



NETAŞ TELEKOMÜNİKASYON A.Ş.

NINE MONTHS EARNINGS RELEASE

NETAŞ

NINE MONTHS SUMMARY

- Total revenue up by 18% to TL655 million
- EBIT increased considerably and reached TL24 million
- TL-based EBITDA up by 72% to TL41 million

FINANCIAL HIGHLIGHTS

TL Million	9M16	9M15	y/y %
Revenue	654,8	554,5	18,1%
Cost of Sales	(579,9)	(494,9)	17,2%
Gross Profit	74,9	59,6	25,5%
<i>Gross margin %</i>	<i>11,4%</i>	<i>10,8%</i>	<i>68</i>
Sales, Marketing & Distribution Expenses	(34,1)	(33,8)	1,0%
General Administrative Expenses	(16,6)	(16,4)	1,6%
Research & Development Expenses	-	(1,1)	n/a
Incentives	-	0,6	n/a
EBIT	24,1	9,0	168,4%
<i>EBIT margin %</i>	<i>3,7%</i>	<i>1,6%</i>	<i>206</i>
Depreciation	16,4	14,6	12,9%
EBITDA	40,6	23,6	72,2%
<i>EBITDA margin %</i>	<i>6,2%</i>	<i>4,2%</i>	<i>195</i>

EBIT = Gross Profit – Sales, Marketing and Distribution Expenses - General Administrative Expenses – Research and Development Expenses + R&D Incentives

R&D Incentives: Disclosed under Other Income from Operating Activities in the financial statements prepared in accordance with the Capital Markets Board requirements.

Operating Expenses= Sales, Marketing and Distribution Expenses + General Administrative Expenses + Research and Development Expenses- R&D Incentives

EBITDA= EBIT + Depreciation

OPERATIONAL PERFORMANCE

In nine months period of 2016, **consolidated total revenue** grew by 18.1% compared to the same period of the previous year and reached TL 654.8 million mainly driven by large-scaled projects. **Turkey operations** maintained its high growth trend and posted 25.2% **domestic sales revenue** growth in 9M2016. Turkey operations accounted for 84% of total revenue in 9M2016 vs 79% in 9M2015.

Consolidated gross profit was up by 25.5% in 9M2016, translating into a gross profit margin of 11.4% with 68bps growth year on year basis on the back of successful new servicing strategy and increasing share of this strategy in total solution portfolio.

As a result of our successful expense management and effective cost control in our operations, **our operating expenses excluding depreciation and amortization (OPEX)** remained flattish and consequently, our **Earnings Before Interest & Tax (EBIT)** increased considerably in the nine months period and reached TL 24.1 million , indicating an increase of 168% while **EBIT margin** realized as 3.7% in 9M2016 vs 1.6% in 9M2015.

TL-based **Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)** increased by 72.2% and reached TL 40.6 million TL. EBITDA margin expansion of 195 bps in 9M2016 vs 9M2015 and was recorded at 6.2%.

Net working capital (inc. non-current trade receivables and trade payables) requirement of the Group increased to TL618 million in 9M2016 in an absolute term (FY2015: TL431 million) due to financing of long run large-scaled projects.

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

FINANCIAL STATEMENTS

Condensed Consolidated Balance Sheets as of 31.12.2015 and 30.09.2016

Prepared In Accordance with IFRS as per CMB Regulations

(TL)

	2016/9	2015/12
Cash & Cash Equivalents	52.831.520	226.061.741
Trade Receivables	532.961.439	596.232.981
Other Receivables	555.481	397.045
Derivative Instruments	0	109.927
Inventories	93.172.543	103.016.525
Deffered Costs	147.559.470	99.108.517
Other Current Assets	86.178.313	69.174.922
Total Current Assets	913.258.766	1.094.101.658
Trade Receivables	114.563.461	109.479.328
Property, Plant and Equipment	36.302.364	40.220.084
Financial Investments	1.442.477	862.056
Intangible Assets	92.492.357	90.035.336
<i>Goodwill</i>	54.909.179	53.290.807
<i>Other intangible assets</i>	37.583.178	36.744.529
Associates	3.722.496	2.601.418
Other Non-Current Assets	11.582.867	15.315.276
Total Non-Current Assets	260.106.022	258.513.498
Total Assets	1.173.364.788	1.352.615.156
Financial Liabilities	342.216.378	333.068.285
Trade Payables	195.599.371	350.117.975
Other Payables	4.372.067	12.731.107
Employee Benefit Obligations	14.110.374	13.034.339
Deferred Revenues	52.213.185	67.306.810
Provisions	18.034.653	21.376.150
Advances Received	59.592.843	66.778.156
Current Tax Liabilities	0	1.959.934
Total Current Liabilities	686.138.871	866.372.756
Trade Payables	12.573.224	12.781.889
Provisions	20.772.270	20.513.651
Deferred Tax Liabilities	4.774.980	15.745.963
Total Non-Current Liabilities	38.120.474	49.041.503
Total Equity	449.105.443	437.200.897
Total Liabilities and Shareholders' Equity	1.173.364.788	1.352.615.156

FINANCIAL STATEMENTS

NETAŞ TELEKOMÜNİKASYON A.Ş.

Condensed Consolidated Income Statements For the Period Ended 30.09.2015 and 30.09.2016

Prepared in accordance with IFRS as per CMB Regulations

(TL)

	2016/09	2015/09
REVENUE	654.755.191	554.547.726
Cost of Sales (-)	(579.888.102)	(494.899.905)
GROSS PROFIT FROM OPERATIONS	74.867.089	59.647.821
Sales, Marketing and Distribution Expenses (-)	(34.115.287)	(33.772.681)
General Administrative Expenses (-)	(16.619.389)	(16.356.581)
Research and Development Expenses (-)	-	(1.103.508)
Other Income from Operating Activities	4.149.330	3.238.007
Other Expenses from Operating Activities (-)	(9.581.611)	(16.136.264)
OPERATING PROFIT/(LOSS)	18.700.132	(4.483.206)
Income/(Expenses) from Investment Activities	22.204	(85.113)
Income from Associates	298.388	327.923
OPERATING PROFIT/(LOSS) BEFORE FINANCE INCOME/(EXPENSE)	19.020.724	(4.240.396)
Financial Income	6.532.926	72.242.218
Financial Expenses (-)	(35.754.560)	(26.098.835)
(LOSS)/PROFIT BEFORE TAX	(10.200.910)	41.902.987
Tax Income / (Expense)	8.047.135	(18.982.814)
- Current Tax (Expense) / Income	(15.335)	(803.226)
- Deferred Tax Income / (Expense)	8.062.470	(18.179.588)
(LOSS) /PROFIT AFTER TAX	(2.153.775)	22.920.173
TOTAL COMPREHENSIVE INCOME	11.904.546	124.126.927
EBITDA	40.563.799	23.551.233

FINANCIAL STATEMENTS

NETAŞ TELEKOMÜNİKASYON A.Ş.

Condensed Consolidated Income Statements For the Period Ended 30.09.2015 and 30.09.2016

Prepared in accordance with IFRS as per CMB Regulations

(TL)

	2016/09	2015/09
(Loss)/Profit for the year	(2.153.775)	22.920.173
Adjustments to reconcile income for the period	55.193.426	6.926.809
Changes in Working Capital	(171.983.493)	(78.615.418)
Cash Flows (Used in) Generated From Operations	(118.943.842)	(48.768.436)
Taxes paid	-	(1.172.115)
Payments Related with Provisions for Employee Benefit	(23.605.826)	(18.786.588)
Cash flow from investing activities	(8.920.966)	(4.557.887)
Cash flow from financing activities	(19.060.326)	91.906.347
Cash and Cash Equivalents at The End of The Period	52.831.520	109.158.430

2016 OUTLOOK- CONSOLIDATED BASIS

We confirm once again our guidance that we set at the beginning of 2016 and we will continue our operating activities in the rest of the year towards meeting our full year guidance. Accordingly;

- Forecasted revenue in terms of TL will remain flat year over year.
- EBITDA margin will improve approximately at 100 basis point.
- Also group is planning cash generation in its actions.

ABOUT NETAS

Netas provides innovative end-to-end value added systems integration and technology services in the fields of information and communications technologies (ICT). Its customers range from telco providers to public and private enterprises in domestic and international markets. Netas' constant increase in productivity is based on its next generation competencies around technology skillset and expertise. The company holds a track-record of 49 years and continues its foray in the field of information technologies, supported by with its experienced, best of breed research and development department. Netas also plays an important role in the modernization of the Turkish Armed Forces defense communication networks.

Within the Turkey's first 500 Companies', Netas, awarded 4 times as the "Software Export Champion" developing software solutions for more than 160 global operators within the region. According to the financial results of first 500 companies in 2014, Netas continues its leadership in " Network Hardware of the Year" and " System Integrator - Hardware of the Year " categories. The company, provides its customers with networking, security, unified communications, virtualization, cloud computing, broadband access, defense technologies, optical and carrier Ethernet, GSM-R, IT integration services, strategic outsourcing and tailored software development solutions. Netas provides extensive and goal oriented services, ranging from technology consultancy to post-sale assistance for government entities, companies and defense contractors in the Asia-Pacific, CIS and North African territories.

Netas' majority shareholders are OEP (One Equity Partners) Turkey Tech B.V with 48,04% and The Turkish Armed Forces Foundation with 15%. The remaining shares of 36,96% are traded on Borsa Istanbul (BIST).

FORWARD-LOOKING STATEMENTS

The information and any opinions contained in this document have been compiled in good faith. This document does not constitute and may not be relied upon as constituting any form of investment advice and prospective investors are advised to ensure that they obtain appropriate independent professional advice before making any investment. These forward-looking statements reflect management expectations and are based upon currently available data. Actual results are subject to future events and uncertainties, which could materially impact the Company's actual performance.

ACCOUNTING PRINCIPLES

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

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

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

The attached financial statements in this announcement comprise the income statements for the period ended 30.09.2016 and 30.09.2015 as well as the balance sheets as of 30.09.2016 and 31.12.2015.

ENQUIRIES

For financial reports and further information regarding Netas, please visit our website at www.netas.com.tr or you may contact;

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