

**NETAŞ TELEKOMÜNİKASYON  
A.Ş.  
2019 YEAR-END EARNINGS  
RELEASE**



## 2019 YEAR END SUMMARY

- ❑ Consolidated orders booked was 1,377 million TL in 2019.
- ❑ Sales Revenue increased by 30% and reached to 1,328 million TL.

## FINANCIAL HIGHLIGHTS

TL Million	2019 YE	2018 YE	y/y %
<b>Revenue</b>	<b>1.328</b>	<b>1.024</b>	<b>30%</b>
Cost of Sales	(1.168)	(890)	31%
<b>Gross Profit</b>	<b>160</b>	<b>134</b>	<b>19%</b>
<i>Gross margin %</i>	<i>12%</i>	<i>13%</i>	<i>(105)</i>
<b>Operating Expenses</b>	<b>(192)</b>	<b>(165)</b>	<b>16%</b>
General Administrative Expenses	(88)	(84)	4%
Sales, Marketing & Distribution Expenses	(97)	(68)	43%
Research & Development Expenses	(7)	(13)	(45%)
Incentives	4	-	-
<b>EBIT</b>	<b>(28)</b>	<b>(31)</b>	<b>(9%)</b>
<i>EBIT margin %</i>	<i>-2%</i>	<i>-3%</i>	<i>89</i>
Depreciation	61	33	89%
<b>EBITDA</b>	<b>33</b>	<b>2</b>	<b>-</b>
<i>EBITDA margin %</i>	<i>2,5%</i>	<i>0%</i>	<i>234</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.*

*EBITDA= EBIT + Depreciation*

**CONSOLIDATED  
OPERATIONAL & FINANCIAL  
PERFORMANCE**



# OPERATIONAL PERFORMANCE

## Orders & Sales Revenue

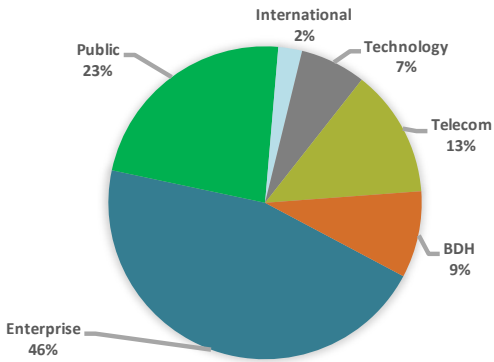


**Orders:** Orders booked in 2019 increased by 7% year over year and recorded at 1,377 million TL (242.9 million USD).

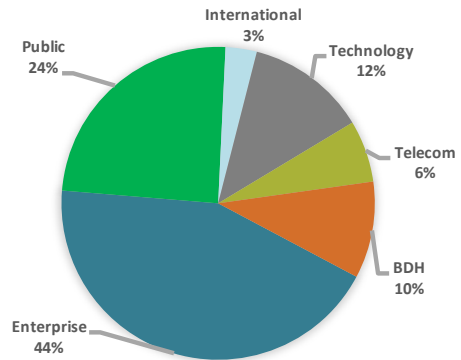
**Sales Revenue:** In 2019 Consolidated Group revenues was recorded at 1,328 million TL with a sharp 30% increase year over year.

### Breakdown of Orders Booked

2019 YE

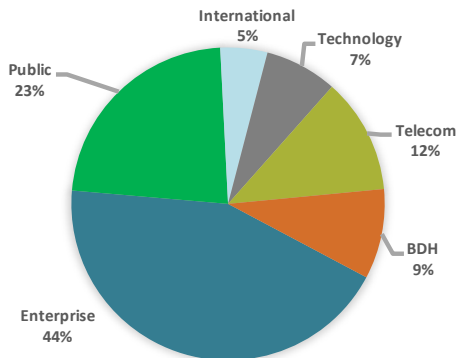


2018 YE

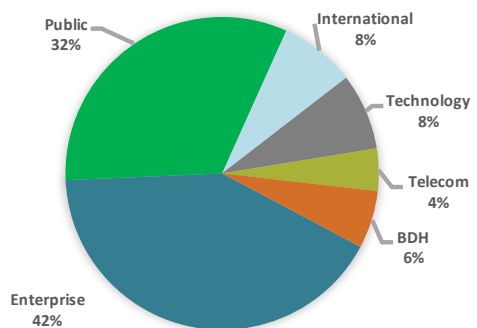


### Sales Breakdown

2019 YE

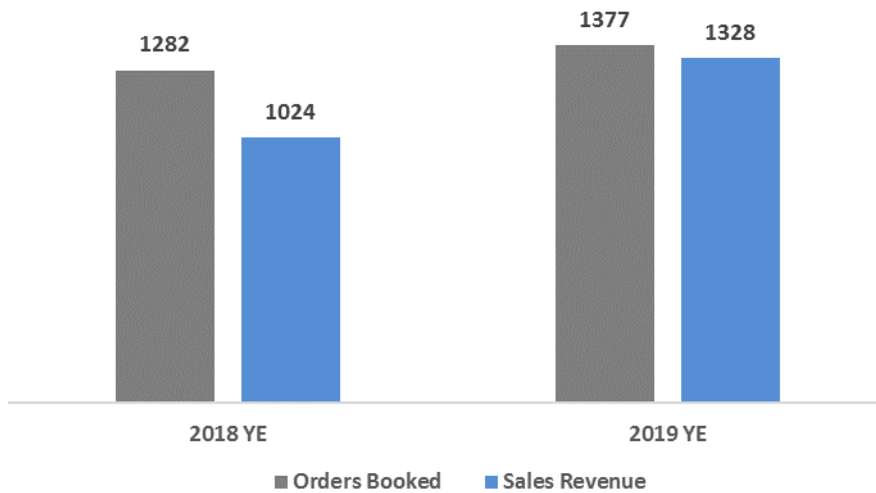


2018 YE



## CONSOLIDATED FINANCIAL PERFORMANCE

- Group's **consolidated order booking performance** was reported at 1,377 million TL in 2019 with 7% increase year over year. **Enterprise, Public, and Telecom segments** contributed positively to this increase in order booking.
- Consolidated **sales revenue of the Group increased 30% year over year** in 2019 to 1,328 million TL.



- **Group's consolidated gross profit**, increased 19.2% year over year, and realized as 160 million TL as of 2019 Year End.
- **Consolidated operating expenses (OPEX) increased** as a result of increasing marketing, sales and distribution expenses and general & administrative expenses. Operational expenses reached to 192 million TL in 2019 versus 165 million TL in 2018. Consequently, consolidated Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) figure improved especially in the 4th quarter and realized as 33 million TL in 2019.

## DEBT STRUCTURE & NET WORKING CAPITAL

### Balance sheet wise;

- **Group's cash and cash equivalents** was **152.3 million TL** as of 2019 year end with a **net debt position** of **408 million TL**.
- Gross **financial debt** was **603.3 million TL** as **2019 year end**. Maturity of the 68% of the total financial debt was less than one year as of 2019 year end.

(million TL)	Consolidated Total Financial Debt	Cash and Cash Equivalents	Net Debt
2019	603,3	195,3	408,0
2018	487,8	192,8	295,0

2019	TL	USD
Short Term Financial Debt (Bank Loans)	389,8	65,6
Long Term Financial Debt (Bank Loans)	195,0	32,8
Interest Expense Accruals for Borrowings	18,6	3,1
<b>Total Debt</b>	<b>603,3</b>	<b>101,6</b>

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

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

**SEGMENT BASED  
OPERATIONAL & FINANCIAL  
PERFORMANCE**



## SEGMENT BASED FINANCIAL PERFORMANCE

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

2018 YE (Million TL)	Enterprise	Public	International	Technology	Telecom	BDH	Unallocated	Total
Orders Booked	558,1	313,5	41,4	158,9	82,1	128,3	-	1.282,2
Sales Revenue	425,4	332,1	80,0	81,0	44,9	61,1	-	1.024,5
Cost of Sales	(386,5)	(278,9)	(60,2)	(77,9)	(41,1)	(45,6)	-	(890,2)
<b>Gross Profit</b>	<b>38,9</b>	<b>53,2</b>	<b>19,8</b>	<b>3,0</b>	<b>3,8</b>	<b>15,5</b>	-	<b>134,2</b>
Sales, marketing and distribution expenses	(32,1)	(20,9)	(12,2)	-	(2,6)	-	-	(67,8)
General administrative expenses	-	-	-	-	-	-	(83,9)	(83,9)
Research and development expenses	-	-	-	(13,4)	-	-	-	(13,4)
<b>Operating profit/ (loss) of segment</b>	<b>6,9</b>	<b>32,3</b>	<b>7,6</b>	<b>(10,4)</b>	<b>1,18</b>	<b>15,5</b>	<b>(83,9)</b>	<b>(30,8)</b>
<b>Operating profit margin</b>	<b>2%</b>	<b>10%</b>	<b>10%</b>	<b>-13%</b>	<b>3%</b>	<b>25%</b>		<b>-3%</b>

### Enterprise Segment



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

**Sales revenue of the Group from enterprise segment increased significantly by 36% year over year to 578.7 Million TL in 2019.** The main reason of the increasing OPEX of enterprise segment in 2019 compared to the last year was increasing FX rates.

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



## OPERATIONAL PERFORMANCE

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### Public Segment

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



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

### International Segment

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

### Technology Segment

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



### Telecom Segment

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Volume of the segment is growing by the contribution of projects received with ZTE products. Orders booked increased 122% year over year in 2019 and reached 182.3 million TL. Sales revenue of the segment was up 253% year over year and realized as 158.5 million TL in 2019.

### BDH

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Orders-booked of BDH decreased by 4% year over year in 2019; whilst sales revenue of the segment was up 102% and reached to 123.4 million TL for the same period.



**NETAŞ TELEKOMÜNİKASYON A.Ş.**  
**Consolidated Income Statements**  
Prepared in accordance with IFRS as per CMB Regulations  
(TL)

	2019 YE	Restated 2018 YE
<b>SALES REVENUE</b>	<b>1.327.640.194</b>	<b>1.024.463.920</b>
Cost of Sales (-)	(1.167.599.493)	(890.226.071)
<b>GROSS PROFIT FROM OPERATIONS</b>	<b>160.040.701</b>	<b>134.237.849</b>
Sales and Marketing Expenses (-)	(97.234.551)	(67.776.617)
General Administrative Expenses (-)	(87.612.151)	(83.895.910)
Research and Development Expenses (-)	(7.405.105)	(13.407.445)
Other Income from Operating Activities	14.807.993	1.483.323
Other Expenses from Operating Activities (-)	(44.448.943)	(146.363.708)
<b>OPERATING PROFIT / (LOSS)</b>	<b>(61.852.056)</b>	<b>(175.722.508)</b>
Income/(Expenses) from Investment Activities (net)	(231.280)	53.999
Income from Associates	1.000.942	375.187
<b>OPERATING PROFIT / (LOSS) BEFORE FINANCE INCOME/(EXP.)</b>	<b>(61.082.394)</b>	<b>(175.293.322)</b>
Financial Income	72.110.488	153.910.189
Financial Expenses (-)	(189.265.051)	(87.815.832)
<b>PROFIT / (LOSS) BEFORE TAX</b>	<b>(178.236.957)</b>	<b>(109.198.965)</b>
Tax Income / (Expense)	29.457.192	24.990.023
- Current Tax (Expense) / Income	(437.037)	(5.150.867)
- Deferred Tax Income / (Expense)	29.894.229	30.140.890
<b>NET PROFIT / (LOSS)</b>	<b>(148.779.765)</b>	<b>(84.208.942)</b>
<b>EBITDA</b>	<b>33.260.124</b>	<b>1.697.139</b>

**NETAŞ TELEKOMÜNİKASYON A.Ş.**  
**Consolidated Balance Sheet**  
Prepared In Accordance with IFRS as per CMB Regulations  
(TL)

	2019 YE	Restated 2018 YE	Restated 2017 YE
Cash & Cash Equivalents	195.340.538	192.787.683	187.212.070
Trade Receivables	871.112.583	820.134.934	783.373.147
Other Receivables	531.110	1.728.286	1.479.485
Inventories	124.259.454	89.782.997	74.080.893
Deferred Cost	239.795.554	199.663.095	118.376.945
Other Current Assets	64.145.851	55.950.000	51.018.346
<b>Total Current Assets</b>	<b>1.495.185.090</b>	<b>1.360.046.995</b>	<b>1.215.540.886</b>
Trade Receivables	42.312.492	37.505.767	71.865.551
Property, Plant and Equipment	58.083.609	51.441.407	36.598.628
Right of Use Assets	52.251.621	-	-
Financial Investments	5.533.199	4.733.887	2.928.818
Intangible Assets	190.731.271	129.450.068	103.327.185
<i>Goodwill</i>	108.872.627	96.422.343	69.131.791
<i>Other intangible assets</i>	81.858.644	33.027.725	34.195.394
Associates	9.401.553	7.784.350	6.155.424
Deferred Tax Assets	29.887.249	25.401.602	18.909.728
Other Non-Current Assets	122.804.631	79.546.220	36.891.206
<b>Total Non-Current Assets</b>	<b>511.005.625</b>	<b>335.863.301</b>	<b>276.676.540</b>
<b>Total Assets</b>	<b>2.006.190.715</b>	<b>1.695.910.296</b>	<b>1.492.217.426</b>
Short Term Financial Liabilities	434.015.226	487.836.269	302.073.547
Bank Loans	407.122.680	487.836.269	302.073.547
Lease Liabilities	26.892.546	-	-
Trade Payables	512.397.434	326.972.225	415.020.635
Other Payables	22.141.209	17.064.203	10.710.962
Employee Benefit Obligations	24.660.041	22.373.870	11.623.440
Liabilities Arising From Customer Contracts	106.554.998	83.881.957	55.182.524
Short Term Provisions	36.704.941	32.824.733	25.889.324
Deferred Revenues	61.319.303	66.589.646	52.676.354
Current Tax Liabilities	349.165	5.064.848	2.994.379
<b>Total Short Term Liabilities</b>	<b>1.198.142.317</b>	<b>1.042.607.751</b>	<b>876.171.165</b>
Long-Term Financial Liabilities	226.254.958	-	24.044.293
Bank Loans	196.209.584	-	24.044.293
Lease Liabilities	30.045.374	-	-
Trade Payables	61.801	57.416	46.357
Provisions	29.114.925	33.762.755	26.385.750
Deferred Tax Liabilities	16.407.295	1.826.769	11.040.651
<b>Total Long Term Liabilities</b>	<b>271.838.979</b>	<b>35.646.940</b>	<b>61.517.051</b>
<b>Total Equity</b>	<b>535.890.730</b>	<b>617.655.605</b>	<b>554.529.210</b>
<b>Non-Controlling Interest</b>	<b>318.689</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>2.006.190.715</b>	<b>1.695.910.296</b>	<b>1.492.217.426</b>

**NETAŞ TELEKOMÜNİKASYON A.Ş.**  
**Consolidated Cash Flow Statements**  
Prepared in accordance with IFRS as per CMB Regulations  
(TL)

	2019 YE	Restated 2018 YE
<b>Loss for the Period</b>	<b>(148.779.765)</b>	<b>(84.208.942)</b>
Adjustments to reconcile loss for the period	167.761.085	(27.465.492)
Changes in Working Capital	150.599.894	71.674.754
<b>Cash Flows (Used in) Generated From Operations</b>	<b>169.581.214</b>	<b>(39.999.680)</b>
Payments Related with Provisions for Employee Benefits	(41.705.721)	(26.394.579)
Payments Related with Taxes	(5.150.867)	(3.016.501)
Payments Related with Lawsuits	(1.076.899)	(1.413.608)
<b>Cash flow from investing activities</b>	<b>2.017.060</b>	<b>(8.003.923)</b>
<b>Cash flow from financing activities</b>	<b>(84.242.360)</b>	<b>79.770.156</b>
Effect of exchange rate changes on cash & cash equivalents	(36.869.572)	4.633.421
<b>Cash and Cash Equivalents at The Beginning of the year</b>	<b>192.787.683</b>	<b>187.212.070</b>
<b>Cash and Cash Equivalents at The End of The Period</b>	<b>195.340.538</b>	<b>192.787.683</b>

## ABOUT NETAS

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Netaş Telekomünikasyon A.Ş. («Netaş» or «Company») 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 51 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.

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.

As of December 31, 2019, Netas' majority shareholders were **ZTE Cooperatief U.A.** ("ZTE Cooperatief") with 48,05% and **The Turkish Armed Forces Foundation** with 15%. The remaining shares of 36,95% are traded on Borsa Istanbul (BIST).

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

## ACCOUNTING PRINCIPLES

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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 profit and loss statement and balance sheet for the period ended 31.12.2019 and 31.12.2018.

## ENQUIRIES

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For financial reports and further information regarding Netas, please visit our website at [www.netas.com.tr](http://www.netas.com.tr) or you may contact;

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