecom Liability Partnership) through the allocation of 161.800 Tenge (approximately 1.100 USD) of founding capital in Almaty, Kazakhstan has been established and its registration has been completed on 4 July 2012, as being effective on 25 June 2012.

An agreement was reached between Lütfi Yenel, one of the partners of the company and Kron Telekomünikasyon A.Ş. ("KRONTEK"), for the purchase of 10% of Group A shares representing the company capital for a price of 1.700.000 TL, and %10 share transfer was realized.

In Malta, a company (Netaş Telecommunications Malta Ltd.) was established through the allocation of 1.200 Euro of founding capital, all of which belongs to the Company, and its registration was completed on 4 November 2014.

As of 12 June 2018, the Group's contact office was established in Azerbaijan.

NETRD Bilgi Teknolojileri ve Telekomünikasyon A.Ş. ("NETRD"), of which 50.000 TL founding capital is completely owned by the Group, was established on 29 August 2018 in Istanbul. The operations of the Company, including all kinds of information and telecommunication systems, hardware and software design and coding, research and development activities, product development, consultancy, including all kinds of information activities and services, technical support, technological solution, integration, VOIP to develop, install, service, operate and operate advanced communication technologies in Turkey or abroad, to provide business services and to carry out all these activities on behalf of its own customers or to the customers it serves. In line with the decision taken by Company's Board of Directors on 14 March 2019, the Company Management was authorized for the sales of NETRD. Negotiations are still ongoing within this scope and an exclusivity agreement was signed with Orion Parent LLC to evaluate strategic alternatives for the sale of NETRD's shares. As of the balance sheet date, there is no sale. Information on the financial results of the subsidiary planned to be sold is presented in Note 32.

The establishment of the Netas Telecommunications Algeria Sarl LLC, a joint venture company with 23.800.000 Algerian Dinars of share capital, has been registered and completed between the Company and Mohamed Karim Faraoun on 31 March 2019. The control of the management of this company, in which the Company owned 49% of the shares, belongs to Netas Telekomünikasyon A.Ş. in accordance with the agreement between the parties and therefore, Netas Telecommunications Algeria Sarl LLC is accounted with full consolidated method.

The Group's largest shareholder and the controlling shareholder is ZTE Cooperatief U.A. The capital structure of the Group is presented in Note 20.

As of 31 December 2019 the Group has no blue-collar employees (31 December 2018: None). The average number of white-collar personnel employed in the Group as of 31 December 2019 is 2.478 (31 December 2018: 2.453).

**Approval of Consolidated Financial Statements**

The financial statements were approved by the Board of Directors on 5 March 2020. The General Assembly and relevant regulatory bodies have the right to amend the consolidated financial statements.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated the amounts are in TL).

## 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

### 2.1 Basis of Presentation

#### a) Statement of Compliance

The accompanying financial statements are prepared in accordance with Turkish Financial Reporting Standards Accounting Standards ("TFRS") published by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") together with the provisions of the communique of "Principles of Financial Reporting in Capital Market" issued by Capital Markets Board of Turkey ("CMB")'s dated 13 June 2013 and published in the Official Gazette numbered 28676 Series II. No.14.1. TFRSs consist of standards and interpretations which are published as Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards, TAS interpretations and TFRS interpretations. TFRS are updated in harmony with the changes and updates in International Financial Reporting Standards ("IFRS") by the communiqués announced by THE POA.

The consolidated financial statements are presented in accordance with the formats provided in Examples of Financial Statements and User guide issued by CMB and the TAS Taxonomy issued by POA. The consolidated financial statements and explanatory notes of the Group are presented in accordance with the formats provided in Examples of Financial Statements and User guide published on 7 June 2019 by POA.

#### b) Basis of presentation of consolidated financial statements:

The details of the Company's subsidiaries as of 31 December 2019 are as follows:

	Place and establishment of operation	Group's shares in capital and voting rights	Main operating activity
Netaş Bilişim Teknolojileri 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 telecommunication equipment
NETRD Bilgi Teknolojileri ve Telekomünikasyon A.Ş.	Turkey	%100	Computer programming activity
Netas Telecommunications Algeria Sarl LLC (*)	Algerie	%49	Manufacture of small installation and electric lighting equipment

(\*)The control of the management of this Company, in which the Company owned 49% of the shares, belongs to Netas Telekomünikasyon A.Ş. in accordance with the agreement between the parties and therefore, Netas Telecommunications Algeria Sarl LLC is accounted with full consolidated method.

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 invested company/asset;
- is exposed, or has rights, to variable returns from its involvement with the invested company/asset; and
- has the ability to use its power that can have an impact on returns.

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

In cases where the company does not have majority voting right over the invested company/asset, it has sufficient voting rights to direct/manage the activities of the investment concerned and in case of control, there is control power over the invested company/asset. 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 and 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 period 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.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated the amounts are in TL).

## 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 2019 and 2018 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 November 2013	%10	TL 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 is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, 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 TFRS 9 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.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate 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 TFRS 9. The difference between the carrying amount of the associate 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 is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate 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 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 of the Group, profits and losses resulting from the transactions with the associate is 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

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.

Nevertheless, 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.

If the legal records are kept in a currency other than the functional currency, the financial statements are initially translated into the functional currency and then translated to the Group's presentation currency, Turkish Lira ("TL"). For the companies in Turkey that book legal records in TL, currency translation from TL to the functional currency USD is made under the framework described below:

- Monetary assets and liabilities have been converted to the functional currency with the The Central Bank of Turkish Republic (CBRT) foreign exchange buying rate.
- Non-monetary items have been converted into the functional currency at the exchange rates prevailing at the transaction date.
- Profit or loss accounts have been converted into the functional currency using the exchange rates at the transaction date, except for depreciation expenses.
- The capital is followed according to historical costs.

The translation differences resulting from the above cycles are recorded in the financial income /expenses account group in the statement of profit or loss.

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(Unless otherwise stated the amounts are in TL).

**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)**

For the purpose of the preparation of the consolidated financial statements and the notes in accordance with TAS 21, consolidated financial statements are translated into US \$ by using rates as of the balance sheet date.

- Assets and liabilities has been translated to TL by using USD rate as of 31 December 2019 (1 USD: 5,9402 TL), 31 December 2018; (1 USD: 5,2609 TL)
- statements of profit or loss and statements of cash flows have been translated to TL by using twelve months average exchange rate (1 USD: 5,6708 TL ) for the year ended 31 December 2019 (for the year ended 31 December 2018 1 USD: 4,814 TL ).

Gains and losses of translation differences mentioned above are accounted under Equity as currency translation differences. The amount of capital and legal reserves are shown on their legal amounts, all other equity items are kept at their historic TL values, and all the differences are accounted in the currency translation differences account.

The functional currency of Netaş Telecom Limited Liability Partnership, a subsidiary of the Company operating in Kazakhstan is Kazakhstan Tenge and included in the consolidated financial statements by converting into TL, the presentation currency of the consolidated financial statements. The functional currency of the Netas Telecommunications Algeria Sarl LLC, a subsidiary of the Company operating in Algeria, is Algerian Dinar and included in the consolidated financial statements by converting into TL, the presentation currency of the consolidated financial statements.

**2.2 Comparative Information and Restatement of Prior Period Consolidated Financial Statements**

Group's consolidated financial statements have been prepared comparatively with the prior to enable readers to determine financial position and performance trends. For the purposes of effective comparison, comparative financial statements can be reclassified when deemed necessary by the Group, where descriptions on significant differences are disclosed.

The Group has identified some adjustments in 2019 related to previous periods and restated its previous year financial statements in order to comply with the current year consolidated financial statements. Within this scope; consolidated statement of financial position as of 31 December 2018 and 1 January 2018 and consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018, and the statement of changes in equity and the statement of cash flows for the year ended 31 December 2018 have been restated.

**Restatement of Prior Period Consolidated Financial Statements and Reclassifications:**

**1)** The Group accounts its unbilled receivables arising from the overtime contracts as being earned but not yet billed receivables under the "Unbilled receivables" in its consolidated financial statements.

In previous years, The Group recognized its foreign currency unbilled receivables in USD, the functional currency, with in historic amounts instead of the original currency of the unbilled receivables in the consolidated financial statements, which caused the unbilled receivables in foreign currency amounts being misstated consolidated financial statements. The management of the Company identified that the unbilled receivables as of 1 January 2018 and 31 December 2019 are overstated by an amount of USD 9.250.345 and USD 21.785.867 and restated consolidated financial statements in this respect. Consolidated statement of financial position as of 1 January 2018 and as of 31 December 2019, consolidated statement of financial position is restated for an amount of TL 34.891.375 and, TL 113.359.932 respectively and consolidated statement of profit or loss for the period ended 31 December 2018 is restated for an amount of, TL 46.130.468.

**2)** The management of the Company reviewed its long standing deferred costs as contract assets arising from the contracts with customers and concluded that the amounts related to these assets should be recognized as an expense. Hence, the management of the Company agreed that the deferred cost as of 1 January 2018 and 31 December 2018 should be lower by USD 12.492.537 and USD 20.151.987 respectively. Accordingly, consolidated statement of financial position as of 1 January 2018 and 31 December 2018 have been restated for an amount of TL 47.120.601, and TL 106.017.589 respectively and the consolidated financial statement of profit or loss for the year ended, 31 December 2018 have been restated for an amount of TL 12.240.572 was restated.

**3)** The management of the Company identified a classification error on the currency translation differences arising from the conversion financial statements of the subsidiaries into USD for consolidation purpose whose functional currency are not in USD and conversion of consolidated financial statements to the presentation currency between currency translation differences and retained earnings. The misstatement does not have an effect on total equity of the Group.

**4)** The Group management has written off the balance of a VAT refund related to the export-registered sales made in the previous years under other VAT account for an amount of TL 1.120.067 since the balance due from the customer was bankrupted in previous years and the VAT receivable balance was not non-recoverable since then.

**5)** The management of the Company reviewed its assumptions regarding the classification of unused vacation provisions and reclassified unused vacation provisions in short-term provisions to long-term provisions considering that it is not possible to use the all unused vacation within 1 year.

The effects of the restated described above are presented below:

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**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)****2.2 Comparative Information and Restatement of Prior Period Consolidated Financial Statements (Cont'd)**

	Reported Previous Year 31 December 2018	Restatement Effects	Restated Previous Year 31 December 2018
<b>ASSETS</b>			
<b>Current Assets</b>	<b>1.563.754.051</b>	<b>(203.707.056)</b>	<b>1.360.046.995</b>
Cash and Cash Equivalents	192.787.683	-	192.787.683
Trade Receivables	916.704.334	(96.569.400)	820.134.934
<i>Due from related parties</i>	7.142	-	7.142
<i>Trade receivables, third parties</i>	916.697.192	(96.569.400)	820.127.792
Other Receivables	1.728.286	-	1.728.286
<i>Other receivables, third parties</i>	1.728.286	-	1.728.286
Inventories	89.377.544	405.453	89.782.997
Contract Assets related to Goods and Services Provided	305.680.684	(106.017.589)	199.663.095
Prepaid Expenses	13.361.876	(405.453)	12.956.423
Current Income Tax Assets	-	5.335.193	5.335.193
Other Current Assets	44.113.644	(6.455.260)	37.658.384
<b>Non-Current Assets</b>	<b>297.685.066</b>	<b>38.178.235</b>	<b>335.863.301</b>
Trade Receivables	54.296.299	(16.790.532)	37.505.767
<i>Trade receivables, third parties</i>	54.296.299	(16.790.532)	37.505.767
Property, Plant and Equipment	51.441.407	-	51.441.407
Financial Investments	4.733.887	-	4.733.887
Intangible Assets	129.450.068	-	129.450.068
<i>Goodwill</i>	96.422.343	-	96.422.343
<i>Other intangible assets</i>	33.027.725	-	33.027.725
Investments Accounted Using the Equity Method	7.784.350	-	7.784.350
Other Non-Current Assets	25.401.602	-	25.401.602
Prepaid Expenses	554.765	-	554.765
Deferred Tax Assets	24.022.688	54.968.767	78.991.455
<b>TOTAL ASSETS</b>	<b>1.861.439.117</b>	<b>(165.528.821)</b>	<b>1.695.910.296</b>

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated the amounts are in TL).

**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)****2.2 Comparative Information and Restatement of Prior Period Consolidated Financial Statements (Cont'd)**

	Reported Previous Year 31 December 2018	Restatement Effects	Restated Previous Year 31 December 2018
<b>LIABILITIES</b>			
<b>Short Term Liabilities</b>	<b>1.016.624.156</b>	<b>25.983.595</b>	<b>1.042.607.751</b>
Short Term Borrowings	487.836.269	-	487.836.269
Trade Payables	298.956.476	28.015.749	326.972.225
<i>Due to related parties</i>	353.107	-	353.107
<i>Trade payables, third parties</i>	298.603.369	28.015.749	326.619.118
Other Payables	17.064.203	-	17.064.203
<i>Other payables, third parties</i>	17.064.203	-	17.064.203
Employee Benefit Obligations	22.373.870	-	22.373.870
Contract Liabilities	83.881.957	-	83.881.957
Provisions	34.856.887	(2.032.154)	32.824.733
<i>Provisions for Employee Benefits</i>	28.613.313	(4.496.917)	24.116.396
<i>Other Short Term Provisions</i>	6.243.574	2.464.763	8.708.337
Deferred Revenue	66.589.646	-	66.589.646
Current Income Tax Liabilities	5.064.848	-	5.064.848
<b>Long Term Liabilities</b>	<b>31.150.023</b>	<b>4.496.917</b>	<b>35.646.940</b>
Long Term Borrowings	-	-	-
Trade Payables	57.416	-	57.416
<i>Trade payables, third parties</i>	57.416	-	57.416
Provisions	29.265.838	4.496.917	33.762.755
<i>Provisions for Employee Benefits</i>	29.265.838	4.496.917	33.762.755
Deferred Tax Liabilities	1.826.769	-	1.826.769
<b>SHAREHOLDERS' EQUITY</b>			
<b>Equity Attributable to Equity Holders of the Parent</b>	<b>813.664.938</b>	<b>(196.009.333)</b>	<b>617.655.605</b>
Share Capital	64.864.800	-	64.864.800
Share Capital Adjustments	41.612.160	-	41.612.160
Other comprehensive income to be reclassified in profit and loss	28.564.108	(28.606.848)	(42.740)
<i>Currency Translation Differences</i>	28.564.108	(28.606.848)	(42.740)
Other comprehensive income not to be reclassified in profit and loss	487.612.954	(253.977.762)	233.635.192
<i>Remeasurement gain/ (loss) on defined benefit plan</i>	(7.862.007)	-	(7.862.007)
<i>Currency Translation Differences</i>	495.474.961	(253.977.762)	241.497.199
Restricted Reserves	34.897.360	-	34.897.360
Retained Earnings	175.927.647	150.970.128	326.897.775
Net (Loss) for the Period	(19.814.091)	(64.394.851)	(84.208.942)
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1.861.439.117</b>	<b>(165.528.821)</b>	<b>1.695.910.296</b>

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated the amounts are in TL).

**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)****2.2 Comparative Information and Restatement of Prior Period Consolidated Financial Statements (Cont'd)**

	Reported 1 January- 31 December 2018	Restatement Effects	Restated 1 January- 31 December 2018
<b>INCOME OR LOSS FROM OPERATIONS</b>			
Revenue	1.039.787.975	(15.324.055)	1.024.463.920
Cost of Sales (-)	(916.893.118)	26.667.047	(890.226.071)
<b>GROSS PROFIT</b>	<b>122.894.857</b>	<b>11.342.992</b>	<b>134.237.849</b>
Sales, Marketing and Distribution Expenses (-)	(58.914.211)	(8.862.406)	(67.776.617)
General Administrative Expenses (-)	(44.988.291)	(38.907.619)	(83.895.910)
Research and Development Expenses (-)	(13.407.445)	-	(13.407.445)
Other Income from Operating Activities	1.483.323	-	1.483.323
Other Expenses from Operating Activities (-)	(100.233.240)	(46.130.468)	(146.363.708)
<b>OPERATING (LOSS)</b>	<b>(93.165.007)</b>	<b>(82.557.501)</b>	<b>(175.722.508)</b>
Income from Investment Activities	72.674	-	72.674
Expenses from Investment Activities (-)	(18.675)	-	(18.675)
Income from Investments Accounted Using the Equity Method	375.187	-	375.187
<b>OPERATING (LOSS) BEFORE FINANCE INCOME AND EXPENSES</b>	<b>(92.735.821)</b>	<b>(82.557.501)</b>	<b>(175.293.322)</b>
Financial Income	153.910.189	-	153.910.189
Financial Expenses (-)	(87.815.832)	-	(87.815.832)
<b>(LOSS) BEFORE TAX</b>	<b>(26.641.464)</b>	<b>(82.557.501)</b>	<b>(109.198.965)</b>
<b>Tax Income</b>	<b>6.827.373</b>	<b>18.162.650</b>	<b>24.990.023</b>
<i>Current Tax Expenses</i>	(5.150.867)	-	(5.150.867)
<i>Deferred Tax Income</i>	11.978.240	18.162.650	30.140.890
<b>NET (LOSS) FOR THE PERIOD</b>	<b>(19.814.091)</b>	<b>(64.394.851)</b>	<b>(84.208.942)</b>

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated the amounts are in TL).

**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**
**2.2 Comparative Information and Restatement of Prior Period Consolidated Financial Statements (Cont'd)**

	Reported Previous Year 1 January 2018	Restatement Effects	Restated Previous Year 1 January 2018
<b>ASSETS</b>			
<b>Current Assets</b>	<b>1.286.317.631</b>	<b>(70.776.745)</b>	<b>1.215.540.886</b>
Cash and Cash Equivalents	187.212.070	-	187.212.070
Trade Receivables	806.226.238	(22.853.091)	783.373.147
<i>Due from related parties</i>	-	-	-
<i>Trade receivables, third parties</i>	806.226.238	(22.853.091)	783.373.147
Other Receivables	1.479.485	-	1.479.485
<i>Other receivables, third parties</i>	1.479.485	-	1.479.485
Inventories	70.801.802	3.279.091	74.080.893
Contract Assets related to Goods and Services Provided	165.497.546	(47.120.601)	118.376.945
Prepaid Expenses	11.457.890	(3.279.091)	8.178.799
Current Income Tax Assets	-	227.117	227.117
Other Current Assets	43.642.600	(1.030.170)	42.612.430
<b>Non-Current Assets</b>	<b>263.534.876</b>	<b>13.141.664</b>	<b>276.676.540</b>
Trade Receivables	83.903.835	(12.038.284)	71.865.551
<i>Trade receivables, third parties</i>	83.903.835	(12.038.284)	71.865.551
Property, Plant and Equipment	36.598.628	-	36.598.628
Financial Investments	2.928.818	-	2.928.818
Intangible Assets	103.327.185	-	103.327.185
<i>Goodwill</i>	69.131.791	-	69.131.791
<i>Other intangible assets</i>	34.195.394	-	34.195.394
Investments Accounted Using the Equity Method	6.155.424	-	6.155.424
Other Non-Current Assets	18.909.728	-	18.909.728
Prepaid Expenses	416.766	-	416.766
Deferred Tax Assets	11.294.492	25.179.948	36.474.440
<b>TOTAL ASSETS</b>	<b>1.549.852.507</b>	<b>(57.635.081)</b>	<b>1.492.217.426</b>

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**
**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated the amounts are in TL).

**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**
**2.2 Comparative Information and Restatement of Prior Period Consolidated Financial Statements (Cont'd)**

	Reported Previous Year 1 January 2018	Restatement Effects	Restated Previous Year 1 January 2018
<b>LIABILITIES</b>			
<b>Short Term Liabilities</b>	<b>845.140.220</b>	<b>31.030.945</b>	<b>876.171.165</b>
Short Term Borrowings	302.073.547	-	302.073.547
Trade Payables	382.578.302	32.442.333	415.020.635
<i>Due to related parties</i>	1.715.824	-	1.715.824
<i>Trade payables, third parties</i>	380.862.478	32.442.333	413.304.811
Other Payables	10.710.962	-	10.710.962
<i>Other payables, third parties</i>	10.710.962	-	10.710.962
Employee Benefit Obligations	11.623.440	-	11.623.440
Contract Liabilities	55.182.524	-	55.182.524
Provisions	27.300.712	(1.411.388)	25.889.324
<i>Provisions for Employee Benefits</i>	21.736.094	(1.411.388)	20.324.706
<i>Other Short Term Provisions</i>	5.564.618	-	5.564.618
Deferred Revenue	52.676.354	-	52.676.354
Current Income Tax Liabilities	2.994.379	-	2.994.379
<b>Long Term Liabilities</b>	<b>60.105.663</b>	<b>1.411.388</b>	<b>61.517.051</b>
Long Term Borrowings	24.044.293	-	24.044.293
Trade Payables	46.357	-	46.357
<i>Trade payables, third parties</i>	46.357	-	46.357
Provisions	24.974.362	1.411.388	26.385.750
<i>Provisions for Employee Benefits</i>	24.974.362	1.411.388	26.385.750
Deferred Tax Liabilities	11.040.651	-	11.040.651
<b>SHAREHOLDERS' EQUITY</b>			
<b>Equity Attributable to Equity Holders of the Parent</b>	<b>644.606.624</b>	<b>(90.077.414)</b>	<b>554.529.210</b>
Share Capital	64.864.800	-	64.864.800
Share Capital Adjustments	41.612.160	-	41.612.160
Other comprehensive income to be reclassified in profit and loss	6.008.477	(6.019.080)	(10.603)
<i>Currency Translation Differences</i>	6.008.477	(6.019.080)	(10.603)
Other comprehensive income not to be reclassified in profit and loss	282.205.103	(195.937.385)	86.267.718
<i>Remeasurement gain/ (loss) on defined benefit plan</i>	(8.901.434)	-	(8.901.434)
<i>Currency Translation Differences</i>	291.106.537	(195.937.385)	95.169.152
Restricted Reserves	34.897.360	-	34.897.360
Retained Earnings	215.018.724	111.879.051	326.897.775
Net (Loss) for the Period	-	-	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1.549.852.507</b>	<b>(57.635.081)</b>	<b>1.492.217.426</b>

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated the amounts are in TL).

**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)****2.3 Change in Accounting Policies**

If changes in accounting estimates are related to only one period, they are recognized in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively. There have not been any significant changes in Group's accounting estimates. Significant accounting errors in the current year are disclosed in Note 2.2.

Except for the following changes, the Group has applied consistent accounting policies in the consolidated financial statements for the periods presented, and there are no significant changes in the accounting policies and estimates.

The Group has applied accounting policy changes resulting from the new standard, amendments and interpretations effective as of 1 January 2019 and the first application of the "IFRS 16 Leases" standard, in accordance with the transitional provisions of the relevant standard.

Impacts of the first time adoption of IFRS 16 on the consolidated financial statements of the Group are as below:

**First time adoption of IFRS 16 Leases**

The Group has applied IFRS 16 "Leases", which replaces TAS 17, for the effective period beginning on 1 January 2019. The cumulative impact of applying IFRS 16 is accounted in consolidated financial statements retrospectively at the start of the current accounting period. The simplified transition approach of the related standard does not require a restatement in the comparative periods. The Group measured right-of-use assets at an amount equal to the lease liability (adjusted by the amount of any prepaid or accrued lease payments) under IFRS 16 simplified transition approach.

With the transition to IFRS 16 "Leases", a "lease liability" is recognized in the consolidated financial statements for the lease contracts which were previously measured under TAS 17 as operational leases. At transition, lease liabilities are measured at the net present value of the remaining lease payments, discounted at the Group's incremental borrowing rate on the effective transition date. The Group measured the right-of-use assets at an amount equal to the lease liability (adjusted by the amount of any prepaid or accrued lease payments) under IFRS 16 simplified transition approach.

The reconciliation of operating lease commitments followed under TAS 17 before the first implementation date and the lease obligations are accounted in the consolidated financial statements under IFRS 16 as of 1 January 2019 are as follows:

	<b>1 January 2019</b>
<b>Operating lease commitments within the scope of TAS 17</b>	<b>67.722.135</b>
Short term and low value leases	-
Operating lease commitments not within the scope	28.554.492
<b>Total lease liabilities within the scope of IFRS 16 (undiscounted)</b>	<b>96.276.627</b>
<b>Total lease liabilities within the scope of IFRS 16 (discounted with incremental borrowing rate)</b>	<b>66.115.784</b>
Short term lease liabilities	25.840.062
Long term lease liabilities	40.275.722

The weighted average of the Group's incremental borrowing rates for Turkish Lira is 19%, for USD is %6 and for Euro is %5 as at 1 January 2019.

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated the amounts are in TL).

**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)****2.3 Change in Accounting Policies (cont'd)**

As of 1 January 2019 and 31 December 2019, details of the right of use assets that are accounted in consolidated financial statements are as follows:

	<b>31 December 2019</b>	<b>1 January 2019</b>
Buildings	40.158.687	42.574.012
Vehicles	12.092.934	23.541.772
<b>Right of use assets</b>	<b>52.251.621</b>	<b>66.115.784</b>

Within the scope of lease contracts related to IFRS 16, the Group has accounted for depreciation and interest expenses instead of operational lease expenses. During the year ended 31 December 2019, the Group has accounted for the depreciation expenses amounting to TL 25.344.142 and interest and foreign exchange expenses amounting to TL 10.432.017.

As of 1 January and 31 December 2019, the details of the right of use assets that are accounted in the consolidated financial statements are as follows:

	<b>Buildings</b>	<b>Vehicles</b>	<b>Total</b>
Right of use assets- 1 January 2019	42.574.012	23.541.772	66.115.784
Additions	10.191.647	1.288.332	11.479.979
Depreciation charge for the year	(12.606.972)	(12.737.170)	(25.344.142)
<b>Right of use assets- 31 December 2019</b>	<b>40.158.687</b>	<b>12.092.934</b>	<b>52.251.621</b>

The following are the new accounting policies on the Group's implementation of IFRS 16:

**Right of use asset**

The right of use asset is initially recognized at cost comprising of:

- amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives received,
- any initial direct costs incurred by the Group and
- an estimate of costs to be incurred by the lessee for restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories)

The Group re-measure the right of use asset:

- after netting-off depreciation and reducing impairment losses from right of use asset and
- adjusted for certain re-measurements of the lease liability recognized at the present value

The Group applies TMS16 "Property, Plant and Equipment" to amortize the right of use asset and to asses for any impairment.

The Group applies TAS 36 "Impairment of Assets" to determine whether the right of use assets has been impaired and recognize any impairment losses identified.

**Lease Liability**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group's incremental borrowing rate.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated the amounts are in TL).

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

### 2.3 Change in Accounting Policies (Cont'd)

Alternative borrowing rates were determined by taking into consideration the borrowing rates of the Group companies at the contract dates.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments,
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date,
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewable period if the Group is reasonably certain to exercise an extension option and
- Penalties for early termination of a lease unless the Group is reasonably certain to terminate early.

After initial recognition, the lease liability is measured:

- increasing the carrying amount to reflect interest on lease liability,
- reducing the carrying amount to reflect the lease payments made and
- re-measuring the book value to reflect re-evaluations and re-configurations. The Group reflects the reassurance amount of the lease obligations to its financial statements as a correction in the presence of the right of use assets.

### Extension and termination options

In determining the lease liability, the Group considers the extension and termination options. The majority of extension and termination options held are exercisable both by the group and by the respective lessor. Extension options are included in the lease term if the lease is reasonably certain to be extended. The group re-measures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment.

If a significant change in circumstances takes place, related lease term assessment is revisited by the Group. The Group does not have a significant level of lease contract with an extension and early termination option, which is not included in the lease obligation and right of use assets because it is not reasonably certain.

### Variable lease payments

Lease payments arising from a part of the Group's lease agreement consist of variable lease payments. The mentioned variable lease payments, which are not covered by TFRS 16, are recorded rent expenses into profit or loss statements

### Practical implications

Short-term lease payments and payments for leases of low-value assets like IT equipment (mainly printers, laptops and mobile phones etc.) are not included in the measurement of the lease liabilities in the scope of TFRS 16. Lease payments of these contracts are continued to be recognized in profit or loss in the related period. The Group applied a single discount rate to a portfolio of leases which have similar characteristics (asset classes which have similar remaining rent periods in a similar economic environment).

### The Group – as a lessor

The Group does not have any activities as a lessor.

## 2.5 Summary of Significant Accounting Policies

### 2.5.1 Revenue

The Group recognizes revenue when the control of an asset transferred (or transferring) to the customer or the service is rendered.

The Group, recognizes revenue when the control of an asset transferred (or transferring) to the customer, the asset has transferred if all criterias of account for a contract are met according to TFRS 15. The Group provides to customers design, equipment, installation, maintenance, guarantee, licence and other performance obligations. The Group may provide those performance obligations on standalone or bundle basis.

The group recognizes revenue to depict the transfer of promised goods or services to customers in over time or at a point of time.

The Group accounts the performance obligations transferred over 3 months with the output method considering the value to the customer of the goods and services. When the Group use output method to recognize revenue, on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract have right to payment and revenue related to invoice is recognized. Accordingly, the Group uses the output method in such performance obligations.

When the time between the progress payments is longer than a reporting period, since a significant performance is satisfied and the cost incurred are in proportion to the proress of the performance obligation, the input method is used for this performance obligations' revenue recognition.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated the amounts are in TL).

## 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)

#### Design Performance Obligation

Design is the output that for production the economic benefit for the customers. Customers can use it stand alone or together with other resources. Design performance obligation is stated explicitly or is an integral part of production in some contracts.

The Group stated that design is a separate performance obligation in contracts which the design expectation is explicitly stated and the intellectual rights and know-how is transferred. On the other hand, if the design is an integral part of the production process and the customer does not have a know-how transfer after delivery, the highly related and customized stage of the production process is regarded as a combined output as a production process and not considered as a separate performance obligation.

The customer has control over the design product as the design process continues. Additionally, design performance obligation is recognized at overtime due to the fact that the design is customer-specific and have no alternative use, and the Group has an enforceable right to payment for performance completed to date. Because of these criterias, in case of the Group can reasonably measure the progress towards complete satisfaction of design performance obligation, the revenue which is related with cost occurred in overtime is recognized by cost based input method.

The Group can provide a certain number of man / day service as determined by the R & D team and purchase orders that demanded from the customers. In this type of contracts, the design is evaluated as a separate performance obligation on behalf of the intellectual property rights of the design belong to customers. In such contracts, the best measuring progress method is specified as "Output Method".

#### Hardware Performance Obligation

Hardware performance obligation is committed in the contracts by its own or with system solution. Hardware performance obligation consists of products that the Group produces itself, as well as products that are supplied by other producers. Hardware integration can be a phase in a complex long term solution projects in which hardware is highly interrelated with installation, or can be sold as stand-alone to the customers.

The Group recognized the hardware that are produced by its own or are sold as a phase in a complex and integrated Project as "overtime" for meeting the overtime criteria; the significant control in the integration process, no alternative use of the hardware of integration process, alternative use is restricted by the contract and the Group has an enforceable right to payment for performance completed to date.

Hardware which are more than one, produced afterwards and integrated and delivered are not concluded as separate performance obligations, but a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer are settled as single performance obligation.

The Group recognizes revenue at a point of time of the hardware which are not produced by the Group or does not need a significant integration process. The Group recognizes revenue when the control, collection right and the legal ownership of the hardware are transferred to the customers.

#### Installation Performance Obligation

Installation performance obligation is committed in the contracts with the hardware or by its own.

The Group provides installation services with the hardware sales together or provides installation service alone in accordance with customer requirements. The installation service can be obtained from other providers, or the customer can do it with its own facilities.

The group recognizes revenue for installation performance obligation at over time when the customer controls the process simultaneously. The Group recognizes revenue by cost with cost based input method when it can reasonably measure the progress towards complete satisfaction of installation performance obligation.

When the customer does not have a significant control over installation process, and the Group has the collection right, the Group recognizes revenue at a point of time.

The Group accounts the installation performance obligation transferred less than 3 months with the output method considering the value to the customer of the goods and services. When the Group use output method to recognize revenue, on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract have right to payment and revenue related to invoice is recognized.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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## 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)

##### Maintenance Performance Obligation

Maintenance performance obligation is committed in the contracts with the hardware or by its own.

The maintenance is not related to the equipment at a high level, it is also negotiated separately in the contracts and the customer can buy the maintenance service from another providers or the Company can maintain the equipment by itself.

Maintenance service can be offered in three different ways according to customer demands: periodic maintenance regularly, maintenance services provided on an adhoc based on customer requirements, and maintenance services provided for a period agreed upon as a service level agreement (SLA).

Maintenance service is recognized at over time since the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. In case of the Group can reasonably measure the progress towards complete satisfaction of maintenance performance obligation, the revenue which is related with cost occurred in overtime is recognized by cost based input method.

At the same time, The Group recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract with output method. When the group accounts for adhoc and periodic maintenance with output method, in case of the customer acquires the collection right for a certain amount that in line with the value of the customer for the completed performance, the Group recognizes the revenue to be billed. For the service level agreements (SLAs), the output method is used for measuring progress towards complete satisfaction but the collection cost is not measured by invoicing, it is measured by the cost incurred.

The Group sells support packages, which is provided from third parties, with the hardware. In cases of the Group is not directly responsible for the performance in the support packages provided by third party, the Group acts as an "agent". The Group accounts for the service provider, who performs the performance of the contracts in which acts an agent, as the commission income in the consolidated financial statements, after paying the amount collected by the customer for the maintenance services.

The Group determined standalone selling price of maintenance performance obligation using cost plus margin method considering management's best estimate and experience, observable prices of similar types of contracts. When the sum of the stand-alone selling prices of promised goods or services in the contract exceeds the promised consideration, the Group allocates a discount proportionately to all performance obligations in the contract.

##### Warranty Performance Obligation

Warranty performance obligation is committed by the Group for its own production. In case of the customer has a purchase the warranty separately in other words and the warranty is separately priced and negotiated in the contracts, the warranty is evaluated as a different service and recognized as a separate performance obligation.

Warranty income is recognized when the customer obtains the control of the hardware and accepts it. In other words, each hardware's warranty begins after its delivery and the revenue is recognized after the delivery.

Warranty is recognized at over time since the customer controls as the asset is created or enhanced and the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. The Group recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract with output method.

##### Licence Performance Obligation

The Group sells licenses with three parties' contracts. In such contracts, the Group is acting as agent therefore the Group is not directly responsible for fulfilling the contract (e.g. license updates), the Group does not have inventory risk and the Group has restricted discretion in establishing prices. The Group recognizes the net amount after paying license fee to providers as commission income for the license contracts that the Group is acting as agent. License performance obligations' income is recognized at "a point of time" when the control of an asset is transferred.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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## 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)

##### Outsourcing and Support Services Performance Obligation

The Group provides outsourcing, support and consultancy services in accordance with the customers' expectations. Outsourcing and some support and consultancy services are recognized at over time since the customer controls as the asset is created or enhanced and the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

In case of the Group can reasonably measure the progress towards complete satisfaction of outsourcing and support services performance obligations, the revenue which is related with cost occurred in overtime is recognized by cost based input method. In the case of the Group can not reasonably measure the progress towards complete satisfaction, the Group recognizes revenue to the extent of the right to bill by output method.

The Group recognizes revenue at "a point of time" when the control is transferred for short-term support services and one-off consultancy services.

The training services, which are in the goods and services, specified in the contracts and an integral part of production and integration, are recognized with "Input Method" with considering the total design, hardware and training costs of the projects.

If a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract as a "deferred revenue" when the payment is made or the payment is due (whichever is earlier). Deferred revenue is Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group defers associated costs until to deliver all contractual obligations and they are presented on the face of balance sheet under "Contract Assets and Liabilities" accounts.

If an entity performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the Group presents the contract as "unbilled receivables", excluding any amounts presented as a receivable. Unbilled receivables are an entity's right to consideration in exchange for goods or services that the Group has transferred to a customer. If the consideration is unconditional, it is recognized as "trade receivables".

Advance payments received on contracts, before corresponding works had been carried out, are booked in "Order Advances" account group under "Deferred Revenue". 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 receivables" under "Trade receivables" group.

The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group expects to recover those costs.

In the long contracts exceeding one year, depending on the level of materiality, the stamp tax that is paid for the contract and is expected to recover is capitalized as "Contract Costs" throughout the term of the contract and is amortized by depreciation method.

If the contract period or the redemption period of the asset, is one year or less, the stamp tax is recognized as an expense in the financial statements.

#### 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 Plant, Property and Equipment

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.

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.

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## 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.

##### Licenses

Separately acquired licenses is carried at their acquisition costs. Licenses acquired in a business combination are accounted for at their fair values at the acquisition date. Licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives.

##### 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 (5-10 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.

The useful life and depreciation method are regularly reviewed, and whether the depreciation method and duration applied are in line with the economic benefits to be obtained from the related assets.

##### 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.

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.

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.

#### 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 profit and loss statement in the period in which they are incurred.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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## 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

##### Classification and Measurement

The Group classifies its financial assets in three categories as financial assets carried at amortized cost, financial assets carried at fair value through profit or loss, financial assets carried at fair value through other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

##### **(a) Financial assets carried at amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables", "other receivables" and "cash and cash equivalents" in the statement of financial position. In addition, with recourse factoring receivables classified in trade receivables are classified as financial assets carried at amortized cost since collection risk for those receivables are not transferred to counterparty.

##### Impairment

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectation based on the macroeconomic indications.

##### **(b) Financial assets carried at fair value**

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. Group make an irrevocable choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

##### Financial assets carried at fair value through profit or loss

The Group does not have any financial assets whose fair value is reflected to profit or loss.

##### Financial assets carried at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income comprise of "financial investment" in the statement of financial position. The Group measures these assets at their fair values. Gains or losses from related financial assets, other than impairment and foreign exchange income or expenses, are recognized in other comprehensive income. In case the assets with fair value difference recognized in other comprehensive income are sold, the valuation difference recognized in other comprehensive income is transferred to retained earnings.

The Group accounts for expected credit losses in accordance with TFRS 9 that are expected to be equal to their expected life-time losses for their trade receivables, in cases where the trade receivables are not impaired for some reason with realized impairment losses. Expected credit loss provision is based on the Group's past credit loss experience and expected credit loss ratio as determined based on forward-looking macroeconomic indicators. Expected credit loss reversals are recorded in other operating income/ (expenses).

##### Financial liabilities

Financial liabilities are initially measured at fair value. During the initial measurement of financial liabilities other than fair value through profit or loss, transaction costs related to financial liability are included in the measurement of the fair value. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

##### Credit risk

The Group has applied the simplified approach stated in TFRS 9 to calculate the expected credit loss provision for trade receivables. This approach allows for a lifetime expected loan loss provision for all commercial receivables. In order to measure the expected credit loss, the Group first classifies its trade receivables by taking into account the characteristics of credit risk and credit risk. Expected credit loss ratios for each class of commercial receivables grouped using past credit loss experience and forward macroeconomic indicators were calculated and the expected credit loss provision was calculated by multiplying the determined ratio by the trade receivable totals.

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## 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)

##### Foreign currency risk

Due to its core business, the Group is subject to exchange rate volatility tied to the value change of foreign currencies. The Group's foreign currency risk for assets and liabilities has been disclosed in Note 29.

##### 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.

#### 2.5.9 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 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 2019 (1 USD = 5,9402 TL , 1 EUR = 6,6506 TL , 1 CAD = 4,5376 TL, 1 GBP = 7,7765 TL and 1 BDT = 0,06879 TL , 1 AZN=3,4967, 1 DZD=0,04967).

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies); and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

#### 2.5.11 Earnings/ (Losses) 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 consolidated financial statements if adjusting events occur after the reporting date.

The subsequent events that do not require correction after the reporting period are explained in the footnotes of the consolidated financial statements if they affect the economic decisions of the users of the financial statements.

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

### 2.5 Summary of Significant Accounting Policies (Cont'd)

#### 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 Related 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.

#### 2.5.15 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. Operating segments are affected from different kinds of economic and geographical conditions, and managed as the sole authority. While assessing the performance of the operating segments, Group Management is focused on their gross and operating profit.

The Group evaluates the performance of 6 segments to determine resource allocation. The segments of the Group are system enterprise, public, international, technology, telecom and BDH.

As of 31 December 2019, it was decided by the Group management to separate Telecom group companies on the basis of business groups and to be followed in a separate activity segment. The classification transactions made within the reporting footnote according to the segments does not have any effect on the profit or loss statement.

#### 2.5.16 Government Grants and Incentives

Gains arising from incentives for investment and research and development activities together with government grants are recognized when there is a reasonable assurance for the necessary conditions to be fulfilled and incentive to be acquired by the Group.

Vested government grants related with expense or capitalization realized in previous accounting periods, are recognized in statements of profit or loss when collectible and grants relating to capital assets are accounted for as deferred income in the consolidated balance sheet and are credited to consolidated profit and loss statement on a straight-line basis over the expected lives of related assets.

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.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated the amounts are in TL).

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

### 2.5 Summary of Significant Accounting Policies (Cont'd)

#### 2.5.17 Taxes Calculated on Corporation Earnings

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 from 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 profit and loss 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 reporting 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.

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 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 year

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.

#### 2.5.18 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.

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

### 2.5 Summary of Significant Accounting Policies (Cont'd)

#### 2.5.19 Statements of Cash Flows

In statement of cash flows, cash flows are classified according to operating, investing and financing activities. Cash flows related to operating activities show the cash flows used and obtained by the Group in its activities. Cash flows related to investment activities show the cash flows used and obtained by the Group in its investment activities (fixed asset investments and financial investments). Cash flows related to financing activities show the resources used by the Group in financing activities and repayments of these resources.

#### 2.5.20 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.

#### 2.5.21 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.

##### (a) Intangible assets

The fair value of intangible assets recognized 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.

##### (b) 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.

##### (c) 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.

##### (d) 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 Significant Accounting Estimates, Judgements and Assumptions

The preparation of consolidated 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.

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 recognized 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, 13	Property, plant and equipment 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 21	Revenue and cost of sales: Estimation of revenue and cost based on project based analysis
Note 26	Tax Assets and liabilities: Estimations regarding to recoverability of deferred tax assets
Note 29	Financial instruments and risk management: Estimations and accounting judgments regarding to collectability of receivables.

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

**2.7 The New Standards, Amendments and Interpretations**

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2019 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2019. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

**The new standards, amendments and interpretations which are effective as at January 1, 2019 are as follows:**

- TFRS 16 Leases

The Group adopted TFRS 16 using the modified retrospective approach. The impact of the transition and the changes in the accounting policies of the Group related to adoption of TFRS 16 and are disclosed in Note 2.3

- Amendments to TAS 28 "Investments in Associates and Joint Ventures"
- TFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements – 2015–2017 Cycle
- Plan Amendment, Curtailment or Settlement" (Amendments to TAS 19)
- Prepayment Features with Negative Compensation (Amendments to TFRS 9)

The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

**Standards issued but not yet effective and not early adopted**

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- TFRS 17 - The new Standard for insurance contracts
- Definition of a Business (Amendments to TFRS 3)
- Definition of Material (Amendments to TAS 1 and TAS 8)
- Amendments to TFRS 9, TAS 39 and TFRS 7- Interest Rate Benchmark Reform

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

**The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)**

The following standards, interpretations and amendments to existing TFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing TFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

- Amendments to IAS 1- Classification of Liabilities as Current and Non-Current Liabilities

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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**3. INVESTMENTS ACCOUNTED USING THE EQUITY METHOD**

**Associates**

**Details of significant associate:**

As of 31 December 2019, 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 November 2013	%10	TL 1.700.000

The summary financial information of Kron Telekomünikasyon Hizmetleri A.Ş. is explained below. The summary of associate's financial information derived from financial statements prepared in accordance with TFRS and presented in TL.

	31 December 2019	31 December 2018	31 December 2017
Current assets	42.666.427	31.820.099	32.789.365
Non-current assets	34.321.463	23.512.486	15.602.416
Short term liabilities	22.245.462	13.234.199	9.072.256
Long term liabilities	3.064.353	429.729	888.245
<b>Net assets</b>	<b>51.678.075</b>	<b>41.668.657</b>	<b>38.431.280</b>
Share of the Group in net assets	5.167.808	4.166.866	3.843.128

	1 January 2019- 31 December 2019	1 January 2018- 31 December 2018
Net profit	11.117.182	4.529.808
Other comprehensive expenses	(1.107.764)	(777.941)
Total comprehensive income	10.009.418	3.751.867
Share of the Group in total comprehensive income	1.000.942	375.187

The movement of acquisition balance arising from Kron is given below;

	2019	2018
As of 1 January	7.784.350	6.155.424
Share from the profit of the year	1.000.942	375.187
Currency translation reserves	616.261	1.253.739
<b>As of 31 December</b>	<b>9.401.553</b>	<b>7.784.350</b>

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**4. SEGMENT REPORTING**

There are 6 business segments containing information that Group Management evaluates performance and uses to decide on resource allocation. The following table shows the information about each segment. The operational profit and breakdowns below are regularly considered in evaluating the performance of segments. In order to reach the operating profit/ loss amount used to evaluate the performance of the segment, other income and expenses from operating activities are deducted from the consolidated operating profit/ loss amount presented in the consolidated financial statements.

For the year ended 31 December 2019	Enterprise	Public	International	Technology	Telecom	BDH	Unallocated	Total
Revenue	578.653.545	303.224.335	64.511.120	99.314.621	158.542.024	123.394.549	-	1.327.640.194
Cost of sales (-)	(539.801.093)	(246.872.981)	(54.126.827)	(77.834.046)	(147.783.620)	(101.180.926)	-	(1.167.599.493)
<b>Gross margin</b>	<b>38.852.452</b>	<b>56.351.354</b>	<b>10.384.293</b>	<b>21.480.575</b>	<b>10.758.404</b>	<b>22.213.623</b>	<b>-</b>	<b>160.040.701</b>
Sales,marketing and distribution expenses (-)	(36.861.395)	(11.050.521)	(13.773.435)	-	(13.085.935)	(22.463.265)	-	(97.234.551)
General administrative expenses (-)	-	-	-	-	-	-	(87.612.151)	(87.612.151)
Research and development expenses (-)	-	-	-	(7.405.105)	-	-	-	(7.405.105)
<b>Operating profit / (loss) of segment</b>	<b>1.991.057</b>	<b>45.300.833</b>	<b>(3.389.142)</b>	<b>14.075.470</b>	<b>(2.327.531)</b>	<b>(249.642)</b>	<b>(87.612.151)</b>	<b>(32.211.106)</b>

For the year ended 31 December 2018	Enterprise	Public	International	Technology	Telecom	BDH	Unallocated	Total
Revenue	425.410.089	332.090.981	80.006.029	80.968.980	44.921.618	61.066.223	-	1.024.463.920
Cost of sales (-)	(386.502.928)	(278.899.768)	(60.214.278)	(77.928.493)	(41.130.414)	(45.550.190)	-	(890.226.071)
<b>Gross margin</b>	<b>38.907.161</b>	<b>53.191.213</b>	<b>19.791.751</b>	<b>3.040.487</b>	<b>3.791.204</b>	<b>15.516.033</b>	<b>-</b>	<b>134.237.849</b>
Sales,marketing and distribution expenses (-)	(32.056.361)	(20.922.805)	(12.187.078)	-	(2.610.373)	-	-	(67.776.617)
General administrative expenses (-)	-	-	-	-	-	-	(83.895.910)	(83.895.910)
Research and development expenses (-)	-	-	-	(13.407.445)	-	-	-	(13.407.445)
<b>Operating profit / (loss) of segment</b>	<b>6.850.800</b>	<b>32.268.408</b>	<b>7.604.673</b>	<b>(10.366.958)</b>	<b>1.180.831</b>	<b>15.516.033</b>	<b>(83.895.910)</b>	<b>(30.842.123)</b>

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**4. SEGMENT REPORTING (Cont'd)**

31 December 2019	Enterprise	Public	International	Technology	Telecom	BDH	Unallocated (*)	Total
Trade receivables	165.454.257	498.256.235	106.311.180	28.559.940	88.800.216	12.089.350	5.666.859	905.138.037
Due from related parties	21.720	-	-	-	8.265.318	-	-	8.287.038
Inventories	5.790.733	87.369.568	7.345.873	877.429	20.507.713	1.931.069	437.069	124.259.454
Contract assets	98.291.405	75.331.867	36.567.023	3.332.339	9.504.889	9.969.742	6.798.289	239.795.554
<b>Segments assets</b>	<b>269.558.115</b>	<b>660.957.670</b>	<b>150.224.076</b>	<b>32.769.708</b>	<b>127.078.136</b>	<b>23.990.161</b>	<b>12.902.217</b>	<b>1.277.480.083</b>
Trade payables (*)	201.527.883	84.298.584	22.625.767	2.591.667	58.281.621	26.794.074	22.746.162	418.865.758
Due to related parties	524.861	18.611	9.843.250	-	83.047.150	-	159.605	93.593.477
Contract liabilities	41.778.775	13.272.748	32.343.384	-	16.598.271	2.451.014	110.806	106.554.998
Deferred revenue	2.744.241	58.293.392	54.777	33.602	61.029	129.234	3.028	61.319.303
<b>Segment liabilities</b>	<b>246.575.760</b>	<b>155.883.335</b>	<b>64.867.178</b>	<b>2.625.269</b>	<b>157.988.071</b>	<b>29.374.322</b>	<b>23.019.601</b>	<b>680.333.536</b>

31 December 2018	Enterprise	Public	International	Technology	Telecom	BDH	Unallocated (*)	Total
Trade receivables (*)	236.347.435	431.142.482	98.284.113	34.394.576	39.363.703	17.599.426	501.824	857.633.559
Due from related parties	7.142	-	-	-	-	-	-	7.142
Inventories	6.147.946	74.641.974	5.989.412	665.120	1.325.831	688.293	324.421	89.782.997
Contract assets	59.272.725	65.245.211	33.042.696	6.050.035	3.153.509	32.474.768	424.151	199.663.095
<b>Segments assets</b>	<b>301.775.248</b>	<b>571.029.667</b>	<b>137.316.221</b>	<b>41.109.731</b>	<b>43.843.043</b>	<b>50.762.487</b>	<b>1.250.396</b>	<b>1.147.086.793</b>
Trade payables (*)	153.391.781	87.129.790	34.247.151	453.664	5.882.991	25.273.763	20.297.394	326.676.534
Due to related parties	353.107	-	-	-	-	-	-	353.107
Contract liabilities	50.076.735	11.519.035	16.317.930	-	1.760.429	4.163.108	44.720	83.881.957
Deferred revenue	893.010	65.250.530	346.059	29.759	61.029	130	9.129	66.589.646
<b>Segment liabilities</b>	<b>204.714.633</b>	<b>163.899.355</b>	<b>50.911.140</b>	<b>483.423</b>	<b>7.704.449</b>	<b>29.437.001</b>	<b>20.351.243</b>	<b>477.501.244</b>

(\*) Unallocated trade payables are comprised of as rent, insurance, consultancy and etc. Trade payables related to Nortel companies as of 31 December 2019 and 2018 are included in unallocated section.

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**4. SEGMENT REPORTING (Cont'd)**

31 December 2017	Enterprise	Public	International	Technology	Telecom	BDH	Unallocated (**)	Total
Trade receivables (**)	170.966.397	470.512.865	122.086.455	25.973.499	6.158.132	10.554.671	48.986.679	855.238.698
Due from related parties	-	-	-	-	-	-	-	-
Inventories	9.412.965	54.857.855	4.924.858	343.871	4.295.866	1.708	243.770	74.080.893
Contract assets	16.203.478	72.078.470	2.369.453	14.049.910	966.390	9.238.440	3.470.804	118.376.945
<b>Segments assets</b>	<b>196.582.840</b>	<b>597.449.190</b>	<b>129.380.766</b>	<b>40.367.280</b>	<b>11.420.388</b>	<b>19.794.819</b>	<b>52.701.253</b>	<b>1.047.696.536</b>
Trade payables (**)	144.738.125	148.829.673	81.093.860	1.126.294	6.745.688	14.463.315	16.354.213	413.351.168
Due to related parties	1.715.824	-	-	-	-	-	-	1.715.824
Contract Liabilities	32.335.840	19.549.592	1.099.784	-	1.042.249	1.113.596	41.463	55.182.524
Deferred revenues	2.553.394	49.268.440	845.650	-	-	130	8.740	52.676.354
<b>Segment liabilities</b>	<b>181.343.183</b>	<b>217.647.705</b>	<b>83.039.294</b>	<b>1.126.294</b>	<b>7.787.937</b>	<b>15.577.041</b>	<b>16.404.416</b>	<b>522.925.870</b>

(\*\*) Unallocated trade payables are shown as rent, insurance, consultancy and etc. Trade receivables and payables related to Nortel companies as of 1 January 2018 are included in unallocated section.

Reconciliation of (loss) before tax, assets, liabilities and other material items:

	For the Year Ended 31 December 2019	For the Year Ended 31 December 2018
Operating (loss) of segment	(32.211.106)	(30.842.123)
Other (expenses)/income from operating activities (net)	(29.640.950)	(144.880.385)
Other (expenses)/income from investments (net)	(231.280)	53.999
Income from investments accounted using the equity method	1.000.942	375.187
Finance (expenses)/income (net)	(117.154.563)	66.094.357
<b>(Loss) before tax</b>	<b>(178.236.957)</b>	<b>(109.198.965)</b>

Assets	31 December 2019	31 December 2018	31 December 2017
Segment assets	1.277.480.083	1.147.086.793	1.047.696.536
Other assets (*)	728.710.632	548.823.503	444.520.890
<b>Total assets</b>	<b>2.006.190.715</b>	<b>1.695.910.296</b>	<b>1.492.217.426</b>

Liabilities	31 December 2019	31 December 2018	31 December 2017
Segment liabilities	680.333.536	477.501.244	522.925.870
Other liabilities (*)	789.647.760	600.753.447	414.762.346
<b>Total liabilities</b>	<b>1.469.981.296</b>	<b>1.078.254.691</b>	<b>937.688.216</b>

(\*) Other assets and liabilities include assets and liabilities other than segment assets and liabilities.

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**5. CASH AND CASH EQUIVALENTS**

	31 December 2019	31 December 2018	31 December 2017
Bank- demand deposits	167.930.867	75.451.741	72.023.775
Bank- time deposits	26.156.222	116.933.685	114.553.052
Credit card receivables	1.253.449	402.257	635.243
	<b>195.340.538</b>	<b>192.787.683</b>	<b>187.212.070</b>

Currency	Original Currency Amount	Interest Rate %	Maturity	31 December 2019
USD	4.310.667	0,05-2,5	Jan 20-Sep 20	25.606.222
TL	550.000	8	Jan 20	550.000
				<b>26.156.222</b>

Currency	Original Currency Amount	Interest Rate %	Maturity	31 December 2018
USD	17.925.428	1,65-4,0	Jan 19-Sep 19	94.303.885
EUR	350.000	0,05	Jan 19	2.109.800
TL	20.520.000	21,5	Jan 19	20.520.000
				<b>116.933.685</b>

Currency	Original Currency Amount	Interest Rate %	Maturity	31 December 2017
USD	25.202.584	1,90-2,50	Jan 18-Sep 18	95.061.627
EUR	2.022.000	0,60	Jan 18	9.130.341
TL	10.361.084	12,0	Jan 18	10.361.084
				<b>114.553.052</b>

As of 31 December 2019, 2018 and 2017 there are no restriction / blockage on bank accounts.

**6. BORROWINGS**

	31 December 2019	31 December 2018	31 December 2017
<b>Short term bank loans</b>			
Short term unsecured loans	402.024.285	482.638.393	302.073.436
Non interest bearing unsecured spot loans(*)	5.098.395	5.197.876	111
	<b>407.122.680</b>	<b>487.836.269</b>	<b>302.073.547</b>

As of 31 December 2019, effective interest rate for TL loans is 15,95 %, and effective interest rate for USD loans is 3,85%. (31 December 2018: effective interest rate for TL loans is 19,44 %, 1 January 2018: effective interest rate for TL loans is 15,33 %and effective interest rate for USD loans is 4,44%).

(\*) Non-interest bearing unsecured spot loans consist of loans related to import taxes and SSP and their original currencies are TL.

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**6. BORROWINGS (Cont'd)**

The details of short-term unsecured loans of the Group are given below;

Currency	Original Currency Amount	Interest Rate(%) (*)	Maturity	31 December 2019
TL	378.263.485	9,75-27,66	Jan 20-July 20	378.263.485
USD	4.000.000	3,85	Rotative	23.760.800
				<b>402.024.285</b>

Currency	Original Currency Amount	Interest Rate(%) (*)	Maturity	31 December 2018
TL	482.638.393	15,10-42,00	Jan 19-May 19	482.638.393
				<b>482.638.393</b>

Currency	Original Currency Amount	Interest Rate(%) (*)	Maturity	31 December 2017
USD	25.102.209	4,30-4,60	April 18-Jun 18	94.683.023
TL	207.390.413	13,35-15,70	Feb 18-Oct 18	207.390.413
				<b>302.073.436</b>

	31 December 2019	31 December 2018	31 December 2017
<b>Long term bank loans</b>	196.209.584	-	24.044.293
Long term unsecured loans	<b>196.209.584</b>	-	<b>24.044.293</b>

The detail of long-term unsecured loans of the Group is given below;

Currency	Original Currency Amount	Interest Rate(%) (*)	Maturity	31 December 2019
TL	196.209.584	10,00-12,56	Nov 21- Dec 22	196.209.584

Currency	Original Currency Amount	Interest Rate(%) (*)	Maturity	31 December 2017
TL	24.044.293	16,51-16,75	January 19	24.044.293

(\*) Presents the lower and upper rates.

The Group has no collaterals given for bank loans as of 31 December 2019, 2018 and 2017.

The movement of borrowings of the Group is given in the table below. Cash flows arising from the borrowings of the Group are classified under the cash inflows/ outflows arising from financing activities in the consolidated statement of cash flows.

	2019	2018	2017
1 January	487.836.269	326.117.840	354.859.452
Financing cash flows, net	96.939.102	155.460.036	(14.176.375)
Interest accrual changes	(18.556.893)	(6.258.393)	(3.690.226)
Currency translations	37.113.786	12.516.786	(10.875.011)
31 December	<b>603.332.264</b>	<b>487.836.269</b>	<b>326.117.840</b>

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**7. TRADE RECEIVABLES AND PAYABLES**

Trade Receivables from Third Parties	31 December 2019	31 December 2018	31 December 2017
Trade receivables	634.695.299	564.436.989	540.356.682
Unbilled receivables	320.157.512	339.849.061	279.278.659
Notes receivables	-	894.353	-
Discount on trade receivables (*)	(822.961)	(1.133.976)	(599.276)
Allowances for doubtful receivables (-)	(91.204.305)	(83.918.635)	(35.662.918)
	<b>862.825.545</b>	<b>820.127.792</b>	<b>783.373.147</b>

Movement of Allowance for Doubtful Receivables	2019	2018	2017
1 January-Calculated according to TAS 39	(83.918.635)	(35.662.918)	(29.733.577)
Changes in accounting policies TFRS 9	-	(13.480.037)	-
<b>Reported as of 1 January</b>	<b>(83.918.635)</b>	<b>(49.142.955)</b>	<b>(29.733.577)</b>
Charge for the year	-	(19.190.438)	(3.890.144)
Provision no longer required	3.289.044	6.208.608	8.033
Currency translation differences	(10.574.714)	(21.793.850)	(2.047.230)
<b>As of 31 December</b>	<b>(91.204.305)</b>	<b>(83.918.635)</b>	<b>(35.662.918)</b>

(\*) As of 31 December 2019, Group has trade receivables amounting to USD 11.458.374 incurred on an agreement, with a maturity of 4 years and that will be collected each year by equal collections. Trade receivables as of reporting date are accounted at amortized cost using the effective interest rate method (31 December 2018: USD 15.277.832, 1 January 2018: USD 19.097.290).

The provision for doubtful receivables allocated for trade receivables is determined based on the experience of non-collection of receivables and expected credit loss model.

Long Term Trade Receivables from Third Parties	31 December 2019	31 December 2018	31 December 2017
Receivables from Nortel companies	-	-	51.685.143
Other trade receivables	46.360.192	47.219.245	54.045.633
Provision amount for Nortel companies	-	-	(25.842.571)
Discount on trade receivables (*)	(4.047.700)	(9.713.478)	(8.022.654)
	<b>42.312.492</b>	<b>37.505.767</b>	<b>71.865.551</b>

Movement of Allowance for Nortel Receivables	2019	2018	2017
As of 1 January	-	(25.842.571)	(21.700.114)
Charge for the period	-	(8.999.320)	(2.499.506)
Provision no longer required	-	30.212.447	-
Foreign currency exchange differences	-	4.629.444	(1.642.951)
<b>As of 31 December</b>	<b>-</b>	<b>-</b>	<b>(25.842.571)</b>

Trade Payables to Third Parties	31 December 2019	31 December 2018	31 December 2017
Trade payables	418.478.772	326.293.238	412.606.709
Other trade payables	325.185	325.880	698.102
	<b>418.803.957</b>	<b>326.619.118</b>	<b>413.304.811</b>

Long Term Trade Payables to Third Parties	31 December 2019	31 December 2018	31 December 2017
Payables to Nortel companies	29.162	25.827	18.517
Other trade payables	32.639	31.589	27.840
	<b>61.801</b>	<b>57.416</b>	<b>46.357</b>

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**8. OTHER RECEIVABLES AND PAYABLES**

Other Receivables	31 December 2019	31 December 2018	31 December 2017
Deposits and guarantees given	330.022	299.656	225.264
Other	201.088	1.428.630	1.254.221
	<b>531.110</b>	<b>1.728.286</b>	<b>1.479.485</b>

Short Term Other Payables	31 December 2019	31 December 2018	31 December 2017
Taxes and duties payables	21.965.687	16.886.952	10.529.984
Other	175.522	177.251	180.978
	<b>22.141.209</b>	<b>17.064.203</b>	<b>10.710.962</b>

**9. INVENTORIES**

Inventories are stated at their cost values and allocated the provision for impairment on inventories.

	31 December 2019	31 December 2018	31 December 2017
Raw materials	36.368.671	31.477.718	26.466.826
Finished goods	43.959.596	38.321.461	37.841.366
Trade goods	43.931.187	19.983.818	20.399.113
Other inventories	-	-	1.702.373
Allowance for inventory impairment (-)	-	-	(12.328.785)
	<b>124.259.454</b>	<b>89.782.997</b>	<b>74.080.893</b>

Movement for allowance:	2019	2018
Opening balance	-	(12.328.785)
Released for the year	-	15.734.980
Foreign currency translation difference	-	(3.406.195)
Closing balance	-	-

**10. PREPAID EXPENSES**

Short term prepaid expenses	31 December 2019	31 December 2018	31 December 2017
Advances given for inventories	1.588.485	4.829.891	1.602.356
Short term prepaid expenses	8.820.612	8.126.532	6.576.443
	<b>10.409.097</b>	<b>12.956.423</b>	<b>8.178.799</b>

Long term prepaid expenses	31 December 2019	31 December 2018	31 December 2017
Long term prepaid expenses	1.626.760	554.765	416.766
	<b>1.626.760</b>	<b>554.765</b>	<b>416.766</b>

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**11. CONTRACT ASSETS AND LIABILITIES**

Details of the contract assets are given below;

Customer	31 December 2019			31 December 2018			31 December 2017		
	Short Term	Long Term	Total	Short Term	Long Term	Total	Short Term	Long Term	Total
Enterprise	98.291.405	-	98.291.405	59.272.725	-	59.272.725	16.203.478	-	16.203.478
Public	75.331.867	-	75.331.867	65.245.211	-	65.245.211	72.078.470	-	72.078.470
International	36.567.023	-	36.567.023	33.042.696	-	33.042.696	2.369.453	-	2.369.453
BDH	9.969.742	-	9.969.742	32.474.768	-	32.474.768	9.238.440	-	9.238.440
Telecom	9.504.889	-	9.504.889	3.153.509	-	3.153.509	966.390	-	966.390
Technology	3.332.339	-	3.332.339	6.050.035	-	6.050.035	14.049.910	-	14.049.910
Other	6.798.289	-	6.798.289	424.151	-	424.151	3.470.804	-	3.470.804
	<b>239.795.554</b>	<b>-</b>	<b>239.795.554</b>	<b>199.663.095</b>	<b>-</b>	<b>199.663.095</b>	<b>118.376.945</b>	<b>-</b>	<b>118.376.945</b>

Details of the contract liabilities are given below;

Customer	31 December 2019			31 December 2018			31 December 2017		
	Short Term	Long Term	Total	Short Term	Long Term	Total	Short Term	Long Term	Total
Enterprise	41.778.775	-	41.778.775	50.076.735	-	50.076.735	32.335.840	-	32.335.840
International	32.343.384	-	32.343.384	16.317.930	-	16.317.930	1.099.784	-	1.099.784
Telecom	16.598.271	-	16.598.271	1.760.429	-	1.760.429	3.319.369	-	3.319.369
Public	13.272.748	-	13.272.748	11.519.035	-	11.519.035	17.272.473	-	17.272.473
BDH	2.451.014	-	2.451.014	4.163.108	-	4.163.108	1.113.596	-	1.113.596
Technology	-	-	-	-	-	-	-	-	-
Other	110.806	-	110.806	44.720	-	44.720	41.462	-	41.462
	<b>106.554.998</b>	<b>-</b>	<b>106.554.998</b>	<b>83.881.957</b>	<b>-</b>	<b>83.881.957</b>	<b>55.182.524</b>	<b>-</b>	<b>55.182.524</b>

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**12. PROPERTY, PLANT AND EQUIPMENT**

	Machinery and Equipment	Vehicles	Furniture and fixtures	Leasehold Improvements	Construction in Progress	Total
<b>Cost</b>						
1 January 2019	223.341.214	280.626	21.390.577	55.510.645	7.054.522	307.577.584
Translation difference	27.301.571	42.026	2.377.990	5.736.969	846.240	36.304.796
Purchases	7.266.386	164.449	3.771.339	8.924.293	6.211.215	26.337.682
Transfers(*)	-	-	-	-	(7.572.348)	(7.572.348)
Disposals	(10.670.040)	(42.545)	(1.277.929)	(1.465.370)	-	(13.455.884)
31 December 2019	247.239.131	444.556	26.261.977	68.706.537	6.539.629	349.191.830

**Accumulated Depreciation**

1 January 2019	(206.505.766)	(273.913)	(17.223.340)	(32.133.158)	-	(256.136.177)
Translation difference	(26.439.837)	(35.848)	(2.237.002)	(4.374.347)	-	(33.087.034)
Period charge	(7.536.112)	(10.085)	(1.608.278)	(5.869.702)	-	(15.024.177)
Disposals	10.674.648	-	1.336.023	1.128.496	-	13.139.167
31 December 2019	(229.807.067)	(319.846)	(19.732.597)	(41.248.711)	-	(291.108.221)

<b>Net book value at 31 December 2019</b>	<b>17.432.064</b>	<b>124.710</b>	<b>6.529.380</b>	<b>27.457.826</b>	<b>6.539.629</b>	<b>58.083.609</b>
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As of 31 December 2019 depreciation charge is TL 15.024.177. TL 6.271.097 is accounted in cost of sales, TL 8.187.689 in general administrative expenses, TL 565.391 in sales, marketing and distribution expenses.

As of 31 December 2019, there are not any mortgage and financial leasing on property, plant and equipment.

(\*) TL 7.572.348 is transferred from property, plant and equipment to other intangible assets (Note 13).

	Machinery and Equipment	Vehicles	Furniture and fixtures	Leasehold Improvements	Construction in Progress	Total
<b>Cost</b>						
1 January 2018	157.159.078	201.200	14.286.158	38.072.808	875.293	210.594.537
Translation difference	62.131.902	79.426	5.764.050	15.234.237	841.090	84.050.705
Purchases	5.910.833	-	1.340.369	2.203.600	6.455.259	15.910.061
Transfers(*)	294.105	-	2.549	538.888	(1.117.120)	(281.578)
Disposals	(2.154.704)	-	(2.549)	(538.888)	-	(2.696.141)
31 December 2018	223.341.214	280.626	21.390.577	55.510.645	7.054.522	307.577.584

**Accumulated Depreciation**

1 January 2018	(143.815.845)	(190.936)	(11.042.782)	(18.946.346)	-	(173.995.909)
Translation difference	(57.303.440)	(76.021)	(4.515.865)	(7.964.120)	-	(69.859.446)
Period charge	(7.228.405)	(6.956)	(1.664.693)	(5.222.692)	-	(14.122.746)
Disposals	1.841.924	-	-	-	-	1.841.924
31 December 2018	(206.505.766)	(273.913)	(17.223.340)	(32.133.158)	-	(256.136.177)

<b>Net book value at 31 December 2018</b>	<b>16.835.448</b>	<b>6.713</b>	<b>4.167.237</b>	<b>23.377.487</b>	<b>7.054.522</b>	<b>51.441.407</b>
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As of 31 December 2018 depreciation charge is TL 14.122.746. TL 8.539.836 is accounted in cost of sales, TL 5.055.362 in general administrative expenses, TL 527.548 in sales, marketing and distribution expenses.

As of 31 December 2018, there are not any mortgage and financial leasing on property, plant and equipment.

(\*) TL 281.578 is transferred from property, plant and equipment to other intangible assets (Note 13).

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**12. PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

Tangible fixed assets are depreciated principally on a straight-line basis using the following rates:

	Useful Lives
Machinery and Equipment	10
Vehicles	5-10
Leasehold Improvements	5-10
Furniture and fixtures	5-15

**13. INTANGIBLE ASSETS****Goodwill**

The shares transfer of "Netaş Bilişim Teknolojileri A.Ş." ("Netaş Bilişim") and its subsidiary BDH Bilişim Destek Hizmetleri Sanayi ve Ticaret A.Ş. ("BDH") was completed on 11 October 2011. With the acquisition of these shares, the Group has acquired Enterprise and BDH operating segments.

During the acquisition, fair value of the customer relations has 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:

Cost	2019	2018	2017
Opening balance	96.422.343	69.131.791	64.500.278
Translation difference	12.450.284	27.290.552	4.631.513
Closing balance	108.872.627	96.422.343	69.131.791

According to the accounting policies, provided in Note 2.5.9, Group performed impairment testing of goodwill.

With the estimated statement of profit or loss and potential projects of the future and revenue streams of Enterprise and BDH segments covering the period between 1 January 2020 and 31 December 2024, a valuation report has been prepared.

A valuation report has been prepared for the determination of the value to be used in the testing of impairment of goodwill as of 31 December 2019. The valuation report has been prepared by an independent valuation company. Income Approach has been applied in the valuation study of Enterprise and BDH segments. The present value of cash flows expected to be generated by the Company in the future is calculated by discounting cash flows today using a discount rate appropriate to the Company's risk profile.

The result of income approach and sensitivity analysis, indicates that, the firm value of Enterprise and BDH segments is between USD 54 million and USD 64 million. As of the valuation date, the value of the company calculated between USD 21 million and USD 32 million by considering the net debt of USD 32 million.

Considering the future cash flows of the Group, the Company Management concluded that there is no impairment in the goodwill amount as of 31 December 2019.

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**13. INTANGIBLE ASSETS (Cont'd)****Significant assumptions used in discounted cash flow projections**

The significant assumptions used in the calculation of recoverable amounts are discount rates and final growth rates. The after-tax discount rate was used in the valuation studies. The Weighted Average Cost of Capital rate used in the study is variable and 0,76 over the years since the tax rate will be changed during the projection period. Throughout the projection period, the company's debt / capital ratio is predicted to be 25% and a business risk premium of 1% has been taken into account in the WACC calculation.

**Other Intangible Assets**

1 January- 31 December 2019			
	Customer Relations (*)	Other Intangible Assets (**)	Total
<b>Cost</b>			
Opening balance	56.121.397	109.874.802	165.996.199
Additions	-	52.543.190	52.543.190
Transfers from construction in progress	-	7.572.348	7.572.348
Disposals	-	-	-
Translation difference	7.246.529	17.036.772	24.283.301
<b>Closing balance</b>	<b>63.367.926</b>	<b>187.027.112</b>	<b>250.395.038</b>
<b>Accumulated amortization</b>			
Opening balance	(40.688.013)	(92.280.461)	(132.968.474)
Translation difference	(5.541.120)	(12.456.731)	(17.997.851)
Period charge	(6.049.406)	(11.520.663)	(17.570.069)
<b>Closing balance</b>	<b>(52.278.539)</b>	<b>(116.257.855)</b>	<b>(168.536.394)</b>
<b>Net book value</b>	<b>11.089.387</b>	<b>70.769.257</b>	<b>81.858.644</b>

(\*) The purchase of shares of Netaş Bilişim Teknolojileri Anonim Şirketi ("Netaş Bilişim") and its subsidiary BDH Bilişim Destek Hizmetleri Sanayi ve Ticaret A.Ş. ("BDH") was completed on 11 October 2011. The contractual customer portfolio amount is related to this purchase.

(\*\*) Other intangible assets are included rights, computer software and licenses.

As of 31 December 2019 amortization charge is TL 17.570.069. TL 10.171.257 is accounted in cost of sales, TL 6.866.616 in general administrative expenses and TL 532.196 in sales, marketing and distribution expenses.

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**13. INTANGIBLE ASSETS (Cont'd)****Other Intangible Assets (Cont'd)**

1 January- 31 December 2018			
	Customer Relations (*)	Other Intangible Assets (**)	Total
<b>Cost</b>			
Opening balance	40.237.278	77.354.124	117.591.402
Additions	-	1.821.959	1.821.959
Transfers from construction in progress	-	281.578	281.578
Disposals	-	(281.578)	(281.578)
Translation difference	15.884.119	30.698.719	46.582.838
<b>Closing balance</b>	<b>56.121.397</b>	<b>109.874.802</b>	<b>165.996.199</b>
<b>Accumulated amortization</b>			
Opening balance	(25.147.682)	(58.248.326)	(83.396.008)
Translation difference	(10.404.928)	(23.968.393)	(34.373.321)
Period charge	(5.135.403)	(10.063.742)	(15.199.145)
<b>Closing balance</b>	<b>(40.688.013)</b>	<b>(92.280.461)</b>	<b>(132.968.474)</b>
<b>Net book value</b>	<b>15.433.384</b>	<b>17.594.341</b>	<b>33.027.725</b>

As of 31 December 2018 amortization charge is TL 15.199.145. TL 9.312.572 is accounted in cost of sales, TL 5.521.573 in general administrative expenses and TL 365.000 in sales, marketing and distribution expenses.

(\*) The purchase of shares of Netaş Bilişim Teknolojileri Anonim Şirketi ("Netaş Bilişim") and its subsidiary BDH Bilişim Destek Hizmetleri Sanayi ve Ticaret A.Ş. ("BDH") was completed on 11 October 2011. The contractual customer portfolio amount is related to this purchase.

(\*\*) Other intangible assets are included rights, computer software and licenses.

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

	Depreciation Ratio (%)
Softwares	20
Customer Portfolio	10
Licenses	3-15
Rights	20

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**14. GOVERNMENT GRANTS**

For the year ended 31 December 2019 the Group has received approved and accrued incentive from TÜBİTAK TL 7.764.115 (31 December 2018: TL 6.741.920 and 1 January 2018: TL 21.648.681)

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 2019, the Group has a corporate tax benefit of TL 517.489.187 due to research and development disbursement and TL 12.619.575 amount is utilized by the year end (As of 31 December 2018, the Group has a corporate tax benefit of TL 344.020.426 due to research and development disbursement and TL this amount is transferred by the year end. As of 1 January 2018, the Group has a corporate tax benefit of TL 268.583.663 due to research and development disbursement and TL 61.227.387 amount is utilized by the year end). The Group has booked deferred tax assets for unused R&D tax benefit (Note 26). The unused tax advantages of the Group related to research and development activities has unlimited maturity.

For the year ended 31 December 2019, the amount of income tax incentive within the scope of Act numbered 5746 is TL 13.202.943 (31 December 2018: TL 14.552.522, 1 January 2018: TL 13.278.261) 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 13.384.392 (31 December 2018: TL 11.452.614 and 1 January 2018: TL 10.089.367).

**15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

Provisions	31 December 2019	31 December 2018	31 December 2017
Provision for legal cases	5.833.883	5.353.179	5.123.207
Other provisions	1.442.505	3.355.158	441.411
	<b>7.276.388</b>	<b>8.708.337</b>	<b>5.564.618</b>

For the year ended 31 December 2019, the Group has cash outflows of TL 1.076.899 for legal cases during the year (31 December 2018: TL 1.413.608 and 1 January 2018: TL 585.907).

	Provision for Legal Cases	Other Provisions (*)	Total
1 January 2019	5.353.179	3.355.158	8.708.337
Provision booked and no longer required	1.557.603	(2.040.652)	(483.049)
Payments	(1.076.899)	-	(1.076.899)
Currency translations	-	127.999	127.999
<b>2019</b>	<b>5.833.883</b>	<b>1.442.505</b>	<b>7.276.388</b>

	Provision for Legal Cases	Other Provisions (*)	Total
1 January 2018	5.123.207	441.411	5.564.618
Provision booked and no longer required	1.643.580	2.506.783	4.150.363
Payments	(1.413.608)	-	(1.413.608)
Currency translations	-	406.964	406.964
<b>2018</b>	<b>5.353.179</b>	<b>3.355.158</b>	<b>8.708.337</b>

(\*) Consist of general provisions related to subscription, electric, gas, water and communication and etc.

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**16. COMMITMENTS**

The Group's off-balance sheet commitments and contingencies as of 31 December 2019, 2018 and 2017 are as follows:

	31 December 2019	31 December 2018	31 December 2017
Guarantee letters given (*)	548.219.384	562.325.200	405.351.746
	<b>548.219.384</b>	<b>562.325.200</b>	<b>405.351.746</b>

(\*) The Group has no off-balance sheet commitments and contingencies in favor of subsidiaries which are fully consolidated as of 31 December 2019, 2018 and 2017.

Maturities and the currencies of the letters of guarantees given are given below:

	Original Currency			
	TL Equivalent	TL	USD	EURO
<b>31 December 2019</b>	<b>548.219.384</b>	147.770.924	58.159.276	8.265.530

	Original Currency			
	TL Equivalent	TL	USD	EURO
<b>31 December 2018</b>	<b>562.325.200</b>	135.535.390	76.039.442	4.438.274

	Original Currency				
	TL Equivalent	TL	USD	EURO	DZD
<b>1 January 2018</b>	<b>405.351.746</b>	104.369.762	73.323.974	5.360.920	6.255.408

The off-balance sheet commitments and contingencies as of 31 December 2019, 2018 and 2017 are as follows:

Commitments, Pledges, Mortgages ("CPM") are given by the Company	31 December 2019	31 December 2018	1 January 2018
A. Total amount of CPM is given on behalf of own legal personality	548.219.384	562.325.200	405.351.746
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	-	-	-
	<b>548.219.384</b>	<b>562.325.200</b>	<b>405.351.746</b>

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**16. COMMITMENTS (Cont'd)**

Currencies of letters of guarantees received are given below:

	Original Currency			EURO
	TL Equivalent	TL	USD	
<b>31 December 2019</b>	<b>2.992.721</b>	672.616	390.577	-

	Original Currency			EURO
	TL Equivalent	TL	USD	
<b>31 December 2018</b>	<b>4.718.521</b>	926.616	720.771	-

	Original Currency			EURO
	TL Equivalent	TL	USD	
<b>31 December 2017</b>	<b>17.551.063</b>	6.129.901	2.560.975	390.083

**Guarantees Given**

According to the System Integration Agreement signed between fully-consolidated subsidiary, Netaş Bilişim, and Cisco System International B.V., the Company agrees that all financial obligations will be jointly performed by the Company and Netaş Bilişim.

According to the contract between the Company and İGA Havalimanları İnşaatı Adi Ortaklığı Ticari İşletmesi, fully-consolidated subsidiary and subcontractor named BDH, and its whole commitments are guaranteed by Netaş.

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**17. EMPLOYEE BENEFITS****Employee Benefit Obligations:**

	31 December 2019	31 December 2018	31 December 2017
Payables to employees	14.928.418	13.631.501	753.957
Social security payables	9.731.623	8.742.369	10.869.483
	<b>24.660.041</b>	<b>22.373.870</b>	<b>11.623.440</b>

**Short Term and Long Term Provisions for Employee Benefits:**

	31 December 2019	31 December 2018	31 December 2017
<b>Short Term</b>			
Provision for employee premiums	23.875.917	20.103.031	17.246.698
Unused vacation provision	5.552.636	4.013.365	3.078.008
	<b>29.428.553</b>	<b>24.116.396</b>	<b>20.324.706</b>

**Long Term**

Unused vacation provision	8.940.257	11.005.780	3.984.555
Provision for severance indemnity	19.799.908	21.813.865	21.076.530
Provision for retirement benefits	374.760	943.110	1.324.665
	<b>29.114.925</b>	<b>33.762.755</b>	<b>26.385.750</b>

**Total**

Provision for employee premiums	23.875.917	20.103.031	17.246.698
Unused vacation provision	14.492.893	15.019.145	7.062.563
Provision for severance indemnity	19.799.908	21.813.865	21.076.530
Provision for retirement benefits	374.760	943.110	1.324.665
	<b>58.543.478</b>	<b>57.879.151</b>	<b>46.710.456</b>

An actuarial valuation was performed by an independent and authorized company for the Company's total liability for severance indemnity and retirement benefit as of 31 December 2019. Expected interest and service charges for 2020 have also been calculated by the actuarial firm. Expected service and interest charges 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 6.379,86 per year as of 31 December 2019. (31 December 2018: TL 5.434,42 and 1 January 2018: TL 4.732,48 per year).The provision for employee termination benefits is not funded, as there is no funding requirement.

In accordance with Turkish Labor Code, employment termination benefit is the present value of the total estimated provision for the liabilities of the personnel who may retire in the future. The provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial gains and losses are accounted in equity as other comprehensive income.

As the maximum liability is revised semi-annually, the maximum amount of TL 6.730,15 (1 January 2019: TL 6.017,60 1 January 2018: TL 5.001,76) which is effective from 1 January 2020 has been taken into consideration in calculating the reserve for employment termination benefits of the Company and its subsidiaries in Turkey.

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**17. EMPLOYEE BENEFITS (Cont'd)****Severance Indemnity (Cont'd)**

The movement for severance indemnity provision is as follows:

	31 December 2019	31 December 2018	31 December 2017
Present value of severance indemnity provision	19.799.908	21.813.865	21.076.530
<b>Net liability in balance sheet</b>	<b>19.799.908</b>	<b>21.813.865</b>	<b>21.076.530</b>
Current service cost	2.202.063	2.892.335	2.577.704
Interest cost	1.532.879	2.142.275	1.830.487
Extra payment or loss / (gain)	(1.294.863)	90.507	416.012
<b>Period charge at 31 December</b>	<b>2.440.079</b>	<b>5.125.117</b>	<b>4.824.203</b>

<b>Movement for severance indemnity provision:</b>	<b>2019</b>	<b>2018</b>
1 January	21.813.865	21.076.530
Period charge	2.440.079	5.125.117
Severance indemnity paid	(6.758.908)	(3.269.546)
Actuarial (gain)/ loss	2.304.872	(1.118.236)
<b>31 December</b>	<b>19.799.908</b>	<b>21.813.865</b>

**Special Retirement Benefit Plan 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 yearly prepared by Aon Hewitt and reported at their current value.

The movement for retirement benefit provision is as follows:

<b>Movement for retirement benefit provision:</b>	<b>2019</b>	<b>2018</b>
1 January	943.110	1.324.665
Period charge	(8.853)	76.169
Actuarial (gain) / loss	(495.791)	(181.048)
Benefit paid	(63.706)	(276.676)
<b>31 December</b>	<b>374.760</b>	<b>943.110</b>

The assumption calculated to determine present value of severance indemnity and retirement benefit provision as of 31 December 2019, 2018 and 2017 are as follows:

<b>Assumptions</b>	<b>31 December 2019</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Annual inflation rate	8,20%	12,00%	8,30%
Annual discount rate	12,10%	16,30%	11,50%
Net discount rate	3,60%	3,84%	2,95%

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**17. EMPLOYEE BENEFITS (Cont'd)****Provision for Employee Bonus and Unused Vacation**

The movement for employee bonus provision is as follows:

<b>Movement for employee premiums provision:</b>	<b>2019</b>	<b>2018</b>
1 January	20.103.031	17.246.698
Period charge	36.770.160	24.122.480
Payments	(32.997.274)	(21.266.147)
<b>31 December</b>	<b>23.875.917</b>	<b>20.103.031</b>

The movement for unused vacation provision is as follows:

<b>Movement for unused vacation provision:</b>	<b>2019</b>	<b>2018</b>
1 January	15.019.145	7.062.563
Period charge	1.359.581	9.538.465
Payments	(1.885.833)	(1.581.883)
<b>31 December</b>	<b>14.492.893</b>	<b>15.019.145</b>

**18. DEFERRED REVENUE**

As of 31 December 2019, the amount of deferred revenue is comprised of advances received for an amount of TL 22.923.454 related to the defense projects and TL 38.395.849 related to system integration projects. (31 December 2018: TL 26.124.604 related to the defense projects and TL 40.465.042 related to system integration projects, 1 January 2018: TL 23.836.043 related to the defense projects and TL 28.840.311 system integration projects). These amounts are considered as contractual obligations under TFRS 15.

**19. OTHER ASSETS AND LIABILITIES**

<b>Other Current Assets</b>	<b>31 December 2019</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
VAT receivable	35.388.518	35.646.342	41.655.642
Personnel and business advances	451.041	562.076	441.836
Other	1.573.164	1.449.966	514.952
	<b>37.412.723</b>	<b>37.658.384</b>	<b>42.612.430</b>

<b>Other Non-Current Assets</b>	<b>31 December 2019</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Other non-current assets (*)	13.244.001	12.573.486	7.945.069
Long term prepaid taxes	16.643.248	12.828.116	10.964.659
	<b>29.887.249</b>	<b>25.401.602</b>	<b>18.909.728</b>

(\*) The balance includes of spare parts which will be used in long term. The total depreciation expenses for spare parts is TL 3.491.773, which is fully recognized under cost of sales (31 December 2018: TL 3.217.372 1 January 2018: TL 2.647.585). It is the service products that are provided by BDH, customer and BDH inventories to be followed in all steps by giving special identification to each product, followed by event and inventory records related to the contract conditions and mobile use in the field.

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**20. SHAREHOLDERS' EQUITY**Paid in Capital

Shareholding structure of Company as of 31 December 2019, 2018 and 2017 are as follows:

Name	Share Class	Capital Nominal Value (TL)	Capital Amount (Number)	Shareholding Ratio (%)
ZTE Cooperatief U.A.	A	23.351.328	23.351.328	36,00%
ZTE Cooperatief U.A.	B	7.817.023	7.817.023	12,05%
<b>ZTE Cooperatief U.A. (Total)</b>		<b>31.168.351</b>	<b>31.168.351</b>	<b>48,05%</b>
Türk Silahlı Kuvvetlerini Güçlendirme Vakfı	A	9.729.720	9.729.720	15,00%
Other Shareholders	B	23.966.729	23.966.729	36,95%
<b>Total</b>		<b>64.864.800</b>	<b>64.864.800</b>	<b>100,00%</b>

The capital of the company is TL 64.864.800 which is divided into 64.864.800 shares with a nominal value of TL 1 each. The share capital of the Company is fully paid.

In accordance with the Capital Market Board Communique No. II-18.1 numbered Registered Capital System, the registered capital system of the Company has been expired due to the expiry date of the authorized capital ceiling (TL 300.000.000).

The shares of the company are divided into two groups, consisting of (A) and (B) group registered shares. 33.081.048 (thirty-three million eighty-one thousand and forty-eight) of these shares constitute the registered (A) group of shares, and 31.783.752 (Thirty-one million seven hundred and eighty-three thousand seven hundred and fifty-two) shares constitute the (B) group registered shares. The differentiation of the shares in (A) and (B) groups, does not give the owners any rights or privileges, except as provided in Articles 9 and 15.

The proportion of (A) group registered shares within the issued capital shall be maintained in capital increases. Pre-emptive rights of shareholders shall be exercised within the respective share groups.

(B) group registered shares can be freely transferred without being subject to any limitation or condition within the framework of Turkish Commercial Code ("TCC") and Capital Markets Legislation. However, concerning the transfer of (A) group registered 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.

The required quorum for meetings and the required majority for resolutions of the shareholders at ordinary and extraordinary meetings shall be subject to the provisions of the TCC 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.

Share Capital Adjustments

According to CMB Decree No: XI-26 "Changes to CMB Decree No: XI-20 Accounting Principles in Hyperinflationary Periods", shareholders' equity are shown at their normal values in the financial statements and the account differences occurred in correction of shareholders' equity are shown under the "Foreign Currency Translation Adjustments" 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. Equity Foreign Currency Translation Adjustments are shown in the consolidated statement of financial position under "Share Capital Adjustments" in the Shareholders' Equity.

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**20. SHAREHOLDERS' EQUITY (Cont'd)**Legal Reserves

Legal reserves are reserves appropriated from the profit of prior periods for certain purposes other than profit distribution or due to legal or contractual requirements. These reserves are shown in the amounts in the legal records of the Company, and the differences in the preparation of the consolidated financial statements in accordance with TFRS are associated with retained earnings.

The details of restricted reserves are as follows as of 31 December 2019, 2018 and 2017:

	31 December 2019	31 December 2018	31 December 2017
Primary legal reserves	11.997.507	11.997.507	11.997.507
Secondary legal reserves	22.899.853	22.899.853	22.899.853
<b>Total</b>	<b>34.897.360</b>	<b>34.897.360</b>	<b>34.897.360</b>

According to Turkish Commercial Code, legal reserves consist of primary and secondary legal reserves. The primary 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 secondary legal reserve is appropriated after the first legal reserves and dividends, at the rate of 10% per annum of all cash distribution.

As of 31 December 2019, the primary legal reserve amount of the group is 18% of the paid-in capital and there is no limit to the secondary legal reserve amount. These reserves can only be used to cover losses, to maintain the company in times when things are not going well, or to prevent unemployment and to mitigate the effects of such losses, unless they exceed half of the paid-in capital of the company.

The total amount of the Company's net income and all available resources that can be distributed in its' statutory financial statements as of 31 December 2019 are TL 136.353.124 (31 December 2018: TL 139.923.267 and 1 January 2018: TL 192.931.629).

Retained Earnings

Retained earnings other than net period profit are presented in this item. The extraordinary reserves that are retained by the nature of their accumulated profit and are therefore not restricted, are also recognized as retained earnings.

**21. REVENUE AND COST OF SALES**Revenue:

	For the Year Ended 31 December 2019	For the Year Ended 31 December 2018
<b>Net domestic sales</b>	<b>1.159.949.992</b>	<b>854.718.932</b>
United States	90.156.865	73.175.098
Asia	9.966.360	1.360.210
Africa	46.764.502	66.075.431
Europe	20.802.475	29.134.249
<b>Net export</b>	<b>167.690.202</b>	<b>169.744.988</b>
<b>Total net sales</b>	<b>1.327.640.194</b>	<b>1.024.463.920</b>

Cost of Sales:

	For the Year Ended 31 December 2019	For the Year Ended 31 December 2018
Equipment expenses	636.233.578	233.765.754
Personnel expenses	277.825.751	226.109.388
Service/Support expenses	184.432.169	379.613.244
Depreciation and amortization expenses	32.308.480	17.159.574
Rent expenses	14.195.317	7.303.584
Transportation expenses	3.492.868	4.379.270
Other	19.111.330	21.895.257
	<b>1.167.599.493</b>	<b>890.226.071</b>

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**21. REVENUE AND COST OF SALES (Cont'd)**

31 December 2019							
Performance Obligations:	Enterprise	Public	International	Technology	Telecom	BDH	Total
Design performance obligation	922.998	39.611.086	-	99.314.621	1.336.002	-	141.184.707
Hardware performance obligation	200.168.110	88.836.791	33.972.759	-	118.590.623	-	441.568.283
Installation performance obligation	10.903.805	55.617.414	4.557.771	-	5.393.170	-	76.472.160
Maintenance performance obligation	75.457.033	39.871.277	16.089.633	-	14.649.185	123.394.549	269.461.677
Licence performance obligation	212.209.587	76.837.551	9.408.918	-	2.670.085	-	301.126.141
Other performance obligations	78.992.012	2.450.216	482.039	-	15.902.959	-	97.827.226
	<b>578.653.545</b>	<b>303.224.335</b>	<b>64.511.120</b>	<b>99.314.621</b>	<b>158.542.024</b>	<b>123.394.549</b>	<b>1.327.640.194</b>

**Satisfaction of Performance Obligations:**

Overtime	30.346.396	182.905.021	35.274.228	99.314.621	6.055.749	123.394.549	477.290.564
At a point in time	548.307.149	120.319.314	29.236.892	-	152.486.275	-	850.349.630
	<b>578.653.545</b>	<b>303.224.335</b>	<b>64.511.120</b>	<b>99.314.621</b>	<b>158.542.024</b>	<b>123.394.549</b>	<b>1.327.640.194</b>

31 December 2018							
Performance Obligations:	Enterprise	Public	International	Technology	Telecom	BDH	Total
Design performance obligation	577.739	78.225.295	5.659.217	80.968.980	4.820.104	-	170.251.335
Hardware performance obligation	107.030.498	131.684.871	22.955.082	-	7.651.875	-	269.322.326
Installation performance obligation	9.514.328	72.518.690	17.956.250	-	-	-	99.989.268
Maintenance performance obligation	72.213.898	2.010.585	17.650.766	-	19.267.671	61.066.223	172.209.143
Licence performance obligation	185.711.348	31.468.426	14.754.757	-	1.290.979	-	233.225.510
Other performance obligations	50.362.278	16.183.114	1.029.957	-	11.890.989	-	79.466.338
	<b>425.410.089</b>	<b>332.090.981</b>	<b>80.006.029</b>	<b>80.968.980</b>	<b>44.921.618</b>	<b>61.066.223</b>	<b>1.024.463.920</b>

**Satisfaction of Performance Obligations:**

Overtime	401.635.281	158.010.788	17.876.949	80.968.980	11.246.678	61.066.223	730.804.899
At a point in time	23.774.808	174.080.193	62.129.080	-	33.674.940	-	293.659.021
	<b>425.410.089</b>	<b>332.090.981</b>	<b>80.006.029</b>	<b>80.968.980</b>	<b>44.921.618</b>	<b>61.066.223</b>	<b>1.024.463.920</b>

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**22. RESEARCH AND DEVELOPMENT, SALES, MARKETING AND DISTRIBUTION, AND GENERAL ADMINISTRATIVE EXPENSES**

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

	For the Year Ended 31 December 2019	For the Year Ended 31 December 2018
Sales, marketing and distribution expenses	97.234.551	67.776.617
General administrative expenses	87.612.151	83.895.910
Research and development expenses	7.405.105	13.407.445
	<b>192.251.807</b>	<b>165.079.972</b>
Personnel expenses	99.158.058	100.771.779
Depreciation and amortization expenses	29.121.681	15.379.688
Consultancy, audit and legal expenses	23.050.152	10.479.576
Travel and meeting expenses	7.594.942	5.241.612
Fair and advertising expenses	4.833.012	4.277.597
Software expenses	4.043.227	2.499.100
Cafeteria expenses	3.089.366	1.999.546
Communication expenses	2.587.387	1.643.815
Severance indemnity and pension provision expenses	2.412.164	1.637.891
Electricity,water and gas expenses	2.295.638	1.437.132
Maintenance expenses	1.875.411	2.932.730
Personnel transportation expenses	1.830.546	1.430.502
Private health insurance expenses	1.477.169	1.262.392
Rent expenses	684.105	7.620.756
Training expenses	589.908	435.109
Provision expenses	382.578	222.129
Other	7.226.463	5.808.618
	<b>192.251.807</b>	<b>165.079.972</b>

**23. INCOME AND EXPENSES FROM OTHER OPERATING ACTIVITIES**

	For the Year Ended 31 December 2019	For the Year Ended 31 December 2018
Income from Other Operating Activities		
Discount income, net (*)	7.042.850	1.078.004
R&D Incentives	4.041.069	-
Reversal for doubtful receivables expenses (IFRS 9)	3.289.044	-
Service income	221.915	249.824
Other income and gains	213.115	155.495
	<b>14.807.993</b>	<b>1.483.323</b>

	For the Year Ended 31 December 2019	For the Year Ended 31 December 2018
Other Expenses from Operating Activities		
Foreign exchange expenses, net	34.541.890	113.926.315
Legal case expenses	5.249.144	3.687.732
Other tax expenses	648.409	518.201
Uncollectible receivables	-	8.999.320
Doubtful receivable allowance expenses (IFRS 9)	-	12.981.830
Other expenses and losses	4.009.500	6.250.310
	<b>44.448.943</b>	<b>146.363.708</b>

(\*) Discount income/ (expenses) related to trade receivables are accounted under Other Income/ (Expenses) from Operating Activities.

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**24. INCOME AND EXPENSES FROM INVESTING ACTIVITIES**

	For the Year Ended 31 December 2019	For the Year Ended 31 December 2018
<b>Income from Investing Activities</b>		
Income from sales of tangible assets	57.810	11.235
Income from scrap sales	27.627	61.439
	<b>85.437</b>	<b>72.674</b>

	For the Year Ended 31 December 2019	For the Year Ended 31 December 2018
<b>Expenses from Investing Activities</b>		
Loss from sales of tangible assets	316.717	18.675
	<b>316.717</b>	<b>18.675</b>

**25. FINANCE INCOME / (EXPENSES)**

	For the Year Ended 31 December 2019	For the Year Ended 31 December 2018
<b>Financial Income</b>		
Foreign exchange gains, net (*)	62.271.721	144.254.766
Interest income	9.838.767	9.655.423
	<b>72.110.488</b>	<b>153.910.189</b>

	For the Year Ended 31 December 2019	For the Year Ended 31 December 2018
<b>Financial Expenses</b>		
Bank interest expenses	169.617.949	81.948.273
Interest expenses on leases	10.103.605	-
Guarantee letter commissions	7.697.379	5.103.929
Foreign exchange loss on leases	328.412	-
Other financial expenses	1.517.706	763.630
	<b>189.265.051</b>	<b>87.815.832</b>

(\*) Foreign exchange gain and loss related to cash and cash equivalents, borrowings, and other financial liabilities.

**26. TAX ASSETS AND LIABILITIES****Corporate Tax**

The Company and its subsidiaries in Turkey 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 year.

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 2019 tax rate is %22. (31 December 2018: %22, 1 January 2018: %20). Corporate tax rate is applied on taxable corporate income, which is calculated by adding non-deductible expenses and deducting tax exemptions and deductions to be commercial income, in accordance with the tax legislation. In Turkey, advance tax payments are filed on a quarterly basis.

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. Tax legislation in Turkey does not allow to fill consolidated tax returns of the Company and its subsidiaries. Therefore, provisions for taxes, as included in the consolidated financial statements, it has been calculated on the basis of individual companies.

Corporate tax rate in Malta is 35% (2018: 35 %, 2017: 35 %). Corporate tax rate in Kazakhstan is 20% (2018: 20 %, 2017: 20 %). Corporate tax rate in Algeria is 26%.

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**26. TAX ASSETS AND LIABILITIES (Cont'd)****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 TFRS and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and are set out below.

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Law on the Amendment of Certain Tax Laws and Some Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

<b>Deferred tax assets/ (liabilities)</b>	<b>31 December 2019</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Trade receivables	(53.610.333)	(43.130.139)	(56.273.922)
Tangible and intangible assets	(10.857.658)	(12.255.815)	(10.581.353)
Trade payables and cost provisions	14.562.439	8.332.772	1.178.940
Carryforward tax losses	30.901.689	4.930.763	2.431.458
Unused R&D tax exemption	111.071.315	75.684.494	42.695.803
Provision for unused vacation	3.431.613	3.304.216	1.553.766
Inventory and deferred costs	(5.092.396)	17.460.779	20.776.315
Provisions for employee premiums	3.634.132	4.422.667	3.794.273
Deferred revenues	1.151.892	1.182.359	2.124.862
Contract liabilities	1.952.385	11.909.608	12.141.644
Severance indemnity and retirement provisions	4.745.774	4.031.681	4.480.239
Other	2.879.724	1.291.301	1.111.764
	<b>104.770.576</b>	<b>77.164.686</b>	<b>25.433.789</b>

The movement of deferred tax assets/ (liabilities) is as follows:

<b>Movement for deferred taxes is as follows:</b>	<b>2019</b>	<b>2018</b>
<b>Balance as of January, 1- restated</b>	<b>77.164.686</b>	<b>25.433.789</b>
Impacts due to the changes in accounting policies	-	10.894.667
<b>Balance as of January, 1- restated</b>	<b>77.164.686</b>	<b>36.328.456</b>
Current charge deferred tax expenses	29.894.229	30.140.890
Charge to equity	361.816	(259.857)
Translation difference	(2.650.155)	10.955.197
<b>Closing, 31 December</b>	<b>104.770.576</b>	<b>77.164.686</b>

	<b>31 December 2019</b>	<b>31 December 2018</b>
Current tax expenses	(437.037)	(5.150.867)
Deferred tax income	29.894.229	30.140.890
<b>Tax Income</b>	<b>29.457.192</b>	<b>24.990.023</b>

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their statement of financial position accounts prepared in accordance with TFRS promulgated by POA Financial Reporting Standards and their statutory financial statements. These temporary differences usually results from the recognition of revenue and expenses in different reporting periods for TFRS and Tax Laws.

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**26. TAX ASSETS AND LIABILITIES (Cont'd)**

	31 December 2019	31 December 2018	31 December 2017
Corporate tax	437.037	5.150.867	3.016.501
Prepaid taxes	(16.411.903)	(5.421.212)	(249.239)
<b>Current tax liabilities/ (Current income tax assets )</b>	<b>(15.974.866)</b>	<b>(270.345)</b>	<b>2.767.262</b>

Movement for deferred taxes as of 31 December 2019 and 2018 are as follows;

	31 December 2018 (Reported)	Restatement Effect	1 January 2019 (Restated)	Charge to Period	Charge to Equity	Translation Difference	31 December 2019
Tangible and intangible assets	(12.255.815)	-	(12.255.815)	215.981	-	1.182.176	(10.857.658)
Trade receivables	(68.069.323)	24.939.184	(43.130.139)	2.669.066	-	(13.149.260)	(53.610.333)
Trade payables and cost provisions	1.627.059	6.705.713	8.332.772	6.551.754	-	(322.087)	14.562.439
Inventory and contract assets	(5.863.091)	23.323.870	17.460.779	(21.642.662)	-	(910.513)	(5.092.396)
Deferred revenue	1.182.359	-	1.182.359	233.260	-	(263.727)	1.151.892
Provisions for employee bonuses	4.422.667	-	4.422.667	(247.224)	-	(541.311)	3.634.132
Provision for unused vacation	3.304.216	-	3.304.216	517.824	-	(390.427)	3.431.613
Severance indemnity and retirement provisions	4.031.681	-	4.031.681	908.429	361.816	(556.152)	4.745.774
Contract Liabilities	11.909.608	-	11.909.608	(9.595.056)	-	(362.167)	1.952.385
Unused R&D tax exemption (Note 14)	75.684.494	-	75.684.494	24.452.600	-	10.934.221	111.071.315
Carryforward tax losses	4.930.763	-	4.930.763	24.185.295	-	1.785.631	30.901.689
Other	1.291.301	-	1.291.301	1.644.962	-	(56.539)	2.879.724
	<b>22.195.919</b>	<b>54.968.767</b>	<b>77.164.686</b>	<b>29.894.229</b>	<b>361.816</b>	<b>(2.650.155)</b>	<b>104.770.576</b>

	1 January 2018 (Reported)	Restatement Effect	1 January 2018 (Restated)	Changes in accounting policies	Charge to Period	Charge to Equity	Translation Difference	31 December 2018
Tangible and intangible assets	(10.581.353)	-	(10.581.353)	-	4.370.913	-	(6.045.375)	(12.255.815)
Trade receivables	(63.950.025)	7.676.103	(56.273.922)	7.446.199	19.754.345	-	(14.056.761)	(43.130.139)
Trade payables and cost provisions	1.178.940	-	1.178.940	(3.277.878)	9.119.698	-	1.312.012	8.332.772
Inventory and contract assets	3.272.470	17.503.845	20.776.315	(5.908.650)	336.603	-	2.256.511	17.460.779
Deferred revenues	2.124.862	-	2.124.862	-	(1.688.739)	-	746.236	1.182.359
Provisions for employee bonuses	3.794.273	-	3.794.273	-	(795.582)	-	1.423.976	4.422.667
Provision for unused vacation	1.553.766	-	1.553.766	-	1.040.492	-	709.958	3.304.216
Severance indemnity and retirement provisions	4.480.239	-	4.480.239	-	(1.791.056)	(259.857)	1.602.355	4.031.681
Contract Liabilities	12.141.644	-	12.141.644	12.634.996	(16.159.904)	-	3.292.872	11.909.608
Unused R&D tax exemption (Note 14)	42.695.803	-	42.695.803	-	14.763.496	-	18.225.195	75.684.494
Carryforward tax losses	2.431.458	-	2.431.458	-	1.408.686	-	1.090.619	4.930.763
Other	1.111.764	-	1.111.764	-	(218.062)	-	397.599	1.291.301
	<b>253.841</b>	<b>25.179.948</b>	<b>25.433.789</b>	<b>10.894.667</b>	<b>30.140.890</b>	<b>(259.857)</b>	<b>10.955.197</b>	<b>77.164.686</b>

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**26. TAX ASSETS AND LIABILITIES (Cont'd)**

Reconciliation between tax expenses for the years ended 31 December 2019 and 2018 and calculated tax expense using corporate tax rate in Turkey (%22) is as follows:

	31 December 2019	31 December 2018
<b>Tax reconciliation</b>		
(Loss) before tax	(178.236.957)	(109.198.965)
Tax rate	22%	22%
Computed tax expense	39.212.131	24.023.772

**Tax effects of:**

Non-deductible expenses	(6.504.554)	(2.284.552)
Tax exempt income	-	5.009.707
Used R&D deduction	12.619.575	-
Unused R&D deduction	(35.386.821)	(6.614.545)
Tax effect of other adjustments (effects on deferred tax balances due to change in income tax rate from %20 to %22)	7.371.463	6.423.139
Other adjustment and monetary loss/gain	12.145.398	(1.567.498)
<b>Total tax income</b>	<b>29.457.192</b>	<b>24.990.023</b>

As of 31 December 2019, the Company has TL 504.869.613 unused R&amp;D tax exemption provided by Support of Research and Development Act, numbered 5746 and the tax exemption is unlimited (31 December 2018: TL 344.020.426, 1 January 2018: TL 207.356.276).

The Group's carryforward tax losses subject to recognition of deferred tax asset as of 31 December 2019, 2018 and 2017 are as follows:

Related year	Using year	31 December 2019	31 December 2018	31 December 2017
2014	2019	-	6.135.314	6.135.314
2016	2021	3.012.410	3.012.410	3.012.410
2017	2022	2.094.794	2.094.794	2.094.794
2018	2023	16.923.357	10.703.483	-
2019	2024	125.470.611	-	-
		<b>147.501.172</b>	<b>21.946.001</b>	<b>11.242.518</b>

**27. (LOSS) PER SHARE**

	For the Year Ended 31 December 2019	For the Year Ended 31 December 2018
Number of shares	64.864.800	64.864.800
Net (loss) for the year	(148.779.765)	(84.208.942)
(Loss) per share (kurus)	(2,2937)	(1,2982)

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.

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**28. RELATED PARTY DISCLOSURES**

Due from related parties as of 31 December 2019, 2018 and 2017 is as follows:

Due from Related Parties	31 December 2019	31 December 2018	31 December 2017
ZTE İstanbul Telekomünikasyon	8.265.318	-	-
Kron Telekomünikasyon A.Ş.	21.720	7.142	-
	<b>8.287.038</b>	<b>7.142</b>	<b>-</b>

Due to Related Parties	31 December 2019	31 December 2018	31 December 2017
ZTE Corporation	92.831.650	-	-
Kron Telekomünikasyon A.Ş.	524.861	353.107	1.715.824
ZTE İstanbul Telekomünikasyon	236.966	-	-
	<b>93.593.477</b>	<b>353.107</b>	<b>1.715.824</b>

According to "IAS 24 Related Party Disclosures", providers of finance, trade unions, public utilities, departments and agencies of a government that does not control, jointly control or significantly influence the reporting entity, and a customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business, simply by virtue of the resulting economic dependence are not evaluated as related parties. The Group has a significant business relation with Aselsan Elektronik Sanayi ve Ticaret A.Ş. ("Aselsan"), and evaluated in that context.

Main transactions with related parties are as follows for the year ended 31 December 2019 and 2018.

Sales	For the Year Ended 31 December 2019	For the Year Ended 31 December 2018
ZTE İstanbul Telekomünikasyon	22.688.267	89.333
Kron Telekomünikasyon A.Ş.	108.580	73.009
	<b>22.796.847</b>	<b>162.342</b>

As part of the normal activities of the Group, products are purchased from ZTE Corporation and products and services are sold to ZTE İstanbul Telecommunications. Due to the aforementioned transactions, debts and receivables are unsecured and the average day maturity varies according to the projects.

Purchases	For the Year Ended 31 December 2019	For the Year Ended 31 December 2018
ZTE Corporation	108.371.010	-
Kron Telekomünikasyon A.Ş.	504.734	790.237
ZTE İstanbul Telekomünikasyon	258.871	-
	<b>109.134.615</b>	<b>790.237</b>

**Benefits to Top Management:**

Top management of the Group comprised of; the members of the management and executive committee, General Managers and Deputy General Managers. For the year ended 31 December 2019, total remuneration for the directors and management board of the Group is TL 19.904.131 (31 December 2018: TL 13.531.021, 1 January 2018: TL 10.796.299). As of 31 December 2019, 2018 and 2017 there is no credit granted to the Group's Management.

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**29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

As of 31 December 2019, 2018 and 2017 the Group's net debt / total equity ratios are as follows:

	31 December 2019	31 December 2018	31 December 2017
Short-term and long-term borrowings	603.332.264	487.836.269	326.117.840
Cash and cash equivalents	(195.340.538)	(192.787.683)	(187.212.070)
Net financial debt	407.991.726	295.048.586	138.905.770
Equity	535.890.730	617.655.605	554.529.210
<b>Net financial debt/ Equity</b>	<b>76%</b>	<b>48%</b>	<b>25%</b>

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 of the date of balance sheet maximum credit risks are as follows:

31 December 2019	Trade Receivables		Other Receivables	
	Related Parties	Other	Other	Deposits at Banks
<b>Maximum credit risks as of balance sheet date (A+B+C+D)</b>	<b>8.287.038</b>	<b>905.138.037</b>	<b>531.110</b>	<b>195.340.538</b>
Maximum risk guaranteed by collateral	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	8.287.038	665.300.310	531.110	195.340.538
(B) Net book value of overdue but not impaired financial assets	-	239.837.727	-	-
Guaranteed by collateral	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-
Overdue (gross book value)	-	91.204.305	-	-
Impairment (-)	-	(91.204.305)	-	-
Guaranteed by collateral	-	-	-	-
Unexpired (gross book value)	-	-	-	-
Impairment (-)	-	-	-	-
Guaranteed by collateral	-	-	-	-
(D) Off balance sheet risks	-	-	-	-

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**29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)**

**Credit risk (Cont'd)**

31 December 2018	Trade Receivables		Other Receivables	
	Related Parties	Other	Other	Deposits at Banks
<b>Maximum credit risks as of balance sheet date (A+B+C+D)</b>	<b>7.142</b>	<b>857.633.559</b>	<b>1.728.286</b>	<b>192.787.683</b>
Maximum risk guaranteed by collateral	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	7.142	654.859.393	1.728.286	192.787.683
(B) Net book value of overdue but not impaired financial assets	-	202.774.166	-	-
Guaranteed by collateral	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-
Overdue (gross book value)	-	83.918.635	-	-
Impairment (-)	-	(83.918.635)	-	-
Guaranteed by collateral	-	-	-	-
Unexpired (gross book value)	-	-	-	-
Impairment (-)	-	-	-	-
Guaranteed by collateral	-	-	-	-
(D) Off balance sheet risks	-	-	-	-

31 December 2017	Trade Receivables		Other Receivables	
	Related Parties	Other	Other	Deposits at Banks
<b>Maximum credit risks as of balance sheet date (A+B+C+D)</b>	<b>-</b>	<b>855.238.698</b>	<b>1.479.485</b>	<b>187.212.070</b>
Maximum risk guaranteed by collateral	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	-	739.258.384	1.479.485	187.212.070
(B) Net book value of overdue but not impaired financial assets (*)	-	115.980.314	-	-
Guaranteed by collateral	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-
Overdue (gross book value)	-	35.662.918	-	-
Impairment (-)	-	(35.662.918)	-	-
Guaranteed by collateral	-	-	-	-
Unexpired (gross book value)	-	-	-	-
Impairment (-)	-	-	-	-
Guaranteed by collateral	-	-	-	-
(D) Off balance sheet risks	-	-	-	-

(\*) The amount of overdue but not impaired financial assets is consisted of TL 25.842.572 receivables from Nortel companies. As a result of net-off Nortel companies' receivables and payables, 5 % provision amount is adjusted.

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**29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)**

**Credit risk (Cont'd)**

The Group has applied the simplified approach stated in TFRS 9 to calculate the expected credit loss provision for trade receivables. This approach allows for a lifetime expected loan loss provision for all commercial receivables. In order to measure the expected credit loss, the Group first classifies its trade receivables by taking into account the characteristics of credit risk and credit risk. Expected credit loss ratios for each class of commercial receivables grouped using past credit loss experience and forward macroeconomic indicators were calculated and the expected credit loss provision was calculated by multiplying the determined ratio by the trade receivable totals.

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

31 December 2019	Undue	1-30 days overdue	1-3 months overdue	3-6 months overdue	6-12 months overdue	1-5 years overdue
Credit loss ratio (%)	0,0004	0,0012	0,0018	0,0032	0,0066	0,0180
As of period	659.428.394	58.315.360	48.558.783	10.172.224	31.268.669	97.394.607
Expected credit loss	23.671.198	112.299	251.439	168.265	244.924	5.094.988

31 December 2018	Undue	1-30 days overdue	1-3 months overdue	3-6 months overdue	6-12 months overdue	1-5 years overdue
Credit loss ratio (%)	0,0032	0,0106	0,0199	0,0328	0,0748	0,2163
As of period	645.178.651	66.988.771	18.055.677	21.093.116	52.047.199	54.270.145
Expected credit loss	22.989.730	158.127	397.323	1.069.870	2.144.742	5.910.680

31 December 2017	Undue	1-30 days overdue	1-3 months overdue	3-6 months overdue	6-12 months overdue	1-5 years overdue
Credit loss ratio (%)	-	-	-	-	-	-
As of period	739.258.384	51.302.959	7.531.226	18.473.277	12.830.280	25.842.572
Expected credit loss	-	-	-	-	-	-

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**29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)**
**Liquidity risk (Cont'd)**
**31 December 2019:**

Maturities due to agreements	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
<b>Non- derivative financial liabilities</b>	<b>1.194.870.628</b>	<b>1.308.350.117</b>	<b>804.528.963</b>	<b>201.027.971</b>	<b>302.793.183</b>
Financial liabilities	603.332.264	664.390.729	269.990.320	149.376.270	245.024.139
Lease Liabilities	56.937.920	109.358.944	-	51.651.701	57.707.243
Due to related parties	93.593.477	93.593.477	93.593.477	-	-
Other trade payables to third parties	418.865.758	418.865.758	418.803.957	-	61.801
Other payables to third parties	22.141.209	22.141.209	22.141.209	-	-

**31 December 2018:**

Maturities due to agreements	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
<b>Non- derivative financial liabilities</b>	<b>831.930.113</b>	<b>877.864.335</b>	<b>437.518.625</b>	<b>440.288.294</b>	<b>57.416</b>
Financial liabilities	487.836.269	533.770.491	93.482.197	440.288.294	-
Due to related parties	353.107	353.107	353.107	-	-
Other trade payables to third parties	326.676.534	326.676.534	326.619.118	-	57.416
Other payables to third parties	17.064.203	17.064.203	17.064.203	-	-

**31 December 2017:**

Maturities due to agreements	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
<b>Non- derivative financial liabilities</b>	<b>751.895.794</b>	<b>776.757.533</b>	<b>431.969.988</b>	<b>316.266.842</b>	<b>28.520.703</b>
Financial liabilities	326.117.840	350.979.579	6.238.391	316.266.842	28.474.346
Due to related parties	1.715.824	1.715.824	1.715.824	-	-
Other trade payables to third parties	413.351.168	413.351.168	413.304.811	-	46.357
Other payables to third parties	10.710.962	10.710.962	10.710.962	-	-

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**29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)**
**Interest rate risk**

Interest rate sensitive financial assets are placed in short term financial instruments in order to avoid any possible interest rate fluctuations. The Group has the following interest sensitive liability as of the balance sheet date.

	31 December 2019	31 December 2018	31 December 2017
<b>Fixed interest rate financial instruments</b>	<b>460.714.291</b>	<b>579.572.078</b>	<b>440.670.781</b>
Cash and Cash Equivalents (*)	26.156.222	116.933.685	114.553.052
Financial liabilities	434.558.069	462.638.393	326.117.729
<b>Variable interest rate financial instruments</b>	<b>163.675.800</b>	<b>20.000.000</b>	<b>-</b>
Financial liabilities	163.675.800	20.000.000	-
<b>Interest-free financial instruments</b>	<b>5.098.395</b>	<b>5.197.876</b>	<b>111</b>
Financial liabilities	5.098.395	5.197.876	111

(\*) As of 31 December 2019, 2018 and 2017 includes bank time deposits.

**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 2019	31 December 2018
Export	167.690.202	169.744.988
Import	38.033.368	86.645.720

As of 31 December 2019, 2018 and 2017, the Group's foreign currency position table is given below:

31 December 2019	Original Currency					
	TL Equivalent (*)	TL	Euro	GBP	BDT	Other
<b>Current Assets</b>	<b>96.564.496</b>	<b>55.612.080</b>	<b>3.457.555</b>	<b>221</b>	<b>-</b>	<b>604.238.178</b>
Cash and cash equivalents	32.387.818	16.555.359	472.729	221	-	468.725.847
Trade receivables, third parties	63.872.388	39.019.462	2.958.234	-	-	133.696.851
Other receivables, third parties	304.290	37.259	26.592	-	-	1.815.480
<b>TOTAL ASSETS (A)</b>	<b>96.564.496</b>	<b>55.612.080</b>	<b>3.457.555</b>	<b>221</b>	<b>-</b>	<b>604.238.178</b>
<b>Short Term Liabilities</b>	<b>509.395.144</b>	<b>490.410.768</b>	<b>2.270.904</b>	<b>633</b>	<b>-</b>	<b>274.930.154</b>
Financial liabilities	383.361.880	383.361.880	-	-	-	-
Trade payables, third parties	103.892.055	84.907.679	2.270.904	633	-	238.265.380
Other payables, third parties	22.141.209	22.141.209	-	-	-	36.664.774
<b>Long Term Liabilities</b>	<b>196.209.584</b>	<b>196.209.584</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Long term financial liabilities	196.209.584	196.209.584	-	-	-	-
<b>TOTAL LIABILITIES (B)</b>	<b>705.604.728</b>	<b>686.620.352</b>	<b>2.270.904</b>	<b>633</b>	<b>-</b>	<b>274.930.154</b>
<b>Net Foreign Currency Asset / (Liability) Position (A-B)</b>	<b>(609.040.232)</b>	<b>(631.008.272)</b>	<b>1.186.651</b>	<b>(412)</b>	<b>-</b>	<b>329.308.024</b>

(\*) 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 year end rates.

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**29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)**
**Foreign currency risk (Cont'd)**

31 December 2018	Original Currency					
	TL Equivalent (*)	TL	Euro	GBP	BDT	Other
<b>Current Assets</b>	<b>252.889.282</b>	<b>83.793.736</b>	<b>7.899.114</b>	<b>4.043</b>	<b>2.449.425</b>	<b>146.067.197</b>
Cash and cash equivalents	42.890.888	37.918.156	722.246	4.043	2.449.425	17.418.936
Trade receivables, third parties	208.468.777	44.642.377	7.140.956	-	-	126.832.781
Other receivables, third parties	1.529.617	1.233.203	35.912	-	-	1.815.480
<b>TOTAL ASSETS (A)</b>	<b>252.889.282</b>	<b>83.793.736</b>	<b>7.899.114</b>	<b>4.043</b>	<b>2.449.425</b>	<b>146.067.197</b>
<b>Short Term Liabilities</b>	<b>622.017.178</b>	<b>609.277.893</b>	<b>2.026.212</b>	<b>41.805</b>	<b>-</b>	<b>12.219.450</b>
Financial liabilities	487.836.269	487.836.269	-	-	-	-
Trade payables, third parties	116.970.207	104.269.718	2.026.212	41.805	-	9.412.226
Other payables, third parties	17.210.702	17.171.906	-	-	-	2.807.224
<b>Long Term Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES (B)</b>	<b>622.017.178</b>	<b>609.277.893</b>	<b>2.026.212</b>	<b>41.805</b>	<b>-</b>	<b>12.219.450</b>
<b>Net Foreign Currency Asset / (Liability) Position (A-B)</b>	<b>(369.127.896)</b>	<b>(525.484.157)</b>	<b>5.872.902</b>	<b>(37.762)</b>	<b>2.449.425</b>	<b>133.847.747</b>

(\*) 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 year end rates.

31 December 2017	Original Currency					
	TL Equivalent (*)	TL	Euro	GBP	BDT	Other
<b>Current Assets</b>	<b>228.463.549</b>	<b>175.665.776</b>	<b>9.142.174</b>	<b>33.441</b>	<b>12.601.173</b>	<b>691.689.123</b>
Cash and cash equivalents	35.754.805	17.233.160	2.216.912	33.441	12.601.173	574.000.091
Trade receivables, third parties	191.303.139	157.087.401	6.925.262	-	-	115.837.736
Other receivables, third parties	1.405.605	1.345.215	-	-	-	1.851.296
<b>TOTAL ASSETS (A)</b>	<b>228.463.549</b>	<b>175.665.776</b>	<b>9.142.174</b>	<b>33.441</b>	<b>12.601.173</b>	<b>691.689.123</b>
<b>Short Term Liabilities</b>	<b>285.142.938</b>	<b>280.460.437</b>	<b>369.833</b>	<b>4.347</b>	<b>450.000</b>	<b>107.728.131</b>
Financial liabilities	207.390.524	207.390.524	-	-	-	-
Trade payables, third parties	67.031.853	62.369.948	369.833	4.347	450.000	105.911.965
Other payables, third parties	10.720.561	10.699.965	-	-	-	1.816.166
<b>Long Term Liabilities</b>	<b>24.044.293</b>	<b>24.044.293</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Long term financial liabilities	24.044.293	24.044.293	-	-	-	-
<b>TOTAL LIABILITIES (B)</b>	<b>309.187.231</b>	<b>304.504.730</b>	<b>369.833</b>	<b>4.347</b>	<b>450.000</b>	<b>107.728.131</b>
<b>Net Foreign Currency Asset / (Liability) Position (A-B)</b>	<b>(80.723.682)</b>	<b>(128.838.954)</b>	<b>8.772.341</b>	<b>29.094</b>	<b>12.151.173</b>	<b>583.960.992</b>

(\*) 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 year end rates.

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**29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)**
**Foreign currency risk (Cont'd)**

31 December 2019	Profit / (Loss)	
	Appreciation	Devaluation
<i>Effect of 10 % appreciation/devaluation in TL -USD exchange rate :</i>		
Net asset / (liability) in TL	(63.100.827)	63.100.827
Hedged portion from TL risk (-)	-	-
<b>(1) Net effect of TL</b>	<b>(63.100.827)</b>	<b>63.100.827</b>
<i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i>		
Net asset / (liability) in EUR	789.194	(789.194)
Hedged portion from EUR risk (-)	-	-
<b>(2) Net effect of EUR</b>	<b>789.194</b>	<b>(789.194)</b>
<i>Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:</i>		
Net asset / (liability) in other currencies	1.407.610	(1.407.610)
Hedged portion from other currencies risk (-)	-	-
<b>(3) Net effect of other currencies</b>	<b>1.407.610</b>	<b>(1.407.610)</b>
<b>TOTAL (1+2+3)</b>	<b>(60.904.023)</b>	<b>60.904.023</b>

31 December 2018	Profit / (Loss)	
	Appreciation	Devaluation
<i>Effect of 10 % appreciation/devaluation in TL -USD exchange rate :</i>		
Net asset / (liability) in TL	(52.548.416)	52.548.416
Hedged portion from TL risk (-)	-	-
<b>(1) Net effect of TL</b>	<b>(52.548.416)</b>	<b>52.548.416</b>
<i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i>		
Net asset / (liability) in EUR	3.540.185	(3.540.185)
Hedged portion from EUR risk (-)	-	-
<b>(2) Net effect of EUR</b>	<b>3.540.185</b>	<b>(3.540.185)</b>
<i>Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:</i>		
Net asset / (liability) in other currencies	12.095.441	(12.095.441)
Hedged portion from other currencies risk (-)	-	-
<b>(3) Net effect of other currencies</b>	<b>12.095.441</b>	<b>(12.095.441)</b>
<b>TOTAL (1+2+3)</b>	<b>(36.912.790)</b>	<b>36.912.790</b>

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**29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)**

**Foreign currency risk (Cont'd)**

31 December 2017		
	Profit / (Loss)	
	Appreciation	Devaluation
<i>Effect of 10 % appreciation/devaluation in TL -USD exchange rate :</i>		
Net asset / (liability) in TL	(12.883.895)	12.883.895
Hedged portion from TL risk (-)	-	-
<b>(1) Net effect of TL</b>	<b>(12.883.895)</b>	<b>12.883.895</b>
<i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i>		
Net asset / (liability) in EUR	3.961.151	(3.961.151)
Hedged portion from EUR risk (-)	-	-
<b>(2) Net effect of EUR</b>	<b>3.961.151</b>	<b>(3.961.151)</b>
<i>Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:</i>		
Net asset / (liability) in other currencies	850.377	(850.377)
Hedged portion from other currencies risk (-)	-	-
<b>(3) Net effect of other currencies</b>	<b>850.377</b>	<b>(850.377)</b>
<b>TOTAL (1+2+3)</b>	<b>(8.072.368)</b>	<b>8.072.368</b>

**30. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is defined as the price to be obtained from the sale of an asset or to be paid in the transfer of a debt in the usual transaction between market participants on the measurement date.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methods. However, estimates are required in the interpretation of market data to determine fair value. Accordingly, the estimations presented here may not show the amounts that the Group can obtain in a current market transaction.

The following methods and assumptions are used to estimate the fair value of financial instruments:

**Financial Assets:**

It is anticipated that the recorded values of financial assets, which are shown at cost including cash and cash equivalents, are equal to their fair values because they are short term.

It is foreseen that the registered values of trade receivables reflect the fair value together with the relevant impairment provisions.

**Financial Liabilities:**

The fair values of variable interest and short-term bank loans and other monetary debts are expected to be close to their book values.

**The Fair Value Measurement Hierarchy**

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.

In accordance with fair value hierarchy; while cash and cash equivalent are categorized as of Level 1, other financial asset and liabilities are categorized as Level 2.

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**31. SUBSEQUENT EVENTS**

None.

**32. DISCLOSURE OF OTHER MATTERS THAT MAY AFFECT CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR IS NECESSARY FOR CONSOLIDATED FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND COMPREHENSIBLE**

Netaş Bilişim Teknolojileri A.Ş., that the Group has 100% shareholding rate, has signed an exclusivity agreement with Orion Parent LLC in order to evaluate strategic alternatives for NetRD Bilgi Teknolojileri ve Telekomünikasyon on 19 March 2019. As of the date of statement of financial position, the sales have not been completed.

Statement of financial position and statement of profit or loss of NETRD as of 31 December 2019 are as follows:

	Current Year 31 December 2019	Previous Year 31 December 2018
<b>ASSETS</b>		
<b>Current Assets</b>	<b>34.935.629</b>	<b>55.475</b>
Cash and Cash Equivalents	2.891.921	30.881
Trade Receivables	26.685.956	-
<i>Due from related parties</i>	-	-
<i>Trade receivables, third parties</i>	26.685.956	-
Contract Assets	-	22.874
Prepaid Expenses	877.564	452
Other Current Assets	4.480.188	1.268
<b>Non-Current Assets</b>	<b>18.086.935</b>	<b>-</b>
Property, Plant and Equipment	3.316.521	-
Right of Use Assets	6.312.211	-
Intangible Assets	2.501.959	-
<i>Goodwill</i>	2.501.959	-
Deferred Tax Assets	5.956.244	-
<b>TOTAL ASSETS</b>	<b>53.022.564</b>	<b>55.475</b>

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2019**

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**32. DISCLOSURE OF OTHER MATTERS THAT MAY AFFECT CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR IS NECESSARY FOR CONSOLIDATED FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND COMPREHENSIBLE (Cont'd)**

	Current Year 31 December 2019	Previous Year 31 December 2018
<b>LIABILITIES</b>		
<b>Short Term Liabilities</b>	<b>35.314.103</b>	<b>7.328</b>
Short Term Financial Liabilities	11.505.538	-
<i>Bank Loans</i>	9.998.824	-
<i>Lease Liabilities</i>	1.506.714	-
Trade Payables	14.269.126	-
<i>Due to related parties</i>	11.843.701	-
<i>Trade payables, third parties</i>	2.425.425	7.081
Employee Benefit Obligations	4.032.226	247
Provisions	5.472.760	-
<i>Provision for Employee Benefits</i>	5.323.958	-
<i>Other Short Term Provisions</i>	148.802	-
Other Payables	34.453	-
<b>Long Term Liabilities</b>	<b>5.164.802</b>	<b>-</b>
Long Term Borrowings	5.164.802	-
<i>Lease Liabilities</i>	5.164.802	-
<b>SHAREHOLDERS' EQUITY</b>	<b>12.543.659</b>	<b>48.147</b>
Share Capital	50.000	50.000
Net Profit for the Period	11.922.881	3.904
Currency Translation Differences	566.874	(5.757)
Retained Earnings	3.904	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>53.022.564</b>	<b>55.475</b>
	Current Year 1 January- 31 December 2019	Previous Year 1 January- 31 December 2018
<b>INCOME OR LOSS FROM OPERATIONS</b>		
Revenue	82.043.178	-
Cost of Sales (-)	(71.375.019)	-
<b>GROSS PROFIT</b>	<b>10.668.159</b>	<b>-</b>
Research and Development Expenses (-)	(12.527)	-
Other Income from Operating Activities	28.660	3.904
Other Expenses from Operating Activities (-)	(1.897.886)	-
<b>OPERATING PROFIT</b>	<b>8.786.406</b>	<b>3.904</b>
Financial Income	382.751	-
Financial Expenses (-)	(2.932.399)	-
<b>PROFIT BEFORE TAX</b>	<b>6.236.758</b>	<b>3.904</b>
Tax Income	5.686.123	-
Current Tax Expenses	-	-
Deferred Tax Income	5.686.123	-
<b>NET PROFIT FOR THE PERIOD</b>	<b>11.922.881</b>	<b>3.904</b>

(Convenience translation of the report and the consolidated financial statements originally issued in Turkish)

## **Netaş Telekomünikasyon A.Ş.**

**Company Name:** Netaş Telekomünikasyon A.Ş.  
**Trade Registration Number:** 94955/40304  
**Mersis No:** 0632000106100010

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