



NETAŞ TELEKOMÜNİKASYON A.Ş
9M 2020
EARNINGS RELEASE

GENEL- PUBLIC



9M 2020 SUMMARY

- ❑ Consolidated orders booked was 1018.2 million TL,
- ❑ Sales Revenue increased by 34% and reached to 1119 million TL,
- ❑ Order on Hand was 871 million TL.
- ❑ Strictly controlled operational expenses which are 8% 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 3.9% in 9M 2020 versus negative 0.7% same period last year. Similarly, in nominal terms, consolidated Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) was 43.1 million TL in the first nine months of 2020, compared to negative 5.4 million TL same period last year.

FINANCIAL HIGHLIGHTS

TL Million	9M 2020	9M 2019	y/y %
Revenue	1.119	833	34%
Cost of Sales	(1.008)	(749)	35%
Gross Profit	111	84	32%
<i>Gross margin %</i>	<i>10%</i>	<i>10%</i>	<i>(15)</i>
Operating Expenses	(125)	(135)	(8%)
General Administrative Expenses	(49)	(49)	(0%)
Sales, Marketing & Distribution Expenses	(72)	(79)	(9%)
Research & Development Expenses	(3)	(6)	(49%)
Incentives	2	1	-
EBIT	(11)	(50)	(78%)
<i>EBIT margin %</i>	<i>-1,0%</i>	<i>-6%</i>	<i>501</i>
Depreciation	54	44	22%
EBITDA	43	(5)	-
<i>EBITDA margin %</i>	<i>3,9%</i>	<i>-0,7%</i>	<i>450</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

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**CONSOLIDATED
OPERATIONAL & FINANCIAL
PERFORMANCE**

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OPERATIONAL PERFORMANCE

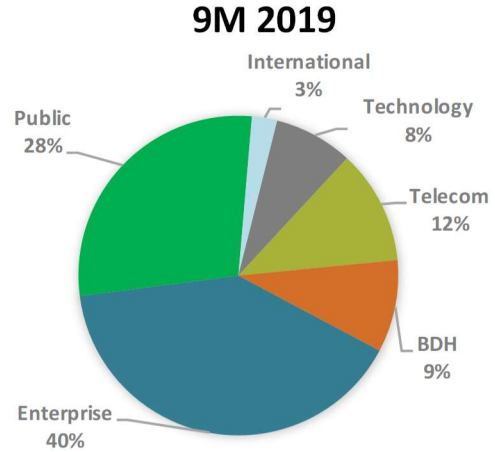
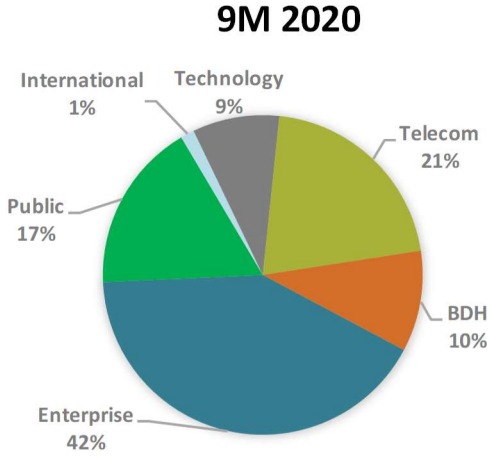


Orders & Sales Revenue

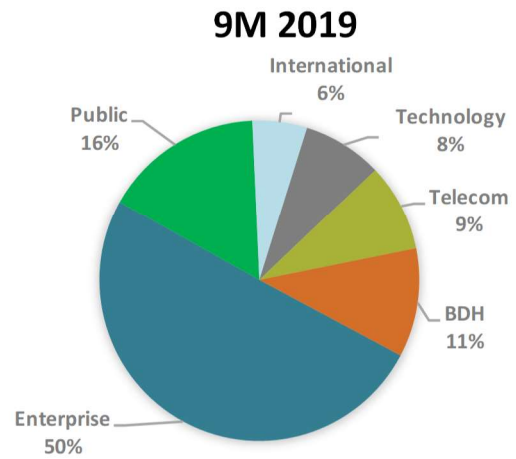
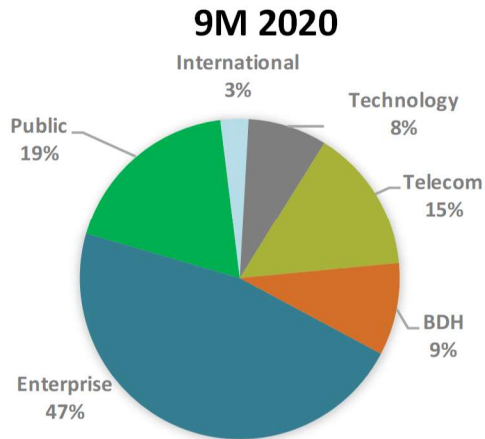
Orders: Orders booked in the first nine months of 2020 increased 4% year over year and recorded as 1018.2 million TL (151.7 million USD). Orders on hand were 871 million TL (129.8 million USD) in the first nine months of 2020.

Sales Revenue: In 9M 2020 Consolidated Group revenues was recorded at 1119 million TL with a sharp 34% increase year over year.

Breakdown of Orders Booked

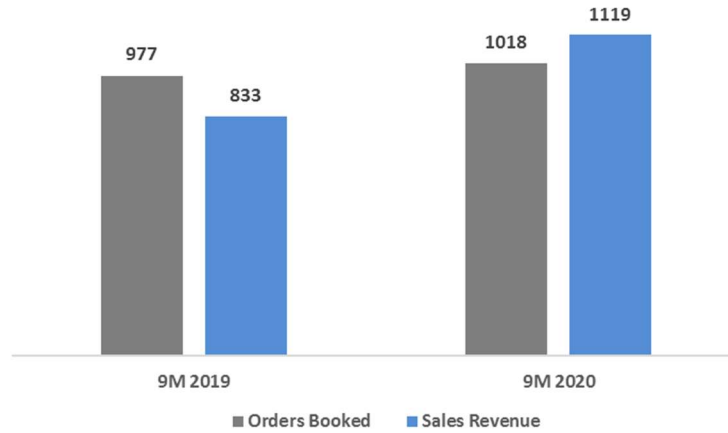


Sales Breakdown



CONSOLIDATED FINANCIAL PERFORMANCE

- Group's consolidated **order booking performance was reported at 1018.2 million TL in 9M 2020 with 4% increase year over year.** Telecom, Enterprise, Technology and BDH segments contributed to the increase in order booking performance in the first nine months of 2020.
- **Consolidated sales revenue of the Group increased 34% year over year** in the first nine months of 2020 to 1119.1 million TL. Telecom, enterprise, public, technology and BDH segments contributed to the increase in sales revenue.



- Group's consolidated gross profit margin was parallel to same period last year with 9.9% in 9M 2020 (10.1% in 9M 2019). **Consolidated gross profit increased 32% in nominal terms year over year, and realized as 111.3 million TL** as of 30 September 2020.
- Consolidated operating expenses (**OPEX**) **decreased 8% year over year** in 9M 2020. Marketing, sales and distribution expenses declined 9% year over year in the first nine months of 2020. Operational expenses were realized as 125 million TL in 9M 2020 versus 135 million TL in 9M 2019.
- Strictly controlled operational expenses which are 8% lower year over year, are resulted in better Earnings Before Interest, Taxes, Depreciation, and Amortization (**EBITDA**) **margin. (3.9% in 9M 2020 versus negative 0.7% in 9M 2019).** Consolidated Earnings Before Interest, Taxes, Depreciation, and Amortization (**EBITDA**) **was 43 million TL in 9M 2020 (vs. negative 5 million TL in 9M 2019).**
- **Group recorded 24.1 million TL net financial income in 9M 2020 whilst it has recorded 83.6 million TL net financial expense in the same period last year.** The main reasons for that are the Group's FX income was higher and interest expense was lower in 9M 2020 compared to the same period last year. The Group's effective TL loan rate is significantly lower for the same period year over year.

DEBT STRUCTURE & NET WORKING CAPITAL

- Group's cash and cash equivalents was **243.9 million TL** in 9M 2020.
- **Net debt of the group declined 11% to 364 million TL** in the first nine months 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 607.9 million TL in 9M 2020 and **88% of the debt was in TL terms**. Maturity of the 65% of the total financial debt was less than one year as of September 30, 2020.

(million TL)	Consolidated Total Financial Debt	Cash and Cash Equivalents	Net Debt
9M 2020	607,9	243,9	364,1
2019	603,3	195,3	408,0
9M 2020		TL	USD
Short Term Financial Debt (Bank Loans)		396,7	50,8
Long Term Financial Debt (Bank Loans)		205,2	26,3
Interest Expense Accruals for Borrowings		6,0	0,8
Total Debt		607,9	77,9

Group's net working capital* (incl. non-current trade receivables and trade payables) **requirement for the financing of continuing projects was 546 million TL** as of 9M 2020 (2019 YE: 578 million TL).

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



SEGMENT BASED FINANCIAL PERFORMANCE

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SEGMENT BASED FINANCIAL PERFORMANCE

2020 / 9M (Million TL)	Enterprise	Public	International	Technology	Telecom	BDH	Unallocated	Total
Orders Booked	422,6	175,2	14,2	89,4	212,9	103,9	-	1.018,2
Sales Revenue	522,7	207,8	31,7	89,4	163,6	103,9	-	1.119,1
Cost of Sales	(488,9)	(175,9)	(31,2)	(72,1)	(152,8)	(86,9)	-	(1.007,8)
Gross Profit	33,8	31,9	0,5	17,3	10,9	17,0	-	111,3
Sales, marketing and distribution expenses	(18,7)	(11,2)	(13,2)	-	(14,0)	(14,8)	-	(71,9)
General administrative expenses	-	-	-	-	-	-	(49,4)	(49,4)
Research and development expenses	-	-	-	(3,3)	-	-	-	(3,3)
Operating profit/ (loss) of segment	15,1	20,7	(12,6)	14,0	(3,2)	2,2	(49,4)	(13,2)
Operating profit margin	3%	10%	-40%	16%	-2%	2%		-1%
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	(387,1)	(112,6)	(39,1)	(63,3)	(67,5)	(79,3)	-	(748,9)
Gross Profit	32,0	22,3	7,0	4,1	6,9	11,9	-	84,1
Sales, marketing and distribution expenses	(28,8)	(7,5)	(10,0)	-	(15,2)	(17,3)	-	(78,8)
General administrative expenses	-	-	-	-	-	-	(49,4)	(49,4)
Research and development expenses	-	-	-	(6,5)	-	-	-	(6,5)
Operating profit/ (loss) of segment	3,2	14,9	(3,0)	(2,4)	(8,3)	(5,4)	(49,4)	(50,6)
Operating profit margin	1%	11%	-6%	-4%	-11%	-6%		-6%

Enterprise Segment



Group's order bookings from Enterprise segment decreased 8% year over year to 422.6 million TL in the first nine months of 2020.

Sales revenue of the Group from enterprise segment increased by 25% year over year to 522.7 Million TL in 9M 2020. Gross profit of the segment increased 6% year over year to 33.8 million TL. The segment's marketing, sales and distribution expenses were 35% lower than the same period last year; as a result, operating profitability of the segment was realized as 15.1 million TL, over 379% same period of last year.

Enterprise segment generated 46.7% of total Group's consolidated revenue in 9M 2020.

OPERASYONEL PERFORMANS

Public Segment

Orders booked from Public segment declined 37% year over year and recorded as 175.2 million TL in 9M 2020.

Sales revenues from Public segment increased 54% year over year in 9M 2020 especially with the strong performance in Q2, Q3 and realized as 207.8 million TL. Compared to the same period of last year **gross profit of the segment increased 43% and realized as 31.9 million TL**. Higher gross profitability resulted in better operational profit and **operational profit of the segment was recorded as 20.7 million TL in 9M 2020, 39% higher year over year**.



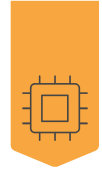
International Segment

Orders booked from international segment decreased 43% year over year in the first nine months of 2020 to 14.2 million TL. **Sales revenue of the segment decreased 31%** year over year in 9M 2020. Applied travel bans in 9M 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 15% year over year and realized as 89.4 million TL** in the first nine months of 2020. **Sales revenue of the technology segment also increased 33%** year over year in 9M 2020 and reached 89.4 million TL. Increase in cost of sales was limited with 14% year over year and positively reflected to the gross profit of the segment. As a result of 49% lower R&D expenses compared to last year, **operational profit of the segment was realized as 14 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 89% year over year in the first nine months of 2020 and reached 212.9 million TL. **Sales revenue of the segment was up 120% year over year and realized as 163.6 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 10.9 million TL**. The segment's marketing, sales and distribution expenses were 8% lower than last year.



BDH

In 9M 2020, both orders-booked and sales revenue of BDH was 14% higher compared to the same period last year and both was realized as 103.9 million TL. **As a result of 10% decrease in cost of sales, segment realized 17 million TL gross profit, 43% higher compared to the same period of last year**. Year over year 14% lower operational expenses also supported BDH, operational profit of the segment was 2.2 million TL in 9M 2020.



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

	9M 2020	9M 2019
SALES REVENUE	1.119.131.956	833.021.971
Cost of Sales (-)	(1.007.788.031)	(748.888.133)
GROSS PROFIT FROM OPERATIONS	111.343.925	84.133.838
Sales and Marketing Expenses (-)	(71.883.482)	(78.785.770)
General Administrative Expenses (-)	(49.364.904)	(49.438.273)
Research and Development Expenses (-)	(3.313.403)	(6.486.080)
Other Income from Operating Activities	9.642.325	20.301.876
Other Expenses from Operating Activities (-)	(50.296.849)	(13.774.949)
OPERATING PROFIT / (LOSS)	(53.872.388)	(44.049.358)
Income/(Expenses) from Investment Activities (net)	(161.766)	(180.174)
Income from Associates	174.153	200.258
OPERATING PROFIT / (LOSS) BEFORE FINANCE INCOME/(EXP.)	(53.860.001)	(44.029.274)
Financial Income	107.018.452	40.436.004
Financial Expenses (-)	(82.922.100)	(124.060.665)
PROFIT / (LOSS) BEFORE TAX	(29.763.649)	(127.653.935)
Tax Income / (Expense)	20.015.308	15.796.948
- Current Tax (Expense) / Income	(2.494)	(87.280)
- Deferred Tax Income / (Expense)	20.017.802	15.884.228
NET PROFIT / (LOSS)	(9.748.341)	(111.856.987)
EBITDA	43.086.136	(5.429.517)

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

	9M 2020	2019 YE
Cash & Cash Equivalents	243.864.200	195.340.538
Trade Receivables	915.032.108	871.112.583
Other Receivables	596.560	531.110
Inventories	176.166.889	124.259.454
Contract Assets Rel. to Goods and Services Provided	231.801.199	239.795.554
Other Current Assets	82.297.953	80.789.099
Total Current Assets	1.649.758.909	1.511.828.338
Trade Receivables	56.046.225	42.312.492
Property, Plant and Equipment	87.720.508	58.083.609
Right of Use Assets	44.535.150	52.251.621
Financial Investments	7.273.024	5.533.199
Intangible Assets	268.266.591	190.731.271
<i>Goodwill</i>	143.105.867	108.872.627
<i>Other intangible assets</i>	125.160.724	81.858.644
Associates	11.335.175	9.401.553
Deferred Tax Assets	175.999.707	121.177.871
Other Non-Current Assets	17.516.028	14.870.761
Total Non-Current Assets	668.692.408	494.362.377
Total Assets	2.318.451.317	2.006.190.715
Short Term Financial Liabilities	436.842.702	434.015.226
Bank Loans	401.697.883	407.122.680
Lease Liabilities	35.144.819	26.892.546
Trade Payables	686.852.405	512.397.434
Other Payables	6.137.956	22.141.209
Employee Benefit Obligations	28.652.200	24.660.041
Liabilities Arising From Customer Contracts	79.051.882	106.554.998
Short Term Provisions	36.085.718	36.704.941
Deferred Revenues	78.890.658	61.319.303
Current Tax Liabilities	-	349.165
Total Short Term Liabilities	1.352.513.521	1.198.142.317
Long-Term Financial Liabilities	226.450.877	226.254.958
Bank Loans	206.234.519	196.209.584
Lease Liabilities	20.216.358	30.045.374
Trade Payables	89.718	61.801
Provisions	30.616.062	29.114.925
Deferred Tax Liabilities	20.316.910	16.407.295
Total Long Term Liabilities	277.473.567	271.838.979
Total Equity	687.274.750	535.890.730
Non-Controlling Interest	1.189.479	318.689
Total Liabilities and Shareholders' Equity	2.318.451.317	2.006.190.715

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

	9M 2020	9M 2019
Loss for the Period	(9.748.341)	(111.856.987)
Adjustments to reconcile loss for the period	23.733.310	131.218.161
Changes in Working Capital	215.253.904	(29.255.910)
Cash Flows (Used in) Generated From Operations	229.238.873	(9.894.736)
Payments Related with Provisions for Employee Benefits	(32.975.483)	(38.382.874)
Payments Related with Lawsuits	(1.280.396)	(2.084.898)
Cash flow from investing activities	(62.689.731)	(46.272.258)
Cash flow from financing activities	(59.715.876)	50.482.972
Effect of exchange rate changes on cash & cash equivalents	(24.053.725)	5.621.105
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	243.864.200	152.256.642

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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 September 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).

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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 30.09.2020 and 30.09.2019 and balance sheet for the period ended 30.09.2020 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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