

***NETAŞ TELEKOMÜNİKASYON A.Ş.***  
***Q1 2020 EARNINGS RELEASE***



## Q1 2020 SUMMARY

- ❑ Consolidated orders booked was 262.5 million TL,
- ❑ Sales Revenue increased by 39% and reached to 304 million TL,
- ❑ Order on Hand was 919 million TL.
- ❑ Increase in gross profit and strictly controlled operational expenses which are 10% lower year over year, are resulted in better Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) figure.  
EBITDA margin turned to positive and realized as 2.4% in Q1 2020 versus negative 5% same period last year. Similarly, in nominal terms, consolidated Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) was 7.2 million TL in the first three months of 2020, compared to negative 11.2 million TL same period last year.

## FINANCIAL HIGHLIGHTS

TL Million	Q1 2020	Q1 2019	y/y %
Revenue	304	219	39%
Cost of Sales	(274)	(202)	36%
Gross Profit	30	17	75%
Gross margin %	10%	8%	205
Operating Expenses	(41)	(46)	(10%)
General Administrative Expenses	(17)	(19)	(10%)
Sales, Marketing & Distribution Expenses	(24)	(24)	(1%)
Research & Development Expenses	(1)	(3)	(70%)
Incentives	1	4	-
EBIT	(10)	(25)	(60%)
EBIT margin %	-3%	-11%	814
Depreciation	17	14	24%
EBITDA	7	(11)	-
EBITDA margin %	2,4%	-5%	746

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

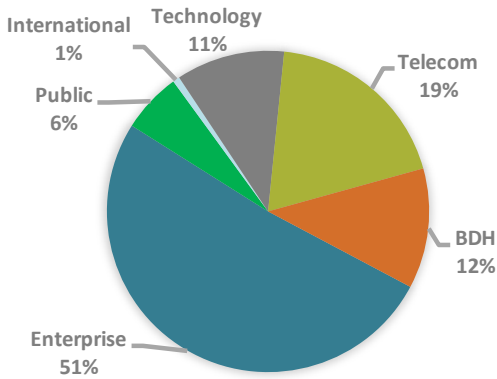


**Orders:** Orders booked in the first three months of 2020 increased 5% year over year and recorded as 262.5 million TL (43.1 million USD). Orders on hand were 919 million TL (150.8 million USD) in the first three months of 2020.

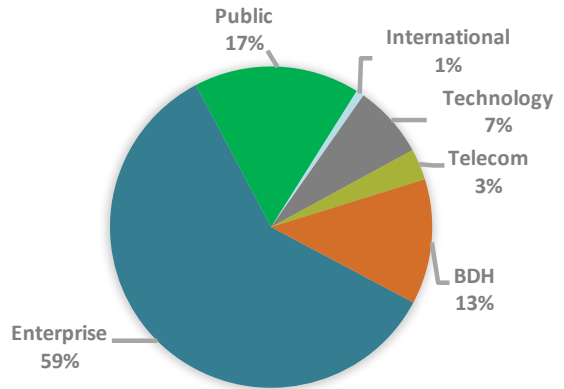
**Sales Revenue:** In 3M 2020 Consolidated Group revenues was recorded at 304 million TL with a sharp 39% increase year over year.

### Breakdown of Orders Booked

Q1 2020

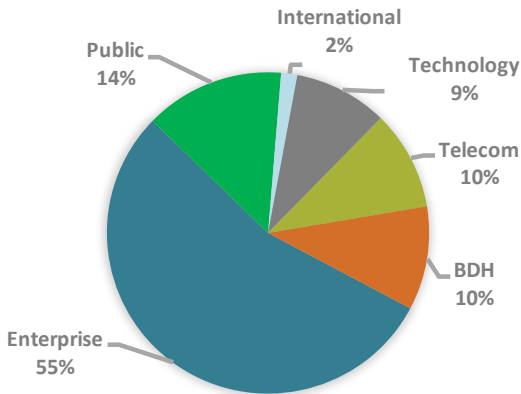


Q1 2019

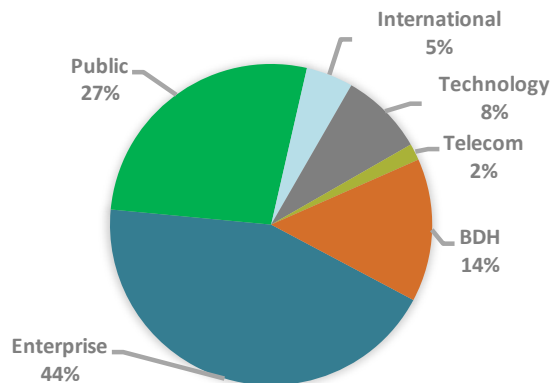


### Sales Breakdown

Q1 2020



Q1 2019



## CONSOLIDATED FINANCIAL PERFORMANCE

- Group's **consolidated order booking performance** was reported at 262.5 million TL in 3M 2020 with **5% increase year over year**. Telecom and Technology segments contributed to the increase in order booking performance in the first three months of 2020.
- Consolidated sales revenue** of the Group increased 39% year over year in the first three months of 2020 to 304 million TL. Enterprise, telecom and technology segments contributed to the increase in sales revenue.



- Group's **consolidated gross profit increased 75% year over year**, and realized as 30.2 million TL as of 31 March 2020.
- Consolidated operating expenses (OPEX) decreased 10% year over year in Q1 2020**. Marketing, sales and distribution expenses were in line with last year whilst there was total 18% year over year decrease in general administrative and R&D expenses. Operational expenses were realized as 41.4 million TL in Q1 2020 versus 45.8 million TL in Q1 2019.
- Increase in gross profit and strictly controlled operational expenses which are 10% lower year over year, are resulted in better Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) margin**. (2.4% in Q1 2020 versus negative 5% in Q1 2019). Consolidated Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) was 7.2 million TL in Q1 2020 (vs. negative 11.2 million TL Q1 2019).
- Group recorded **4.9 million TL net financial income in Q1 2020 whilst it has recorded 3.5 million TL net financial expense in the same period last year**. The main reason for that was the Group's interest expense was lower in Q1 2020 compared to the same period last year and the Group's effective TL loan rate is significantly lower for the same period year over year.
- 21.1 million TL deferred tax income also supported the bottom line, the Group realized 3 million TL net loss in Q1 2020.

## DEBT STRUCTURE & NET WORKING CAPITAL

### Balance sheet wise;

- **Group's cash and cash equivalents** was **206.8 million TL** in 3M 2020.
- **Net debt of the group declined significantly 29% to 289.9 million TL in the first quarter of 2020, compared to 2019 year end.** In 2019 year end results, net debt was standing at 408 million TL.
- **Gross financial debt of the Group was 496.7 million TL in 3M 2020 and 87% of the debt was in TL terms.** Maturity of the 58% of the total financial debt was less than one year as of March 31, 2020.

<b>(million TL)</b>	<b>Consolidated Total Financial Debt</b>	<b>Cash and Cash Equivalents</b>	<b>Net Debt</b>
<b>Q1 2020</b>	496,7	206,8	289,9
<b>2019</b>	603,3	195,3	408,0

<b>Q1 2020</b>	<b>TL</b>	<b>USD</b>
Short Term Financial Debt (Bank Loans)	287,2	44,1
Long Term Financial Debt (Bank Loans)	205,0	31,5
Interest Expense Accruals for Borrowings	4,5	0,7
<b>Total Debt</b>	<b>496,7</b>	<b>76,2</b>

- Group's net working capital\* (incl. non-current trade receivables and trade payables) requirement for the financing of continuing projects was 437 million TL as of 3M 2020 (2019 YE: 578 million TL).

*\*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

2020 / 3M (Million TL)	Enterprise	Public	International	Technology	Telecom	BDH	Unallocated	Total
Orders Booked	134,4	15,8	1,8	28,6	50,1	31,7	-	262,5
Sales Revenue	165,9	42,7	4,9	28,6	30,5	31,7	-	304,3
Cost of Sales	(158,3)	(36,5)	(5,2)	(25,2)	(29,4)	(19,5)	-	(274,1)
Gross Profit	7,6	6,2	(0,3)	3,4	1,1	12,2	-	30,2
Sales, marketing and distribution expenses	(6,0)	(4,4)	(3,3)	-	(5,0)	(4,7)	-	(23,5)
General administrative expenses	-	-	-	-	-	-	(17,0)	(17,0)
Research and development expenses	-	-	-	(0,9)	-	-	-	(0,9)
<b>Operating profit/ (loss) of segment</b>	<b>1,53</b>	<b>1,8</b>	<b>(3,6)</b>	<b>2,5</b>	<b>(3,9)</b>	<b>7,5</b>	<b>(17,0)</b>	<b>(11,2)</b>
<b>Operating profit margin</b>	<b>1%</b>	<b>4%</b>	<b>-73%</b>	<b>9%</b>	<b>-13%</b>	<b>24%</b>		<b>-4%</b>
2019 / 3M (Million TL)	Enterprise	Public	International	Technology	Telecom	BDH	Unallocated	Total
Orders Booked	149,3	41,8	2,0	18,4	7,9	31,6	-	250,9
Sales Revenue	95,9	59,4	10,4	18,4	3,7	31,6	-	219,4
Cost of Sales	(85,3)	(54,9)	(8,7)	(18,8)	(3,5)	(30,9)	-	(202,1)
Gross Profit	10,6	4,5	1,6	(0,4)	0,2	0,8	-	17,3
Sales, marketing and distribution expenses	(9,4)	(2,6)	(3,1)	-	(3,1)	(5,8)	-	(23,9)
General administrative expenses	-	-	-	-	-	-	(18,9)	(18,9)
Research and development expenses	-	-	-	(3,0)	-	-	-	(3,0)
<b>Operating profit/ (loss) of segment</b>	<b>1,3</b>	<b>1,9</b>	<b>(1,4)</b>	<b>(3,4)</b>	<b>(2,87)</b>	<b>(5,0)</b>	<b>(18,9)</b>	<b>(28,5)</b>
<b>Operating profit margin</b>	<b>1%</b>	<b>3%</b>	<b>-14%</b>	<b>-18%</b>	<b>-78%</b>	<b>-16%</b>		<b>-13%</b>

### Enterprise Segment



Group's order bookings from Enterprise segment decreased 10% year over year to 134.4 million TL in the first three months of 2020.

Sales revenue of the Group from enterprise segment increased significantly by 73% year over year to 165.9 Million TL in 3M 2020. However gross profit of the segment decreased 29% year over year to 7.6 million TL as a result of increase in cost of sales.

Enterprise segment generated 54.5% of total Group's consolidated revenue in 3M 2020.



## OPERATIONAL PERFORMANCE

### Public Segment

**Orders booked from Public segment** declined 62% year over year and recorded as 15.8 million TL in 3M 2020.

**Sales revenues from Public segment** declined 28% year over year and realized as 42.7 million TL in the first three months of 2020. **Compared to the same period of last year gross profit of the segment increased 39%** and realized as 6.2 million TL. As a result of higher operational expenses, **operational profit of the segment** was 1.8 million TL, in line with the same period last year.



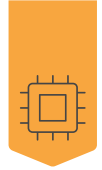
### International Segment



**Orders booked from international segment** decreased 8% year over year in the first three months of 2020 to 1.8 million TL. **Sales revenue of the segment** decreased 52% year over year. Applied global travel bans in Q1 2020 extended the process of projects at the international segment.

### Technology Segment

Long-term business relations with Ribbon continues in Technology segment. **Orders booked increased 56% year over year** and realized as 28.6 million TL in the first three months of 2020. **Sales revenue of the technology segment also increased 56% year over year** in Q1 2020 and reached 28.6 million TL. **Increase in cost of sales was limited with 34% year over year and positively reflected to the gross profit of the segment.** As a result of lower R&D expenses compared to last year, operational profit of the segment was realized as 2.5 million TL.



### Telecom Segment



Volume of the telecom segment is growing with the contribution of projects received with ZTE products. **Orders booked of telecom segment increased 535% year over year** in the first three months of 2020 and reached 50.1 million TL. **Sales revenue of the segment was up 728% year over year and realized as 30.5 million TL** for the same period. Gross profit of the segment was realized as 1.1 million TL in Q1 2020, however marketing, sales and distribution expenses deteriorated operational profit of the segment.

### BDH

In Q1 2020, both **orders-booked and sales revenue of BDH** was in line with the same period last year and sales revenue was realized as 31.7 million TL. **As a result of 37% decrease in cost of sales, segment realized 12.2 million TL gross profit**, significantly higher compared to the same period of last year. Year over year 18% lower operational expenses also supported BDH, **operational profit of the segment was 7.5 million TL in Q1 2020.**



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

	Q1 2020	Q1 2019
<b>SALES REVENUE</b>	<b>304.329.367</b>	<b>219.414.265</b>
Cost of Sales (-)	(274.105.830)	(202.114.606)
<b>GROSS PROFIT FROM OPERATIONS</b>	<b>30.223.537</b>	<b>17.299.659</b>
Sales and Marketing Expenses (-)	(23.528.519)	(23.874.661)
General Administrative Expenses (-)	(16.990.302)	(18.941.779)
Research and Development Expenses (-)	(910.199)	(2.999.454)
Other Income from Operating Activities	5.675.613	16.710.953
Other Expenses from Operating Activities (-)	(23.622.992)	(24.704.189)
<b>OPERATING PROFIT / (LOSS)</b>	<b>(29.152.862)</b>	<b>(36.509.471)</b>
Income/(Expenses) from Investment Activities (net)	6.939	10.185
Income from Associates	15.582	84.721
<b>OPERATING PROFIT / (LOSS) BEFORE FINANCE INCOME/(EXP.)</b>	<b>(29.130.341)</b>	<b>(36.414.565)</b>
Financial Income	33.022.727	38.038.667
Financial Expenses (-)	(28.108.520)	(41.545.150)
<b>PROFIT / (LOSS) BEFORE TAX</b>	<b>(24.216.134)</b>	<b>(39.921.048)</b>
Tax Income / (Expense)	21.146.216	7.460.633
- Current Tax (Expense) / Income	-	-
- Deferred Tax Income / (Expense)	21.146.216	7.460.633
<b>NET PROFIT / (LOSS)</b>	<b>(3.069.918)</b>	<b>(32.460.415)</b>
<b>EBITDA</b>	<b>7.164.973</b>	<b>(11.207.577)</b>

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

	Q1 2020	2019 YE
Cash & Cash Equivalents	206.827.057	195.340.538
Trade Receivables	819.186.282	871.112.583
Other Receivables	575.271	531.110
Inventories	144.627.727	124.259.454
Contract Assets related to Goods and Services Provided	261.854.454	239.795.554
Other Current Assets	62.952.975	64.145.851
<b>Total Current Assets</b>	<b>1.496.023.766</b>	<b>1.495.185.090</b>
Trade Receivables	47.659.428	42.312.492
Property, Plant and Equipment	82.721.940	58.083.609
Right of Use Assets	47.637.849	52.251.621
Financial Investments	6.069.547	5.533.199
Intangible Assets	202.629.097	190.731.271
<i>Goodwill</i>	119.425.952	108.872.627
<i>Other intangible assets</i>	83.203.145	81.858.644
Associates	9.959.539	9.401.553
Deferred Tax Assets	31.472.493	29.887.249
Other Non-Current Assets	119.430.880	122.804.631
<b>Total Non-Current Assets</b>	<b>547.580.773</b>	<b>511.005.625</b>
<b>Total Assets</b>	<b>2.043.604.539</b>	<b>2.006.190.715</b>
Short Term Financial Liabilities	317.469.545	434.015.226
Bank Loans	290.048.756	407.122.680
Lease Liabilities	27.420.789	26.892.546
Trade Payables	651.197.455	512.397.434
Other Payables	5.635.137	22.141.209
Employee Benefit Obligations	21.864.718	24.660.041
Liabilities Arising From Customer Contracts	118.171.655	106.554.998
Short Term Provisions	26.738.832	36.704.941
Deferred Revenues	75.964.792	61.319.303
Current Tax Liabilities	-	349.165
<b>Total Short Term Liabilities</b>	<b>1.217.042.134</b>	<b>1.198.142.317</b>
Long-Term Financial Liabilities	233.348.836	226.254.958
Bank Loans	206.644.822	196.209.584
Lease Liabilities	26.704.014	30.045.374
Trade Payables	64.809	61.801
Provisions	28.202.315	29.114.925
Deferred Tax Liabilities	17.650.147	16.407.295
<b>Total Long Term Liabilities</b>	<b>279.266.107</b>	<b>271.838.979</b>
<b>Total Equity</b>	<b>546.949.034</b>	<b>535.890.730</b>
<b>Non-Controlling Interest</b>	<b>347.264</b>	<b>318.689</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>2.043.604.539</b>	<b>2.006.190.715</b>

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

	Q1 2020	Q1 2019
<b>Loss for the Period</b>	<b>(3.069.918)</b>	<b>(32.460.415)</b>
Adjustments to reconcile loss for the period	(1.082.420)	4.643.261
Changes in Working Capital	195.226.980	68.976.020
<b>Cash Flows (Used in) Generated From Operations</b>	<b>191.074.642</b>	<b>41.158.866</b>
Payments Related with Provisions for Employee Benefits	(22.486.284)	(23.716.387)
Payments Related with Lawsuits	(739.399)	(906.119)
<b>Cash flow from investing activities</b>	<b>(1.395.503)</b>	<b>(6.329.375)</b>
<b>Cash flow from financing activities</b>	<b>(139.663.690)</b>	<b>149.575.141</b>
Effect of exchange rate changes on cash & cash equivalents	(15.303.247)	44.087.700
<b>Cash and Cash Equivalents at The Beginning of the year</b>	<b>195.340.538</b>	<b>192.787.683</b>
<b>Cash and Cash Equivalents at The End of The Period</b>	<b>206.827.057</b>	<b>396.657.509</b>

## ABOUT NETAS

---

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 March 31, 2020, 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

---

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 31.03.2020 and 31.03.2019 and balance sheet for the period ended 31.03.2020 and 31.12.2019.

## ENQUIRIES

---

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;

**Feyruze Aslı KONDU**  
**Investor Relations Manager**  
**Tel: +90 216 522 2804**  
[asli.kondu@netas.com.tr](mailto:asli.kondu@netas.com.tr)  
[yatirimci@netas.com.tr](mailto:yatirimci@netas.com.tr)