

**NETAŞ TELEKOMÜNİKASYON A.Ş.  
AND ITS' SUBSIDIARIES**

**CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS AS AT AND FOR THE  
PERIOD ENDED 30 JUNE 2020 AND  
AUDITOR'S REVIEW REPORT**

**(CONVENIENCE TRANSLATION OF  
THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
AND THE AUDITORS' REVIEW REPORT ORIGINALLY ISSUED IN  
TURKISH)**

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

## Report on Review of Interim Condensed Consolidated Financial Statements

Netaş Telekomünikasyon A.Ş.

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Netaş Telekomünikasyon A.Ş. (the Company) and its subsidiaries (the Group) as of June 30, 2020 and the interim condensed consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement cash flows for the six-month period then ended, and explanatory notes. Group management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Turkish Accounting Standard 34, Interim Financial Reporting (TAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### *Scope of Review*

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with TAS 34.

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



Sinem Arı Öz, SMMM  
Partner

August 13, 2020  
İstanbul, Turkey

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# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

	Notes	Reviewed 30 June 2020	Audited 31 December 2019
<b>ASSETS</b>			
<b>Current Assets</b>		<b>1.475.555.614</b>	<b>1.511.828.338</b>
Cash and Cash Equivalents	5	185.883.802	195.340.538
Trade Receivables		853.021.102	871.112.583
<i>Due from related parties</i>	23	9.803.997	8.287.038
<i>Trade receivables, third parties</i>	7	843.217.105	862.825.545
Other Receivables		516.913	531.110
<i>Other receivables, third parties</i>		516.913	531.110
Inventories	8	134.930.406	124.259.454
Contract Assets related to Goods and Services Provided		224.984.924	239.795.554
<i>Contract Assets related to Goods and Services Provided</i>	4	224.984.924	239.795.554
Prepaid Expenses		15.035.699	10.409.097
Current Income Tax Assets	22	27.895.541	32.967.279
Other Current Assets	16	33.287.227	37.412.723
<b>Non-Current Assets</b>		<b>577.629.495</b>	<b>494.362.377</b>
Trade Receivables		48.671.644	42.312.492
<i>Trade receivables, third parties</i>	7	48.671.644	42.312.492
Property, Plant and Equipment	9	71.158.257	58.083.609
Right of Use Assets	10	41.895.129	52.251.621
Financial Investments		6.373.397	5.533.199
Intangible Assets		234.330.340	190.731.271
<i>Goodwill</i>	11	125.404.581	108.872.627
<i>Other intangible assets</i>	11	108.925.759	81.858.644
Investments Accounted Using the Equity Method	3	10.246.455	9.401.553
Other Non-Current Assets	16	14.433.771	13.244.001
Prepaid Expenses		1.128.183	1.626.760
Deferred Tax Assets	22	149.392.319	121.177.871
<b>TOTAL ASSETS</b>		<b>2.053.185.109</b>	<b>2.006.190.715</b>

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

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

	Notes	Reviewed 30 June 2020	Audited 31 December 2019
<b>LIABILITIES</b>			
<b>Short Term Liabilities</b>		<b>1.184.954.520</b>	<b>1.198.142.317</b>
Short Term Borrowings		377.589.037	434.015.226
<i>Bank Loans</i>	6	347.146.534	407.122.680
<i>Lease Liabilities</i>	6	30.442.503	26.892.546
Trade Payables		574.913.079	512.397.434
<i>Due to related parties</i>	23	56.391.784	93.593.477
<i>Trade payables, third parties</i>	7	518.521.295	418.803.957
Other Payables		16.849.679	22.141.209
<i>Other payables, third parties</i>		16.849.679	22.141.209
Employee Benefit Obligations	15	24.879.255	24.660.041
Contract Liabilities		82.032.109	106.554.998
<i>Contract Liabilities</i>	4	82.032.109	106.554.998
Provisions		27.237.109	36.704.941
<i>Provisions for Employee Benefits</i>	15	18.557.336	29.428.553
<i>Other Short Term Provisions</i>	13	8.679.773	7.276.388
Deferred Revenue	4	81.454.252	61.319.303
Current Income Tax Liabilities	22	-	349.165
<b>Long Term Liabilities</b>		<b>272.661.178</b>	<b>271.838.979</b>
Long Term Borrowings		226.791.429	226.254.958
<i>Bank Loans</i>	6	206.179.367	196.209.584
<i>Lease Liabilities</i>	6	20.612.062	30.045.374
Trade Payables		71.584	61.801
<i>Trade payables, third parties</i>	7	71.584	61.801
Provisions		27.629.378	29.114.925
<i>Provisions for Employee Benefits</i>	15	27.629.378	29.114.925
Deferred Tax Liabilities	22	18.168.787	16.407.295
<b>SHAREHOLDERS' EQUITY</b>			
<b>Equity Attributable to Equity Holders of the Parent</b>		<b>593.853.747</b>	<b>535.890.730</b>
Share Capital	17	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		(121.841)	(4.241)
<i>Currency Translation Differences</i>		(121.841)	(4.241)
Other comprehensive income not to be reclassified in profit and loss		343.049.233	300.432.088
<i>Remeasurement gain/ (loss) on defined benefit plans</i>		(9.309.272)	(9.309.272)
<i>Currency Translation Differences</i>		352.358.505	309.741.360
Restricted Reserves	17	34.897.360	34.897.360
Retained Earnings		94.088.563	242.688.833
Net Profit /(Loss) for the Period		15.463.472	(148.600.270)
<b>Non-controlling interests</b>		<b>1.715.664</b>	<b>318.689</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2.053.185.109</b>	<b>2.006.190.715</b>

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# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

	Notes	Restated (*)		Unaudited	Restated (*)
		Reviewed	Reviewed		
		1 January- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2020	1 January- 30 June 2019
<b>INCOME OR LOSS FROM OPERATIONS</b>					
Revenue	18	727.237.275	565.521.166	422.907.908	346.106.901
Cost of Sales (-)		(652.652.902)	(514.619.680)	(378.547.072)	(312.505.074)
<b>GIROSS PROFIT</b>		<b>74.584.373</b>	<b>50.901.486</b>	<b>44.360.836</b>	<b>33.601.827</b>
Sales, Marketing and Distribution Expenses (-)		(46.366.457)	(52.528.123)	(22.837.938)	(28.653.462)
General Administrative Expenses (-)		(31.057.033)	(35.721.383)	(14.066.731)	(16.779.604)
Research and Development Expenses (-)		(1.411.618)	(3.781.287)	(501.419)	(781.833)
Other Income from Operating Activities	19	7.591.331	22.091.468	1.915.718	5.380.515
Other Expenses from Operating Activities (-)	19	(29.593.588)	(53.145.405)	(5.970.596)	(28.441.216)
<b>OPERATING (LOSS)/ PROFIT</b>		<b>(26.252.992)</b>	<b>(72.183.244)</b>	<b>2.899.870</b>	<b>(35.673.773)</b>
Income from Investment Activities	21	30.736	15.829	21.061	5.054
Expenses from Investment Activities (-)	21	(176.374)	(4.528)	(173.638)	(3.938)
Income from Investments Accounted Using the Equity Method	3	(4.783)	280.879	(20.365)	196.158
<b>OPERATING (LOSS)/ PROFIT BEFORE FINANCE INCOME AND EXPENSES</b>		<b>(26.403.413)</b>	<b>(71.891.064)</b>	<b>2.726.928</b>	<b>(35.476.499)</b>
Financial Income	20	49.118.193	53.542.911	16.095.466	15.504.244
Financial Expenses (-)	20	(53.129.595)	(81.578.434)	(25.021.075)	(40.033.284)
<b>(LOSS) BEFORE TAX</b>		<b>(30.414.815)</b>	<b>(99.926.587)</b>	<b>(6.198.681)</b>	<b>(60.005.539)</b>
<b>Tax Income/(Loss)</b>		<b>47.095.767</b>	<b>1.217.106</b>	<b>25.949.551</b>	<b>(6.243.527)</b>
Current Tax Expenses	22	-	(88.692)	-	(88.692)
Deferred Tax Income/(Loss)	22	47.095.767	1.305.798	25.949.551	(6.154.835)
<b>NET PROFIT/ (LOSS) FOR THE PERIOD</b>		<b>16.680.952</b>	<b>(98.709.481)</b>	<b>19.750.870</b>	<b>(66.249.066)</b>
<b>Attributable to:</b>					
Non-controlling Interest		1.217.480	(33.735)	1.368.400	(33.735)
Equity Holders of the Parent		15.463.472	(98.675.746)	18.382.470	(66.215.331)
Earn/(Loss) per share		0,2572	(1,5218)	0,3045	(1,0213)
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Other comprehensive income or expenses that will not be reclassified subsequently to profit of loss</b>					
Currency translation differences		42.617.145	62.964.325	28.441.434	(2.541.264)
<b>Other comprehensive income or expenses that will be reclassified subsequently to profit of loss</b>					
Currency translation differences		(117.600)	(8.405)	80.809	(2.227)
<b>OTHER COMPREHENSIVE INCOME/ (LOSS)</b>		<b>42.499.545</b>	<b>62.955.920</b>	<b>28.522.243</b>	<b>(2.543.491)</b>
<b>TOTAL COMPREHENSIVE INCOME/ (LOSS)</b>		<b>59.180.497</b>	<b>(35.753.561)</b>	<b>48.273.113</b>	<b>(68.792.557)</b>
<b>Attributable to:</b>					
Non-controlling Interest		1.217.480	(33.735)	1.368.400	(33.735)
Equity Holders of the Parent		57.963.017	(35.719.826)	46.904.713	(68.758.822)

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

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# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

	Share Capital	Share Capital Adjustments	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
			Currency Translation Differences	Currency Translation Differences	Remeasurement loss on defined benefit plans	Restricted Reserves	Retained Earnings	/Profit for the Period			
<b>Balance as at 1 January 2019</b>	<b>64.864.800</b>	<b>41.612.160</b>	<b>28.564.108</b>	<b>495.474.961</b>	<b>(7.862.007)</b>	<b>34.897.360</b>	<b>175.927.647</b>	<b>(19.814.091)</b>	<b>813.664.938</b>	<b>-</b>	<b>813.664.938</b>
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>	<b>64.864.800</b>	<b>41.612.160</b>	<b>(42.740)</b>	<b>241.497.199</b>	<b>(7.862.007)</b>	<b>34.897.360</b>	<b>326.897.775</b>	<b>(84.208.942)</b>	<b>617.655.605</b>	<b>-</b>	<b>617.655.605</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(8.405)</b>	<b>62.964.325</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(98.675.746)</b>	<b>(35.719.826)</b>	<b>(33.735)</b>	<b>(35.753.561)</b>
Additions to the scope of consolidation	-	-	-	-	-	-	-	-	-	498.184	498.184
Transfer	-	-	-	-	-	-	(84.208.942)	84.208.942	-	-	-
<b>Balance as at 30 June 2019</b>	<b>64.864.800</b>	<b>41.612.160</b>	<b>(51.145)</b>	<b>304.461.524</b>	<b>(7.862.007)</b>	<b>34.897.360</b>	<b>242.688.833</b>	<b>(98.675.746)</b>	<b>581.935.779</b>	<b>464.449</b>	<b>582.400.228</b>
<b>Balance as at 1 January 2020</b>	<b>64.864.800</b>	<b>41.612.160</b>	<b>(4.241)</b>	<b>309.741.360</b>	<b>(9.309.272)</b>	<b>34.897.360</b>	<b>242.688.833</b>	<b>(148.600.270)</b>	<b>535.890.730</b>	<b>318.689</b>	<b>536.209.419</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(117.600)</b>	<b>42.617.145</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15.463.472</b>	<b>57.963.017</b>	<b>1.217.480</b>	<b>59.180.497</b>
Additions to the scope of consolidation	-	-	-	-	-	-	-	-	-	179.495	179.495
Transfer	-	-	-	-	-	-	(148.600.270)	148.600.270	-	-	-
<b>Balance as at 30 June 2020</b>	<b>64.864.800</b>	<b>41.612.160</b>	<b>(121.841)</b>	<b>352.358.505</b>	<b>(9.309.272)</b>	<b>34.897.360</b>	<b>94.088.563</b>	<b>15.463.472</b>	<b>593.853.747</b>	<b>1.715.664</b>	<b>595.569.411</b>

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

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

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

	Notes	Current Period 1 January- 30 June 2020	Restated (*) Previous Period 1 January- 30 June 2019
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Net (Loss) for the Period</b>		<b>16.680.952</b>	<b>(98.709.481)</b>
<i>Profit/(Loss) from Continuing Operations</i>		<i>16.680.952</i>	<i>(98.709.481)</i>
<b>Adjustments to Reconcile Profit/Loss</b>		<b>(5.380.543)</b>	<b>55.394.831</b>
Adjustments for Depreciation and Amortisation Expenses		34.994.405	28.814.859
Adjustments for (Reversal of) Impairment Loss Recognised in Profit or Loss		(3.853.708)	(13.911.063)
<i>Adjustments for (Reversal of) Provision of Receivables</i>	7	<i>(3.853.708)</i>	<i>(13.911.063)</i>
Adjustments For Provisions		18.749.275	27.414.460
<i>Adjustments for Provisions Related with Employee Benefits</i>		<i>17.187.640</i>	<i>24.861.525</i>
<i>Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions</i>	13	<i>1.367.655</i>	<i>960.864</i>
<i>Adjustments for (Reversal of) Other Provisions</i>		<i>193.980</i>	<i>1.592.071</i>
Adjustments for Interest (Income) and Expenses		40.314.470	60.532.183
<i>Adjustments for Interest Income</i>	20	<i>(478.554)</i>	<i>(7.596.589)</i>
<i>Adjustments for Interest Expense</i>	20	<i>40.921.869</i>	<i>70.990.191</i>
<i>Unearned Financial Loss/Income from Credit Sales</i>	19	<i>(128.845)</i>	<i>(2.861.419)</i>
Adjustments For Unrealised Foreign Exchange Losses (Gains)	20	(48.639.639)	(45.946.322)
Adjustments for Share of Profit of Investments Accounted for Using the Equity Method	3	4.783	(280.879)
Adjustments for Losses Tax Expense	22	(47.095.767)	(1.217.106)
Adjustments for (Gains)/Losses disposal of non-current assets		145.638	(11.301)
<i>Adjustments for (Gains)/Losses Arising From Sale of Property, Plant and Equipment</i>	21	<i>145.638</i>	<i>(11.301)</i>
<b>Changes in Working Capital</b>		<b>160.592.408</b>	<b>63.965.797</b>
Adjustments for Decrease / (Increase) in Trade Receivables		141.165.953	89.330.526
<i>Decrease (Increase) in Trade Receivables from Related Parties</i>		<i>(244.197)</i>	<i>(166.633)</i>
<i>Decrease (Increase) in Trade Receivables from Third Parties</i>		<i>141.410.150</i>	<i>89.497.159</i>
<i>Adjustments for Decrease (Increase) in Other Receivables Related with Operations</i>		<i>18.660.852</i>	<i>(8.506.730)</i>
<i>Adjustments for Decrease (Increase) in Other Receivables Related with Operations from Third Parties</i>		<i>18.660.852</i>	<i>(8.506.730)</i>
Adjustments for Decrease / (Increase) in Inventories		7.740.857	(21.398.710)
Decrease / (Increase) in Prepaid Expenses		(2.172.286)	7.108.124
Adjustments for (Decrease) in Trade Payables		(14.438.213)	(15.077.779)
Increase (Decrease) in Trade Payables to Related Parties		(48.549.901)	15.677.219
(Decrease)/Increase in Trade Payables to Third Parties		34.111.688	(30.754.998)
Increase (Decrease) in Payables due to Employee Benefits		(3.328.978)	5.810.996
(Decrease)/Increase in Contract Assets		48.369.772	(13.203.177)
Adjustments for Decrease in Other Operating Payables		(9.173.638)	(6.412.159)
<i>(Decrease) in Other Operating Payables to Unrelated Parties</i>		<i>(9.173.638)</i>	<i>(6.412.159)</i>
(Decrease)/ Increase in Contract Liabilities		(38.435.830)	30.616.594
Other Adjustments for Other (Decrease)/ Increase in Working Capital		12.203.919	(4.301.888)
<b>Cash Flows (Used in) Generated From Operations</b>		<b>171.892.817</b>	<b>20.651.147</b>
Payments Related with Provisions for Employee Benefits		(29.544.404)	(32.062.237)
Payments Related with Lawsuits	13	(1.280.396)	(1.296.589)
		<b>141.068.017</b>	<b>(12.707.679)</b>

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

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# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

		Restated (*)
	Current Period	Previous Period
	1 January-	1 January-
Notes	30 June 2020	30 June 2019
<b>B.CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES</b>		
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets	30.736	15.829
<i>Proceeds from Sales of Property, Plant, Equipment</i>	21 30.736	15.829
Purchase of Property, Plant, Equipment and Intangible Assets	(40.894.916)	(14.163.928)
<i>Purchase of Property, Plant, Equipment</i>	9 (13.418.760)	(7.990.558)
<i>Purchase of Intangible Assets</i>	11 (27.476.156)	(6.173.370)
Interest Received	20 478.554	7.596.589
Other Outflows of Cash	(840.198)	(559.796)
	<b><u>(41.225.824)</u></b>	<b><u>(7.111.306)</u></b>
<b>C.CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES</b>		
Proceeds from Borrowings/Outflows,net	6 656.895.015	907.064.956
Purchase from Borrowings/Outflows,net	6 (714.361.500)	(720.297.845)
Interest Paid	20 (40.921.869)	(70.990.191)
Payments of lease liabilities	6 (13.649.288)	(16.580.418)
	<b><u>(112.037.642)</u></b>	<b><u>99.196.502</u></b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)</b>	<b><u>(12.195.449)</u></b>	<b><u>79.377.517</u></b>
<b>D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	2.738.713	22.003.613
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>	<b><u>(9.456.736)</u></b>	<b><u>101.381.130</u></b>
<b>E.CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	5 195.340.538	192.787.331
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (A+B+C+D+E)</b>	5 <b><u>185.883.802</u></b>	<b><u>294.168.461</u></b>

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

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

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

### 1. ORGANIZATION AND OPERATIONS OF THE GROUP

Netaş Telekomünikasyon A.Ş. (The "Company"), its affiliates and subsidiaries (together with the "Group"), the digital transformation in technology adviser for the customer, Turkey as a leading system integrator's and region, service providers, and institutions with a new generation of wired, wireless, enterprise and optical networking technologies as well as a capital company established and registered in Istanbul, offering end-to-end value-added information solutions (such as broadband, cybersecurity, IoT, etc.), business applications and value-added services. shares of the Company are quoted on the Borsa İstanbul ("BIST") since 1993. The Group headquarters was registered as the address of Yenişehir Mahallesi, Osmanlı Bulvarı No: 11 Esas Aeropark Building, 34912 Kurtköy, Pendik, Istanbul by the Istanbul Trade Registry Office on 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., 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.

The details of the Company's subsidiaries as of 30 June 2020 are as follows:

	Place and establishment of operation	Group's shares in capital and voting rights	Main operating activities
Netaş Bilişim Teknolojileri A.Ş.	Turkey	% 100	Consultancy of project installments and network solutions
BDH Bilişim Destek Hizmetleri Sanayi ve Ticaret A.Ş.	Turkey	% 100	Technical supports 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 activities
Netas Telecommunications Algeria Sarl LLC (*)	Algeria	% 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 Netaş Telekomünikasyon A.Ş. in accordance with the agreement between the parties and therefore, Netaş Telecommunications Algeria Sarl LLC is accounted with full consolidated method.

Netaş Information Technologies Inc. ("Netaş Bilişim"), a 100% subsidiary of the Group, provides its customers with sectoral solutions, system integration, outsourcing, service and maintenance. Established in 1989, Netaş Bilişim offers value-added solutions in the Commonwealth of Independent States (CIS) countries, especially in Asia Pacific (Nepal), Kazakhstan, Azerbaijan, Algeria and Uzbekistan, with strategic business partnerships with various organizations.

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.

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

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

### 1. ORGANIZATION AND OPERATIONS OF THE GROUP (Cont'd)

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. (“KRON”), 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 (Netas 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 28.

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 17.

As of 30 June 2020 the Group has no blue-collar employees (31 December 2019: None). The average number of personnel employed in the Group as of 30 June 2020 is 2.398 white-collar (31 December 2019: 2.478).

#### Approval of Condensed Consolidated Financial Statements

The condensed consolidated financial statements were approved by the Board of Directors on 13 August 2020.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

## 2. BASIS OF PRESENTATION OF THE CONDENSED 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 condensed 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 condensed 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.

For the period ended 30 June 2020, the Group prepared its condensed consolidated financial statements in accordance with the Turkish Accounting Standard No.34 Interim Financial Reporting. Condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group’s annual financial statements as of 31 December 2019.

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

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

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

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

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

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

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

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

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

### 2.1 Basis of Presentation (Cont'd)

#### b) Basis of presentation of condensed consolidated financial statements: (Cont'd)

Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the condensed 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.

As of 30 June 2020 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.

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

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

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

#### 2.1 Basis of Presentation (Cont'd)

##### b) Basis of presentation of condensed consolidated financial statements (Cont'd)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or 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.

Profit and losses resulting of the Group companies and a subsidiary of the Group are eliminated among the Group's share in the related subsidiary.

##### c) Functional Currency and Presentation Currency

The Company and its subsidiaries in Turkey, 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, the US dollar ("US \$") is mainly used in Group operations and has a significant impact on Group operations. US \$ reflects the economic fundamentals of situations that are important to the Group. An item in the condensed consolidated financial statements of subsidiaries and affiliates is accounted for in the basis economic currency in which they operate. The condensed consolidated financial statements are presented in TL, which is Netaş's presentation currency.

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 Income and Expenses from Other Operating Activities account group in the statement of profit or loss.

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

(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 30 June 2020 (1 USD: 6,8422 TL), 31 December 2019; (1 USD: 5,9402 TL)

- statements of profit or loss and statements of cash flows have been translated to TL by using six months average exchange rate (1 USD: 6,4611 TL) for the period ended 30 June 20 (for the period ended 30 June 2019 1 USD: 5,6109 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 condensed consolidated financial statements by converting into TL, the presentation currency of the condensed 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 condensed 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 condensed consolidated financial statements. Within this scope; condensed consolidated statement of financial position as of 30 June 2019 condensed consolidated statement of profit or loss and other comprehensive income and the statement of changes in equity and the statement of cash flows for the year ended 30 June 2019 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 condensed consolidated financial statements.

In previous years, the Group recognized its foreign currency unbilled receivables not in its original currency but in its functional currency, USD. This caused unbilled receivables in foreign currency to be misstated in the condensed consolidated financial statements. The management of the Group identified unbilled receivables to be overstated by TL 8.342.404 (USD 1.486.821) as of 30 June 2019 and restated the condensed consolidated financial statements in this respect. Condensed consolidated statement of financial position as of 30 June 2019, is restated for an amount of TL 132.565. 575 (USD 23.034.912) and, other expenses from operating activities in the consolidated statement of profit or loss for the period ended 30 June 2019 is restated for an amount of, TL 8.342.404 (USD 1.486.821).

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

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

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

2) As a result of the aforementioned restatement, deferred tax amounts have been recalculated. The consolidated statement of profit and loss and other comprehensive income as of 30 June 2019 have been restated for an amount of USD 327.101 (TL 1.835.329) and the condensed consolidated statement of financial position is restated for an amount of USD 10.775.649 (TL 62.014.937).

3) 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 expensed. In accordance with the mentioned finding, contract assets as of 30 June 2019 have been restated for an amount of USD 20.151.987 (TL 115.976.700). and trade payables have been restated for an amount of USD 5.325.277 (TL 30.647.501).

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 USD 212.904 (TL 1.225.285) since the Customer went bankrupt in previous years and the VAT receivable balance was not recoverable. Besides, a classification of USD 1,235,974 (TL 7,113,154) was made between Current Period Tax and Related Assets from Other Current Assets account.

5) The management of the Company reviewed its assumptions regarding the classification of unused vacation provisions and reclassified the amount of USD 1.489.390 (TL 8.571.588) from short-term provisions to long-term provisions considering that it would not be possible to use the unused vacation within a year. The statement does not have an effect on total equity of the Group.

6) Provision amount to be set aside for employee premium payment commitments of the company for 2018 was calculated. Accordingly, consolidated statement of financial position as of 30 June 2019 have been restated for an amount of USD 468.506 (TL 2.696.299).

7-) Goods in transit, included in the prepaid expenses account group, were classified into inventories. Accordingly, consolidated statement of financial position as of 30 June 2019 have been restated for an amount of USD 67.987 (TL 391.274). The statement does not have an effect on total equity of the Group.

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

9) The Group management reclassified USD 2.808.497 (TL 15.758.194) from Cost of Sales, USD 2.827.177 (TL 15.863.006) from Sales and Marketing Expense, USD 223.074 (TL 1.251.645) from General Management Expense and USD 241.754 (TL 1.356.457) from Other Operating Expenses. These classifications have no effect on the total equity of the Company.

10) Foreign exchange difference expenses related to lease liabilities were reclassified from Other Operating Expenses to Financing Expenses account with USD 116.911 (TL 655.978). This situation does not have any effect on the total equity of the Company.

The effects of the restated described above are presented below:

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



# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

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

	Reported Previous Year 30 June 2019	Restatement Effects	Restated Previous Year 30 June 2019
<b>ASSETS</b>			
<b>Current Assets</b>	<b>1.752.513.478</b>	<b>(249.767.560)</b>	<b>1.502.745.918</b>
Cash and Cash Equivalents	294.168.461	-	294.168.461
Trade Receivables	924.168.714	(132.565.575)	791.603.139
<i>Due from related parties</i>	178.729	-	178.729
<i>Trade receivables, third parties</i>	923.989.985	(132.565.575)	791.424.410
Other Receivables	433.791	-	433.791
<i>Other receivables, third parties</i>	433.791	-	433.791
Inventories	119.774.443	391.274	120.165.717
Contract Assets related to Goods and Services Provided	347.938.306	(115.976.700)	231.961.606
Prepaid Expenses	7.589.955	(391.274)	7.198.681
Current Income Tax Assets	-	7.113.154	7.113.154
Other Current Assets	58.439.808	(8.338.439)	50.101.369
<b>Non-Current Assets</b>	<b>453.913.192</b>	<b>62.014.585</b>	<b>515.927.777</b>
Trade Receivables	60.264.672	-	60.264.672
<i>Trade receivables, third parties</i>	60.264.672	-	60.264.672
Property, Plant and Equipment	122.986.082	-	122.986.082
Right of Use Assets	57.604.914	-	57.604.914
Financial Investments	5.293.683	-	5.293.683
Intangible Assets	140.978.695	-	140.978.695
<i>Goodwill</i>	105.480.094	-	105.480.094
<i>Other intangible assets</i>	35.498.601	(352)	35.498.249
Investments Accounted Using the Equity Method	8.507.478	-	8.507.478
Other Non-Current Assets	27.407.054	-	27.407.054
Prepaid Expenses	290.923	-	290.923
Deferred Tax Assets	30.579.691	62.014.937	92.594.628
<b>TOTAL ASSETS</b>	<b>2.206.426.670</b>	<b>(187.752.975)</b>	<b>2.018.673.695</b>

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

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

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

	Reported Previous Year 30 June 2019	Restatement Effects	Restated Previous Year 30 June 2019
<b>LIABILITIES</b>			
<b>Short Term Liabilities</b>	<b>1.273.065.682</b>	<b>24.772.212</b>	<b>1.297.837.894</b>
Short Term Borrowings	693.617.729	-	693.617.729
Trade Payables	311.575.147	30.647.501	342.222.648
<i>Due to related parties</i>	16.466.401	-	16.466.401
<i>Trade payables, third parties</i>	295.108.746	30.647.501	325.756.247
Other Payables	12.090.236	-	12.090.236
<i>Other payables, third parties</i>	12.090.236	-	12.090.236
Employee Benefit Obligations	30.435.971	-	30.435.971
Contract Liabilities	123.165.127	-	123.165.127
Provisions	34.129.686	(5.875.289)	28.254.397
<i>Provisions for Employee Benefits</i>	26.010.971	(8.571.588)	17.439.383
<i>Other Short Term Provisions</i>	8.118.715	2.696.299	10.815.014
Deferred Revenue	68.051.786	-	68.051.786
Current Income Tax Liabilities	-	-	-
<b>Long Term Liabilities</b>	<b>129.863.985</b>	<b>8.571.588</b>	<b>138.435.573</b>
Long Term Borrowings	96.426.506	-	96.426.506
Trade Payables	62.326	-	62.326
<i>Trade payables, third parties</i>	62.326	-	62.326
Provisions	24.667.468	8.571.588	33.239.056
<i>Provisions for Employee Benefits</i>	24.667.468	8.571.588	33.239.056
Deferred Tax Liabilities	8.707.685	-	8.707.685
<b>SHAREHOLDERS' EQUITY</b>			
<b>Equity Attributable to Equity Holders of the Parent</b>	<b>803.032.554</b>	<b>(221.096.775)</b>	<b>581.935.779</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	46.582.405	(46.633.550)	(51.145)
<i>Currency Translation Differences</i>	46.582.405	(46.633.550)	(51.145)
Other comprehensive income not to be reclassified in profit and loss	551.130.592	(254.531.075)	296.599.517
<i>Remeasurement gain/ (loss) on defined benefit plan</i>	(7.862.007)	-	(7.862.007)
<i>Currency Translation Differences</i>	558.992.599	(254.531.075)	304.461.524
Restricted Reserves	34.897.360	-	34.897.360
Retained Earnings	156.113.556	86.575.277	242.688.833
Net (Loss) for the Period	(92.168.319)	(6.507.427)	(98.675.746)
<b>Non-controlling interests</b>	464.449	-	464.449
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2.206.426.670</b>	<b>(187.752.975)</b>	<b>2.018.673.695</b>

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

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

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

	<b>Reported Previous Period 1 January- 30 June 2019</b>	<b>Restatement Effects</b>	<b>Restated Previous Period 1 January- 30 June 2019</b>
<b>INCOME OR LOSS FROM OPERATIONS</b>			
Revenue	565.521.166	-	565.521.166
Cost of Sales (-)	(530.377.874)	15.758.194	(514.619.680)
<b>GROSS PROFIT</b>	<b>35.143.292</b>	<b>15.758.194</b>	<b>50.901.486</b>
Sales, Marketing and Distribution Expenses (-)	(36.665.117)	(15.863.006)	(52.528.123)
General Administrative Expenses (-)	(34.469.738)	(1.251.645)	(35.721.383)
Research and Development Expenses (-)	(3.781.287)	-	(3.781.287)
Other Income from Operating Activities	22.091.468	-	22.091.468
Other Expenses from Operating Activities (-)	(46.815.436)	(6.329.969)	(53.145.405)
<b>OPERATING (LOSS)</b>	<b>(64.496.818)</b>	<b>(7.686.426)</b>	<b>(72.183.244)</b>
Income from Investment Activities	15.829	-	15.829
Expenses from Investment Activities (-)	(4.528)	-	(4.528)
Income from Investments Accounted Using the Equity Method	281.231	(352)	280.879
<b>OPERATING (LOSS) BEFORE FINANCE INCOME AND EXPENSES</b>	<b>(64.204.286)</b>	<b>(7.686.778)</b>	<b>(71.891.064)</b>
Financial Income	53.542.911	-	53.542.911
Financial Expenses (-)	(80.922.456)	(655.978)	(81.578.434)
<b>(LOSS) BEFORE TAX</b>	<b>(91.583.831)</b>	<b>(8.342.756)</b>	<b>(99.926.587)</b>
Tax Income	<b>(618.223)</b>	<b>1.835.329</b>	<b>1.217.106</b>
<i>Current Tax Expenses</i>	(88.692)	-	(88.692)
<i>Deferred Tax Income</i>	(529.531)	1.835.329	1.305.798
<b>NET (LOSS) FOR THE PERIOD</b>	<b>(92.202.054)</b>	<b>(6.507.427)</b>	<b>(98.709.481)</b>

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

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

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

	Reported Previous Period 1 April- 30 June 2019	Restatement Effects	Restated Previous Period 1 April- 30 June 2019
<b>INCOME OR LOSS FROM OPERATIONS</b>			
Revenue	346.106.901	-	346.106.901
Cost of Sales (-)	(320.167.838)	7.662.764	(312.505.074)
<b>GROSS PROFIT</b>	<b>25.939.063</b>	<b>7.662.764</b>	<b>33.601.827</b>
Sales, Marketing and Distribution Expenses (-)	(18.551.520)	(10.101.942)	(28.653.462)
General Administrative Expenses (-)	(17.862.325)	1.082.721	(16.779.604)
Research and Development Expenses (-)	(781.833)	-	(781.833)
Other Income from Operating Activities	5.380.515	-	5.380.515
Other Expenses from Operating Activities (-)	(31.146.019)	2.704.803	(28.441.216)
<b>OPERATING (LOSS)</b>	<b>(37.022.119)</b>	<b>1.348.346</b>	<b>(35.673.773)</b>
Income from Investment Activities	5.054	-	5.054
Expenses from Investment Activities (-)	(3.938)	(352)	(4.290)
Income from Associates	196.510	-	196.510
<b>OPERATING (LOSS) BEFORE FINANCE INCOME</b>	<b>(36.824.493)</b>	<b>1.347.994</b>	<b>(35.476.499)</b>
Financial Income	15.504.244	-	15.504.244
Financial Expenses (-)	(39.377.306)	(655.978)	(40.033.284)
<b>(LOSS) BEFORE TAX</b>	<b>(60.697.555)</b>	<b>692.016</b>	<b>(60.005.539)</b>
Tax Income	<b>(6.091.206)</b>	<b>(152.321)</b>	<b>(6.243.527)</b>
<i>Current Tax Expenses</i>	(88.692)	-	(88.692)
<i>Deferred Tax Income</i>	(6.002.514)	(152.321)	(6.154.835)
<b>(LOSS) AFTER TAX</b>	<b>(66.788.761)</b>	<b>539.695</b>	<b>(66.249.066)</b>

### 2.3 Change in Accounting Policies

Changes in accounting estimates are applied in the current period if the change is related to only one period, and if they are related to future periods, they are applied both in the period in which the change is made and in the future periods, prospectively. The Group has not made any significant changes in the accounting estimates in the current year. The Group has applied consistent accounting policies in the condensed consolidated financial statements for the periods presented, and there are no significant changes in the accounting policies and estimates during the current period.

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

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

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

#### 2.4 New and Amended Turkish Accounting Standards

The accounting policies adopted in preparation of the condensed consolidated financial statements as at June 30, 2020 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, 2020. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

**i) The new standards, amendments and interpretations which are effective as at January 1, 2020 are as follows:**

#### **Definition of a Business (Amendments to TFRS 3)**

In May 2019, the POA issued amendments to the definition of a business in TFRS 3 Business Combinations standards. The amendments are intended to assist entities to remove the assessment regarding the definition of business.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively.

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

#### **Amendments to TFRS 9, TAS 39 and TFRS 7- Interest Rate Benchmark Reform**

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide reliefs which enable hedge accounting to continue. For these reliefs, it is assumed that the benchmark on which the cash flows of hedged risk or item are based and/or, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. in connection with interest rate benchmark reform.

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7.

The amendments did not have a significant impact on the financial position or performance of the Group.

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

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

#### 2.4 New and Amended Turkish Accounting Standards (Cont'd)

##### Definition of Material (Amendments to TAS 1 and TAS 8)

In June 2019, the POA issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

The amendments did not have a significant impact on the financial position or performance of the Group.

##### Amendments to TFRS 16 – Covid-19 Rent Related Concessions

In June 5, 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. A lessee that makes this election accounts for any change in lease payments related rent concession the same way it would account for the change under the standard, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021
- There is no substantive change to other terms and conditions of the lease.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Early application of the amendments is permitted.

The amendments did not have a significant impact on the financial position or performance of the Group.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

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

### 2.4 New and Amended Turkish Accounting Standards (Cont'd)

#### ii) 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 condensed consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the condensed 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)**

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

#### **Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities**

On March 12, 2020, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

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

#### **Amendments to TFRS 3 – Reference to the Conceptual Framework**

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (March 2018).

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

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

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

### 2.4 New and Amended Turkish Accounting Standards (Cont'd)

#### **Amendments to TAS 16 – Proceeds before intended use**

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for the first time adopters.

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

#### **Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract**

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied retrospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

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



## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

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

### 2.4 New and Amended Turkish Accounting Standards (Cont'd)

#### Annual improvements 2018-2020;

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- TFRS 9 Financial Instruments – Fees in the “10 per cent test” for de-recognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other’s behalf.
- TAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all.

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

### 2.5 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 8: Inventories: Estimations regarding to inventory provision

Note 9, 11: Property, plant and equipment and intangible assets: Estimations regarding to useful lives

Note 11: Goodwill: Estimations regarding to impairment of goodwill

Note 12: Provisions: Estimations regarding to provision amounts

Note 18: Revenue and cost of sales: Estimation of revenue and cost based on project based analysis

Note 22: Tax Assets and liabilities: Estimations regarding to recoverability of deferred tax assets

Note 24: Financial instruments and risk management: Estimations and accounting judgments regarding to collectability of receivables.

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

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

#### 3. SHARES IN ASSOCIATES

##### Associates

###### *Details of significant associate:*

As of 30 June 2020, the details of important associates are as in the following;

	<u>Main Operating Activity</u>	<u>Acquisition Date</u>	<u>Acquired Share of Capital</u>	<u>Acquisition Amount</u>
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.

	<u>30 June 2020</u>	<u>31 December 2019</u>
Current assets	47.866.801	42.666.427
Non-current assets	38.397.222	34.321.463
Short term liabilities	31.435.330	22.245.461
Long term liabilities	3.235.271	3.064.353
<b>Net assets</b>	<b><u>51.593.422</u></b>	<b><u>51.678.076</u></b>
Share of the Group in net assets	5.159.342	5.167.808
	<u>1 January 2020- 30 June 2020</u>	<u>1 January 2019- 30 June 2019</u>
Net profit	1.771.325	3.393.398
Other comprehensive expenses	(1.819.158)	(584.605)
Total comprehensive income	(47.833)	2.808.793
Share of the Group in total comprehensive income	(4.783)	280.879

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

	<u>2020</u>	<u>2019</u>
As of 1 January	9.401.553	7.784.350
Share from the profit of the period	(4.783)	280.879
Currency translation reserves	849.685	441.897
As of 30 June	<b><u>10.246.455</u></b>	<b><u>8.507.126</u></b>

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

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

(Unless otherwise stated the amounts are in TL).

**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.

<b>For the period ended 30 June 2020</b>	<b>Enterprise</b>	<b>Public</b>	<b>International</b>	<b>Technology</b>	<b>Telecom</b>	<b>BDH</b>	<b>Unallocated</b>	<b>Total</b>
Revenue	367.784.308	132.612.637	20.552.497	59.438.429	85.817.824	61.031.580	-	727.237.275
Cost of sales (-)	(347.563.242)	(106.817.808)	(19.048.418)	(47.857.563)	(80.288.179)	(51.077.692)	-	(652.652.902)
<b>Gross margin</b>	<b>20.221.066</b>	<b>25.794.829</b>	<b>1.504.079</b>	<b>11.580.866</b>	<b>5.529.645</b>	<b>9.953.888</b>	-	<b>74.584.373</b>
Sales,marketing and distribution expenses (-)	(11.695.674)	(7.161.529)	(9.154.034)	-	(9.020.822)	(9.334.398)	-	(46.366.457)
General administrative expenses (-)	-	-	-	-	-	-	(31.057.033)	(31.057.033)
Research and development expenses (-)	-	-	-	(1.411.618)	-	-	-	(1.411.618)
<b>Operating profit / (loss) of segment</b>	<b>8.525.392</b>	<b>18.633.300</b>	<b>(7.649.955)</b>	<b>10.169.248</b>	<b>(3.491.177)</b>	<b>619.490</b>	<b>(31.057.033)</b>	<b>(4.250.735)</b>
<b>For the period ended 30 June 2019</b>	<b>Enterprise</b>	<b>Public</b>	<b>International</b>	<b>Technology</b>	<b>Telecom</b>	<b>BDH</b>	<b>Unallocated</b>	<b>Total</b>
Revenue	296.553.941	102.857.740	33.200.030	43.145.088	30.119.107	59.645.260	-	565.521.166
Cost of sales (-)	(274.678.547)	(85.213.500)	(28.255.210)	(42.709.409)	(26.783.290)	(56.979.724)	-	(514.619.680)
<b>Gross margin</b>	<b>21.875.394</b>	<b>17.644.240</b>	<b>4.944.820</b>	<b>435.679</b>	<b>3.335.817</b>	<b>2.665.536</b>	-	<b>50.901.486</b>
Sales,marketing and distribution expenses (-)	(19.470.556)	(5.177.070)	(6.217.547)	-	(9.977.483)	(11.685.467)	-	(52.528.123)
General administrative expenses (-)	-	-	-	-	-	-	(35.721.383)	(35.721.383)
Research and development expenses (-)	-	-	-	(3.781.287)	-	-	-	(3.781.287)
<b>Operating profit / (loss) of segment</b>	<b>2.404.838</b>	<b>12.467.170</b>	<b>(1.272.727)</b>	<b>(3.345.608)</b>	<b>(6.641.666)</b>	<b>(9.019.931)</b>	<b>(35.721.383)</b>	<b>(41.129.307)</b>

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

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

(Unless otherwise stated the amounts are in TL).

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

<b>30 June 2020</b>	<b>Enterprise</b>	<b>Public</b>	<b>International</b>	<b>Technology</b>	<b>Telecom</b>	<b>BDH</b>	<b>Unallocated (*)</b>	<b>Total</b>
Trade receivables	188.935.937	486.890.650	94.546.056	51.344.548	53.260.216	14.399.738	2.511.604	891.888.749
Due from related parties	13.194	-	267.270	-	9.399.112	124.421	-	9.803.997
Inventories	5.539.837	116.710.444	4.671.604	1.023.813	2.104.979	4.360.340	519.389	134.930.406
Contract assets	60.246.446	56.818.678	41.445.512	6.579.690	14.562.226	43.387.876	1.944.496	224.984.924
<b>Segments assets</b>	<b>254.735.414</b>	<b>660.419.772</b>	<b>140.930.442</b>	<b>58.948.051</b>	<b>79.326.533</b>	<b>62.272.375</b>	<b>4.975.489</b>	<b>1.261.608.076</b>
Trade payables (*)	306.929.343	87.616.576	26.603.057	826.893	32.104.813	30.840.110	33.672.087	518.592.879
Due to related parties	308.024	21.436	7.239.852	-	48.450.052	-	372.420	56.391.784
Contract liabilities	24.177.482	17.386.660	29.650.953	-	8.246.431	1.463.306	1.107.277	82.032.109
Deferred revenue	2.274.481	78.684.060	69.248	38.704	61.029	-	326.730	81.454.252
<b>Segment liabilities</b>	<b>333.689.330</b>	<b>183.708.732</b>	<b>63.563.110</b>	<b>865.597</b>	<b>88.862.325</b>	<b>32.303.416</b>	<b>35.478.514</b>	<b>738.471.024</b>
<b>31 December 2019</b>	<b>Enterprise</b>	<b>Public</b>	<b>International</b>	<b>Technology</b>	<b>Telecom</b>	<b>BDH</b>	<b>Unallocated (**)</b>	<b>Total</b>
Trade receivables	165.480.764	498.271.174	106.311.181	34.641.480	85.788.344	12.089.350	2.555.744	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>269.584.622</b>	<b>660.972.609</b>	<b>150.224.077</b>	<b>38.851.248</b>	<b>124.066.264</b>	<b>23.990.161</b>	<b>9.791.102</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>

(\*) Unallocated trade payables are shown as rent, insurance, consultancy and etc.

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# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

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

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

	<b>For the period ended 30 June 2020</b>	<b>Restated For the period ended 30 June 2019</b>
Operating (loss) of segment	(4.250.735)	(41.129.307)
Other (expenses)/income from operating activities (net)	(22.002.257)	(31.053.937)
Other (expenses)/income from investments (net)	(145.638)	11.301
Income from investments accounted using the equity method	(4.783)	280.879
Finance (expenses)/income (net)	(4.011.402)	(28.035.523)
<b>(Loss) before tax</b>	<b>(30.414.815)</b>	<b>(99.926.587)</b>
<b>Assets</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
Segment assets	1.261.608.076	1.277.480.083
Other assets (*)	791.577.033	728.710.632
<b>Total assets</b>	<b>2.053.185.109</b>	<b>2.006.190.715</b>
<b>Liabilities</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
Segment liabilities	738.471.024	680.333.536
Other liabilities (*)	719.144.674	789.647.760
<b>Total liabilities</b>	<b>1.457.615.698</b>	<b>1.469.981.296</b>

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

### 5. CASH AND CASH EQUIVALENTS

	<b>30 June 2020</b>	<b>31 December 2019</b>
Bank- demand deposits	165.253.773	167.930.867
Bank- time deposits	19.836.183	26.156.222
Credit card receivables	793.846	1.253.449
	<b>185.883.802</b>	<b>195.340.538</b>

Currency	Original Currency			30 June 2020
	Amount	Interest Rate %	Maturity	
USD	161.716	2,5	Sep 20	1.106.496
TL	18.729.687	6,5-7,5	July 20	18.729.687
				<b>19.836.183</b>
Currency	Original Currency			31 December 2019
	Amount	Interest Rate %	Maturity	
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>

As of 30 June 2020 and 31 December 2019, there are no restriction / blockage on bank accounts.

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(Unless otherwise stated the amounts are in TL).

**6. SHORT TERM BORROWING****a)Bank Loans**

	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Short term bank loans</b>		
Short term unsecured loans	342.032.470	402.024.285
Non interest loans(*)	5.114.064	5.098.395
	<b>347.146.534</b>	<b>407.122.680</b>

As of 30 June 2020, effective rate for TL loans is 10,48 %, effective rate for USD loans is 5,05 %, effective rate for EURO loans is 2,35 % (31 December 2019: effective rate for TL loans is 15,95 % and effective rate for USD loans is 3,85 %).

(\*) Non interest loans consist of loans related to SSP and their original currencies are TL.

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

<b>Currency</b>	<b>Original Currency</b>		<b>Maturity</b>	<b>30 June 2020</b>
	<b>Amount</b>	<b>Interest Rate(%) (*)</b>		
TL	279.121.104	8,5-26,75	July 20- May 21	279.121.104
USD	3.500.000	5,05	Rotative	23.947.700
EURO	5.054.833	2,35	Jan 21	38.963.666
				<b>342.032.470</b>

<b>Currency</b>	<b>Original Currency</b>		<b>Maturity</b>	<b>31 December 2019</b>
	<b>Amount</b>	<b>Interest Rate(%) (*)</b>		
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>

	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Long term bank loans</b>		
Long term unsecured loans	206.179.367	196.209.584
	<b>206.179.367</b>	<b>196.209.584</b>

The details of long term loans of the Group are given below;

<b>Currency</b>	<b>Original Currency</b>		<b>Maturity</b>	<b>30 June 2020</b>
	<b>Amount</b>	<b>Interest Rate(%) (*)</b>		
TL	206.179.367	9,00-12,56	Nov 21- Feb 23	206.179.367

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

(\*) Presents the lower and upper rates.

The Group has no collaterals given for bank loans as of 30 June 2020 and 31 December 2019.

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**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

(Unless otherwise stated the amounts are in TL).

**6. SHORT TERM BORROWING (Cont'd)**

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.

**a)Bank Loans (Cont'd)**

	<u>2020</u>	<u>2019</u>
1 January	603.332.264	487.836.269
Cash inflow under within borrowings received	656.895.015	907.064.956
Cash outflow within principal payment	(714.361.500)	(720.297.845)
Interest accruals changes	(14.779.792)	4.501.753
Currency translations changes	22.239.914	50.742.116
30 June	<u><u>553.325.901</u></u>	<u><u>729.847.249</u></u>

**b)Leasing Liabilities**

As of 30 June 2020 and 2019, the movement table of borrowings from leasing transactions is as follows:

	<u>2020</u>	<u>2019</u>
<b>Opening-1 January</b>	56.937.920	66.115.784
Additions	306.660	5.181.790
Interest expenses on lease liabilities	4.836.450	6.135.808
Fx loss on lease liabilities	2.622.823	655.978
Payment lease	(13.649.288)	(16.580.418)
<b>Closing-30 June</b>	<u><u>51.054.565</u></u>	<u><u>61.508.942</u></u>

The currency details of the Group's borrowings from lease transactions are as follows:

<b>Currency</b>	<b>Original Currency Amount</b>	<b>Interest Rate</b>	<b>30 June 2020</b>
TL	47.028.557	19,2	47.028.557
EURO	522.302	4,9	4.026.008
			<u><u>51.054.565</u></u>

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**  
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**7. TRADE RECEIVABLES AND PAYABLES**

<b>Trade Receivables from Third Parties</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
Trade receivables	615.133.509	634.695.299
Unbilled receivables	330.458.643	320.157.512
Discount on trade receivables (*)	(528.033)	(822.961)
Allowances for doubtful receivables (-)	(101.847.014)	(91.204.305)
	<b>843.217.105</b>	<b>862.825.545</b>

<b>Movement of Allowance for Doubtful Receivables</b>	<b>2020</b>	<b>2019</b>
<b>Reported as of 1 January</b>	<b>(91.204.305)</b>	<b>(90.703.609)</b>
Charge for the period	(1.728.449)	-
Provision no longer required	5.582.157	13.911.063
Currency translation differences	(14.496.417)	(8.453.414)
<b>As of 30 June</b>	<b>(101.847.014)</b>	<b>(85.245.960)</b>

(\*) As of 30 June 2020, Group has trade receivables amounting to USD 11.458.374 incurred on an agreement, with a maturity of 3 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 2019: USD 11.458.374).

Doubtful receivables, for which no possibility of collection is foreseen and no further cash inflow are expected, are written off from the records along with the related provisions.

<b>Long Term Trade Receivables from Third Parties</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
Trade receivables	52.885.427	46.360.192
Discount on trade receivables (*)	(4.213.783)	(4.047.700)
	<b>48.671.644</b>	<b>42.312.492</b>

<b>Trade Payables to Third Parties</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
Trade payables	518.521.295	418.803.957
	<b>518.521.295</b>	<b>418.803.957</b>

<b>Long Term Trade Payables to Third Parties</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
Trade payables	71.584	61.801
	<b>71.584</b>	<b>61.801</b>

**8. INVENTORIES**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Raw materials	42.647.515	36.368.671
Finished goods	51.270.672	43.959.596
Trade goods	41.012.219	43.931.187
	<b>134.930.406</b>	<b>124.259.454</b>

Inventories are stated at their cost values and has no impairment.

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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

### 9. PROPERTY, PLANT AND EQUIPMENT

	Machinery and Equipment	Vehicles	Furniture and fixtures	Leasehold Improvements	Construction in Progress	Total
<u>Cost</u>						
1 January 2020	<b>247.239.131</b>	<b>444.556</b>	<b>26.261.977</b>	<b>68.706.537</b>	<b>6.539.629</b>	<b>349.191.830</b>
Translation difference	36.516.936	59.628	4.053.717	10.478.986	1.558.631	52.667.898
Purchases	2.810.659	-	236.946	207.347	10.163.808	13.418.760
Transfers(*)	(3.381.889)	-	880.674	574.589	(574.589)	(2.501.215)
Disposals	(24.880.072)	(133.549)	-	-	-	(25.013.621)
<b>30 June 2020</b>	<b>258.304.765</b>	<b>370.635</b>	<b>31.433.314</b>	<b>79.967.459</b>	<b>17.687.479</b>	<b>387.763.652</b>
<u>Accumulated Depreciation</u>						
1 January 2020	<b>(229.807.067)</b>	<b>(319.846)</b>	<b>(19.732.597)</b>	<b>(41.248.711)</b>	-	<b>(291.108.221)</b>
Translation difference	(33.797.087)	(42.014)	(3.104.209)	(6.479.434)	-	(43.422.744)
Period charge	(3.857.150)	(14.193)	(968.054)	(3.661.226)	-	(8.500.623)
Transfers(*)	2.446.871	-	(857.925)	-	-	1.588.946
Disposals	24.711.942	125.305	-	-	-	24.837.247
<b>30 June 2020</b>	<b>(240.302.491)</b>	<b>(250.748)</b>	<b>(24.662.785)</b>	<b>(51.389.371)</b>	-	<b>(316.605.395)</b>
<b>Net book value at 30 June 2020</b>	<b>18.002.274</b>	<b>119.887</b>	<b>6.770.529</b>	<b>28.578.088</b>	<b>17.687.479</b>	<b>71.158.257</b>

As of 30 June 2020 depreciation charge is TL 8.500.623. TL 3.777.894 is accounted in cost of sales, TL 4.371.199 in general administrative expenses, TL 351.530 in sales, marketing and distribution expenses.

As of 30 June 2020, there are not any mortgage and financial leasing on property, plant and equipment.

(\*) TL 912.269 is transferred from property, plant and equipment to other intangible assets (Note 11).

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### 9. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Machinery and Equipment	Vehicles	Furniture and fixtures	Leasehold Improvements	Construction in Progress	Total
<u>Cost</u>						
1 January 2019	<b>223.341.214</b>	<b>280.626</b>	<b>21.390.577</b>	<b>55.510.645</b>	<b>7.054.522</b>	<b>307.577.584</b>
Translation difference	10.830.578	27.444	273.142	2.044.911	2.403.693	15.579.768
Purchases	4.275.654	42.095	1.847.477	1.825.332	67.743.398	75.733.956
Disposals	(1.355.357)	-	-	-	-	(1.355.357)
<b>30 June 2019</b>	<b>237.092.089</b>	<b>350.165</b>	<b>23.511.196</b>	<b>59.380.888</b>	<b>77.201.613</b>	<b>397.535.951</b>
<u>Accumulated Depreciation</u>						
1 January 2019	<b>(206.505.766)</b>	<b>(273.913)</b>	<b>(17.223.340)</b>	<b>(32.133.158)</b>	-	<b>(256.136.177)</b>
Translation difference	(10.105.116)	(25.840)	(281.524)	(1.947.670)	-	(12.360.150)
Period charge	(3.751.243)	(4.210)	(753.661)	(2.895.257)	-	(7.404.371)
Disposals	1.350.829	-	-	-	-	1.350.829
30 June 2019	<b>(219.011.296)</b>	<b>(303.963)</b>	<b>(18.258.525)</b>	<b>(36.976.085)</b>	-	<b>(274.549.869)</b>
<b>Net book value at 30 June 2019</b>	<b>18.080.793</b>	<b>46.202</b>	<b>5.252.671</b>	<b>22.404.803</b>	<b>77.201.613</b>	<b>122.986.082</b>

As of 30 June 2019 depreciation charge is TL 7.404.371. TL 3.028.458 is accounted in cost of sales, TL 4.085.369 in general administrative expenses, TL 290.544 in sales, marketing and distribution expenses.

As of 30 June 2019, there are not any mortgage and financial leasing on property, plant and equipment.

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### 10. RIGHT OF USE ASSETS

The right of use asset is initially recognized at cost comprising of amount of the initial measurement of the lease liability, and any lease payments made at or before the commencement date, less any lease incentives received. The Group re-measures the right of use asset after netting-off depreciation and reducing impairment losses from the right of use asset and adjusted for certain re-measurements of the lease liability recognized at the present value.

As of 30 June 2020 and 2019 the details of the right of use assets that are accounted in the condensed consolidated financial statements are as follows:

	<b>Buildings</b>	<b>Vehicles</b>	<b>Total</b>
Right of use assets- 1 January 2020	40.158.687	12.092.934	52.251.621
Additions	-	487.550	487.550
Disposals	(180.891)	-	(180.891)
Depreciation charge for the period	(8.720.040)	(1.943.111)	(10.663.151)
<b>Right of use assets</b>	<b>31.257.756</b>	<b>10.637.373</b>	<b>41.895.129</b>

  

	<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	3.697.310	854.072	4.551.382
Depreciation charge for the period	(6.687.358)	(6.374.894)	(13.062.252)
<b>Right of use assets</b>	<b>39.583.964</b>	<b>18.020.950</b>	<b>57.604.914</b>

### 11. 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:

<b>Cost</b>	<b>2020</b>	<b>2019</b>
Opening balance	108.872.627	96.422.343
Translation difference	16.531.954	9.057.751
Closing balance	<b>125.404.581</b>	<b>105.480.094</b>

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**11. INTANGIBLE ASSETS (Cont'd)**

**Goodwill (Cont'd)**

The Group has tested the goodwill amount for impairment as of 31 December 2019 in accordance with accounting policies.

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 30 June 2020. As of 30 June 2020, the latest goodwill impairment test results are considered to be valid.

**Significant assumptions used in discounted cash flow projections**

In the impairment test conducted as of 31 December 2019 , 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.

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**11. INTANGIBLE ASSETS (Cont'd)**

**Other Intangible Assets**

	<b>1 January- 30 June 2020</b>		
	<b>Other</b>		
	<b>Customer Relations (*)</b>	<b>Intangible Assets (**)</b>	<b>Total</b>
<u>Cost</u>			
Opening balance	<b>63.367.926</b>	<b>187.027.112</b>	<b>250.395.038</b>
Additions	-	27.476.156	27.476.156
Transfers	-	2.501.215	2.501.215
Disposals	-	-	-
Translation difference	9.622.213	30.160.102	39.782.315
<b>Closing balance</b>	<b>72.990.139</b>	<b>247.164.585</b>	<b>320.154.724</b>
<u>Accumulated amortization</u>			
Opening balance	<b>(52.278.539)</b>	<b>(116.257.855)</b>	<b>(168.536.394)</b>
Transfers	-	(1.588.946)	(1.588.946)
Translation difference	(8.141.597)	(18.395.487)	(26.537.084)
Period charge	(3.446.235)	(11.120.306)	(14.566.541)
<b>Closing balance</b>	<b>(63.866.371)</b>	<b>(147.362.594)</b>	<b>(211.228.965)</b>
<b>Net book value</b>	<b>9.123.768</b>	<b>99.801.991</b>	<b>108.925.759</b>

	<b>1 January- 30 June 2019</b>		
	<b>Other Intangible</b>		
	<b>Customer Relations (*)</b>	<b>Assets(**)</b>	<b>Total</b>
<u>Cost</u>			
Opening balance	<b>56.121.397</b>	<b>109.874.802</b>	<b>165.996.199</b>
Additions	-	6.173.370	6.173.370
Translation difference	5.271.949	10.116.976	15.388.925
<b>Closing balance</b>	<b>61.393.346</b>	<b>126.165.148</b>	<b>187.558.494</b>
<u>Accumulated amortization</u>			
Opening balance	<b>(40.688.013)</b>	<b>(92.280.461)</b>	<b>(132.968.474)</b>
Translation difference	(3.899.077)	(8.407.745)	(12.306.822)
Period charge	(2.992.754)	(3.791.843)	(6.784.597)
<b>Closing balance</b>	<b>(47.579.844)</b>	<b>(104.480.049)</b>	<b>(152.059.893)</b>
<b>Net book value</b>	<b>13.813.502</b>	<b>21.685.099</b>	<b>35.498.601</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 30 June 2020 amortization charge is TL 14.566.541. TL 5.173.643 is accounted in cost of sales, TL 4.011.967 in general administrative expenses and TL 5.380.931 in sales, marketing and distribution expenses.

As of 30 June 2019 amortization charge is TL 6.784.597. TL 3.124.731 is accounted in cost of sales, TL 3.396.543 in general administrative expenses and TL 263.323 in sales, marketing and distribution expenses.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

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#### 12. GOVERNMENT GRANTS

For the period ended 30 June 2020 the Group has received approved and accrued incentive from TÜBİTAK, TL 7.598.423 (31 December 2019: TL 7.764.115).

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 30 June 2020, the Group has a corporate tax benefit of TL 571.826.573 due to research and development disbursement and TL 16.679.614 is used by the period end (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). The Group has booked deferred tax assets for unused R&D tax benefit (Note 22). The unused tax advantages of the Group related to research and development activities has unlimited maturity.

For the period ended 30 June 2020, the amount of income tax incentive within the scope of Act numbered 5746 is TL 7.644.286 (31 December 2019: TL 13.202.943) and the total amount of social premium incentive within the scope of Act numbered 5746 and Social Security and General Health Insurance Act numbered 5510 is TL 7.917.231 (31 December 2019: TL 13.384.392)

#### 13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

<b>Provisions</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
Provision for legal cases	6.812.145	5.833.883
Other provisions	1.867.628	1.442.505
	<b>8.679.773</b>	<b>7.276.388</b>

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### 13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Cont'd)

	<b>Provision for Legal Cases</b>	<b>Other Provisions (*)</b>
1 January 2020	5.833.883	1.442.505
Provision booked	1.367.655	193.980
Payments	(1.280.396)	-
Currency translations	891.003	231.143
30 June 2020	<b>6.812.145</b>	<b>1.867.628</b>
	<b>Provision for Legal Cases</b>	<b>Other Provisions (*)</b>
1 January 2019	5.353.179	890.395
Provision booked	960.864	1.592.071
Payments	(1.296.589)	-
Currency translations	494.240	124.555
30 June 2019	<b>5.511.694</b>	<b>2.607.021</b>

(\*) Including the types of general administrative provisions especially subscription, electric, gas, water and communication.

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### 14. COMMITMENTS

The Group's off-balance sheet liabilities as of 30 June 2020 and 31 December 2019 are as follows:

#### a) Guarantee letters given

	<u>30 June 2020</u>	<u>31 December 2019</u>
Guarantee letters given	756.875.956	548.219.384
	<u>756.875.956</u>	<u>548.219.384</u>

Maturities and currencies of guarantee letters are given below:

		Original Currency		
		TL	USD	EURO
<u>30 June 2020</u>	<u>TL Equivalent</u> 756.875.956	158.443.435	76.312.954	9.896.478

		Original Currency		
		TL	USD	EURO
<u>31 December 2019</u>	<u>TL Equivalent</u> 548.219.384	147.770.924	58.159.276	8.265.530

The off-balance sheet commitments and contingencies as of 30 June 2020 and 31 December 2019 are as follows:

#### Commitments, Pledges, Mortgages ("CPM") are given by the Company

	<u>30 June 2020</u>	<u>31 December 2019</u>
A. Total amount of CPM is given on behalf of own legal personality	756.875.956	548.219.384
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	-	-
	<u>756.875.956</u>	<u>548.219.384</u>

The rate of total amount of other "CPM"s to total equity of the Company is 113%. (31 December 2019: 102%).

#### 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, subsidiary and subcontractor, BDH Bilişim Destek Hizmetleri San. Ve Tic. A.Ş., and its whole commitments are guaranteed by Netaş Telekomünikasyon A.Ş.



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**14. COMMITMENTS (Cont'd)**

Maturities and currencies of guarantee letters are received below:

<b>30 June 2020</b>	<b>TL Equivalent</b>	<b>Original Currency</b>	
		<b>TL</b>	<b>USD</b>
	<b>1.791.525</b>	1.137.568	95.577

  

<b>31 December 2019</b>	<b>TL Equivalent</b>	<b>Original Currency</b>	
		<b>TL</b>	<b>USD</b>
	<b>2.278.475</b>	526.116	295.000

**15. EMPLOYEE BENEFITS**

**Employee Benefit Obligations:**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Payables to employees	15.165.788	14.928.418
Social security payables	9.713.467	9.731.623
	<b>24.879.255</b>	<b>24.660.041</b>

**Short Term and Long Term Provisions for Employee Benefits:**

<b>Short Term</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
Provision for employee premiums	13.816.605	23.875.917
Unused vacation provision	4.740.731	5.552.636
	<b>18.557.336</b>	<b>29.428.553</b>

  

<b>Long Term</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
Unused vacation provision	7.313.967	8.940.257
Provision for severance indemnity	20.315.411	20.174.668
	<b>27.629.378</b>	<b>29.114.925</b>

**16. OTHER ASSETS AND LIABILITIES**

<b>Other Current Assets</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
VAT receivable	31.831.887	35.388.518
Personnel and business advances	313.890	451.041
Other	1.141.450	1.573.164
	<b>33.287.227</b>	<b>37.412.723</b>

  

<b>Other Non-Current Assets</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
Other non-current assets (*)	14.433.771	13.244.001
	<b>14.433.771</b>	<b>13.244.001</b>

(\*) The balance includes of spare parts which will be used in long term. The depreciation expenses for spare parts is TL 1.264.090, which is under cost of sales is TL 284.092 and under general administrative expenses is TL 979.998. (31 December 2019: TL 3.491.773, which is fully under cost of sales). 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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**17. SHAREHOLDERS' EQUITY**

**Paid in Capital**

As of 30 June 2020 and 31 December 2019, capital structure as in the following:

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%</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 Communiqué 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.

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### 17. SHAREHOLDERS' EQUITY (Cont'd)

#### 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.

#### 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 30 June 2020 and 31 December 2019:

	<u>30 June 2020</u>	<u>31 December 2019</u>
Primary legal reserves	11.997.507	11.997.507
Secondary legal reserves	22.899.853	22.899.853
<b>Total</b>	<b><u>34.897.360</u></b>	<b><u>34.897.360</u></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 30 June 2020, 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 30 June 2020 are TL 56.177.855 (31 December 2019: TL 236.548.017).

#### 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.

#### Foreign Currency Translation Difference

Within the scope of TAS 21 ("The Effects of Changes in Exchange Rates"), the financial statements are shown in the foreign currency conversion differences account under equity. The capital account of the company and the restricted reserves account separated from profit have been shown over their legal amount, all other equity items have been kept from their historical TL values and all the resulting differences have been accounted for in foreign currency translation differences account.

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**18. REVENUE**

**Geographical Revenue:**

	<b>1 January- 30 June 2020</b>	<b>1 April- 30 June 2020</b>	<b>1 January- 30 June 2019</b>	<b>1 April- 30 June 2019</b>
<b>Net domestic sales</b>	<b>643.894.719</b>	<b>375.766.000</b>	<b>490.084.617</b>	<b>300.486.269</b>
United States	35.105.669	6.404.810	32.590.004	24.465.313
Asia	11.713.451	10.843.172	4.312.561	2.373.430
Africa	7.435.851	3.864.441	23.988.537	16.020.914
Europe	29.087.585	26.029.485	14.545.447	2.760.975
<b>Net export</b>	<b>83.342.556</b>	<b>47.141.908</b>	<b>75.436.549</b>	<b>45.620.632</b>
<b>Total net sales</b>	<b>727.237.275</b>	<b>422.907.908</b>	<b>565.521.166</b>	<b>346.106.901</b>

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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### 18. REVENUE (Cont'd)

#### Disaggregated Revenue:

1 January-30 June 2020

Performance Obligations:	Enterprise	Public	International	Technology	Telecom	BDH	Total
Licence performance obligation	218.749.944	6.332.303	-	-	2.004.181	-	227.086.428
Hardware performance obligation	67.955.269	43.523.490	12.450.520	-	66.174.630	-	190.103.909
Maintenance performance obligation	35.555.532	18.480.376	7.403.427	-	4.453.172	61.031.580	126.924.087
Design performance obligation	1.031.612	30.975.752	252.384	59.438.429	378.960	-	92.077.137
Installation performance obligation	4.120.256	32.208.709	249.224	-	4.345.917	-	40.924.106
Other performance obligations	40.371.695	1.092.007	196.942	-	8.460.964	-	50.121.608
	<b>367.784.308</b>	<b>132.612.637</b>	<b>20.552.497</b>	<b>59.438.429</b>	<b>85.817.824</b>	<b>61.031.580</b>	<b>727.237.275</b>
<b>Satisfaction of Performance Obligations:</b>							
Overtime	13.821.605	130.636.781	7.273.097	59.438.429	13.652.537	61.031.580	285.854.029
At a point in time	353.962.703	1.975.856	13.279.400	-	72.165.287	-	441.383.246
	<b>367.784.308</b>	<b>132.612.637</b>	<b>20.552.497</b>	<b>59.438.429</b>	<b>85.817.824</b>	<b>61.031.580</b>	<b>727.237.275</b>

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**18. REVENUE (Cont'd)**

	1 January-30 June 2019						
<b>Performance Obligations:</b>	<b>Enterprise</b>	<b>Public</b>	<b>International</b>	<b>Technology</b>	<b>Telecom</b>	<b>BDH</b>	<b>Total</b>
Licence performance obligation	125.501.582	36.832.049	4.463.098	-	1.442.450	-	168.239.179
Hardware performance obligation	104.146.654	26.568.882	17.001.293	-	20.517.763	-	168.234.592
Maintenance performance obligation	25.856.331	10.117.916	7.824.880	-	3.253.835	59.645.260	106.698.222
Design performance obligation	913.248	15.826.842	-	43.145.088	53.585	-	59.938.763
Installation performance obligation	4.649.348	12.402.728	3.603.228	-	42.082	-	20.697.386
Other performance obligations	35.486.778	1.109.323	307.531	-	4.809.392	-	41.713.024
	<b>296.553.941</b>	<b>102.857.740</b>	<b>33.200.030</b>	<b>43.145.088</b>	<b>30.119.107</b>	<b>59.645.260</b>	<b>565.521.166</b>

**Satisfaction of Performance****Obligations:**

Overtime	8.077.227	47.454.826	11.519.599	43.145.088	1.039.251	59.645.260	170.881.251
At a point in time	288.476.714	55.402.914	21.680.431	-	29.079.856	-	394.639.915
	<b>296.553.941</b>	<b>102.857.740</b>	<b>33.200.030</b>	<b>43.145.088</b>	<b>30.119.107</b>	<b>59.645.260</b>	<b>565.521.166</b>

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### 19. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
<b>Income from Other Operating Activities</b>				
Reversal for doubtful receivables expenses (Note 7)	5.582.157	1.546.388	13.911.063	3.416.679
R&D Incentives	1.521.514	212.411	2.230.047	(1.288.572)
Discount income, net (*)	128.845	48.131	2.861.419	769.410
Other income and gains	358.815	108.788	3.088.939	2.482.998
	<b>7.591.331</b>	<b>1.915.718</b>	<b>22.091.468</b>	<b>5.380.515</b>
<b>Expenses from Other Operating Activities</b>				
Foreign exchange expenses, net	19.292.234	1.697.570	48.728.831	25.446.401
Uncollectible receivables (Note 7)	1.728.449	7.781	-	-
Legal case expenses	2.451.972	1.948.860	2.377.545	1.574.878
Other tax expenses	592.157	164.007	258.124	110.080
Other expenses and losses	5.528.776	2.152.378	1.780.905	1.309.857
	<b>29.593.588</b>	<b>5.970.596</b>	<b>53.145.405</b>	<b>28.441.216</b>

(\*) Discount income/ (expenses) related to trading activities are accounted under Other Income/ (Expenses) from Operating Activities.

### 20. FINANCE INCOME / (EXPENSES)

<b>Financial Income</b>	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
Foreign exchange gains, net (*)	48.639.639	15.714.207	45.946.322	11.004.093
Interest income	478.554	381.259	7.596.589	4.500.151
	<b>49.118.193</b>	<b>16.095.466</b>	<b>53.542.911</b>	<b>15.504.244</b>
<b>Financial Expenses</b>	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
Bank interest expenses	40.921.869	16.789.967	70.990.191	33.660.990
Interest and exchange loss on leases	7.459.273	5.328.534	6.135.808	3.588.517
Guarantee letter commissions	4.213.094	2.595.940	3.496.221	1.999.187
Other financial expenses	535.359	306.634	956.214	784.590
	<b>53.129.595</b>	<b>25.021.075</b>	<b>81.578.434</b>	<b>40.033.284</b>

(\*) Foreign exchange gains and losses are related to cash and cash equivalents, borrowings, and other financial liability.

### 21. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

<b>Income from Investing Activities</b>	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
Income from sales of property, plant and equipment	30.736	21.061	15.829	5.054
	<b>30.736</b>	<b>21.061</b>	<b>15.829</b>	<b>5.054</b>
<b>Expenses from Investing Activities</b>	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
Loss from sales of tangible assets	176.374	173.638	4.528	3.938
	<b>176.374</b>	<b>173.638</b>	<b>4.528</b>	<b>3.938</b>

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### 22. 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 condensed 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 30 June 2020 tax rate is %22. (31 December 2019:%22). Institutions tax rate is applied to commercial income of corporations by finding out the deduction of deductible expenses and deductions of tax exemptions and deductions in accordance with the tax legislation. In Turkey, advance tax returns are filed on a quarterly basis.

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.

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 reflected in the condensed consolidated financial statements, it has been calculated on the basis of individual companies.

Corporate tax rate in Malta is 35% (2019: 35 %). Corporate tax rate in Kazakhstan is 20% (2019: 20 %). Corporate tax rate in Algeria is 26% (2019: 26 %).

	<u>30 June 2020</u>	<u>31 December 2019</u>
Corporate tax	-	-
Prepaid taxes	(27.895.541)	(32.618.114)
<b>Current tax liabilities/ (Current income tax assets )</b>	<b>(27.895.541)</b>	<b>(32.618.114)</b>

#### 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. 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.



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**22. TAX ASSETS AND LIABILITIES (Cont'd)**

**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.

The movement of deferred tax assets/ (liabilities) is as follows:

<u>Deferred tax assets</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
Trade receivables and unbilled	(45.318.317)	(53.610.333)
Tangible and intangible assets	(22.043.362)	(10.857.658)
Trade payables and cost provisions	12.200.213	14.562.439
Carryforward tax losses	76.822.294	30.901.689
Unused R&D tax exemption	111.714.328	111.071.315
Provision for unused vacation	2.895.211	3.431.613
Inventory and contract assets	(11.207.113)	(5.092.396)
Provisions for employee premiums	1.421.084	3.634.132
Deferred revenues	1.152.938	1.151.892
Contract liabilities	(4.277.987)	1.952.385
Severance indemnity and retirement provisions	4.773.923	4.745.774
Other	3.090.320	2.879.724
	<b><u>131.223.532</u></b>	<b><u>104.770.576</u></b>
	<b><u>30 June 2020</u></b>	<b><u>31 December 2019</u></b>
Deferred Tax Assets	149.392.319	121.177.871
Deferred Tax Liabilities	(18.168.787)	(16.407.295)
<b>Net Amount</b>	<b><u>131.223.532</u></b>	<b><u>104.770.576</u></b>

The breakdown of the related accumulated temporary differences and deferred tax assets and liabilities of the Group prepared using the applicable tax rates is as follows:

	<u>Total temporary difference</u>		<u>Deferred tax assets/(Liabilities)</u>	
	<u>30 June 2020</u>	<u>31 December 2019</u>	<u>30 June 2020</u>	<u>31 Aralık 2019</u>
Tangible and intangible assets	(100.197.100)	(49.352.991)	(22.043.362)	(10.857.658)
Trade receivables	(205.992.350)	(243.683.332)	(45.318.317)	(53.610.333)
Trade payables and cost provisions	55.455.514	66.192.905	12.200.213	14.562.439
Inventory and contract assets	(50.941.423)	(23.147.255)	(11.207.113)	(5.092.396)
Deferred revenue	5.240.627	5.235.873	1.152.938	1.151.892
Provisions for employee bonuses	6.459.473	16.518.782	1.421.084	3.634.132
Provision for unused vacation	13.160.050	15.598.241	2.895.211	3.431.613
Severance indemnity and retirement provisions	23.869.615	23.728.870	4.773.923	4.745.774
Contract liabilities	(19.445.395)	8.874.477	(4.277.987)	1.952.385
Unused R&D tax exemption (Note 12)	-	-	111.714.328	111.071.315
Carryforward tax losses	384.111.467	147.501.172	76.822.294	30.901.689
Other	14.046.909	13.089.655	3.090.320	2.879.724
<b>Deferred tax assets (net)</b>			<b><u>131.223.532</u></b>	<b><u>104.770.576</u></b>

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**22. TAX ASSETS AND LIABILITIES (Cont'd)**

The movement of deferred tax assets / (liabilities) within the period is as follows:

	<b>30 June 2020</b>	<b>30 June 2019</b>
<u>Movement for deferred taxes is as follows:</u>		
<b>Balance as of January, 1</b>	<b>104.770.576</b>	<b>22.195.919</b>
Restatement Effect	-	54.968.767
<b>Balance as of January, 1 (Restated)</b>	<b>104.770.576</b>	<b>77.164.686</b>
Current charge deferred tax income	47.095.767	1.305.798
Translation difference	(20.642.811)	205.618
Closing, 30 June	<b>131.223.532</b>	<b>78.676.102</b>
	<b>1 January-</b>	<b>1 April-</b>
	<b>30 June 2020</b>	<b>30 June 2020</b>
Current tax income	-	-
Deferred tax income	47.095.767	25.949.551
<b>Tax Income</b>	<b>47.095.767</b>	<b>25.949.551</b>
	<b>1 January-</b>	<b>1 April-</b>
	<b>30 June 2019</b>	<b>30 June 2019</b>
Current tax income	(88.692)	(88.692)
Deferred tax income	1.305.798	(6.154.835)
<b>Tax Income</b>	<b>1.217.106</b>	<b>(6.243.527)</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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#### 22. TAX ASSETS AND LIABILITIES (Cont'd)

Movement for deferred taxes as of 30 June 2020 and 2019 are as follows;

	<b>1 January 2020</b>	<b>Charge to Period</b>	<b>Translation Difference</b>	<b>30 June 2020</b>
Tangible and intangible assets	(10.857.658)	(5.645.072)	(5.540.632)	(22.043.362)
Trade receivables	(53.610.333)	40.619.829	(32.327.813)	(45.318.317)
Trade payables and cost provisions	14.562.439	2.425.033	(4.787.259)	12.200.213
Inventory and contract assets	(5.092.396)	(4.338.035)	(1.776.682)	(11.207.113)
Deferred revenue	1.151.892	(371.223)	372.269	1.152.938
Provisions for employee bonuses	3.634.132	(2.842.964)	629.916	1.421.084
Provision for unused vacation	3.431.613	(963.712)	427.310	2.895.211
Severance indemnity and retirement provisions	4.745.774	(551.985)	580.134	4.773.923
Contract liabilities	1.952.385	(5.131.205)	(1.099.167)	(4.277.987)
Unused R&D tax exemption (Note 12)	111.071.315	(15.319.219)	15.962.232	111.714.328
Carryforward tax losses	30.901.689	38.931.933	6.988.672	76.822.294
Other	2.879.724	282.387	(71.791)	3.090.320
	<b>104.770.576</b>	<b>47.095.767</b>	<b>(20.642.811)</b>	<b>131.223.532</b>

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#### 22. TAX ASSETS AND LIABILITIES (Cont'd)

	(Reported)	(Restated)				30 June 2019
	31 December 2018	Restatement Effect	1 January 2019	Charge to Period	Translation Difference	
Tangible and intangible assets	(12.255.815)	-	(12.255.815)	1.135.264	(1.935.295)	(13.055.846)
Trade receivables	(68.069.323)	24.939.184	(43.130.139)	(608.018)	(7.307.314)	(51.045.471)
Trade payables and cost provisions	1.627.059	6.705.713	8.332.772	(3.710.112)	365.412	4.988.072
Inventory and contract assets	(5.863.091)	23.323.870	17.460.779	(16.644.338)	(506.208)	310.233
Deferred revenue	1.182.359	-	1.182.359	(441.016)	182.464	923.807
Provisions for employee bonuses	4.422.667	-	4.422.667	(2.003.810)	363.960	2.782.817
Provision for unused vacation	3.304.216	-	3.304.216	(5.143)	310.260	3.609.333
Severance indemnity and retirement provisions	4.031.681	-	4.031.681	(637.904)	411.156	3.804.933
Contract liabilities	11.909.608	-	11.909.608	10.261.070	195.568	22.366.246
Unused R&D tax exemption (Note 14)	75.684.494	-	75.684.494	7.860.792	7.311.695	90.856.981
Carryforward tax losses	4.930.763	-	4.930.763	6.809.687	748.789	12.489.239
Other	1.291.301	-	1.291.301	(710.674)	65.131	645.758
	<b>22.195.919</b>	<b>54.968.767</b>	<b>77.164.686</b>	<b>1.305.798</b>	<b>205.618</b>	<b>78.676.102</b>

As of 30 June 2020, the Company has TL 555.146.959 unused R&D tax exemption provided by Support of Research and Development Act, numbered 5746 and the tax exemption is unlimited (31 December 2019: TL 504.869.613).

The Group's carryforward tax losses subject to recognition of deferred tax asset are as follows:

Related year	Using year	30 June 2020	31 December 2019
2016	2021	3.012.410	3.012.410
2017	2022	2.094.794	2.094.794
2018	2023	16.923.357	16.923.357
2019	2024	273.995.826	125.470.611
2020	2025	88.085.080	-
		<b>384.111.467</b>	<b>147.501.172</b>

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**23. BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

Due from related parties as of 30 June 2020 and 31 December 2019 is as follows:

<b>Due from Related Parties</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
ZTE İstanbul Telekomünikasyon(1)	9.395.162	8.265.318
ZTE Corporation(2)	267.270	-
Kron Telekomünikasyon A.Ş.(3)	141.565	21.720
	<b>9.803.997</b>	<b>8.287.038</b>

  

<b>Due to Related Parties</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
ZTE Corporation(2)	55.002.537	92.831.650
ZTE İstanbul Telekomünikasyon(1)	1.081.225	236.966
Kron Telekomünikasyon A.Ş.(3)	308.022	524.861
	<b>56.391.784</b>	<b>93.593.477</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.

- (1) Other Related Party  
(2) Main Partner  
(3) Associate

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

Main transactions with related parties are as follows for the period ended 30 June 2020 and 2019:

	1 January- 30 June 2020	1 April- 30 June 2020	1 January- 30 June 2019	1 April- 30 June 2019
<b>Sales</b>				
ZTE İstanbul Telekomünikasyon(1)	13.729.436	7.220.972	505.494	284.812
Kron Telekomünikasyon A.Ş.(3)	160.429	131.318	546.417	527.340
ZTE Corporation(2)	264.337	264.337	-	-
	<b>14.154.202</b>	<b>7.616.627</b>	<b>1.051.911</b>	<b>812.152</b>
<b>Purchases</b>				
ZTE İstanbul Telekomünikasyon(1)	808.427	135.766	267.880	205.441
Kron Telekomünikasyon A.Ş.(3)	246.530	132.751	33.062	880
ZTE Corporation(2)	24.871.722	20.417.330	2.370.526	-
	<b>25.926.679</b>	<b>20.685.847</b>	<b>2.671.468</b>	<b>206.321</b>

(1) Other Related Party

(2) Main Partner

(3) Associate

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.

**Benefits to Top Management:**

For the period ended 30 June 2020, total remuneration for the directors and management board of the Group is TL 13.549.217 (for the period ended 30 June 2019 total remuneration for the directors and management board of the Group is TL 12.703.839). As of 30 June 2020 and 31 December 2019 there is no credit granted to the Group's Management.

**24. 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 30 June 2020 and 31 December 2019 the Group's net debt / total equity ratios are as follows:

	30 June 2020	31 December 2019
Short-term and long-term borrowings(*)	553.325.901	603.332.264
Cash and cash equivalents	(185.883.802)	(195.340.538)
Net financial debt	367.442.099	407.991.726
Equity	593.853.747	535.890.730
<b>Net financial debt/ Uncontrollable Equity Capital</b>	<b>62%</b>	<b>76%</b>

(\*) As of the balance sheet date, this amount does not include lease payables and includes bank loans.

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### 24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

#### Credit risk

The Group Management covers the credit risks by limiting the average risk for the counterparty in each agreement and by taking guarantees if necessary. The collection risk of the Group mainly arises from its trade receivables. The Group manages this risk that may arise from trade receivables by limiting the credit limits set for customers with the guarantees received.

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

<u>30 June 2020</u>	<u>Trade Receivables</u>		<u>Contract Assets related to</u>	<u>Other Receivables</u>	<u>Deposits at Banks</u>
	<u>Related Parties</u>	<u>Other</u>	<u>Goods and Services Provided</u>	<u>Other</u>	
<b>Maximum credit risks as of balance sheet date (A+B+C+D)</b>	<b>9.803.997</b>	<b>891.888.749</b>	<b>224.984.924</b>	<b>516.913</b>	<b>185.883.802</b>
Maximum risk guaranteed by collateral	-	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	9.803.997	718.550.801	224.984.924	516.913	185.883.802
(B) Net book value of overdue but not impaired financial assets	-	173.337.948	-	-	-
Guaranteed by collateral	-	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-	-
Overdue (gross book value)	-	101.847.014	-	-	-
Impairment (-)	-	(101.847.014)	-	-	-
Guaranteed by collateral	-	-	-	-	-
Unexpired (gross book value)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
Guaranteed by collateral	-	-	-	-	-
(D) Off balance sheet risks	-	-	-	-	-

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## 24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

### Credit risk (Cont'd)

<u>31 December 2019</u>	<u>Trade Receivables</u>		<u>Contract Assets related to Goods and Services Provided</u>	<u>Other Receivables</u>	<u>Deposits at Banks</u>
	<u>Related Parties</u>	<u>Other</u>	<u>Other</u>	<u>Other</u>	
<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>239.795.554</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	239.795.554	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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**24. 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, 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 financial position aging of overdue and undue but not impaired financial assets are as follows:

<b>30 June 2020</b>	<b>Undue</b>	<b>1-30 days overdue</b>	<b>1-3 months overdue</b>	<b>3-6 months overdue</b>	<b>6-12 months overdue</b>	<b>1-5 years overdue</b>
Credit loss ratio (%)	0,5%	1,4%	2,1%	3,6%	6,6%	16,1%
As of period	709.270.462	31.564.242	20.600.529	15.718.928	12.919.192	101.815.396
Expected credit loss	18.610.904	182.962	137.700	673.868	440.378	7.845.430

  

<b>31 December 2019</b>	<b>Undue</b>	<b>1-30 days overdue</b>	<b>1-3 months overdue</b>	<b>3-6 months overdue</b>	<b>6-12 months overdue</b>	<b>1-5 years overdue</b>
Credit loss ratio (%)	0,3%	1,1%	2,0%	3,3%	7,5%	21,6%
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

***Liquidity risk***

The Group holds adequate sources to be able to fulfill its current and future liabilities. As of 30 June 2020 and 31 December 2019 liquidity risk table are as follows;

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**24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)****Liquidity risk (Cont'd)****30 June 2020**

<b><u>Maturities due to agreements</u></b>	<b>Carrying amount</b>	<b>Cash outflows due to agreements</b>	<b>Up to 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>
<b><u>Non- derivative financial liabilities</u></b>	<b>1.196.214.808</b>	<b>1.252.899.639</b>	<b>805.382.094</b>	<b>166.835.476</b>	<b>280.682.069</b>
Financial liabilities	553.325.901	592.864.646	206.609.578	141.349.010	244.906.058
Lease Liabilities	51.054.565	68.200.651	7.009.758	25.486.466	35.704.427
Due to related parties	56.391.784	56.391.784	56.391.784	-	-
Other trade payables to third parties	518.592.879	518.592.879	518.521.295	-	71.584
Other payables to third parties	16.849.679	16.849.679	16.849.679	-	-

**31 December 2019**

<b><u>Maturities due to agreements</u></b>	<b>Carrying amount</b>	<b>Cash outflows due to agreements</b>	<b>Up to 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>
<b><u>Non- derivative financial liabilities</u></b>	<b>1.194.870.628</b>	<b>1.277.260.256</b>	<b>804.528.963</b>	<b>185.483.041</b>	<b>287.248.252</b>
Financial liabilities	603.332.264	664.390.729	269.990.320	149.376.270	245.024.139
Lease Liabilities	56.937.920	78.269.083	-	36.106.771	42.162.312
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	-	-

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(Unless otherwise stated the amounts are in TL).

**24. 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 financial position date.

	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Fixed interest rate financial instruments</b>	<b>922.839.688</b>	<b>941.365.856</b>
Cash and Cash Equivalents (*)	20.630.029	27.409.671
Trade Receivables	901.692.746	913.425.075
Other Receivables	516.913	531.110
<b>Fixed interest rate financial liabilities</b>	<b>1.043.153.044</b>	<b>1.026.096.433</b>
Short and Long Term Unsecured Loans	400.264.137	434.558.069
Lease Liabilities	51.054.565	56.937.920
Trade Payables	574.984.663	512.459.235
Other Payables	16.849.679	22.141.209
<b>Variable interest rate financial instruments</b>	<b>147.947.700</b>	<b>163.675.800</b>
Financial Liabilities	147.947.700	163.675.800
<b>Interest-free financial liabilities</b>	<b>5.114.064</b>	<b>5.098.395</b>
Non Interest bearing unsecured spot loans	5.114.064	5.098.395

(\*) As of 30 June 2020 and 31 December 2019, includes bank time deposits and credit card receivables.

**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.

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

(Unless otherwise stated the amounts are in TL).

**24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)****Foreign currency risk (Cont'd)**

As of 30 June 2020 and 31 December 2019, the Group's foreign currency position table is given below:

<b>30 June 2020</b>	<b>TL Equivalent (*)</b>	<b>Original Currency</b>		
		<b>TL</b>	<b>Avro</b>	<b>Other</b>
<b>Current Assets</b>	<b>473.484.313</b>	<b>328.117.957</b>	<b>15.918.005</b>	<b>340.578.722</b>
Cash and cash equivalents	68.370.172	39.824.566	1.534.265	186.127.891
Trade receivables, third parties	404.775.845	288.256.132	14.357.148	152.635.351
Other receivables, third parties	338.296	37.259	26.592	1.815.480
<b>TOTAL ASSETS (A)</b>	<b>473.484.313</b>	<b>328.117.957</b>	<b>15.918.005</b>	<b>340.578.722</b>
<b>Short Term Liabilities</b>	<b>425.530.178</b>	<b>354.318.387</b>	<b>8.719.010</b>	<b>114.372.694</b>
Financial liabilities	318.084.770	279.121.104	5.054.833	-
Trade payables, third parties	90.595.729	61.086.378	3.664.177	30.160.513
Other payables, third parties	16.849.679	14.110.905	-	84.212.181
<b>Long Term Liabilities</b>	<b>206.179.367</b>	<b>206.179.367</b>	<b>-</b>	<b>-</b>
Long term financial liabilities	206.179.367	206.179.367	-	-
<b>TOTAL LIABILITIES (B)</b>	<b>631.709.545</b>	<b>560.497.754</b>	<b>8.719.010</b>	<b>114.372.694</b>
<b>Net Foreign Currency Asset / (Liability) Position (A-B)</b>	<b>(158.225.232)</b>	<b>(232.379.797)</b>	<b>7.198.995</b>	<b>226.206.028</b>

(\*) Since the functional currency of the Group companies 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 period end rates.

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

**24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)****Foreign currency risk (Cont'd)**

<b>31 December 2019</b>	<b>TL Equivalent (*)</b>	<b>Original Currency</b>		
		<b>TL</b>	<b>Avro</b>	<b>Other</b>
<b>Current Assets</b>	<b>409.970.700</b>	<b>304.549.436</b>	<b>13.151.244</b>	<b>604.238.399</b>
Cash and cash equivalents	32.387.818	16.555.359	472.729	468.726.068
Trade receivables, third parties	377.278.592	287.956.818	12.651.923	133.696.851
Other receivables, third parties	304.290	37.259	26.592	1.815.480
<b>TOTAL ASSETS (A)</b>	<b>409.970.700</b>	<b>304.549.436</b>	<b>13.151.244</b>	<b>604.238.399</b>
<b>Short Term Liabilities</b>	<b>509.395.144</b>	<b>490.410.768</b>	<b>2.270.904</b>	<b>274.930.787</b>
Financial liabilities	383.361.880	383.361.880	-	-
Trade payables, third parties	103.892.055	84.907.679	2.270.904	238.266.013
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>	-	-
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>274.930.787</b>
<b>Net Foreign Currency Asset / (Liability) Position (A-B)</b>	<b>(295.634.028)</b>	<b>(382.070.916)</b>	<b>10.880.340</b>	<b>329.307.612</b>

(\*) Since the functional currency of Group companies 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.

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE**  
**PERIOD ENDED 30 JUNE 2020**  
(Unless otherwise stated the amounts are in TL).

**24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)**

**Foreign currency risk (Cont'd)**

**30 June 2020**

	<b><u>Profit / (Loss)</u></b>	
	<b><u>Appreciation</u></b>	<b><u>Devaluation</u></b>
<i>Effect of 10 % appreciation/devaluation in TL -USD exchange rate :</i>		
Net asset / (liability) in TL	(23.237.980)	23.237.980
Hedged portion from TL risk (-)	-	-
<b>(1) Net effect of TL</b>	<b>(23.237.980)</b>	<b>23.237.980</b>
<i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i>		
Net asset / (liability) in EUR	5.549.129	(5.549.129)
Hedged portion from EUR risk (-)	-	-
<b>(2) Net effect of EUR</b>	<b>5.549.129</b>	<b>(5.549.129)</b>
<i>Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:</i>		
Net asset / (liability) in other currencies	1.866.328	(1.866.328)
Hedged portion from other currencies risk (-)	-	-
<b>(3) Net effect of other currencies</b>	<b>1.866.328</b>	<b>(1.866.328)</b>
<b>TOTAL (1+2+3)</b>	<b>(15.822.523)</b>	<b>15.822.523</b>

**31 December 2019**

	<b><u>Profit / (Loss)</u></b>	
	<b><u>Appreciation</u></b>	<b><u>Devaluation</u></b>
<i>Effect of 10 % appreciation/devaluation in TL -USD exchange rate :</i>		
Net asset / (liability) in TL	(38.207.092)	38.207.092
Hedged portion from TL risk (-)	-	-
<b>(1) Net effect of TL</b>	<b>(38.207.092)</b>	<b>38.207.092</b>
<i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i>		
Net asset / (liability) in EUR	7.236.079	(7.236.079)
Hedged portion from EUR risk (-)	-	-
<b>(2) Net effect of EUR</b>	<b>7.236.079</b>	<b>(7.236.079)</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>(29.563.403)</b>	<b>29.563.403</b>

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

**NETAŞ TELEKOMÜNİKASYON A.Ş. VE BAĞLI ORTAKLIKLARI**  
**30 HAZİRAN 2020 TARİHİ İTİBARIYLA ÖZET KONSOLİDE FİNANSAL TABLOLARA**  
**İLİŞKİN DİPNOTLAR**

(Tutarlar, aksi belirtilmedikçe Türk Lirası (“TL”) olarak ifade edilmiştir)

**25. 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.

**26. SUBSEQUENT EVENTS**

None.

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

(Unless otherwise stated the amounts are in TL).

### 27. DISCLOSURE OF OTHER MATTERS THAT MAY AFFECT CONDENSED CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR IS NECESSARY FOR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND COMPREHENSIBLE

#### a) Share Sales of Netrd

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 30 June 2020 are as follows:

	<b>Current Period</b> <b>30 June 2020</b>
<b>ASSETS</b>	
<b>Current Assets</b>	<b>54.610.130</b>
Cash and Cash Equivalents	3.261.814
Trade Receivables	43.663.205
<i>Trade receivables, third parties</i>	43.663.205
Prepaid Expenses	638.008
Other Current Assets	7.047.103
<b>Non-Current Assets</b>	<b>19.559.832</b>
Property, Plant and Equipment	3.244.770
Right of Use Assets	6.096.168
Intangible Assets	2.542.828
Goodwill	2.542.828
Deferred Tax Assets	7.676.066
<b>TOTAL ASSETS</b>	<b>74.169.962</b>



**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

(Unless otherwise stated the amounts are in TL).

**27. DISCLOSURE OF OTHER MATTERS THAT MAY AFFECT CONDENSED CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR IS NECESSARY FOR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND COMPREHENSIBLE (Cont'd)**

	<b>Current Period</b>	<b>Previous Period</b>
	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>LIABILITIES</b>		
<b>Short Term Liabilities</b>	<b>34.384.881</b>	<b>35.314.103</b>
Short Term Borrowings	774.373	11.505.538
<i>Bank Loans</i>	-	9.998.824
<i>Lease Liabilities</i>	774.373	1.506.714
Trade Payables	25.734.629	14.269.126
<i>Due to related parties</i>	25.001.672	11.843.701
<i>Trade payables, third parties</i>	732.957	2.425.425
Employee Benefit Obligations	4.736.992	4.032.226
Provisions	3.129.007	5.472.760
<i>Provisions for Employee Benefits</i>	2.820.533	5.323.958
<i>Other Short Term Provisions</i>	308.474	148.802
Other Payables	9.880	34.453
<b>Long Term Liabilities</b>	<b>5.949.060</b>	<b>5.164.802</b>
Long Term Borrowings	5.949.060	5.164.802
<i>Lease Liabilities</i>	5.949.060	5.164.802
<b>SHAREHOLDERS' EQUITY</b>	<b>33.836.021</b>	<b>12.543.659</b>
Share Capital	50.000	50.000
Net Profit for the Period	18.307.785	11.922.881
Currency Translation Differences	3.551.451	566.874
Retained Earnings	11.926.785	3.904
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>74.169.962</b>	<b>53.022.564</b>

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE**  
**PERIOD ENDED 30 JUNE 2020**  
(Unless otherwise stated the amounts are in TL).

**27. DISCLOSURE OF OTHER MATTERS THAT MAY AFFECT CONDENSED CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR IS NECESSARY FOR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND COMPREHENSIBLE (Cont'd)**

	<b>Current Period</b> <b>1 January-</b> <b>30 June 2020</b>	<b>Previous Period</b> <b>1 January-</b> <b>30 June 2019</b>	<b>Current Period</b> <b>1 April-</b> <b>30 June 2020</b>	<b>Previous Period</b> <b>1 April-</b> <b>30 June 2019</b>
<b>INCOME OR LOSS FROM OPERATIONS</b>				
Revenue	59.438.437	31.955.727	30.769.288	24.243.483
Cost of Sales (-)	(43.161.809)	(28.729.643)	(21.729.721)	(20.554.576)
<b>GROSS PROFIT</b>	<b>16.276.628</b>	<b>3.226.084</b>	<b>9.039.567</b>	<b>3.688.907</b>
Research and Development Expenses (-)	-	(12.352)	-	(12.352)
Other Income from Operating Activities	2.383.700	33.096	910.323	(826)
Other Expenses from Operating Activities (-)	(10.415)	(4.365)	(3.852)	(3.509)
<b>OPERATING PROFIT</b>	<b>18.649.913</b>	<b>3.242.463</b>	<b>9.946.038</b>	<b>3.672.220</b>
Financial Income	273.182	30.534	156.837	31.695
Financial Expenses (-)	(1.385.279)	(776.356)	(470.865)	(761.596)
<b>PROFIT BEFORE TAX</b>	<b>17.537.816</b>	<b>2.496.641</b>	<b>9.632.010</b>	<b>2.942.319</b>
Tax Income	769.969	1.733.162	(145.847)	1.621.232
Current Tax Expenses	-	-	-	-
Deferred Tax Income	769.969	1.733.162	(145.847)	1.621.232
<b>NET PROFIT FOR THE PERIOD</b>	<b>18.307.785</b>	<b>4.229.803</b>	<b>9.486.163</b>	<b>4.563.551</b>

**b)Other Significant Matters**

Due to the COVID-19 epidemic that affects the whole world, there are epidemic-related developments in the general economic activity and in the sector in which the Group is located. Considering the effects of the coronavirus epidemic on the telecom sector, there has been an increase in the demand for telecom and media services due to remote work / education and social distance measures.

After the company completes all kinds of necessary technical infrastructure works regarding the continuity of operations; The remote working system, which started gradually on the week of March 16, 2020, has been implemented throughout the company as of March 19, 2020. Except for our on-call employees who were on duty and on duty, the entire team worked remotely as of the aforementioned dates, and gradual return to Netaş offices began as of August 4, 2020. The company closely follows the developments with the Coronavirus (COVID-19) outbreak and will determine its business plans in line with these developments.

Production and sales activities continue uninterrupted as of the date of the balance sheet, with the reduction of restrictions to prevent the spread of the epidemic.

Covidien-19 effect of the need to continue with the world as well as in how much time in Turkey, can not be estimated yet clear is how much can be spread; As the severity and duration of the effects become clearer, it will be possible to make a more specific and healthy evaluation for the medium and long term. However, while preparing the interim consolidated financial statements dated June 30, 2020, the possible effects of the COVID-19 outbreak were evaluated and the estimates and assumptions used in the preparation of the consolidated financial statements were reviewed. In this context, the Group evaluated the possible impairment of financial assets, stocks, tangible fixed assets and goodwill included in the interim consolidated financial statements dated June 30, 2020 and no impairment was detected.s