

**NETAŞ TELEKOMÜNİKASYON  
A.Ş.  
9M 2019 EARNINGS RELEASE**



## 9M 2019 SUMMARY

- ❑ Consolidated orders booked was 977 million TL in 9M 2019.
- ❑ Sales Revenue increased by 39% and reached to 833 million TL.
- ❑ Order on Hand was 844 million TL in 9M 2019.

## FINANCIAL HIGHLIGHTS

TL Million	9M 2019	9M 2018	y/y %
<b>Revenue</b>	<b>833</b>	<b>601</b>	<b>39%</b>
Cost of Sales	(749)	(531)	41%
<b>Gross Profit</b>	<b>84</b>	<b>70</b>	<b>20%</b>
<i>Gross margin %</i>	<i>10%</i>	<i>12%</i>	<i>(154)</i>
<b>Operating Expenses</b>	<b>(135)</b>	<b>(107)</b>	<b>26%</b>
General Administrative Expenses	(55)	(40)	39%
Sales, Marketing & Distribution Expenses	(73)	(55)	34%
Research & Development Expenses	(6)	(13)	(48%)
Incentives	9	(3)	-
<b>EBIT</b>	<b>(42)</b>	<b>(40)</b>	<b>3%</b>
<i>EBIT margin %</i>	<i>-5%</i>	<i>-7%</i>	<i>170</i>
Depreciation	44	23	94%
<b>EBITDA</b>	<b>3</b>	<b>(17)</b>	<b>-</b>
<i>EBITDA margin %</i>	<i>0,4%</i>	<i>-3%</i>	<i>323</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

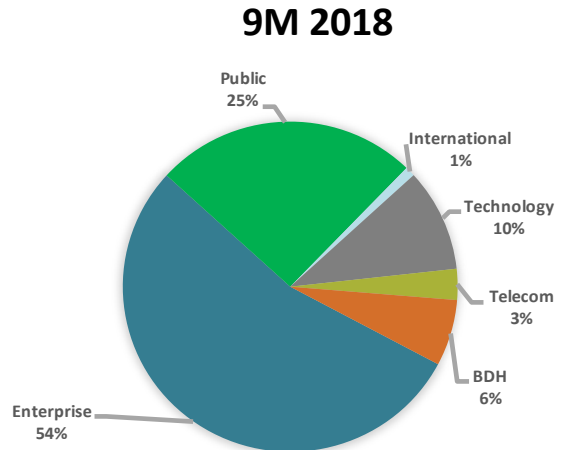
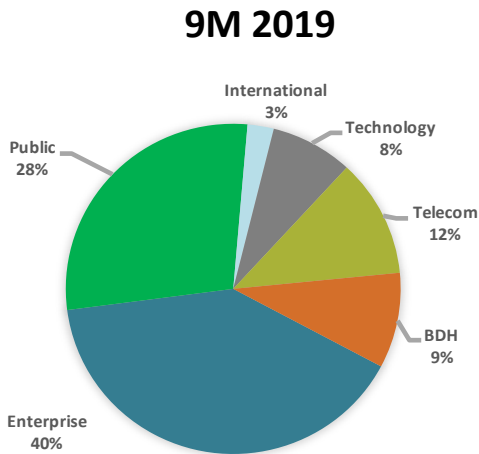
## Orders & Sales Revenue



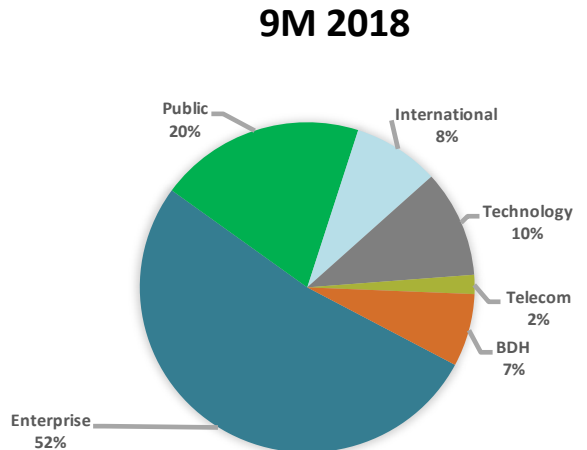
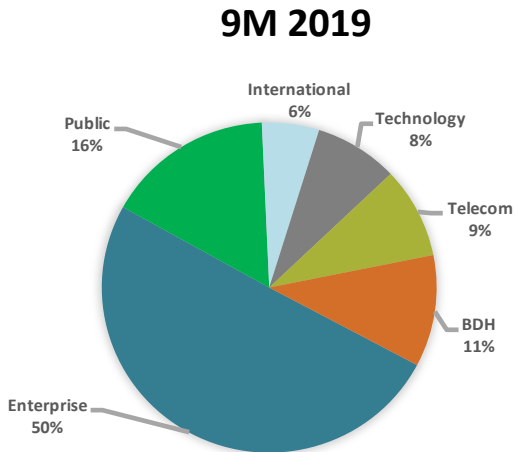
**Orders:** Orders booked in the first nine months of 2019 increased significantly by 47% year over year and recorded at 977 million TL (173.5 million USD). Even though 47% growth includes the effect of increasing rates; orders booked also increased in real terms. Orders on hand were 847 million TL (150.5 million USD) in 9M 2019.

**Sales Revenue:** In 9M 2019 Consolidated Group revenues was recorded at 833 million TL with a sharp 39% increase year over year.

### Breakdown of Orders Booked



### Sales Breakdown



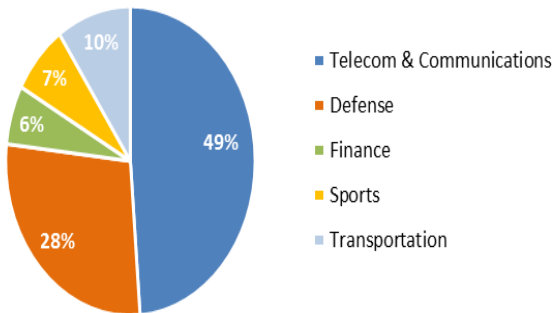
# OPERATIONAL PERFORMANCE

## Distribution of Orders & Sales based on Sectors

### Orders

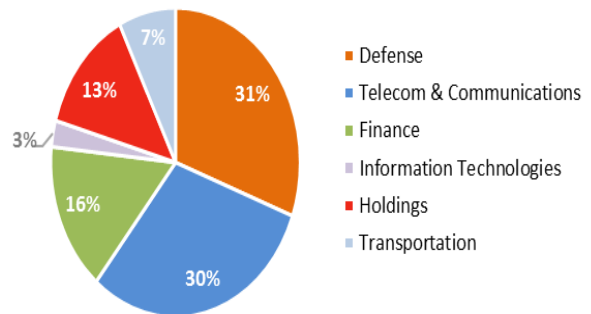
9M 2019

Distribution of Top 10 Customers based on "Customers' Sector"



9M 2018

Distribution of Top 10 Customers based on "Customers' Sector"

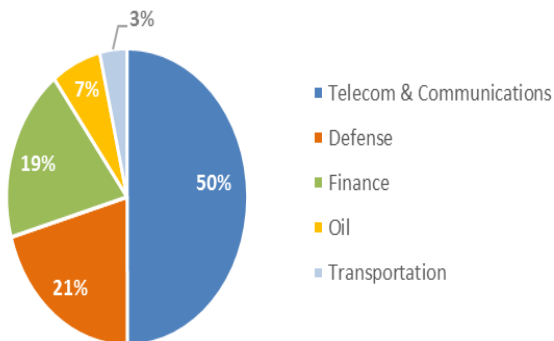


\*Breakdown excludes BDH.

### Sales

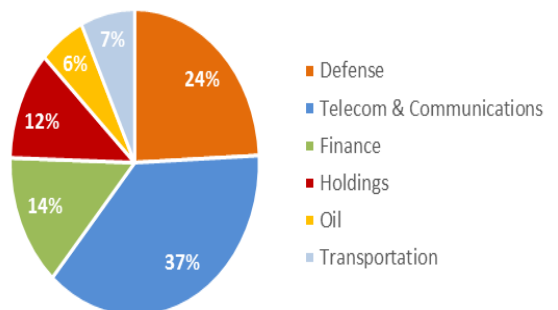
9M 2019

Distribution of Top 10 Customers based on "Customers' Sector"



9M 2018

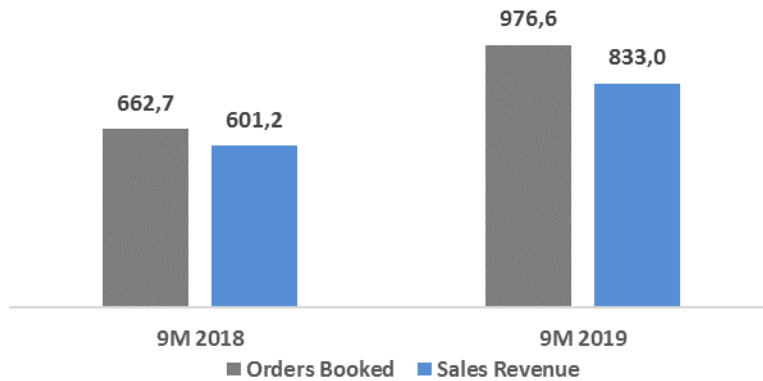
Distribution of Top 10 Customers based on "Customers' Sector"



\*Breakdown excludes BDH.

## CONSOLIDATED FINANCIAL PERFORMANCE

- Group's **consolidated order booking performance** was reported at 976.6 million TL in 9M 2019 with a sharp 47% increase year over year. USD's appreciation against TL contributed to this increase however the Group's order booking performance also increased 20% in USD terms, compared to the same period of last year. Thanks to the company's greater presence in domestic market and diversified business structure, all segments (Enterprise, Public, International, Technology, Telecom, BDH) contributed to the increase in order booking performance of 9M 2019.
- Consolidated **sales revenue of the Group increased 39% year over year** in 9M 2019 to 833 million TL.



- Group's consolidated gross profit**, increased 20% year over year, and realized as 84.1 million TL as of 30 September 2019.
- Consolidated operating expenses (OPEX) increased** as a result of increasing marketing, sales and distribution expenses and general & administrative expenses. Operational expenses reached to 135 million TL in 9M 2019 versus 107 million TL in 9M 2018. Consequently, consolidated Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) figure turned to positive and realized as 3 million TL in 9M 2019.
- Group recorded 123.7 million TL financial expenses as a result of higher interest rates in 9M 2019. Even if increased financial expenses was compensated with 40.4 million TL financial income with support of favorable FX rates of USD against Turkish Lira, this could not prevent to Group's first 9 months bottom-line turn to red and the company recorded 110.6 million TL loss in 9M 2019.

## DEBT STRUCTURE & NET WORKING CAPITAL

### Balance sheet wise;

- **Group's cash and cash equivalents** was **152.3 million TL** in 9M 2019 with a **net debt position** of **528.1 million TL**.
- Gross **financial debt** was **680.3 million TL in 9M 2019** and 98.4% of the debt in TL terms. Maturity of the total financial debt was less than one year as of September 30, 2019.

(million TL)	Consolidated Total Financial Debt	Cash and Cash Equivalents	Net Debt
9M 2019	680,3	152,3	528,1
2018	487,8	192,8	295,0

9M 2019	TL	USD
Short Term Financial Debt (Bank Loans)	680,3	120,2
Long Term Financial Debt (Bank Loans)	0,0	0,0
Interest Expense Accruals for Borrowings	8,6	1,5
<b>Total Debt</b>	<b>689,0</b>	<b>121,7</b>

- **Group's net working capital\*** (incl. non-current trade receivables and trade payables) requirement for the financing of continuing projects was **1,002 million TL** as of 9M 2019 (2018 YE: TL 896 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

2019/9M (Million TL)	Enterprise	Public	International	Technology	Telecom	BDH	Unallocated	Total
Orders Booked	392,3	277,5	25,0	77,9	112,9	91,1	-	976,6
Sales Revenue	419,1	135,0	46,1	67,4	74,3	91,1	-	833,0
Cost of Sales	(385,4)	(113,5)	(39,1)	(63,3)	(67,5)	(80,1)	-	(748,9)
Gross Profit	33,7	21,4	7,0	4,1	6,9	11,0	-	84,1
Sales, marketing and distribution expenses	(28,5)	(7,9)	(9,9)	-	(9,3)	(17,3)	-	(72,9)
General administrative expenses	-	-	-	-	-	-	(55,3)	(55,3)
Research and development expenses	-	-	-	(6,5)	-	-	-	(6,5)
<b>Operating profit/ (loss) of segment</b>	<b>5,19</b>	<b>13,6</b>	<b>(2,9)</b>	<b>(2,4)</b>	<b>(2,5)</b>	<b>(6,2)</b>	<b>(55,3)</b>	<b>(50,6)</b>
<b>Operating profit margin</b>	<b>1%</b>	<b>10%</b>	<b>-6%</b>	<b>-4%</b>	<b>-3%</b>	<b>-7%</b>		<b>-6%</b>

2018/9M (Million TL)	Enterprise	Public	International	Technology	Telecom	BDH	Unallocated	Total
Orders Booked	357,9	168,7	6,4	66,9	19,9	42,8	-	662,7
Sales Revenue	313,5	120,2	50,4	63,0	11,3	42,8	-	601,2
Cost of Sales	(288,4)	(95,8)	(38,0)	(61,8)	(11,2)	(35,9)	-	(531,2)
Gross Profit	25,1	24,4	12,3	1,2	0,1	6,9	-	70,0
Sales, marketing and distribution expenses	(17,0)	(13,1)	(8,3)	-	(3,2)	(13,0)	-	(54,6)
General administrative expenses	-	-	-	-	-	-	(39,9)	(39,9)
Research and development expenses	-	-	-	(12,6)	-	-	-	(12,6)
<b>Operating profit/ (loss) of segment</b>	<b>8,1</b>	<b>11,3</b>	<b>4,0</b>	<b>(11,4)</b>	<b>(3,12)</b>	<b>(6,1)</b>	<b>(39,9)</b>	<b>(37,1)</b>
<b>Operating profit margin</b>	<b>3%</b>	<b>9%</b>	<b>8%</b>	<b>-18%</b>	<b>-28%</b>	<b>-14%</b>		<b>-6%</b>

### Enterprise Segment



Despite the uncertainties in the markets the **Group managed to increase its order bookings by 10% to 392.3 million TL in the Enterprise segment in 9M 2019.**

**Sales revenue of the Group from enterprise segment increased significantly by 34% year over year to 419.1 Million TL in 9M 2019.** The main reason of the increasing OPEX of enterprise segment in 9M 2019 compared to the same period of last year was increasing FX rates.

**Enterprise segment generated 50.3% of total Group's consolidated revenue in 9M 2019.**

## OPERATIONAL PERFORMANCE

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### Public Segment

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Orders received from Turkish Football Federation contributed positively to the order booking performance of the Public segment; order bookings strongly increased 64% year over year in the first nine months of 2019 and recorded as 277.5 million TL.



Sales revenues from Public segment increased 12% year over year and realized as 135 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 40% decrease in Opex of Public segment in 9M 2019 year over year.

### International Segment

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As a result of better performance in order booking in Q3, **Orders booked from international segment increased 287% year over year** in the first nine months of 2019 whilst sales revenues decreased 9% for the same period. Execution processes are extended for some projects in international segment in the first nine months of 2019.

### Technology Segment

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Long-term business relations with Ribbon continues in Technology segment. **Orders booked increased 16% year over year in the first nine months of 2019. Sales revenue of the segment improved especially in Q2 and Q3, was up 7% year over year**, realized as 67.4 million TL for the same period.



### Telecom Segment

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Volume of the segment is growing by the contribution of projects received with ZTE products. **Orders booked increased 468% year over year** in the first nine months of 2019 and reached 113.2 million TL. **Sales revenue of the segment was up 560% year over year and realized as 74.3 million TL for the same period.** Post warranty support contracts contributed to the profit margin of the segment.

### BDH

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**Both orders-booked and sales revenue of BDH increased by 113% year over year** in 9M 2019; sales revenue of the segment reached to 91.1 million TL.



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

	9M 2019	9M 2018
<b>SALES REVENUE</b>	<b>833.021.971</b>	<b>601.180.083</b>
Cost of Sales (-)	(748.888.133)	(531.222.657)
<b>GROSS PROFIT FROM OPERATIONS</b>	<b>84.133.838</b>	<b>69.957.426</b>
Sales and Marketing Expenses (-)	(72.943.520)	(54.579.741)
General Administrative Expenses (-)	(55.280.523)	(39.899.063)
Research and Development Expenses (-)	(6.486.080)	(12.566.952)
Other Income from Operating Activities	20.301.876	1.367.041
Other Expenses from Operating Activities (-)	(12.549.748)	(119.737.980)
<b>OPERATING PROFIT / (LOSS)</b>	<b>(42.824.157)</b>	<b>(155.459.269)</b>
Income/(Expenses) from Investment Activities (net)	(180.174)	(279.888)
Income from Associates	200.258	240.955
<b>OPERATING PROFIT / (LOSS) BEFORE FINANCE INCOME/(EXP.)</b>	<b>(42.804.073)</b>	<b>(155.498.202)</b>
Financial Income	40.436.004	188.699.767
Financial Expenses (-)	(123.687.080)	(62.893.802)
<b>PROFIT / (LOSS) BEFORE TAX</b>	<b>(126.055.149)</b>	<b>(29.692.237)</b>
Tax Income / (Expense)	15.445.215	(16.322.587)
- Current Tax (Expense) / Income	(87.280)	(83.788)
- Deferred Tax Income / (Expense)	15.532.495	(16.238.799)
<b>NET PROFIT / (LOSS)</b>	<b>(110.609.934)</b>	<b>(46.014.824)</b>
<b>EBITDA</b>	<b>2.942.100</b>	<b>(17.277.831)</b>

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

	9M 2019	2018 YE
Cash & Cash Equivalents	152.256.642	192.787.683
Trade Receivables	863.391.584	916.704.334
Other Receivables	368.424	1.728.286
Inventories	140.957.632	89.377.544
Deferred Cost	372.092.202	305.680.684
Other Current Assets	64.449.800	57.475.520
<b>Total Current Assets</b>	<b>1.593.516.284</b>	<b>1.563.754.051</b>
Trade Receivables	59.462.593	54.296.299
Property, Plant and Equipment	75.116.751	51.441.407
Right of Use Assets	51.632.812	-
Financial Investments	5.318.562	4.733.887
Intangible Assets	180.166.282	129.450.068
<i>Goodwill</i>	103.720.596	96.422.343
<i>Other intangible assets</i>	76.445.686	33.027.725
Associates	8.336.072	7.784.350
Deferred Tax Assets	33.929.769	24.022.688
Other Non-Current Assets	27.689.922	25.956.367
<b>Total Non-Current Assets</b>	<b>441.652.763</b>	<b>297.685.066</b>
<b>Total Assets</b>	<b>2.035.169.047</b>	<b>1.861.439.117</b>
Short Term Financial Liabilities	700.817.118	487.836.269
Bank Loans	680.345.499	487.836.269
Lease Liabilities	20.471.619	-
Trade Payables	247.853.597	298.956.476
Other Payables	11.676.120	17.064.203
Employee Benefit Obligations	23.888.508	22.373.870
Deferred Revenues	117.323.538	83.881.957
Provisions	36.926.243	34.856.887
Advances Received	61.431.994	66.589.646
Current Tax Liabilities	-	5.064.848
<b>Total Short Term Liabilities</b>	<b>1.199.917.118</b>	<b>1.016.624.156</b>
Long-Term Financial Liabilities	34.490.738	-
Bank Loans	-	-
Lease Liabilities	34.490.738	-
Trade Payables	55.179	57.416
Provisions	24.919.603	29.265.838
Deferred Tax Liabilities	3.581.379	1.826.769
<b>Total Long Term Liabilities</b>	<b>63.046.899</b>	<b>31.150.023</b>
<b>Total Equity</b>	<b>771.789.309</b>	<b>813.664.938</b>
<b>Non-Controlling Interest</b>	<b>415.721</b>	<b>-</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>2.035.169.047</b>	<b>1.861.439.117</b>

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

	9M 2019	9M 2018
<b>Loss for the Period</b>	<b>(110.609.934)</b>	<b>(46.014.824)</b>
Adjustments to reconcile loss for the period	134.563.688	(64.869.832)
Changes in Working Capital	(30.854.695)	21.674.890
<b>Cash Flows (Used in) Generated From Operations</b>	<b>(6.900.941)</b>	<b>(89.209.766)</b>
Payments Related with Provisions for Employee Benefits	(38.382.874)	(22.868.646)
Payments Related with Lawsuits	(2.084.898)	(2.160.916)
<b>Cash flow from investing activities</b>	<b>(46.272.258)</b>	<b>(4.485.770)</b>
<b>Cash flow from financing activities</b>	<b>81.703.163</b>	<b>49.855.041</b>
Effect of exchange rate changes on cash & cash equivalents	(28.593.233)	21.140.729
<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>152.256.642</b>	<b>139.482.742</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 September 30, 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 for the period ended 30.09.2019 and 30.09.2018 and balance sheet for the period ended 30.09.2019 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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