



NETAŞ TELEKOMÜNİKASYON A.Ş
H1 2020
EARNINGS RELEASE

H1 2020 SUMMARY

- ❑ Consolidated orders booked was 619.7 million TL,
- ❑ Sales Revenue increased by 29% and reached to 727 million TL,
- ❑ Order on Hand was 855 million TL.
- ❑ Increase in gross profit and strictly controlled operational expenses which are 13% 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 4.4% in H1 2020 versus negative 1.8% same period last year. Positive performance achieved in Q1 also continued in Q2 2020. Similarly, in nominal terms, consolidated Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) was 32.3 million TL in the first six months of 2020, compared to negative 10.1 million TL same period last year.

FINANCIAL HIGHLIGHTS

TL Million	H1 2020	H1 2019	y/y %
Revenue	727	566	29%
Cost of Sales	(653)	(515)	27%
Gross Profit	75	51	47%
<i>Gross margin %</i>	<i>10%</i>	<i>9%</i>	<i>125</i>
Operating Expenses	(79)	(92)	(14%)
General Administrative Expenses	(31)	(36)	(13%)
Sales, Marketing & Distribution Expenses	(46)	(53)	(12%)
Research & Development Expenses	(1)	(4)	(63%)
Incentives	2	2	-
EBIT	(3)	(39)	(93%)
<i>EBIT margin %</i>	<i>-0,4%</i>	<i>-7%</i>	<i>650</i>
Depreciation	35	29	21%
EBITDA	32	(10)	-
<i>EBITDA margin %</i>	<i>4,4%</i>	<i>-1,8%</i>	<i>622</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 and Amortization



**CONSOLIDATED
OPERATIONAL & FINANCIAL
PERFORMANCE**

OPERATIONAL PERFORMANCE

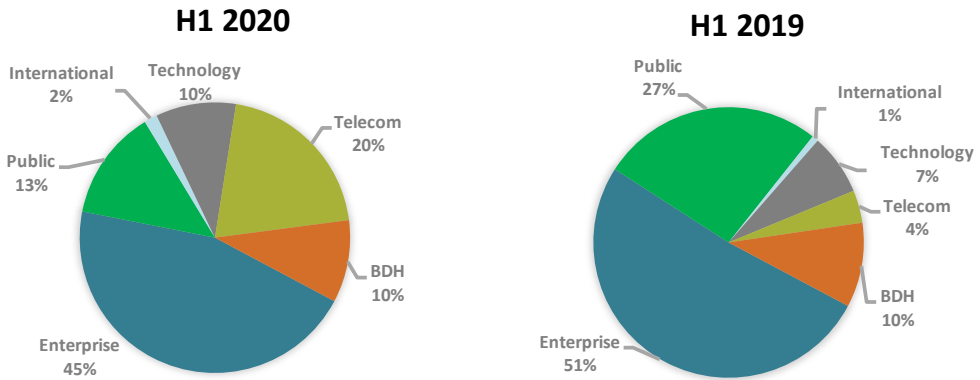


Orders & Sales Revenue

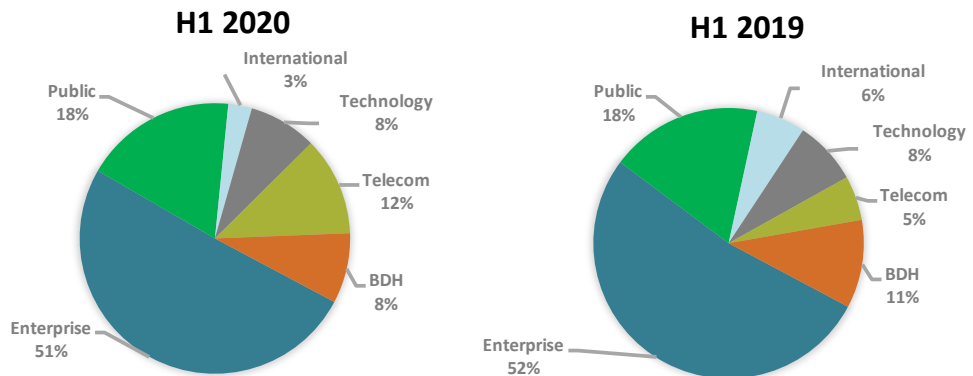
Orders: Orders booked in the first six months of 2020 increased 5% year over year and recorded as 619.7 million TL (95.9 million USD). Orders on hand were 855 million TL (132.4 million USD) in the first six months of 2020.

Sales Revenue: In 6M 2020 Consolidated Group revenues was recorded at 727 million TL with a sharp 29% increase year over year.

Breakdown of Orders Booked

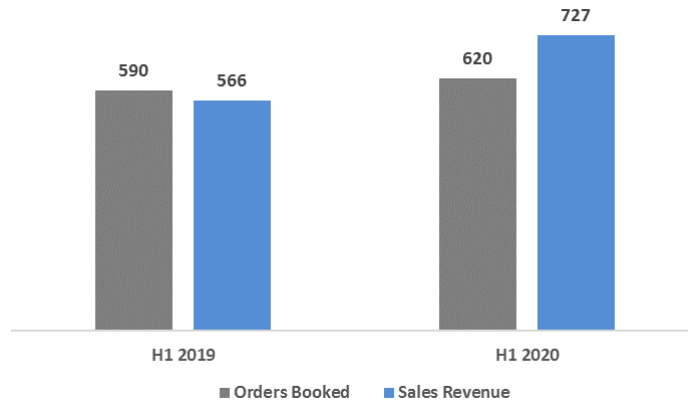


Sales Breakdown



CONSOLIDATED FINANCIAL PERFORMANCE

- Group's consolidated **order booking performance was reported at 619.7 million TL** in 6M 2020 with **5% increase year over year**. Telecom, Technology, International and BDH segments contributed to the increase in order booking performance in the first six months of 2020.
- **Consolidated sales revenue of the Group increased 29% year over year in the first six months of 2020 to 727 million TL**. Telecom, enterprise, public and technology segments contributed to the increase in sales revenue.



- **Group's consolidated gross profit margin was 10.3% in H1 2020** vs 9% for the same period last year. **Consolidated gross profit increased 47%** in nominal terms year over year, and realized as 74.6 million TL as of 30 June 2020.
- Consolidated **operating expenses (OPEX) decreased 13% year over year** in H1 2020. General administrative and marketing, sales and distribution expenses declined 11% year over year in the first half of 2020. Operational expenses were realized as 78.8 million TL in H1 2020 versus 90.7 million TL in H1 2019.
- **Increase in gross profit and strictly controlled operational expenses which are 14% lower year over year, are resulted in better Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) margin.** (4.4% in H1 2020 versus negative 1.8% in H1 2019). Consolidated Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) was 32.3 million TL in H1 2020 (vs. negative 10.1 million TL in H1 2019)
- **Group recorded 4 million TL net financial expense in H1 2020 whilst it has recorded 27.4 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 H1 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.

- 47.1 million TL deferred tax income also supported the bottom line, **the Group realized 16.7 million TL net profit in H1 2020.**

DEBT STRUCTURE & NET WORKING CAPITAL

- Group's **cash and cash equivalents was 185.9 million TL** in 6M 2020.
- **Net debt of the group declined 10% to 367 million TL in the first half 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 553.3 million TL in 6M 2020 and **89% of the debt was in TL terms**. Maturity of the 63% of the total financial debt was less than one year as of June 30, 2020.

(million TL)	Consolidated Total Financial Debt	Cash and Cash Equivalents	Net Debt
H1 2020	553,3	185,9	367,4
2019	603,3	195,3	408,0
H1 2020		TL	USD
Short Term Financial Debt (Bank Loans)		339,8	49,7
Long Term Financial Debt (Bank Loans)		205,0	30,0
Interest Expense Accruals for Borrowings		8,5	1,2
Total Debt		553,3	80,9

Group's net working capital* (incl. non-current trade receivables and trade payables) requirement for the financing of continuing projects was 531 million TL as of 6M 2020 (2019 YE: 578 million TL).

* *Net İşletme Sermayesi = (Dönen Varlıklar – Nakit ve Nakit Benzerleri + Uzun Vadeli Ticari Alacaklar) - (Kısa Vadeli Yükümlülükler- Kısa Vadeli Borçlanmalar + Uzun Vadeli Ticari Borçlar)*



SEGMENT BASED FINANCIAL PERFORMANCE

SEGMENT BASED FINANCIAL PERFORMANCE

2020 / 6M (Million TL)	Enterprise	Public	International	Technology	Telecom	BDH	Unallocated	Total
Orders Booked	280,9	82,0	9,8	59,4	126,6	61,1	-	619,7
Sales Revenue	367,8	132,6	20,6	59,4	85,8	61,0	-	727,2
Cost of Sales	(347,6)	(106,8)	(19,0)	(47,9)	(80,3)	(51,1)	-	(652,7)
Gross Profit	20,2	25,8	1,5	11,6	5,5	10,0	-	74,6
Sales, marketing and distribution expenses	(11,7)	(7,2)	(9,2)	-	(9,0)	(9,3)	-	(46,4)
General administrative expenses	-	-	-	-	-	-	(31,1)	(31,1)
Research and development expenses	-	-	-	(1,4)	-	-	-	(1,4)
Operating profit/ (loss) of segment	8,5	18,6	(7,7)	10,2	(3,5)	0,6	(31,1)	(4,3)
Operating profit margin	2%	14%	-37%	17%	-4%	1%	-	-1%

2019 / 6M (Million TL)	Enterprise	Public	International	Technology	Telecom	BDH	Unallocated	Total
Orders Booked	302,8	156,8	4,6	43,1	23,0	59,6	-	589,9
Sales Revenue	296,6	102,9	33,2	43,1	30,1	59,6	-	565,5
Cost of Sales	(274,7)	(85,2)	(28,3)	(42,7)	(26,8)	(57,0)	-	(514,6)
Gross Profit	21,9	17,6	4,9	0,4	3,3	2,7	-	50,9
Sales, marketing and distribution expenses	(19,5)	(5,2)	(6,2)	-	(10,0)	(11,7)	-	(52,5)
General administrative expenses	-	-	-	-	-	-	(35,7)	(35,7)
Research and development expenses	-	-	-	(3,8)	-	-	-	(3,8)
Operating profit/ (loss) of segment	2,4	12,5	(1,3)	(3,3)	(6,6)	(9,0)	(35,7)	(41,1)
Operating profit margin	1%	12%	-4%	-8%	-22%	-15%	-	-7%

Enterprise Segment

Group's order bookings from Enterprise segment decreased 7% year over year to 280.9 million TL in the first six months of 2020.



Sales revenue of the Group from enterprise segment increased by 24% year over year to 367.8 Million TL in 6M 2020. However gross profit of the segment decreased slightly 8% year over year to 20.2 million TL as a result of increase in cost of sales. The segment's marketing, sales and distribution expenses were 40% lower than the same period last year; as a result, operating profitability of the segment was realized as 8.5 million TL, over 253% same period of last year.

Enterprise segment generated 50.6% of total Group's consolidated revenue in 6M 2020.

OPERASYONEL PERFORMANS

Public Segment

Orders booked from Public segment declined 48% year over year and recorded as 82 million TL in 6M 2020.

Sales revenues from Public segment increased 29% year over year in H1 2020 especially with the strong performance in Q2 and realized as 132.6 million TL. Compared to the same period of last year, **gross profit of the segment increased 46% and realized as 25.8 million TL**. Higher gross profitability resulted in better operational profit and **operational profit of the segment was recorded as 18.6 million TL in H1 2020, 49% higher year over year**.



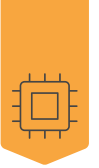
International Segment



Orders booked from international segment increased 114% year over year in the first six months of 2020 to 9.8 million TL. Sales revenue of the segment decreased 38% year over year. Applied global travel bans in H1 2020 continued to extend the process of projects at the international segment.

Technology Segment

Long-term business relations with Ribbon continues in Technology segment. **Orders booked increased 38% year over year** and realized as 59.4 million TL in the first six months of 2020. **Sales revenue of the technology segment also increased 38% year over year** in H1 2020 and reached 59.4 million TL. Increase in cost of sales was limited with 12% 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 10.2 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 450% year over year in the first six months of 2020 and reached 126.6 million TL. **Sales revenue of the segment was up 185% year over year** and realized as 85.8 million TL for the same period. As a result of higher cost of sales year over year, gross profit of the segment was realized as 5.5 million TL. The segment's marketing, sales and distribution expenses were 10% lower than last year.

BDH

In H1 2020, both orders-booked and sales revenue of BDH was in line with the same period last year and **sales revenue was realized as 61 million TL. As a result of 10% decrease in cost of sales, segment realized 10 million TL gross profit, significantly higher compared to the same period of last year**. Year over year 20% lower operational expenses also supported BDH, operational profit of the segment was 0.6 million TL in H1 2020.



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

H1 2020

H1 2019

	H1 2020	H1 2019
SALES REVENUE	727.237.275	565.521.166
Cost of Sales (-)	(652.652.902)	(514.619.680)
GROSS PROFIT FROM OPERATIONS	74.584.373	50.901.486
Sales and Marketing Expenses (-)	(46.366.457)	(52.528.123)
General Administrative Expenses (-)	(31.057.033)	(35.721.383)
Research and Development Expenses (-)	(1.411.618)	(3.781.287)
Other Income from Operating Activities	7.591.331	22.091.468
Other Expenses from Operating Activities (-)	(29.593.588)	(53.145.405)
OPERATING PROFIT / (LOSS)	(26.252.992)	(72.183.244)
Income/(Expenses) from Investment Activities (net)	(145.638)	11.301
Income from Associates	(4.783)	281.231
OPERATING PROFIT / (LOSS) BEFORE FINANCE INCOME/(EXP.)	(26.403.413)	(71.890.712)
Financial Income	49.118.193	53.542.911
Financial Expenses (-)	(53.129.595)	(80.922.456)
PROFIT / (LOSS) BEFORE TAX	(30.414.815)	(99.270.257)
Tax Income / (Expense)	47.095.767	1.217.106
- Current Tax (Expense) / Income	-	(88.692)
- Deferred Tax Income / (Expense)	47.095.767	1.305.798
NET PROFIT / (LOSS)	16.680.952	(98.053.151)
EBITDA	32.265.184	(10.084.401)

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

	H1 2020	2019 YE
Cash & Cash Equivalents	185.883.802	195.340.538
Trade Receivables	853.021.102	871.112.583
Other Receivables	516.913	531.110
Inventories	134.930.406	124.259.454
Contract Assets related to Goods and Services Provided	224.984.924	239.795.554
Other Current Assets	76.218.467	80.789.099
Total Current Assets	1.475.555.614	1.511.828.338
Trade Receivables	48.671.644	42.312.492
Property, Plant and Equipment	71.158.257	58.083.609
Right of Use Assets	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>	125.404.581	108.872.627
<i>Other intangible assets</i>	108.925.759	81.858.644
Associates	10.246.455	9.401.553
Deferred Tax Assets	149.392.319	121.177.871
Other Non-Current Assets	15.561.954	14.870.761
Total Non-Current Assets	577.629.495	494.362.377
Total Assets	2.053.185.109	2.006.190.715
Short Term Financial Liabilities	377.589.037	434.015.226
Bank Loans	347.146.534	407.122.680
Lease Liabilities	30.442.503	26.892.546
Trade Payables	574.913.079	512.397.434
Other Payables	16.849.679	22.141.209
Employee Benefit Obligations	24.879.255	24.660.041
Liabilities Arising From Customer Contracts	82.032.109	106.554.998
Short Term Provisions	27.237.109	36.704.941
Deferred Revenues	81.454.252	61.319.303
Current Tax Liabilities	-	349.165
Total Short Term Liabilities	1.184.954.520	1.198.142.317
Long-Term Financial Liabilities	226.791.429	226.254.958
Bank Loans	206.179.367	196.209.584
Lease Liabilities	20.612.062	30.045.374
Trade Payables	71.584	61.801
Provisions	27.629.378	29.114.925
Deferred Tax Liabilities	18.168.787	16.407.295
Total Long Term Liabilities	272.661.178	271.838.979
Total Equity	593.853.747	535.890.730
Non-Controlling Interest	1.715.664	318.689
Total Liabilities and Shareholders' Equity	2.053.185.109	2.006.190.715

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

	H1 2020	H1 2019
Loss for the Period	16.680.952	(98.709.481)
Adjustments to reconcile loss for the period	(5.380.543)	55.394.831
Changes in Working Capital	160.592.408	63.965.797
Cash Flows (Used in) Generated From Operations	171.892.817	20.651.147
Payments Related with Provisions for Employee Benefits	(29.544.404)	(32.062.237)
Payments Related with Lawsuits	(1.280.396)	(1.296.589)
Cash flow from investing activities	(41.225.824)	(7.111.306)
Cash flow from financing activities	(112.037.642)	99.196.502
Effect of exchange rate changes on cash & cash equivalents	2.738.713	22.003.613
Cash and Cash Equivalents at The Beginning of the year	195.340.538	192.787.331
Cash and Cash Equivalents at The End of The Period	185.883.802	294.168.461

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 June 30, 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).

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 30.06.2020 and 30.06.2019 and balance sheet for the period ended 30.06.2020 and 31.12.2019.

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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