

**NETAŞ TELEKOMÜNİKASYON A.Ş.
AND ITS' SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
AND INDEPENDENT AUDITORS' REPORT**

**(CONVENIENCE TRANSLATION OF
THE REPORT AND THE FINANCIAL
STATEMENTS ORIGINALLY ISSUED IN TURKISH)**

**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)**

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
Netaş Telekomünikasyon A.Ş.**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of Netaş Telekomünikasyon A.Ş. ("the Company") and its subsidiaries (together will be referred as "the Group") ,which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards ("TAS") and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by Capital Markets Board and Independent Auditing Standards which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion..

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Netaş Telekomünikasyon A.Ş. and its subsidiaries as at 31 December 2015 and of their financial performance and their cash flows for the year then ended in accordance with Turkish Accounting Standards.

Emphasis of matter

Nortel Networks Corporation, the ultimate parent of Nortel Networks International Finance and Holding B.V. which is holding 53,13% shares of the Company until 22 December 2010 (see note 7), has announced that Nortel Networks Limited, which was another indirect parent of the Company, and certain of its other Canadian subsidiaries have obtained an order from the Ontario Superior Court of Justice for creditor protection under the Companies' Creditors Arrangement Act in Canada filed as of 14 January 2009. Nortel Networks UK Limited, and certain subsidiaries of the Nortel Group incorporated in the EMEA region, obtained an administration order from the English High Court of Justice under the Insolvency Act 1986. As detailed in Note 7, the Company's receivables from Nortel Group companies amounted to TL 39.740.554 as of 31 December 2015 (31 December 2014: TL 31.701.916), and as of our report date, the Company's management attempted by the insolvent estate regarding the collectability of receivables, there is a continuing uncertainty regarding the collectability and collection time table of these receivables due to the reasons explained above.

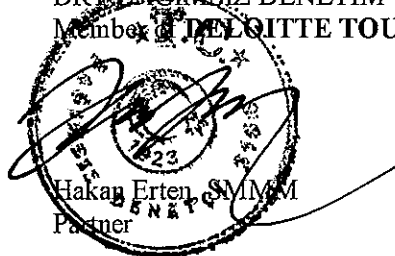
Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 9 March 2016.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Company's and subsidiaries, localized in Turkey, set of accounts and financial statements prepared for the period 1 January-31 December 2015 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



İstanbul, 9 March 2016

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2015

(Unless otherwise stated the amounts are in TL).

	Notes	31 December 2015	31 December 2014
ASSETS			
Current Assets		1.094.101.658	734.587.570
Cash and Cash Equivalents	5	226.061.741	84.325.174
Trade Receivables		596.232.981	464.667.288
<i>Due from related parties</i>	28	18.541.627	17.595.491
<i>Other trade receivables from third parties</i>	7	577.691.354	447.071.797
Other Receivables		397.045	1.654.284
<i>Other receivables from third parties</i>	8	397.045	1.654.284
Derivative Assets	29	109.927	-
Inventories	9	103.016.525	54.923.946
Deferred Costs	11	99.108.517	88.852.528
Prepaid Expenses	10	32.896.350	8.410.332
Other Current Assets	19	36.278.572	31.754.018
Non-Current Assets		258.513.498	166.518.531
Trade Receivables	7	109.479.328	39.650.701
Tangible Fixed Assets	12	40.220.084	38.123.936
Financial Investments		862.056	301.458
Intangibles		90.035.336	75.387.137
<i>Goodwill</i>	13	53.290.807	42.501.050
<i>Other intangibles</i>	13	36.744.529	32.886.087
Associates	3	2.601.418	1.980.222
Other Non-Current Assets	19	6.872.784	3.878.995
Prepaid Expenses	10	1.098.957	-
Deferred Tax Asset	26	7.343.535	7.196.082
TOTAL ASSETS		1.352.615.156	901.106.101

The accompanying notes form an integral part of these consolidated financial statements.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**AUDITED CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2015**

(Unless otherwise stated the amounts are in TL).

	Notes	31 December 2015	31 December 2014
LIABILITIES			
Short Term Liabilities		866.372.756	544.894.729
Financial Liabilities	6	333.068.285	215.874.487
Trade Payables		350.117.975	191.397.789
<i>Due to related parties</i>	28	45.443	53.131
<i>Other trade payables to third parties</i>	7	350.072.532	191.344.658
Other Payables		12.731.107	11.717.184
<i>Other payables to third parties</i>	8	12.731.107	11.717.184
Payables Arising from Employee Benefits	17	13.034.339	4.892.554
Deferred Revenues	11	67.306.810	56.906.075
Short Term Provisions		21.376.150	19.388.779
<i>Provision for Employee Benefits</i>	17	16.637.781	15.704.207
<i>Other Short Term Provisions</i>	15	4.738.369	3.684.572
Advances Received	18	66.778.156	42.883.536
Current Tax Liabilities	26	1.959.934	1.834.325
Long Term Liabilities		49.041.503	33.313.356
Trade Payables	7	12.781.889	10.310.361
Long Term Provisions		20.513.651	18.242.410
<i>Provision for Employee Benefits</i>	17	20.513.651	18.242.410
Deferred Tax Liability	26	15.745.963	4.760.585
SHAREHOLDERS' EQUITY		437.200.897	322.898.016
Capital	20	64.864.800	64.864.800
Capital Reserves		41.612.160	41.612.160
Other comprehensive income to be reclassified in profit and loss		7.661.632	5.315.561
<i>Currency Translation Reserves</i>		7.661.632	5.315.561
Other comprehensive income not to be reclassified in profit and loss		115.078.646	67.682.699
<i>Actuarial Loss</i>		(8.321.961)	(8.053.531)
<i>Currency Translation Reserves</i>		123.400.607	75.736.230
Restricted Reserves Appropriated From Profit		33.182.076	32.809.042
Net Profit for the Year	20	34.305.075	11.845.089
Retained Earnings	20	140.496.508	98.768.665
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1.352.615.156	901.106.101

The accompanying notes form an integral part of these consolidated financial statements.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**AUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015**

(Unless otherwise stated the amounts are in TL).

		For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
	Note		
INCOME FROM OPERATIONS			
Revenue	21	1.008.993.097	740.959.124
Cost of Sales (-)	21	(895.090.264)	(657.649.432)
GROSS PROFIT		113.902.833	83.309.692
Sales and Marketing Expenses (-)	22	(42.588.722)	(39.869.896)
General and Administrative Expenses (-)	22	(23.844.072)	(21.758.633)
Research and Development Expenses (-)	22	(3.968.273)	(1.242.508)
Income from Other Operating Activities	23	12.155.676	4.557.130
Expense from Other Operating Activities (-)	23	(30.248.471)	(14.099.319)
OPERATING PROFIT		25.408.971	10.896.466
Income from Investment Activities	24	794.378	509.150
Expense from Investment Activities (-)	24	(248.408)	(1.024.603)
OPERATING PROFIT BEFORE FINANCE PROFIT		25.954.941	10.381.013
Financial Income	25	59.272.069	17.378.182
Financial Expenses (-)	25	(38.153.518)	(21.713.728)
PROFIT BEFORE TAX		47.073.492	6.045.467
Tax (Expense) / Income		(12.768.417)	5.799.622
- Current Tax Expense	26	(2.499.583)	(1.834.325)
- Deferred Tax (Expense) / Income	26	(10.268.834)	7.633.947
PROFIT AFTER TAX		34.305.075	11.845.089
OTHER COMPREHENSIVE INCOME			
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		47.395.947	13.259.647
Currency translation reserves		47.664.377	15.083.212
Actuarial loss		(268.430)	(1.823.565)
Other comprehensive income or expenses that may be reclassified subsequently to profit or loss		32.601.859	8.730.203
Currency translation reserves		32.601.859	8.730.203
OTHER COMPREHENSIVE INCOME NET OF TAX		79.997.806	21.989.850
TOTAL COMPREHENSIVE INCOME		114.302.881	33.834.939
Profit per share	27	0,5289	0,1826

The accompanying notes form an integral part of these consolidated financial statements.

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015
(Unless otherwise stated the amounts are in TL).

Retained earnings contains extraordinary reserves.

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2015

(Unless otherwise stated the amounts are in TL).

	Notes	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
A. Cash flows from operating activities			
Profit for the year		34.305.075	11.845.089
Adjustments related to depreciation	12-13	20.318.101	15.611.855
Adjustments related to loss from the sale of tangible assets	24	78.611	787.198
Adjustments related to unused vacation provision	17	2.053.109	783.372
Adjustments related to severance indemnity and special retirement pay	17	4.217.560	4.273.375
Adjustments related to in premium provision	17	17.684.732	17.189.241
Adjustments related to provisions	15	1.049.896	1.666.077
Adjustments related to doubtful receivable write off	7	4.302.925	5.021.547
Adjustments related to provision for inventories	9	(176.705)	-
Adjustments related to derivative financial instruments	20	(109.927)	-
Adjustments related to interest income	23	(1.054.628)	(467.002)
Adjustments related to interest expense	25	35.076.184	19.762.515
Adjustments related to unrealized currency translation	24-25	(44.282.739)	(9.315.133)
Adjustments related to financial investments under equity method	3	(621.196)	(175.313)
Adjustments related to discount expense	7	8.937.832	-
Adjustments related to tax income / (expense)	26	12.768.417	(5.799.622)
Adjustments to reconcile income for the period		60.242.172	49.338.110
Change in trade receivables	7	(85.163.937)	5.587.061
Change in inventory	9	(31.768.997)	8.790.991
Change in short and long term deferred costs	11	11.507.365	(36.630.229)
Change in due from related parties	28	3.293.671	(5.367.410)
Change in prepaid expenses	10	(21.936.844)	6.899.657
Change in other receivables and assets	8-19	4.877.649	(280.251)
Change in other tangible fixed assets	19	(1.879.404)	59.780
Change in trade payables	7	102.907.572	(8.177.663)
Change in advances received	18	12.168.493	8.370.100
Change in deferred revenues	11	(3.784.979)	30.391.086
Change in payables arising from employee benefits	17	6.454.537	(386)
Change in short and long term other payables	8	(1.834.216)	921.204
Change in due to related parties	28	(19.810)	(143.511)
Movements in working capital		(5.178.899)	10.420.429
Cash used in from operations		89.368.348	71.603.628
Taxes paid		(2.373.974)	(2.057.141)
Payment for employee premiums	17	(17.060.199)	(15.256.212)
Payment for unused vacation day accruals	17	(1.367.198)	(1.542.878)
Retirement benefits paid	17	(2.658.726)	(5.115.940)
		65.908.251	47.631.457
B. Cash flows from investing activities			
Interest received		1.054.628	467.002
Acquisition of property, plant and equipment	12-13	(6.444.883)	(8.663.032)
Financial investments		(560.598)	(213.093)
Proceeds from sale of property, plant and equipment	12-13	272.883	887.998
		(5.677.970)	(7.521.125)
C. Cash flows from financing activities			
Cash inflow due to the financial liabilities		115.302.999	36.344.953
Interest paid		(28.251.660)	(18.034.197)
		87.051.339	18.310.756
Net increase in cash and cash equivalents			
before the effect of exchange rate changes (A+B+C)		147.281.620	58.421.088
D. Effects of exchange rate changes on cash and cash equivalents		(5.545.053)	(14.965.926)
Net increase in cash and cash equivalents A+B+C+D)		141.736.567	43.455.162
E. Cash and cash equivalents at the beginning of the period	5	84.325.174	40.870.012
Cash and cash equivalents at the end of the period			
(A+B+C+D+E)	5	226.061.741	84.325.174

The accompanying notes form an integral part of these consolidated financial statements.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Unless otherwise stated the amounts are in TL).

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Netaş Telekomünikasyon A.Ş. (the “Company”) and its’ subsidiaries (the “Group”) is an incorporated company, registered in Istanbul. The Company is engaged in the manufacture and trade of telecommunication equipment, project installation services, technical support, repair and maintenance services, IT services, strategic outsourcing services, implementation activities, and associated services. The shares of the Company are quoted on the Borsa İstanbul (“BIST”). The headquarter of the Group was located at Alemdağ Caddesi No:171 Ümraniye / İstanbul and then the headquarter is registered as Yenışehir Mah. Osmanlı Bulvarı No:11 34912 Kurtköy-Pendik/İstanbul at Istanbul Trade Registry Office as at 23 July 2013.

The Group works with major clients such as Aselsan, Türk Telekom, Vodafone, Avea, and Turkish Football Association service providers, corporate and governmental institutions in Turkey, to provide communications solutions and the infrastructure needed for modern communication systems. The Company is also engaged in research and development and provides design and development services to the customers of Kapsch and Genband as well as to local customers.

Probil Bilgi İşlem Destek ve Danışmanlık San.ve Tic.A.Ş. (“Probil”), offers industrial solutions, system integration, outsourcing, support services, network solutions and consultancy services to its domestic customers. Founded in 1989, Probil also provides value added solutions to international customers in CIS region, mainly in Asia Pasific (Nepal), Kazakhstan, Azerbaijan, Algeria and Uzbekistan with strategic business partnerships like Cisco and Microsoft. Specialized in all IT services, BDH Bilişim Destek Hizmetleri San. Tic.A.Ş. (“BDH”) was founded in April 2006 in order to provide consultancy, strategic outsourcing, data center and support services.

According to Board of Directors resolution as at 11 April 2012, foundation of a “Limited Liability Partnership” (Netas Telecom Limited Liability Partnership) was completed in Kazakhstan Almaty. The amount of capital which solely belongs to Netaş is 161.800 Tenge (approximately 1.100 American USD). Registration was made on 25 June 2012 and it will be valid starting from 4 July 2012.

As at 28 November 2013, an agreement is signed between Kron Telekomünikasyon Hizmetleri A.Ş.’nin (“KRON”) and the Company for the acquisition of 10 % of A group shares from Lütfi Yenel for TL 1.700.000.

The Company has established organization (Netas Telecommunications Malta Ltd.) in Maltha and which hold all of share capital (100%) have belong to the Company which amounted 1.200 EUR. Registration processes are completed in date of 4 November 2014.

As of 31 December 2015, the Company has no blue collar employee (31 December 2014: None). Average white collar head count is 2.204 (31 December 2014: 2.101).

Approval of Consolidated Financial Statements

Group’s consolidated financial statements as of 31 December 2015 have been approved by the Board of Directors on 9 March 2016.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Unless otherwise stated the amounts are in TL).

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

a) Statement of Compliance

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 accompanying consolidated financial statements and disclosures are presented in accordance with the formats and by including the compulsory information announced by the CMB dated 7 June 2013.

b) Basis of presentation of consolidated financial statements:

The details of the Company's subsidiaries as of 31 December 2015 are as follows:

	<u>Place of establishment of operation</u>	<u>Group's shares in capital and voting rights</u>	<u>Main operating activity</u>
Probil Bilgi İşlem Destek ve Danışmanlık San.ve Tic.A.Ş.	Turkey	100%	Consultancy of project installment and network solution
BDH Bilişim Destek Hizmetleri Sanayi ve Ticaret A.Ş.	Turkey	100%	Technical support and maintenance services
Netaş Telecom Limited Liability Partnership	Republic of Kazakhstan	100%	Consultancy of project installment, design and technical support services
Netaş Telecommunications Malta Ltd	Malta	100%	Supply of telecommunication equipment

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Unless otherwise stated the amounts are in TL).

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

b) Basis of presentation of consolidated financial statements (cont'd):

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Unless otherwise stated the amounts are in TL).

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

b) Basis of presentation of consolidated financial statements (cont'd)

As of 31 December 2015 and 2014 the details of associate of the Group is given below:

	Main operating activity	Acquisition date	Acquired share of capital	Acquisition amount
Kron Telekomünikasyon Hizmetleri A.Ş.	Information technology	28.11.2013	10%	1.700.000

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or a joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or a joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or a joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of TAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with TAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with TAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Unless otherwise stated the amounts are in TL).

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS(cont'd)

2.1 Basis of Presentation (cont'd)

b) Basis of presentation of consolidated financial statements (cont'd):

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with TAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss when the equity method is discontinued.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

c) Functional Currency and Reporting Currency

US Dollar (US \$) is the currency that the Group's operations are denominated and has a significant impact on the Group's operations. US \$ reflects the economic basis of events and situations that are important to the Group. In accordance with the analysis done by the Group's management and current economical and operational conditions, the management has concluded that US \$ is the functional currency and TL is the reporting currency of the Group in accordance with Turkish Accounting Standard ("TAS") No:21 - The Effects of Changes in Foreign Exchange Rates ("TAS 21").

For the purpose of the preparation of the consolidated financial statements and the notes in accordance with TAS 21, monetary balance sheet items in the statutory standalone financial statements of the Group are translated to US \$ by using rates as at the balance sheet date. Consequently, non-monetary balance sheet items, income, expenses and cash flows are translated to US \$ by using rates at the date of transactions (historical rates). Translation gain or losses that are generated from the translation of foreign currency based transactions are recognized in the consolidated statement of profit or loss as net foreign exchange gain or loss.

On 17 March 2005, CMB has announced that the Turkey is no longer hyperinflationary economy and Financial Reporting under Hyperinflationary Economy is not applicable effective from 1 January 2005. Accordingly in the accompanying consolidated financial statements TL is treated as a currency for non-hyperinflationary economy. For the purpose of presentation of the USD financial statements in TL (as explained in the paragraph above), balance sheet (except for some equity accounts) have been translated to TL by using USD rate as of 31 December 2015 (Turkish Central Bank USD Buying rate: 1 USD: 2,9076 TL), statements of income and statements of cash flows have been translated to TL by using twelve months average exchange rate (1 USD: 2,72 TL) for the period ended 31 December 2015 (for the period ended 31 December 2014 1 USD: 2,1879TL) in accordance with TAS 21. In the accompanying consolidated financial statements capital and legal reserves are carried with their values in statutory accounts.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

c) Functional Currency and Reporting Currency (cont'd)

Translation differences for capital and legal reserves due to preparation of the financial statements in accordance with TAS are presented as currency translation reserves and retained earnings respectively in the accompanying consolidated financial statements. Comparative consolidated financial statements are translated by using USD rates as of 31 December 2015 (31 December 2014 1 USD: 2,3189 TL).

2.2 Comparative Information and Restatement of Prior Period Consolidated Financial Statements

Group's consolidated financial statements have been prepared comparatively with the prior period for allow the determination of financial position and performance trend. Comparative information is reclassified when necessary and important differences are explained, in order to conform to the current period financial statement's presentation.

As of 31 December 2014, Nortel balance of trade receivables from third parties that under current assets is TL 39.597.906, and this amount is classified as trade receivable from third parties under non-current asset.

As of 31 December 2014, Nortel balance of trade payables from third parties that under short term liabilities is TL 7.838.291, and this amount is classified as trade payables from third parties under long term liabilities.

2.3 Change in Accounting Policies

Significant changes in accounting policies are applied retrospectively and prior period financial statements are adjusted accordingly. Due to the effects of changes in standards the Company has made a number of changes in accounting policies in the current year.

2.4 Change in Accounting Estimates and Errors

Any error is applied retroactively and the financial statements for the prior years are adjusted accordingly. If changes in accounting policies are for only one period, changes are applied on the current year but if the changes affect the future periods, changes are applied both on the current period and future periods prospectively.

2.5 Summary of Significant Accounting Policies

2.5.1 Revenue

Revenue is recognized when the Group transfers the risk of loss and ownership; deliver the products and services to the buyer.

In general, the Group recognizes revenue from the sale of goods and equipment when persuasive evidence of an arrangement with its customer exists, delivery occurs, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. The Group defers revenue and associated costs until to deliver all contractual obligations. Deferred revenues and cost are presented on the face of balance sheet under "Short and Long Term Deferred Revenues" and "Short and Long Term Deferred Costs" accounts.

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(Unless otherwise stated the amounts are in TL).

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.1 Revenue (cont'd)

TAS 11- Construction Accounting ("TAS11") defines a construction contract, as contracts specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose of use. For revenues generated from construction contracts, the Group applies the percentage of completion method of accounting in application of the above principles, provided certain specified conditions are met, based either on the achievement of contractually defined milestones or on costs incurred compared with total estimated costs. Any probable construction contract losses are recognized immediately in costs of sales. If uncertainty exists relating to customer acceptance, or the contract's duration is relatively short, revenues are recognized only to the extent of costs incurred that are recoverable, or on completion of the contract.

The Group records the revenue according to the percentage of completion for the projects that includes product that includes software which is more than incidental to the product as a whole.

The revenues from software licenses are recorded separately from the revenues from services as the agreement criteria like market value can be determined by the Group. If these criteria cannot be provided, the revenues are deferred and recognized when the service is completed.

The revenues related to the agreements of projects with hardware with minimal engineering and related services, training or consulting are recorded when the service is given or the goods are delivered.

Maintenance revenues including post contract support are deferred during the service and recorded as income when the service is rendered.

Advance payments received on construction contracts, before corresponding works had been carried out, are booked in "Order Advances" account group under "Advances Received". Costs incurred to date, adjusted by profits and losses recognized and progress billings, is determined on a contract by contract basis. If the amount is positive it is included as asset under "unbilled receivable" under "Trade receivables" group.

For revenues generated from licensing, selling or otherwise marketing software solution, the Group recognizes revenue generally upon delivery of the software and on the related services as and when they are performed, in application of the principles described in the first paragraph. For arrangements to sell software licenses with services, software license revenue is recognized separately from the related service revenue, provided that the transaction adheres to certain criteria, such as the existence of sufficient vendor-specific objective evidence of fair value to permit allocation of the revenue to the various elements of the arrangement. If the arrangement does not meet the specified criteria, revenue is deferred and recognized ratably over the service period. For arrangements to sell services only, revenue from training or consulting services is recognized when the services are rendered.

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(Unless otherwise stated the amounts are in TL).

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.2 Inventories

Inventories are stated at the lower of cost and net realizable value and valued on monthly weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

2.5.3 Tangible Assets

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.4 Intangible Assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (5 years).

Costs associated with developing or maintaining computer software program are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized over their estimated useful lives.

Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the customer relationship.

2.5.5 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.5 Impairment of tangible and intangible assets other than goodwill (cont'd)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.5.6 Borrowing Costs

Interest expenses directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recorded in the income statement in the period in which they are incurred.

2.5.7 Financial Instruments

Financial assets are recognized on a trade-date basis and are initially measured at fair value.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity are measured at amortized cost, less any impairment loss recognized to reflect irrecoverable amounts.

Financial assets other than held-to-maturity debt securities are classified as either held for trading or available-for-sale and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, any gains and losses arising from measurement are recognized in the statements of income. For available-for-sale assets, any gains and losses arising from the measurement are recognized in the shareholders' equity.

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arms length transaction. Market value is the amount obtainable from the sale or payable on the acquisition, of a financial instrument in an active market, if one exists.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.7 Financial Instruments (cont'd)

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented her in may not necessarily be indicative of the amounts the Group could realize in a current market exchange.

The fair values of certain financial assets carried at cost are considered to be representative of carrying values due to their short-term nature.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate fair value.

Cash and cash equivalents: Cash and cash equivalents comprise cash on hand and bank deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Spot loans bearing no interest are shown under cash and cash equivalents. The carrying amount of these assets approximates their fair value.

Trade and other receivables: Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The Group estimates that the carrying amount of trade and other receivables approximates their fair value.

Trade and other payables: Trade and other payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. The Group estimates that the carrying amount of trade and other payables approximates their fair value.

Due to/from related parties: The carrying value of due to and due from related parties are estimated to be their fair value. The details of the receivables from Nortel group companies prior to 14 January 2009 included in trade receivables as of 31 December 2015, where the Group cannot estimate the recoverability, are provided in the financial statement Note 7.

The Group uses financial instruments, such as letter of credits, which have off balance sheet risks for its operations. The possible loss from these instruments to the Group is equal to the amount on the instruments contracts.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.7 Financial Instruments (cont'd)

Credit Risk

The Group's credit risk is primarily dependent upon its trade receivables and exposures to the banks. The amounts presented in the balance sheet are net of allowances for doubtful receivables, (except for the amounts due from Nortel companies prior to 14 January 2009, where the Group has not made a provision against the pre-filing receivables from Nortel as the Group is not able to estimate the recoverability due to uncertainties as at the balance sheet date - see note 7) estimated by the Group's management based on prior experience and the current economic environment. Thus, The Group does not anticipate any risks relevant to the trade receivables except allowances for doubtful receivables. The Group assigns credit limits to its customer and exposures to the customers do not exceed these limits. The Group has significant exposures to the banks. The Group also assigns credit limits to the banks. Treasury and Control department monitors and controls exposures to the banks in order to ensure that the exposures are within the assigned limits.

Foreign Currency Risk

Due to its core business, the Group is subject to exchange rate volatility tied to the value change of foreign currencies. Currency risk is limited by analyzing its net currency position consistently. As of 31 December 2015, in order to meet the US Dollar finding requirement and minimize the negative exposure to appreciation of US Dollar against Turkish Lira, the Group has entered into a series of "asymmetric zero-cost collar forward knockout contracts", which have been accounted for as a derivative instrument. The Group's foreign currency risk for assets and liabilities has been disclosed in Note 30.

Liquidity Risk

The Group is generally raising funds by liquidating its short-term financial instruments such as collecting its receivables and selling out securities. The Group's proceedings from these instruments generally approximate their fair values.

2.5.8 Business combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and the equity interests issued by the Group in exchange for control of the acquire. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

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(Unless otherwise stated the amounts are in TL).

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.8 Business combinations (cont'd)

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with TAS 12 *Income Taxes* and TAS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with TFRS 2 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquire's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another TAS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with TAS 39, or TAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

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(Unless otherwise stated the amounts are in TL).

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.8 Business combinations (cont'd)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

2.5.9 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

2.5.10 The Effects of Change in Foreign Exchange Rates

The effects of change in foreign exchange rates on the financial statements have been disclosed in note 2 "Basis of Financial Statements" section 2.1.c "Functional and Reporting Currency". For the purpose of presentation of the consolidated financial statements as TL, balance sheet has been translated to TL by using Turkish Central Bank foreign exchange buying rates as of 31 December 2015 (1 US \$ = 2,9076 TL , 1EUR = 3,1776 TL , 1 CAD = 2,0945 TL, 1 GBP = 4,3007 TL and 1 BDT = 0,03656 TL).

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(Unless otherwise stated the amounts are in TL).

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.11 Earnings per Share

Earnings per share disclosed in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares in existence during the year concerned.

In Turkey, companies can raise their share capital by distributing “Bonus Shares” to shareholders from retained earnings. In computing earnings per share, such “bonus share” distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation

2.5.12 Subsequent Events

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information.

The Group adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

2.5.13 Provisions, Contingent Liabilities and Assets

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.5.14 Leasing

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of the ownership to the Group. All other leases are classified as operational lease. Lease payments for operational lease are recognized in the statement of income during the life of the contract.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.15 Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements.

a) A person or a close member of that person's family is related to a reporting entity if that person:

- i) has control or joint control over the reporting entity;
- ii) has significant influence over the reporting entity; or
- iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.16 Reporting of Financial Information on Segment Basis

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group Management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group evaluates the performance of five segments to decide resource allocation. The segments of the Group are system enterprise, public, international, technology and BDH.

2.5.17 Government Grants and Incentives

All government grants, including non-monetary government grants are recognized in the financial statements with their fair values, if the Group provides sufficient assurance that the requirements for such grants will be fulfilled.

Government grants are presented in the consolidated financial statements regardless of whether the grants are obtained in cash or by decreasing a liability to the government. Government grants are presented in Note 14.

2.5.18 Taxation and Deferred Tax

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Tax expense from continues operation includes current year income tax expense and deferred income tax (expense) / benefit.

Current tax

Current year income tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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(Unless otherwise stated the amounts are in TL).

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.18 Taxation and Deferred Tax (cont'd)

Deferred tax (cont'd)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that expected to apply to the period when asset is realized or the liability is settled. Deferred tax is charged or credited in the statements of income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.19 Employee Benefits

Termination and retirement benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per Turkish Accounting Standard No. 19 (revised) "Employee Benefits" ("TAS 19").

The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Retirement Plans

As it is disclosed in Note 17, the Group pays a special pension to employees who have worked over 15 years for the Group. The assumptions used in the calculation of future obligations are disclosed in Note 17.

2.5.20 Statements of Cash Flows

In statement of cash flows, cash flows are classified according to operating, investing and financing activities.

2.5.21 Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

2.5.22 Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

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(Unless otherwise stated the amounts are in TL).

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

2.5.22 Determination of Fair Values (cont'd)

(a) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(b) Intangible assets

The fair value of intangible assets recognised as a result of a business combination is based on market values. The market value of intangible assets is the estimated amount for which an intangible could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The fair values of other intangible assets are carried at cost and are considered to approximate its respective carrying amount.

(c) Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(d) Trade and Other Receivables/Due From Related Parties

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purpose.

(e) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Fair value of trade and other payables is carried out at cost and is considered to approximate its respective carrying amount.

2.6 Accounting Estimates and Assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.6 Accounting Estimates and Assumptions (cont'd)

In particular, information about significant areas at estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements is included in the following notes:

Note 7	Trade receivables and payables: Estimations and accounting judgments regarding to collectability of receivables
Note 9	Inventories: Estimations regarding to inventory provision
Note 12 and 13	Tangible and intangible assets: Estimations regarding to useful lives
Note 13	Goodwill: Estimations regarding to impairment of goodwill
Note 15	Provisions: Estimations regarding to provision amounts
Note 26	Tax Assets and liabilities: Estimations regarding to recoverability of deferred tax assets
Note 30	Financial instruments and risk management: Estimations and accounting judgments regarding to collectability of receivables
Note 21	Revenue and cost of sales: Estimation of revenue and cost based on project based analysis

2.7 New and Revised Turkish Financial Reporting Standards

(a) Amendments to TFRSs affecting amounts reported and the disclosures in the consolidated financial statements

None.

(b) New and Revised TFRSs applied in 2015 with no material effect on the consolidated financial statements

Amendments to TAS 19	<i>Defined Benefit Plans: Employee Contributions</i> ¹
Annual Improvements to 2010-2012 Cycle	<i>TFRS 2, TFRS 3, TFRS 8, TFRS 13, TAS 16 and TAS 38, TAS 24, TFRS 9, TAS 37, TAS 39</i> ¹
Annual Improvements to 2011-2013 Cycle	<i>TFRS 3, TFRS 13, TAS 40</i> ¹

¹ Effective for annual periods beginning on or after 30 June 2014.

Amendments to TAS 19 *Defined Benefit Plans: Employee Contributions*

This amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contribution, can, but are not required, to be recognized as a reduction in the service cost in the period in which the related service is rendered.

Annual Improvements to 2010-2012 Cycle

TFRS 2: Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

TFRS 3: Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.7 New and Revised Turkish Financial Reporting Standards(cont'd)

(b) New and Revised TFRSs applied in 2015 with no material effect on the consolidated financial statements (cont'd)

TFRS 8: Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

TFRS 13: Clarify that issuing TFRS 13 and amending TFRS 9 and TAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

TAS 16 and TAS 38: Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

TAS 24: Clarify how payments to entities providing management services are to be disclosed.

Annual Improvements to 2010-2012 Cycle also led to amendments in related provisions of TFRS 9, TAS 27 and TAS 39, respectively.

Annual Improvements to 2011-2013 Cycle

TFRS 3: Clarify that TFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

TFRS 13: Clarify the scope of the portfolio exception in paragraph 52.

TAS 40: Clarifying the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property.

(c) New and revised TAS in issue but not yet effective

The Group has not applied the following new and revised TAS that have been issued but are not yet effective:

TFRS 9	<i>Financial Instruments</i>
Amendments to TFRS 9 and TFRS 7	<i>Mandatory Effective Date of TFRS 9 and Transition Disclosures</i>
Amendments to TAS 16 and TAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation¹</i>
Amendments to TAS 16 and TAS 41 and amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40	<i>Agriculture: Bearer Plants¹</i>
Amendments to TFRS 11 and TFRS 1 Annual Improvements to 2011-2013 Cycle	<i>Accounting for Acquisition of Interests in Joint operations¹</i>
Amendments to TAS 1	<i>TFRS 1²</i>
Annual Improvements to 2012-2014 Cycle	<i>Disclosure Initiative²</i>
Amendments to TAS 27	<i>TFRS 5, TFRS 7, TAS 34, TAS 19²</i>
Amendments to TFRS 10 and TAS 28	<i>Equity Method in Separate Financial Statements²</i>
	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture²</i>
Amendments to TFRS 10, TFRS 12 and TAS 28	<i>Investment Entities: Applying the Consolidation Exception²</i>
TFRS 14	<i>Regulatory Deferral Accounts²</i>

¹ Effective for annual periods beginning on or after 31 December 2015.

² Effective for annual periods beginning on or after 1 January 2016.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.7 New and Revised Turkish Financial Reporting Standards (cont'd)

(c) New and revised TAS in issue but not yet effective

TFRS 9 *Financial Instruments*

TFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. TFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Amendments to TFRS 9 and TFRS 7 *Mandatory Effective Date of TFRS 9 and Transition Disclosures*

The mandatory effective date of TFRS 9 will be no earlier than annual periods beginning on or after 1 January 2018.

Amendments to TAS 16 and TAS 38 *Clarifications of Acceptable Methods of Depreciation and Amortisation*

This amendment clarifies that that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Amendments to TAS 16 and TAS 41 and Amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40 *Agriculture: Bearer Plants*

This amendment include 'bearer plants' within the scope of TAS 16 rather than TAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with TAS 16. The amendment also introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of TAS 41.

Amendments to TAS 16 and TAS 41 also led to amendments in related provisions of TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40, respectively.

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(Unless otherwise stated the amounts are in TL).

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

2.7 New and Revised Turkish Financial Reporting Standards (cont'd)

(c) New and revised TFRSs in issue but not yet effective (cont'd)

Amendments to TFRS 11 and TFRS 1 *Accounting for Acquisition of Interests in Joint operations*

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- Apply all of the business combinations accounting principles in TFRS 3 and other TAS, except for those principles that conflict with the guidance in TFRS 11,
- Disclose the information required by TFRS 3 and other TAS for business combinations.

Amendments to TFRS 11 also led to amendments in related provisions of TFRS 1.

Annual Improvements 2011-2013 Cycle

TFRS 1: Clarify which versions of TAS can be used on initial adoption (amends basis for conclusions only).

Amendments to TAS 1 *Disclosure Initiative*

This amendment addresses perceived impediments to preparers exercising their judgment in presenting their financial reports.

Annual Improvements 2012-2014 Cycle

TFRS 5: Adds specific guidance in TFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

TFRS 7: Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in financial statements.

TAS 34: Clarify the meaning of 'elsewhere in the report' and require a cross-reference.

Annual Improvements to 2012-2014 Cycle also led to amendments in related provisions of TAS 19

Amendments to TAS 27 *Equity Method in Separate Financial Statements*

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Amendments to TFRS 10 and TAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

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2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS(cont'd)

2.7 New and Revised Turkish Financial Reporting Standards (cont'd)

(c) New and revised TFRSs in issue but not yet effective (cont'd)

Amendments to TFRS 10, TFRS 12 and TAS 28 *Investment Entities: Applying the Consolidation Exception*

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by TFRS 12.

TFRS 14 *Regulatory Deferral Accounts*

TFRS 14 *Regulatory Deferral Accounts* permits an entity which is a first-time adopter of Turkish Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of TFRS and in subsequent financial statements.

TFRS 14 also led to amendments in related provisions of TFRS 1.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

3. SHARES IN ASSOCIATES

Associates

Details of Important associates

As of 31 December 2015, the details of important associates are as in the following;

	Main operating activity	Acquisition date	Acquired share of capital	Acquisition amount
Kron Telekomünikasyon Hizmetleri A.Ş.	Information technology	28.11.2013	10%	1.700.000

On 28 November 2013, the Company made a new investment and came to an agreement on acquisition of 10% of the shares of Kron Telekomünikasyon Hizmetleri A.Ş. for TL 1.700.000. Furthermore, the Company acquired the right to be represented with 3 members in the Board of Directors at Kron and to be active in taking strategic growth decisions of the company.

Equity method is used in the accounting of Kron Telekomünikasyon Hizmetleri A.Ş. figures in the accompanying consolidated financial statements.

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3. SHARES IN ASSOCIATES (cont'd)

Associates(cont'd)

Goodwill arises from the acquisition of Kron Telekomünikasyon Hizmetleri A.Ş. Additionally; the cost includes synergy, the benefits arising from the rising market share and also the labor force of Kron Telekomünikasyon Hizmetleri A.Ş. As these benefits are not separable, they are not recognized in the accompanying consolidated financial statements.

Goodwill

	Kron Telekomünikasyon Hizmetleri A.Ş.
Amount transferred	1.700.000
Fair value of the net assets of the acquired company	(1.098.805)
Goodwill	<u>601.195</u>

The summary of the financial information of Kron Telekomünikasyon Hiz. A.Ş. is explained below. This financial information is prepared according to TAS.

	31 December 2015	31 December 2014
Current assets	18.060.465	14.794.261
Non-current assets	9.131.425	9.142.342
Sort term liabilities	6.627.093	9.548.946
Long term liabilities	562.570	631.240
Net assets	<u>20.002.227</u>	<u>13.756.417</u>

Share of the Group in net assets	2.000.223	1.375.642
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	1 January 2015 -31 December 2015	1 January 2014 -31 December 2014
Net profit	6.216.280	2.784.124
Other comprehensive income/(loss)	29.530	(66.673)
Total comprehensive income	<u>6.245.810</u>	<u>2.717.451</u>
Share of the Group in total comprehensive income	624.581	271.745

The movement of acquisition balance arising from Kron Telekomünikasyon Hizmetleri A.Ş. is given below;

	31 December 2015	31 December 2014
As at 1 January	1.980.222	1.804.909
Share from the profit of the year	624.581	271.745
Currency translation reserves	(3.385)	(96.432)
Closing balance	<u>2.601.418</u>	<u>1.980.222</u>

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4. SEGMENT REPORTING

The Group evaluates the performance of five segments to decide resource allocation. The following table shows the information about each segment. The operational profit and details below should be considered together in evaluating the performance of segments.

For the period ended 31 December 2015	Enterprise	Public	International	Technology	BDH	Unallocated (*)	Total
Revenue	485.673.470	302.382.758	115.750.722	76.538.488	28.647.659	-	1.008.993.097
Cost of sales	(438.490.845)	(269.515.993)	(82.053.730)	(71.340.214)	(27.621.876)	(6.067.606)	(895.090.264)
Gross margin	47.182.625	32.866.765	33.696.992	5.198.274	1.025.783	(6.067.606)	113.902.833
Sales and marketing expenses	(19.674.196)	(14.780.123)	(8.134.403)	-	-	-	(42.588.722)
General administrative expenses	-	-	-	-	-	(23.844.072)	(23.844.072)
Research and development expenses	-	-	-	(3.968.273)	-	-	(3.968.273)
Operating profit / (loss) of segment	27.508.429	18.086.642	25.562.589	1.230.001	1.025.783	(29.911.678)	43.501.766
For the period ended 31 December 2014	Enterprise	Public	International	Technology	BDH	Unallocated (*)	Total
Revenue	346.275.401	204.383.563	100.107.161	67.406.516	22.786.483	-	740.959.124
Cost of sales	(311.183.849)	(185.810.991)	(65.458.306)	(60.853.489)	(19.067.053)	(15.275.744)	(657.649.432)
Gross margin	35.091.552	18.572.572	34.648.855	6.553.027	3.719.430	(15.275.744)	83.309.692
Sales and marketing expenses	(22.000.440)	(13.115.461)	(4.753.995)	-	-	-	(39.869.896)
General administrative expenses	-	-	-	-	-	(21.758.633)	(21.758.633)
Research and development expenses	-	-	-	(1.242.508)	-	-	(1.242.508)
Operating profit / (loss) of segment	13.091.112	5.457.111	29.894.860	5.310.519	3.719.430	(37.034.377)	20.438.655

(*) Unallocated costs of sales are shown as amortization, rent and general expenses etc.

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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4. SEGMENT REPORTING (cont'd)

31 December 2015	Enterprise	Public	International	Technology	BDH	Unallocated(*)	Total
Trade receivables	194.870.411	346.456.702	89.979.032	599.050	5.626.981	49.638.506	687.170.682
Due from related parties	-	-	-	18.541.627	-	-	18.541.627
Inventories	22.470.332	76.267.437	3.789.681	-	-	489.075	103.016.525
Deferred costs	31.289.755	66.078.132	1.740.630	-	-	-	99.108.517
Segments assets	248.630.498	488.802.271	95.509.343	19.140.677	5.626.981	50.127.581	907.837.351
Trade payables (*)	113.524.825	167.329.182	45.447.227	201.574	5.485.100	30.866.513	362.854.421
Due to related parties	-	-	-	45.443	-	-	45.443
Deferred revenues	44.822.619	12.709.886	9.421.140	-	-	353.165	67.306.810
Advances received	763.316	65.802.855	95.108	-	116.877	-	66.778.156
Segment liabilities	159.110.760	245.841.923	54.963.475	247.017	5.601.977	31.219.678	496.984.830
31 December 2014	Enterprise	Public	International	Technology	BDH	Unallocated(*)	Total
Trade receivables	127.013.855	213.278.723	97.226.241	3.089.277	6.516.496	39.597.906	486.722.498
Due from related parties	-	-	-	17.595.491	-	-	17.595.491
Inventories	13.831.890	40.898.384	193.672	-	-	-	54.923.946
Deferred costs	40.081.226	39.072.027	227.458	-	9.471.817	-	88.852.528
Segments assets	180.926.971	293.249.134	97.647.371	20.684.768	15.988.313	39.597.906	648.094.463
Trade payables (*)	71.134.451	44.832.581	49.626.555	906.191	3.317.023	31.838.218	201.655.019
Due to related parties	-	-	-	53.131	-	-	53.131
Deferred revenues	37.163.157	19.618.632	124.286	-	-	-	56.906.075
Advances received	4.864.666	21.866.661	15.822.603	-	329.606	-	42.883.536
Segment liabilities	113.162.274	86.317.874	65.573.444	959.322	3.646.629	31.838.218	301.497.761

(*) Unallocated trade payables are shown as insurance, rent, consultancy and etc. The uncollated amount of trade receivable and trade payables are related to Nortel companies under bankruptcy protection as of 31 December 2015 and 2014.

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Unless otherwise stated the amounts are in TL).

4. SEGMENT REPORTING (cont'd)

Reconciliation of profit before tax, operating loss, assets, liabilities and other material items:

	Period Ended 31 December 2015	Period Ended 31 December 2014
Profit before tax		
Operating profit of segment	43.501.766	20.438.655
(Loss) from operations (net)	(18.092.795)	(9.542.189)
Other income/(expense) from investments	545.970	(515.453)
Finance income / (expenses) (net)	21.118.551	(4.335.546)
Profit before tax	47.073.492	6.045.467
Assets	31 December 2015	31 December 2014
Segment assets	907.837.351	648.094.463
Other assets	444.777.805	253.011.638
Total assets	1.352.615.156	901.106.101
Liabilities	31 December 2015	31 December 2014
Segment liabilities	496.984.830	301.497.761
Other liabilities	418.429.429	276.710.324
Total liabilities	915.414.259	578.208.085

5. CASH AND CASH EQUIVALENTS

	31 December 2015	31 December 2014
Bank- demand deposits	38.598.503	8.297.909
Bank- time deposits	187.084.434	75.893.218
Other cash and cash equivalents	378.804	134.047
	226.061.741	84.325.174

Currency	Amount	Interest Rate %	Maturity	31 December 2015
US\$	51.285.090	0,25-2,90	January 16	149.116.529
EURO	822.245	2,75	January 16	2.612.767
TL	35.355.138	7,50-13,90	January 16	35.355.138
				187.084.434
Original Currency				
Currency	Amount	Interest Rate %	Maturity	31 December 2014
US\$	28.526.531	0,15-1,75	January 15	66.150.173
EURO	379.000	0,15	January 15	1.069.045
TL	8.674.000	7,50-9,50	January 15	8.674.000
				75.893.218

The credit risk, foreign currency and sensitivity risks of financial assets and liabilities are disclosed in Note 30.

As of 31 December 2015 and 2014, there are no restriction / blockage on bank accounts.

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6. FINANCIAL LIABILITIES

Short term financial liabilities	31 December 2015	31 December 2014
Short term unsecured loans	329.886.371	213.036.774
Non interest bearing unsecured spot loans	3.181.914	2.837.713
	333.068.285	215.874.487

As of 31 December 2015, the average interest rate for TL loans is 13,40 % and USD loans is 3,13 % (2014: for TL loans is 10,13% and for USD loans is 2,75%).

The details of loans of the Group are given below;

Currency	Original Currency Amount	Effective interest rate %	Maturity	31 December 2015
US\$	20.103.125	3,00-3,25	October 16- November 16	58.451.846
TL	271.434.525	12,45-14,50	February 16- October 16	271.434.525
				329.886.371

Currency	Original Currency Amount	Effective interest rate %	Maturity	31 December 2014
US\$	10.063.403	2,75	October 15	23.336.025
TL	189.700.749	10,13	January 15- November 15	189.700.749
				213.036.774

The Group had no collaterals given for bank loans as of 31 December 2015 and 2014.

7. TRADE RECEIVABLES AND PAYABLES

Other Trade Receivables from Third Parties	31 December 2015	31 December 2014
Trade receivables	405.517.617	287.071.625
Unbilled receivables	192.680.792	173.747.313
Notes receivable	553.318	508.183
Allowances for doubtful receivables	(21.060.373)	(14.255.324)
	577.691.354	447.071.797

Movement of Allowance for Doubtful Receivables	2015	2014
Balance at beginning of the year	(14.255.324)	(9.141.289)
Charge for the year	(4.302.925)	(5.021.547)
Provision reversal	578.356	942.399
Currency translation differences	(3.080.480)	(1.034.887)
Balance at 31 December	(21.060.373)	(14.255.324)

No guarantee has been obtained for trade receivables.

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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7. TRADE RECEIVABLES AND PAYABLES (cont'd)

Long Term Trade Receivables from Third Parties	31 December 2015	31 December 2014
Trade Receivables	118.417.160	39.650.701
Discount on Trade Receivables(-)(*)	(8.937.832)	-
	<u>109.479.328</u>	<u>39.650.701</u>

(*) As of 31 December 2015, Group will collect its trade receivable in every year by equal payment; total amount is USD 26.723.580 (TL 77.701.482) based on the agreement, and its maturity date spreads 7 years. Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

Short term other trade payables	31 December 2015	31 December 2014
Trade payables	347.705.986	187.882.148
Other trade payables	2.366.546	3.462.510
	<u>350.072.532</u>	<u>191.344.658</u>

Long term other trade payables	31 December 2015	31 December 2014
Other trade payables	12.781.889	10.310.361
	<u>12.781.889</u>	<u>10.310.361</u>

Nortel Networks Corporation, the ultimate parent of Nortel Networks International Finance and Holding B.V. ("NNIFH"), which was shareholder of the Company until 22 December 2010, holding 53,13 % of the share capital of the Company, has announced that it, Nortel Networks Limited, which is another indirect parent of the Company, and certain of its other Canadian subsidiaries have obtained an Order from the Ontario Superior Court of Justice (the "Canadian Court") for creditor protection under the Companies' Creditors Arrangement Act ("CCAA") in Canada filed as of January 14, 2009. Under the terms of the Order, Ernst & Young Inc. serves as the Court-appointed Monitor under the CCAA process and assists the Company in formulating its restructuring plan.

Nortel Networks Corporation's certain subsidiaries (Alteon Websystems International Inc., XROS Inc., Sonoma Systems, CoreTek Inc.) by Nortel Network Inc. and its' subsidiaries (QTERA Corporation, Nortel Networks Optical Components Inc., Nortel Networks Capital Corporation, Nortel Networks International Inc., Northern Telecom International Inc., Nortel Networks Cable Solutions, Inc.) also have made similar filings in the United States under Chapter 11 of the U.S: Bankruptcy Code.

The Company offset its payables to Nortel Group Companies by USD 277.820, and made CAD 5.282.370 of payment to Nortel Networks Limited as at 24 April 2013.

The Company management attempted by the insolvent estate regarding the collectability of receivables from Nortel Group companies, the company management has not booked provision for the these mentioned receivables since there is a continuing uncertainty regarding the collectability and collection time table of these receivables due to the bankruptcy process.

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7. TRADE RECEIVABLES AND PAYABLES (cont'd)

The details of trade receivables and payables of the Company to and from Nortel companies under bankruptcy protection as of 31 December 2015 and the bankruptcy protection filing date of 14 January 2009 are given below:

Country	Company	14 January 2009			31 December 2015			31 December 2014		
		Trade Receivables	Trade Payables	Net Balance	Trade Receivables	Trade Payables	Net Balance	Trade Receivables	Trade Payables	Net Balance
USA	Nortel Networks Inc.	41.466.950	(7.267.399)	34.199.550	47.614.139	(9.719.208)	37.894.931	37.973.734	(7.753.439)	30.220.295
Ireland	Nortel Networks (Ireland) Limited	1.412.901	-	1.412.901	1.412.902	-	1.412.902	1.126.832	-	1.126.832
Canada	Nortel Networks Technology Corporation	331.175	(44.848)	286.328	-	-	-	-	-	-
Egypt	Nortel Networks Inc. (Egypt Branch)	251.800	-	251.800	255.174	-	255.174	203.508	-	203.508
Europe	Nortel Networks N.V.	130.218	-	130.218	130.217	-	130.217	103.852	-	103.852
India	Nortel Networks (India) Private Limited	39.942	-	39.942	27.800	-	27.800	31.854	-	31.854
Holland	Nortel Networks BV.	78.867	-	78.867	-	-	-	-	-	-
Italy	Nortel Networks S.p.A.	19.529	-	19.529	19.530	-	19.530	15.575	-	15.575
Mexico	Nortel de México, S. de R.L. de C.V.	43.731.381	(7.312.247)	36.419.134	49.459.762	(9.719.208)	39.740.554	39.455.355	(7.753.439)	31.701.916
Germany	Nortel GmbH	-	(14.272)	(14.272)	-	(14.273)	(14.273)	-	(11.383)	(11.383)
France	Nortel Networks S.A.	29.948	(86.624)	(56.676)	178.744	(73.173)	105.571	142.551	(73.469)	69.082
Canada	Nortel Networks Limited	475.732	(1.194.642)	(718.910)	-	-	-	-	-	-
England	Nortel Networks UK Limited	5.090.466	(5.636.633)	(546.167)	-	-	-	-	-	-
Canada	Nortel Networks Limited - EMEA Sales	-	(13.939.065)	(13.939.065)	-	-	-	-	-	-
		49.327.528	(28.386.610)	20.940.920	49.638.506	(9.806.654)	39.831.852	39.597.906	(7.838.291)	31.759.615

The foreign currency risk and liquidity risk of short term trade receivables and payables are disclosed in Note 30.

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(Unless otherwise stated the amounts are in TL.)

8. OTHER RECEIVABLES AND PAYABLES

Other receivables from third parties	31 December 2015	31 December 2014
Deposits given	164.093	135.890
Other	232.952	1.518.394
	397.045	1.654.284

Other current payables	31 December 2015	31 December 2014
Taxes and dues payables	12.731.107	11.332.246
Other	-	384.938
	12.731.107	11.717.184

9. INVENTORIES

	31 December 2015	31 December 2014
Raw materials	25.109.488	15.480.461
Finished goods	47.400.127	28.075.289
Trade goods	38.444.605	18.089.760
Other inventories	917.753	491.573
Allowance for inventory impairment	(8.855.448)	(7.213.137)
	103.016.525	54.923.946

Movement for allowance	2015	2014
1 January - opening balance	(7.213.137)	(6.638.923)
Release / (charge) for the period	176.705	-
Foreign currency exchange differences	(1.819.016)	(574.214)
Closing balance	(8.855.448)	(7.213.137)

10. PREPAID EXPENSES

Short Term Prepaid Expenses

	31 December 2015	31 December 2014
Advances given for inventory purchases	25.951.614	2.114.189
Prepaid expenses Relating to Future Months	4.818.986	4.644.912
Goods in transit	1.946.039	848.908
Business advances	179.711	802.323
	32.896.350	8.410.332

Long Term Prepaid Expenses

	31 December 2015	31 December 2014
Prepaid Expenses Relating to Future Years	1.098.957	-
	1.098.957	-

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11. DEFERRED COSTS AND DEFERRED REVENUES

Details of the deferred costs given below;

Customer	31 December 2015			31 December 2014		
	Short Term	Long Term	Total	Short Term	Long Term	Total
Telco	26.576.052	-	26.576.052	26.928.442	-	26.928.442
Enterprise	49.782.110	-	49.782.110	41.379.308	-	41.379.308
Public	21.324.271	-	21.324.271	7.454.110	-	7.454.110
Defense	1.174.883	-	1.174.883	4.068.581	-	4.068.581
Other	251.201	-	251.201	9.022.087	-	9.022.087
	99.108.517	-	99.108.517	88.852.528	-	88.852.528

Details of the deferred revenue given below;

Customer	31 December 2015			31 December 2014		
	Short Term	Long Term	Total	Short Term	Long Term	Total
Telco	8.290.394	-	8.290.394	16.244.053	-	16.244.053
Enterprise	44.796.275	-	44.796.275	26.160.261	-	26.160.261
Public	12.039.252	-	12.039.252	1.497.562	-	1.497.562
Defense	2.023.382	-	2.023.382	1.046.077	-	1.046.077
Other	157.507	-	157.507	11.958.122	-	11.958.122
	67.306.810	-	67.306.810	56.906.075	-	56.906.075

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (Unless otherwise stated the amounts are in TL.)

12. TANGIBLE FIXED ASSETS

<u>Cost</u>	<u>Buildings, Machinery and Equipment</u>	<u>Vehicles</u>	<u>Furniture and fixtures</u>	<u>Leasehold Improvement</u>	<u>Total</u>
At 1 January 2015	98.602.887	1.108.336	8.032.412	20.280.162	128.023.797
Translation difference	24.809.554	263.219	2.041.034	8.612.451	35.726.258
Purchases	2.800.198	-	358.021	62.235	3.220.454
Disposals	(8.058.131)	(1.065.125)	(331.292)	-	(9.454.548)
At 31 December 2015	118.154.508	306.430	10.100.175	28.954.848	157.515.961
<u>Accumulated Depreciation</u>					
At 1 January 2015	(83.192.175)	(195.035)	(4.222.324)	(2.290.328)	(89.899.861)
Translation difference	(18.367.699)	(46.321)	(1.127.395)	(3.345.003)	(22.886.418)
Period charge	(8.878.184)	(59.940)	(1.105.296)	(2.852.627)	(12.896.047)
Disposals	7.955.035	100.122	331.293	-	8.386.450
At 31 December 2015	(102.483.023)	(201.174)	(6.123.722)	(8.487.958)	(117.295.877)
Net book value at					
31 December 2015	15.671.485	105.256	3.976.453	20.466.890	40.220.084

As of 31 December 2015 assets have been covered by insurance worth of TL 180.600.245.

As of 31 December 2015 depreciation charge is TL 12.896.047. TL 8.880.009 is accounted in cost of sales, TL 2.982.726 in general administrative expenses, TL 1.033.312 in sales and marketing expenses.

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12. TANGIBLE FIXED ASSETS (cont'd)

<u>Cost</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Furniture and fixtures</u>	<u>Leasehold Improvement</u>	<u>Construction in progress</u>	<u>Total</u>
At 1 January 2014	96.488.764	1.187.725	6.470.158	19.578.844	89.073	124.485.624
Translation difference	7.871.423	40.631	616.244	1.855.924	2.247	10.403.325
Purchases	3.200.024	125.089	1.097.689	841.122	-	5.263.924
Transfers	-	-	-	19.142	(19.142)	-
Transfers to intangibles	-	-	-	-	(72.177)	(72.177)
Disposals	(8.957.324)	(245.109)	(151.679)	(2.014.870)	-	(12.056.898)
At 31 December 2014	98.602.887	1.108.336	8.032.412	20.280.162	-	128.023.797
<u>Accumulated Depreciation</u>						
At 1 January 2014	(79.895.217)	(256.483)	(3.160.482)	(1.385.785)	-	(84.886.034)
Translation difference	(4.226.534)	(16.596)	(317.989)	(331.251)	-	(4.897.095)
Period charge	(7.432.030)	(28.420)	(833.067)	(2.204.917)	-	(10.498.434)
Disposals	8.361.606	106.464	89.215	1.631.625	-	10.381.702
At 31 December 2014	(83.192.175)	(195.035)	(4.222.324)	(2.290.328)	-	(89.899.861)
Net book value at						
31 December 2014	15.410.712	913.301	3.810.088	17.989.834	-	38.123.936

As of 31 December 2014 assets have been covered by insurance worth of TL 71.935.000.

As of 31 December 2014 depreciation charge is TL 10.498.434. TL 6.090.661 is accounted in cost of sales, TL 4.152.210 in general administrative expenses, TL 252.992 in sales and marketing expenses and TL 2.571 in research and development costs.

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12. TANGIBLE FIXED ASSETS (cont'd)

Tangible fixed assets are depreciated principally on a straight-line basis using the following rates, which amortize the assets over their expected useful lives:

	Depreciation rate (%)
Buildings	2,5
Land Improvement	3,7
Machinery and Equipment	10 - 50
Vehicles	20
Leasehold Improvement	20
Furniture and fixtures	10
Other	16,7

13. INTANGIBLE ASSETS

Goodwill

The shares transfer of Probil Bilgi İşlem Destek ve Danışmanlık Sanayi ve Ticaret A.Ş. ("Probil") and its subsidiary BDH Bilişim Destek Hizmetleri Sanayi ve Ticaret A.Ş. ("BDH") to the Company was completed on 11 October 2011.

During the acquisition, fair value of the customer relations have been identified as a separable intangible asset. Further, a write-up is made on the inventory based on the mark-up margin on the inventory. The difference between the net amount transferred and the total fair value of the net assets acquired is recognized as goodwill.

Changes in goodwill between the acquisition date and the balance sheet date is presented below:

	Goodwill TL
Goodwill calculated as of acquisition date	33.820.858
Currency Translation Reserves	799.105
Goodwill as of 31 December 2011	34.619.963
Currency Translation Reserves	(1.948.278)
Goodwill as of 31 December 2012	32.671.685
Currency Translation Reserves	6.445.996
Goodwill as of 31 December 2013	39.117.681
Currency Translation Reserves	3.383.369
Goodwill as of 31 December 2014	42.501.050
Currency Translation Reserves	10.789.757
Goodwill as of 31 December 2015	53.290.807

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13. INTANGIBLE ASSETS (cont'd)

Goodwill(Cont'd)

Group according to pilicies has been indicated in note 2.5.9, has put goodwill amount to the test of impairment.

Netas has engaged an independent assessment report to perform a valuation analysis of Probil as of 31 December 2015. An independent assessment has been prepared a valuation of 100% of the share capital of Probil, based on its financial statements on a consolidated basis,by applying adjusted Discounted Cash Flow("DCF") valuation. The DCF model is based on a cash flow forecast provided by Management over the period of 1 January 2016-31 December 2020.

According to DFC method, company's estimated periodic cash flow has been reduced the present value, as a result, companies present value of of future cash flow has been attained.

Weighted average cost of capital has been calculated as 11,4 per cent, based on USD Dollar. While calculating Probil's final term value has been based on USD Dollar long term inflation expectation report, as a result, 1,8 per cent final growth rate has been predicted. As of the valuation date, Probil has net debt of 27,3 million USD. Company management has not predicted any investment cost.

The result of DCF analysis concluded indicative firm value of Probil is in a range of 70,2 -77,7 million USD. As of the valuation date Probil has a net debt of 27,3 million USD,Equity value of Probil with considering its net debt position as of 31 December 2015 is between 43,0 –50,4 million USD.

The result of the sensitivity analysis is conducted by changing the WACC value between 11,9 % to 10,9 %, Equity value of Probil as of 31 December 2015 is between 43,0 –50,4 million USD with a midpoint of 46,5 million USD.

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13. INTANGIBLE ASSETS (cont'd)

Other Intangible Assets

	1 January- 31 December 2015		
	Customer Relations	Other Intangible Assets	Total
<u>Cost</u>			
At 1 January opening balance	24.737.194	39.137.593	63.874.787
Purchases	-	3.224.429	3.224.429
Translation difference	6.280.041	10.156.895	16.436.936
Closing as at 31 December 2015	31.017.235	52.518.917	83.536.152
<u>Accumulated amortization</u>			
At 1 January opening balance	(8.039.589)	(22.949.111)	(30.988.700)
Translation difference	(2.241.138)	(6.139.731)	(8.380.869)
Period charge	(2.901.599)	(4.520.455)	(7.422.054)
Closing as at 31 December 2015	(13.182.326)	(33.609.297)	(46.791.623)
Net book value	17.834.909	18.909.620	36.744.529

As of 31 December 2015 amortization charge is TL 7.422.054. TL 3.901.247 is accounted in cost of sales, TL 3.276.138 in general administrative expenses and TL 244.669 in sales and marketing expenses.

	1 January- 31 December 2014		
	Customer Relations	Other Intangible Assets	Total
<u>Cost</u>			
At 1 January opening balance	22.767.947	32.615.244	55.383.191
Transfers from tangible assets	-	72.177	72.177
Purchases	-	3.399.108	3.399.108
Translation difference	1.969.247	3.051.064	5.020.311
Closing as at 31 December 2014	24.737.194	39.137.593	63.874.787
<u>Accumulated amortization</u>			
At 1 January opening balance	(5.122.789)	(18.390.020)	(23.512.809)
Translation difference	(582.827)	(1.779.643)	(2.362.470)
Period charge	(2.333.973)	(2.779.448)	(5.113.421)
Closing as at 31 December 2014	(8.039.589)	(22.949.111)	(30.988.700)
Net book value	16.697.605	16.188.482	32.886.087

As of 31 December 2014 amortization charge is TL 5.113.421. TL 2.308.578 is accounted in cost of sales, TL 2.716.710 in general administrative expenses and TL 88.133 in sales and marketing expenses.

Intangible fixed assets are depreciated principally on a straight-line basis using the following rates, which amortize the assets over their expected useful lives:

	Depreciation rate (%)
Software Licences	20
Customer Portfolio	10

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14. GOVERNMENT GRANTS

For the period ended 31 December 2015 the Group has received TL 14.057.190 incentive from TÜBİTAK for its research and development activities and TL 207.654 is accounted under cost of sales and TL 9.480.821 is accounted under Income From Operating Activities and TL 4.368.715 is offset against Research and Development Expenses (For the period ended 31 December 2014: TL 3.020.997 cash incentive received, TL 22.667 is accounted under cost of sales and TL 2.998.330 is accounted under income from operating activities).

The Group is qualified for the incentives and exemptions provided by Support of Research and Development Act, numbered 5746 effective from 24 November 2008.

As of 31 December 2015 the Group has a corporate tax benefit of TL 162.422.957 due to research and development disbursement and TL 67.996.102 of this amount is utilized by the period end (As of 31 December 2014, the benefit is TL 80.800.912 and TL 843.797 of this amount is utilized by the period end). The Group has booked deferred tax assets for unused R&D tax benefit (Note 26).

For the period ended 31 December 2015, the amount of income tax incentive within the scope of Act numbered 5746 is TL 10.728.973 (For the period ended 31 December 2014: TL 9.049.869) and the total amount of social premium incentive within the scope of Act numbered 5746 and Social Security and General Health Insurance Act numbered 5510 is TL 7.429.510 (For the period ended 31 December 2014: TL 5.150.581).

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15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other Short Term Provisions	31 December 2015	31 December 2014
Provision for legal cases	4.309.760	1.759.816
Other provisions	428.609	1.924.756
	4.738.369	3.684.572

For the period ended 31 December 2015, the Group had a cash outflow of TL 4.201.720 for legal cases during the period (For the period ended 31 December 2014: TL 2.565.124).

	Provision for Legal Cases	Other Provisions	Total
1 January 2015 opening	1.759.816	1.924.756	3.684.572
Provision booked	6.751.664	974.283	7.725.947
Paid / provision no longer required	(4.201.720)	(2.474.331)	(6.676.051)
Foreign currency exchange differences	-	3.901	3.901
31 December 2015 closing	4.309.760	428.609	4.738.369

	Provision for Legal Cases	Other Provisions	Total
1 January 2014 opening	786.951	1.113.770	1.900.721
Provision booked	3.628.989	2.636.787	3.874.896
Paid / provision no longer required	(2.656.124)	(1.943.575)	(2.208.819)
Foreign currency exchange differences	-	117.774	117.774
31 December 2014 closing	1.759.816	1.924.756	3.684.572

16. COMMITMENTS

The Group's off-balance sheet commitments and contingencies as of 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Guarantee letters given(*)	318.911.600	209.046.195

(*) The group has no off-balance sheet commitments and contingencies in favor of subsidiaries which are fully consolidated and non-consolidated as of 31 December 2015.

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16. COMMITMENTS (cont'd)

Maturities of guarantee letters are given below.

31 December 2015		Original Currency		
Maturity	TL Equivalent	TL	USD	EUR
2015	267.700	267.700	-	-
2016	75.048.546	48.416.015	9.110.683	44.785
2017	10.634.419	1.792.411	2.421.003	567.315
2018	3.694.889	1.758.398	666.010	-
2019	24.873.584	817.265	8.273.600	-
2025	210.000	210.000	-	-
Indefinite	204.182.462	80.986.849	40.335.371	1.861.936
	318.911.600	134.248.638	60.806.667	2.474.036

31 December 2014		Original Currency		
Maturity	TL Equivalent	TL	USD	EUR
2013 (*)	969.804	135.000	360.000	-
2014 (*)	25.118.300	4.623.862	8.838.000	-
2015	38.530.523	15.563.061	9.759.786	118.940
2016	4.239.489	2.369.741	806.308	-
2017	8.051.302	1.447.214	2.167.470	559.415
2018	2.499.155	967.498	660.510	-
2019	2.636.470	120.000	1.085.200	-
Indefinite	127.001.152	39.128.698	36.132.601	1.448.068
	209.046.195	64.355.074	59.809.875	2.126.423

(*) Guarantee letters from 2013 and 2014 consist of the letters to be returned by the customers.

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16. COMMITMENTS (cont'd)

The off-balance sheet commitments and contingencies as of 31 December 2015 and 2014 are as follows:

Commitments, Pledges, Mortgages ("CPM") are given by the

Company	31 December 2015	31 December 2014
A. Total amount of CPM is given on behalf of own legal personality	318.911.600	209.046.195
B. Total amount of CPM is given in favor of subsidiaries which are fully consolidated	-	-
C. Total amount of CPM is given for assurance of third party's debts in order to conduct of usual business activities	-	-
D. Total Amount of other CPM	-	-
i. Total amount of CPM is given in favor of parent company	-	-
ii. Total amount of CPM is given in favor of other group companies, which B and C doesn't include	-	-
iii. The amount of CPM is given in favor of third party which C doesn't include	-	-
	318.911.600	209.046.195

The rate of total amount of other "CPM"s to total equity of the Company is 0%.

The off-balance sheet commitments as of 31 December 2015 and 2014 are as follows:

31 December

2015	Original Currency			
Maturity	TL Equivalent	TL	USD	EUR
2007-2014 (*)	14.178.465	966.496	4.543.943	-
2015	12.668.836	302.000	4.208.621	40.864
2016	2.156.016	193.000	670.297	4.425
2017	2.529.022	2.162.000	100.000	24.000
2018	2.185.020	576.100	202.767	320.794
2019	437.172	204.000	80.194	-
2020	1.996.710	412.068	545.000	-
Indefinite	404.400	126.500	95.577	-
	36.555.641	4.942.164	10.446.399	390.083

31 December

2014	Original Currency			
Maturity	TL Equivalent	TL	USD	EUR
2007-2013 (*)	12.396.619	919.800	4.922.673	21.850
2014	1.074.164	220.000	368.349	-
2015	1.015.802	208.700	298.347	40.864
2016	92.278	30.000	21.474	4.425
2017	534.269	234.682	100.000	24.000
2018	1.430.060	55.000	202.767	320.794
2019	389.962	204.000	80.194	-
Indefinite	2.369.365	2.357.800	5.000	-
	19.302.519	4.229.982	5.998.804	411.933

(*) Balances for the years between 2007 and 2014 consist of the letters to be returned to the suppliers

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16. COMMITMENTS (cont'd)

Rent Agreements

As at 7 June 2012, the Company signed an agreement with ESAS Real Estate Group EAG Turizm İnşaat Sanayi ve Ticaret A.Ş. to rent the real estate ("Esas Aeropark") addressed in İstanbul city, Pendik district, Kurtköy Mahallesi with 15.744 square meters area. The rental period is 5 years beginning from 1 May 2013. The rent for the five years was USD 6.339.816 + VAT at the beginning of the rental period and the agreement has been revised for the remaining four years as USD 5.563.920 + VAT. The rents to be paid quarterly USD 1.046.756 + VAT for the first year, USD 1.339.848 for the second year, USD 1.507.328 for the third year, USD 1.669.988 for the fourth year. The leased real estate is used as the new Head Office and operation building of the Group.

As at 3 October 2012, Probil Bilgi İşlem Destek ve Danışmanlık Sanayi ve Ticaret A.Ş., the subsidiary of the Company, signed an agreement with Ahmet Bülent Koyuncuoğlu to lease the real estate addressed Orhanlı District, İrfan St. No. 28, Tuzla, İstanbul. The rental period is 5 years beginning from 1 October 2012. The rents to be paid in cash are USD 480.000+withholding tax for the first year, USD 504.000+withholding tax for the second year, USD 529.200 +withholding tax for the third year, USD 603.288 +withholding tax for the fourth year and USD 633.442 +withholding tax for the fifth year.

Company signed a rent contract for a period of 5+5 years with Yudo Leon Mizrahi and Salvo Özşarfati for 15. And 16. floors in C Blok at "Buyaka İş Merkezi" each of which is 845 m2 that make a total of 1.690 m2 in İstanbul, Ümraniye, İnkılap (Çakmak) Mahallesi, starting on 11 February 2013. Monthly rental fee of the leased office is USD 22.252 net- for the first lease period (11 February 2013- 31 January 2014) and USD 33.378 net for the rest of the months. 3% will be applied for the increase of next year rental.

Unrevokable Operational Lease Commitments	31 December 2015	31 December 2014
Within one year	8.656.502	6.114.231
Between 1-5 years	10.805.625	15.521.642
	<u>19.462.127</u>	<u>21.635.873</u>

Guarantees Given

According to the System Integration Agreement signed between Probil and Cisco System International B.V. , the Company agrees that all financial obligations will be jointly performed by the Company and Probil.

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17. EMPLOYEE BENEFITS

Payables Arising From Employee Benefits:

	31 December 2015	31 December 2014
Prepaid expenses to employees	7.905.105	329.646
Prepaid social security premiums	5.129.234	4.562.908
	13.034.339	4.892.554

Short Term and Long Term Provisions for Employee Benefits:

	31 December 2015	31 December 2014
Short Term		
Provision for employee premiums	11.361.325	10.736.792
Unused vacation provision	3.758.229	2.625.526
Provision for severance indemnity	1.033.200	1.878.245
Provision for retirement benefits	485.027	463.644
	16.637.781	15.704.207
Long Term		
Unused vacation provision	1.254.241	1.701.033
Provision for severance indemnity	16.309.816	13.675.971
Provision for retirement benefits	2.949.594	2.865.406
	20.513.651	18.242.410
Total		
Provision for employee premiums	11.361.325	10.736.792
Unused vacation provision	5.012.470	4.326.559
Provision for severance indemnity	17.343.016	15.554.216
Provision for retirement benefits	3.434.621	3.329.050
	37.151.432	33.946.617

An actuarial valuation was performed by an independent and authorized company named Aon Hewitt for the Company's total liability for severance indemnity and retirement benefit as of 31 December 2015. Expected interest and service charges for 2016 have also been calculated by the actuarial firm. Expected service and interest charges for 2016 will be amortized on a periodic basis during the year.

Severance Indemnity

Under Turkish Law, the Company is required to pay employment termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires.

The provision is made in respect of all eligible employees, at a rate of 30 days gross pay for each year of service. The retirement pay provision ceiling at the respective balance sheet dates, is subject to a maximum of TL 3.828,37 per year as of 31 December 2015 (31 December 2014: TL 3.438,22 per year).

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17. EMPLOYEE BENEFITS (cont'd)

Severance Indemnity (cont'd)

The movement for severance indemnity provision is as follows:

	31 December 2015	31 December 2014
Present value of severance indemnity provision	17.343.016	15.554.216
Net liability in balance sheet	<u>17.343.016</u>	<u>15.554.216</u>
	<u>31 December 2015</u>	<u>31 December 2014</u>
Current service cost	2.593.501	1.432.463
Interest cost	1.074.203	1.010.501
Extra payment	345.675	1.366.624
Period charge at 31 December	<u>4.013.379</u>	<u>3.809.588</u>
Portion that is accounted under other comprehensive income	(64.485)	1.953.875
Movement for severance indemnity provision	31 December 2015	31 December 2014
At 1 January	15.554.216	12.912.418
Period charge	4.013.379	3.809.588
Severance indemnity paid	(2.160.094)	(3.121.665)
Actuarial loss /(gain)	(64.485)	1.953.875
At 31 December	<u>17.343.016</u>	<u>15.554.216</u>

Retirement Benefit Provision

As of 31 December 2012 the Company repealed the Lump Sum plan for new eligibility and HR department announced this to all employees on 27 December 2012. Accordingly, only the employees who are already entitled to Lump Sum as of 31 December 2012 will continue to be considered as members and also continue accrual of future benefits as well. This calculation is prepared by Aon Hewitt and reported at their current value.

The movement for retirement benefit provision is as follows:

	31 December 2015	31 December 2014
Present value of retirement benefit provision	3.434.621	3.329.050
Net liability in balance sheet	<u>3.434.621</u>	<u>3.329.050</u>

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17. EMPLOYEE BENEFITS (cont'd)

Retirement Benefit Provision (cont'd)

	31 December 2015	31 December 2014
Current service cost	-	-
Interest cost	133.162	219.897
Extra payment of gain/(loss)	71.019	243.890
Period charge at 31 December	<u>204.181</u>	<u>463.787</u>
Portion that is accounted under other comprehensive income	400.022	325.581

Movement for retirement benefit provision	31 December 2015	31 December 2014
At 1 January	3.329.050	4.533.957
Period charge	204.181	463.787
Actuarial loss	400.022	325.581
Benefit paid	(498.632)	(1.994.275)
At 31 December	<u>3.434.621</u>	<u>3.329.050</u>

The assumption used to determine present value of severance indemnity and retirement benefit provision as of 31 December 2015 and 2014 are as follows:

Assumptions	31 December 2015	31 December 2014
Annual inflation rate	% 7,75	% 6,00
Annual discount rate	% 10,70	% 8,00

Provision for Employee Premiums and Unused Vacations

The movement for employee premiums provision is as follows:

	31 December 2015	31 December 2014
At 1 January	10.736.792	8.803.764
Period charge	17.684.732	17.189.240
Premium payments	(17.060.199)	(15.256.212)
At 31 December	<u>11.361.325</u>	<u>10.736.792</u>

The movement for unused vacation provision is as follows:

	31 December 2015	31 December 2014
At 1 January	4.326.559	5.086.065
Period charge	2.053.109	783.372
Payments	(1.367.198)	(1.542.878)
At 31 December	<u>5.012.470</u>	<u>4.326.559</u>

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18. ADVANCES RECEIVED

As of 31 December 2015 advances received balance is consisted of TL 39.837.286 related to the defense projects and TL 26.940.870 related to system integration projects (2014: defence projects; TL 17.153.832, system integration projects; TL 25.729.704).

19. OTHER ASSETS AND LIABILITIES

Other current assets	31 December 2015	31 December 2014
VAT receivable	30.855.989	29.420.300
Prepaid taxes	4.717.257	1.391.192
Personel advances	457.979	644.399
Other	247.346	298.127
	36.278.571	31.754.018

Other non-current assets	31 December 2015	31 December 2014
Other non-current assets (*)	6.872.784	3.878.995
	6.872.784	3.878.995

(*) The balance includes spare parts which will be used in long term.

20. SHAREHOLDERS' EQUITY

Paid in Capital

As of 31 December 2015 and 2014, capital structure of the Company is as in the following:

	Share %	Share %		
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
OEP (*)	48,04	48,59	31.162.570	31.517.570
TSKGV (**)	15,00	15,00	9.729.720	9.729.720
Public	36,96	36,41	23.972.510	23.617.510
Total	100,00	100,00	64.864.800	64.864.800

(*) OEP RHEA Turkey Tech B.V.

(**) Turkish Armed Forces Foundation

The Company's issued capital assigned to 64.864.800 shares with nominal value of 1 TL each. (31 December 2014: 64.864.800 shares with nominal value of TL 64.864.800)

As at 22 December 2010 Nortel Networks International Finance and Holding B.V. transferred and sold its % 53,13 shareholding to OEP RHEA Turkey Tech B.V. ("OEP RHEA").

The shares of the company are divided into two groups, where (A) group shares are registered and (B) group shares are bearer shares. (A) group shares are owned by OEP RHEA and Turkish Armed Forces Foundation. The differentiation of the shares between (A) and (B) groups, does not give the owners any rights nor privileges, except as provided in Articles 9, 15 and 19 of the Articles of Association.

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20. SHAREHOLDERS' EQUITY (cont'd)

Paid in Capital (Cont'd)

According to the Article 6 of Articles of Association section B, concerning the transfer of registered Group A shares the existing shareholders in Group A are entitled to pre-emptive rights which are required to be exercised within 30 days from the date of the offer for sale. Therefore a shareholder willing to sell its shares, in full or in part, must first offer, in writing, to the other shareholders in Group A in proportion to their respective shares, stating the price and other conditions for sale.

According to Article 9 of the Articles of Association; the required quorum for meetings and the required majority for resolutions of the shareholders shall be subject to the provisions of the Turkish Commercial Code (T.C.C.). However, resolution of the shareholders concerning matters stipulated in Article 388 of T.C.C. shall require the affirmative votes of the shareholders representing at least one half of the total number of shares within Group A.

According to Article 15 of the Articles of Association; The Board of Directors of the Company shall be composed of 7 (seven) members elected by the general assembly of shareholders, for a period of 3 (three) years. Four of the seven members shall be elected from among the candidates nominated by Group A shareholders, provided that two of the seven shall be elected from among the candidates nominated by OEP RHEA and one member shall be elected from among the nominees of Turkish Armed Forces Foundation, and three members shall be elected from among the nominees of the Group B shareholders.

According to Article 19 of the Articles of Association; the Board of Auditors composed of five members shall be elected by the General Assembly of shareholders for a period of three years. Three auditors shall be elected from among the nominees of the Group A, two auditors shall be elected from among the nominees of the Group B shareholders.

With the resolution of the board of directors dated 20 September 2011 and numbered 1, it is decided that the Company applies for the registered capital system, and the registered capital limit is to be set as 300.000.000 TL, and to be proposed for approval of the General Assembly upon completion of the formal procedures. Company's application to the Capital Markets Board on 19 October 2011 for the registered capital system has been reviewed and approved by the Capital Markets Board Council at the meeting dated 16 December 2011 and numbered 42/1117, and this approval is announced to the Company on 28 December 2011.

Share Capital Adjustments

According to CMB Decree No: XI-26 "Changes to CMB Decree No: XI-20 Accounting Principles in Hyperinflationary Periods", account differences occurred in correction of shareholders' equity are shown at their nominal values in the financial statements, under currency translation reserves account. The differences arise from inflation adjustment of shareholders' equity accounts are shown together at "Currency Translation Reserves" account. According to Board of Directors decision on 5 April 2004 referring to the Annual General Meeting decision and related CMB Decrees, conversion differences within the meaning of the law, occurred in prior periods were net-off with accumulated losses.

Legal Reserves

According to Turkish Commercial Code, legal reserves consist of first and second legal reserves. The first legal reserves, appropriated out of historical statutory profit at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid in share capital. The second legal reserve is appropriated after the first legal reserves and dividends, at the rate of 10% per annum of all cash distributions.

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20. SHAREHOLDERS' EQUITY (cont'd)

Paid in Capital (Cont'd)

Total of first and second legal reserves in the Company's statutory books of account is TL 33.182.076 as of 31 December 2015 (31 December 2014: TL 32.809.042). Translation differences are presented in currency translation reserves in the accompanying consolidated financial statements prepared by in accordance with TAS.

	<u>Retained Earnings</u>	<u>Extraordinary Reserves</u>	<u>Total Retained Earnings</u>
At 1 January 2015	199.577.931	(88.964.177)	110.613.754
Transfers to legal reserves	(373.034)	-	(373.034)
Currency translation difference	30.255.788	-	30.255.788
Net profit for the year	34.305.075	-	34.305.075
At 31 December 2015	<u>263.765.760</u>	<u>(88.964.177)</u>	<u>174.801.583</u>

	<u>Retained Earnings</u>	<u>Extraordinary Reserves</u>	<u>Total Retained Earnings</u>
At 1 January 2014	167.347.251	(75.071.614)	92.275.637
Transfers to legal reserves	(1.885.000)	-	(1.885.000)
Currency translation difference	22.270.591	(13.892.563)	8.378.028
Net profit for the year	11.845.089	-	11.845.089
At 31 December 2014	<u>199.577.931</u>	<u>(88.964.177)</u>	<u>110.613.754</u>

Capital Market Board set the rules for profit distributions in the Capital Market Board bulletin numbered 2010/4. Accordingly, : the Company makes the profit distribution based on the financial statements filed at Capital Market Board prepared in accordance with Communiqué Series IX, No. 29., in accordance with Communiqué Series IV No: 27.

Based on the authority granted to the Board by Article 6 of the Articles of Association of the Company and within the authorized capital ceiling of 300.000.000 TL; it is resolved to increase the issued capital of TL 6.486.480 through a bonus issue of shares utilising internal resources from capital reserves amounting to TL 58.378.320, representing a ratio of 900% bonus issue, increasing the issued capital to TL 64.864.800 and to distribute the bonus shares within the framework of Capital Markets Legislation and to authorise the management to make applications for approval to the Capital Markets Board and conduct necessary activities. The applications are sent to CMB as at 7 May 2012 and CMB has approved the applications by its decision numbered 25/852 as at 19 July 2012 and the certificate dated 23 July 2012 and numbered 78/852 is given to the Company. The certificate was registered in Istanbul Trade Registry on 30 July 2012 based on the resolution of Board of Directors to increase the issued capital. Distribution of issued capital to shareholders started and was completed on 3 August 2012.

The total amount of the Company's net income and all available resources that can be distributed in its' a statutory financial statement as of 31 December 2015 is TL 202.019.007 (31 December 2014: TL 136.726.158).

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21. REVENUE AND COST OF SALES

Sales:

	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Total domestic	800.171.666	569.717.754
United States	73.271.042	65.542.853
Asia	3.601.409	14.937.978
Africa	113.097.961	76.100.830
Europe	18.851.019	14.354.876
Other	-	304.833
Total export	208.821.431	171.241.370
Total sales	1.008.993.097	740.959.124

Cost of Sales:

	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Equipment expenses	578.928.834	395.198.525
Personnel expenses	157.388.991	139.313.964
Service/ support expenses	128.760.557	96.995.736
Depreciation expenses	12.781.256	8.399.239
Rent Expenses	6.065.015	5.219.031
Transportation cost	3.526.411	4.734.707
Other	7.639.200	7.788.230
	895.090.264	657.649.432

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22. RESEARCH AND DEVELOPMENT, SELLING AND MARKETING, AND GENERAL ADMINISTRATIVE EXPENSES

	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Sales and marketing expenses	42.588.722	39.869.896
General administrative expenses	23.844.072	21.758.633
Research and development expenses	3.968.273	1.242.508
	70.401.067	62.871.037

The details of research and development, selling and marketing and general administrative expenses are as in the following:

	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Payroll expenses	36.388.323	30.814.625
Depreciation expenses	7.536.845	7.212.616
Rent expenses	4.931.424	2.268.498
Provision Expenses	3.254.999	4.106.181
Consultancy, audit and legal consultancy expenses	2.652.616	2.954.273
Travel and meeting expenses	2.555.323	2.775.242
Maintenance expenses	1.721.444	576.637
Fair and advertising expenses	1.728.712	1.718.217
Personal transportation expenses	929.672	207.762
Stamp tax expenses	915.625	1.317.897
Software expenses	833.232	866.053
Severance indemnity and pension provision	785.210	803.849
Electricity, water and gas expense	779.127	1.888.040
Cafeteria expenses	735.472	443.237
Private health insurance expense	607.925	456.052
Communication expenses	534.062	736.854
Salaries of the BOD and BOA members	365.426	658.334
Training expenses	369.640	319.981
Other	2.775.989	2.746.689
	70.401.067	62.871.037

During the year 2015 Group's organization structure changed; therefore reclassifications has been made between operational expenses.

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23. INCOME AND EXPENSES FROM OTHER OPERATING ACTIVITIES

	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Income from other operating activities		
R&D Incentives	9.480.821	2.998.330
Interest income	1.054.628	467.002
Service income	1.128.250	455.155
Income from inventory sales	9.845	-
Other income and gains	482.132	636.643
	12.155.676	4.557.130

	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Expenses from other operating activities		
Foreign exchange loss	12.656.014	8.063.049
Discount interest expense(*)	8.937.832	-
Legal case provision expenses	4.932.571	3.360.082
Taxes and penalties	137.416	876.210
Other tax expenses	371.277	381.573
Charity expenses	-	119.728
Other expenses and loss	3.213.361	1.298.677
	30.248.471	14.099.319

(*) Discount interest expenses related to trade receivables are accounted under expenses from other operating activities.

24. INCOME AND EXPENSES FROM INVESTMENTS ACTIVITIES

Income from investments:

	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Shares in profit/(loss) of associates	624.581	271.745
Gain from sale of tangibles	169.797	237.405
	794.378	509.150

Expense from investments:

	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Loss from sale of tangibles	248.408	1.024.603
	248.408	1.024.603

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25. FINANCIAL INCOME / (EXPENSES)

Finance Income:

	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Foreign exchange gain from loans	56.938.753	17.378.182
Income from option contracts	2.333.316	-
	59.272.069	17.378.182

Finance Expense:

	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Interest expenses	35.076.184	19.762.515
Guarantee letter commissions	2.674.342	1.733.143
Other finance expenses	402.992	218.070
	38.153.518	21.713.728

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26. TAX ASSETS AND LIABILITIES

Corporate Tax

The Company is subject to Turkish corporate taxes. Provision is made in the accompanying consolidated financial statements for the estimated charge based on the Company's results for the period.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

As of 31 December 2015 and 2014, tax rate is 20%.

In Turkey, advance tax returns are filed on a quarterly basis. The rate applied for advance corporate income tax rate for 2015 is 20% (2014: 20%).

Accumulated losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. However, accumulated losses cannot be deducted from the profit occurred in the prior years retroactively.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the fiscal year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Withholding tax

In addition to corporate taxes, companies should also calculate withholding taxes surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% with the code numbered 5520 article 15 commencing from 23 July 2006. Transfer from retained earnings to share capital is not subject to withholding taxes.

Deferred Taxes

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising from its financial statements prepared in accordance with TAS and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TAS and tax purposes and are set out below. Tax rates applicable as of 31 December 2015 and 2014 is 20%.

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26. TAX ASSETS AND LIABILITIES (cont'd)

Deferred tax assets/(liabilities)	31 December 2015	31 December 2014
Trade receivables	(41.139.634)	(35.874.160)
Tangible and intangible assets	(9.628.160)	(7.408.373)
Trade payables and provisions	2.240.615	(3.268.110)
Carryforward tax losses	1.227.063	1.938.391
Unused R&D tax exemption	18.885.370	15.991.423
Provision for unused vacation	1.002.494	865.312
Inventory and deferred costs	3.360.460	11.231.492
Accruals for employee bonuses	2.272.264	2.147.358
Advances received	2.168.521	1.298.299
Deferred revenues	6.279.027	11.381.215
Severance and retirement provisions	4.155.527	3.776.653
Other	774.025	355.997
	(8.402.428)	2.435.497

As of 31 December 2015 and 2014, the movement of deferred tax assets and liabilities is as follows:

	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
<u>Movement for deferred taxes is as follows:</u>		
Opening at 1 January	2.435.497	(5.511.203)
Current charge	(10.268.834)	7.633.947
On equity	67.107	455.891
Translation difference	(636.198)	(143.138)
Closing at 31 December	(8.402.428)	2.435.497

	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Current Tax Expense	(2.499.583)	(1.834.325)
Deferred Tax (Expense) / Income	(10.268.834)	7.633.947
	(12.768.417)	5.799.622

	31 December 2015	31 December 2014
Corporate tax	2.499.583	1.834.325
Prepaid taxes	(539.649)	-
Current tax liabilities	1.959.934	1.834.325

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26. TAX ASSETS AND LIABILITIES (cont'd)

Movement for deferred taxes as of 31 December 2015 and 2014 are as follows;

	1 January 2015	Charge to Profit or Loss	Charge to Equity	Translation Difference	31 December 2015
Tangible and intangible assets	(7.408.373)	131.081	-	(2.350.868)	(9.628.160)
Trade receivables	(35.874.160)	3.594.030	-	(8.859.504)	(41.139.634)
Trade payables and provisions	(3.268.110)	5.929.444	-	(420.719)	2.240.615
Inventory and deferred costs	11.231.492	(10.030.561)	-	2.159.529	3.360.460
Advances received	1.298.299	505.741	-	364.481	2.168.521
Provisions for employee bonuses	2.147.358	(393.130)	-	518.036	2.272.264
Provision for unused vacation	865.312	(77.172)	-	214.354	1.002.494
Severance and retirement provisions	3.776.653	(594.900)	67.107	906.667	4.155.527
Deferred revenues	11.381.215	(7.475.923)	-	2.373.735	6.279.027
Unused R&D tax exemption	15.991.423	(1.090.583)	-	3.984.530	18.885.370
Carryforward tax losses	1.938.391	(1.125.782)	-	414.454	1.227.063
Other	355.997	358.921	-	59.107	774.025
	2.435.497	(10.268.834)	67.107	(636.198)	(8.402.428)

	1 January 2014	Charge to Profit or Loss	Charge to Equity	Translation Difference	31 December 2014
Tangible and intangible assets	(8.176.481)	1.508.530	-	(740.422)	(7.408.373)
Trade receivables	(27.836.044)	(5.312.438)	-	(2.725.678)	(35.874.160)
Trade payables and provisions	2.344.188	(5.486.546)	-	(125.752)	(3.268.110)
Inventory and deferred costs	12.050.651	(1.756.287)	-	937.128	11.231.492
Advances received	2.488.666	(1.326.210)	-	135.843	1.298.299
Provisions for employee bonuses	1.760.753	251.849	-	134.756	2.147.358
Provision for unused vacation	1.017.213	(226.330)	-	74.429	865.312
Severance and retirement provisions	3.489.275	(443.739)	455.891	275.226	3.776.653
Deferred revenues	4.545.883	6.070.726	-	764.606	11.381.215
Unused R&D tax exemption	5.234.798	9.721.769	-	1.034.856	15.991.423
Carryforward tax losses	-	1.828.887	-	109.504	1.938.391
Other	(2.430.105)	2.803.736	-	(17.634)	355.997
	(5.511.203)	7.633.947	455.891	(143.138)	2.435.497

The Group has no loss of tax to be used future as of 31 December 2015 (31 December 2014: TL 9.691.954).

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26. TAX ASSETS AND LIABILITIES (cont'd)

<u>Tax reconciliation</u>	<u>31 December 2015</u>	<u>31 December 2014</u>
Profit before tax	47.073.492	6.045.467
Tax rate	% 20	% 20
Computed tax expense	(9.414.698)	(1.209.093)
<u>Tax effects of:</u>		
Non-deductible expenses	(2.497.729)	(877.635)
Nondutiable Gain	758.221	-
Tax losses carried forward	1.227.063	1.828.887
Loss used	(711.328)	-
R&D deduction	2.893.948	9.890.528
Tax effect of other adjustments	(5.023.893)	(3.833.065)
Total tax income	<u>(12.768.417)</u>	<u>5.799.622</u>

As of 31 December 2015, the Company has TL 94.426.855 unused R&D tax exemption provided by Support of Research and Development Act, numbered 5746 (31 December 2014; TL 79.957.115).

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27. EARNING PER SHARE

	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Number of shares	64.864.800	64.864.800
Net profit for the year	34.305.075	11.845.089
Profit earning per share	0,5289	0,1826

Earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

28. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

David Arthur Walsh and Joseph Patrick Huffsmith were selected as the member of the Board of Directors of the Company as at 22 December 2010. As David Arthur Walsh and Joseph Patrick Huffsmith are also the members of the Board of Directors of Genband US LLC, and its associates (collectively Genband) Genband is accounted as related parties effective from 22 December 2010.

Due from related parties as of 31 December 2015 and 2014 is as follows:

Due from Related Parties	31 December 2015	31 December 2014
Genband US LLC	17.903.265	17.023.399
Genband Ireland Ltd.	319.025	369.206
Genband Japan GK	41.917	21.064
Genband Telecommunications AUS	-	73.915
Genband Telecommunications (UK)	196.044	107.907
Genband Telecommunicacoes	81.376	-
	18.541.627	17.595.491
Due to Related Parties	31 December 2015	31 December 2014
Genband Ireland Ltd.	21.588	53.131
Genband IUS LLC	23.855	-
	45.443	53.131

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28. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Cont'd)

Main transactions with related parties are as follows for the period ended 31 December 2015 and 2014:

	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Sales		
Genband US LLC	71.898.510	63.381.199
Genband Ireland Ltd.	1.806.737	1.581.091
Genband Telecommunications(UK)	958.535	371.068
Genband JAPAN GK	14.506	320.034
Genband Telecommunications	76.125	302.204
Genband RUS LLC	-	39.142
Genband Holdings B.V.	-	17.906
	74.754.413	66.012.644

	For the Period Ended 31 December 2015	For the Period Ended 31 December 2014
Purchases		
Genband Ireland Ltd.	2.019.032	510.255
Kron Telekomunikasyon A.Ş.	1.799.596	-
Genband IUS LLC	46.240	-
	3.864.868	510.255

For the year ended 31 December 2015, total remuneration for the directors, management, and board members of the Group is TL 6.193.549 (for the year ended 31 December 2014 total remuneration for the directors, management, and board and audit members are TL 6.683.161). As of 31 December 2015 and 2014 there is no credit granted to the Group's management.

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29. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments and hedge accounting

Derivative financial instruments are calculated according to the fair value at the contract date and again are calculated in the following reporting period at fair value base. The effective portion of changes in the fair value of derivatives which are designed as cash flow hedge are recognized in other comprehensive income. Any ineffective portion of the changes in fair value of the derivatives is recognized in profit or loss.

When the hedging instrument expires, is sold, or when a hedge no longer meets the criteria for the hedge than hedge accounting is terminated. Any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the committed or forecasted transaction ultimately is recognized in the statement of income. However, if the hedge transaction is not realized, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss of the current period.

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk in accordance to Group's risk management policy. Derivative financial instruments does not match the hedge accounting criteria's in TAS 39 (Financial Instruments: Recognition and Measurement), consequently stated as available for sale derivative financial instruments in the accompanying consolidated financial statements. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Asymmetric Forward Knockout

In order to meet the US Dollar funding requirement and minimize the negative exposure to appreciation of US Dollar against Turkish Lira, the Group has entered into a series of "asymmetric zero-cost collar forward knockout contracts", which have been accounted for as a derivative instrument. For each of these contracts, with maturities within a range of 3 months to 9 months, the Group has agreed to purchase US Dollars:

- At strike rate, if the spot rate effective on the maturity of the forward contract is above the strike rate, which is ranging between 2,57 and 2,75 USD/TL,
- At strike rate, with 25% additional notional amount, if the spot rate effective on the maturity of the forward contract is below the strike rate, mentioned under a) above.

If the spot rate is above the "barrier" rate, which is ranging between 2,6075 and 2,75 USD / TL, then the forward contracts will not be effective at all. The notional amounts and the fair values of these derivative instruments as of 31 December 2015 are as follows:

	Currency	Nominal Value		Fair Value	
		2015	2014	2015	2014
Asymmetric forward knockout	US \$	4.800.000	-	109.927	-

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30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's financial risk management policies are as follows:

Credit risk

Carrying values of the financial assets represents their maximum exposed credit risk. As at the date of balance sheet maximum credit risks are as follows:

	Trade Receivables		Other Receivables	
	Related Parties	Other	Other (*)	Deposits at Banks
31 December 2015	18,541,627	687,170,682	397,045	225,682,937
Maximum credit risks as of balance sheet date(A+B+C+D+E)				
Maximum risk guaranteed by collateral	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	18,032,221	596,400,799	397,045	225,682,937
(B) Net book value of overdue but not impaired financial assets (**)	509,406	90,769,883	-	-
Guaranteed by collateral	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-
Overdue (gross book value)	-	21,060,373	-	-
Impairment (-)	-	(21,060,373)	-	-
Guaranteed by collateral	-	-	-	-
Unexpired (gross book value)	-	-	-	-
Impairment (-)	-	-	-	-
Guaranteed by collateral	-	-	-	-
(D) Off balance sheet risks	-	-	-	-

(*) VAT receivable, prepaid taxes are not classified as financial assets and therefore are not included in other receivables and other current assets.

(**) TL 49,638,506 of overdue but not impaired is receivable from Nortel companies and as there is a continuing uncertainty regarding the collectability and collection time table of these receivables, no provision has been made.

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30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Credit risk (cont'd)

31 December 2014

Maximum credit risks as of balance sheet date (A+B+C+D+E)

Maximum risk guaranteed by collateral

(A) Net book value of unexpired or not impaired financial assets

(B) Net book value of overdue but not impaired financial assets (**)

Guaranteed by collateral

(C) Net book value of impaired assets

Overdue (gross book value)

Impairment (-)

Guaranteed by collateral

Unexpired (gross book value)

Impairment (-)

Guaranteed by collateral

(D) Off balance sheet risks

(*) VAT receivable, prepaid taxes are not classified as financial assets and therefore are not included in other receivables and other current assets.

(**) TL 39.597.906 of overdue but not impaired is receivable from Nortel companies and as there is a continuing uncertainty regarding the collectability and collection time table of these receivables, no provision has been made.

	Trade Receivables		Other Receivables		Deposits at Banks
	Related Parties	Other	Other (*)		
	17,595.491	486.722.498	1.654.284		84.191.127
	-	-	-		-
	11.342.162	397.646.200	1.654.284		84.191.127
	6.253.329	89.076.298	-		-
	-	-	-		-
	-	-	-		-
	-	14.255.324	-		-
	-	(14.255.324)	-		-
	-	-	-		-
	-	-	-		-
	-	-	-		-
	-	-	-		-
	-	-	-		-

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30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Credit risk (cont'd)

As at the date of balance sheet aging of overdue but not impaired financial assets are as follows:

	Receivables	
	Trade Receivables	Other Receivables
31 December 2015		
1-30 days overdue	19.776.922	-
1-3 months overdue	3.332.034	-
3-12 months overdue	9.656.393	-
1-5 years overdue	8.875.434	-
Overdue more than 5 years	49.638.506	-
Total	91.279.289	-

	Receivables	
	Trade Receivables	Other Receivables
31 December 2014		
1-30 days overdue	15.224.216	-
1-3 months overdue	8.653.697	-
3-12 months overdue	6.990.329	-
1-5 years overdue	64.461.385	-
Total	95.329.627	-

Liquidity risk

The Group holds adequate sources to be able to fulfill its current and future liabilities. As of 31 December 2015 and 2014 liquidity risk table are as follows;

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30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Liquidity risk (cont'd)

31 December 2015

<u>Maturities due to agreements</u>	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
<u>Non- derivative financial liabilities</u>	695.968.149	716.692.411	448.957.765	264.759.409	2.975.237
Financial liabilities	333.068.285	353.792.547	89.033.138	264.759.409	-
Due to related parties	45.443	45.443	45.443	-	-
Other trade payables to third parties	362.854.421	362.854.421	359.879.184	-	2.975.237
<u>Expected maturities</u>	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
<u>Non- derivative financial liabilities</u>	30.503.815	30.503.815	25.765.446	4.738.369	-
Other short term provisions	4.738.369	4.738.369	-	4.738.369	-
Payables related to employee benefits	13.034.339	13.034.339	13.034.339	-	-
Other payables to third parties (*)	12.731.107	12.731.107	12.731.107	-	-

The Group management considers that net book value of financial instrument reflects with the fair value.

(*) Social security premiums, income tax and other taxes payable are included in other liabilities.

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30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Liquidity risk (cont'd)

31 December 2014

	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
<u>Maturities due to agreements</u>					
<u>Non- derivative financial liabilities</u>					
Financial liabilities	417.582.637	429.262.442	329.901.818	99.360.624	-
Due to related parties	215.874.487	227.554.292	130.675.316	96.878.976	-
Other trade payables to third parties	53.131	53.131	53.131	-	-
	201.655.019	201.655.019	199.173.371	2.481.648	-
<u>Expected maturities</u>					
		Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
<u>Non- derivative financial liabilities</u>					
Other short term provisions	20.294.310	20.294.310	16.609.738	3.684.572	-
Payables related to employee benefits	3.684.572	3.684.572	-	3.684.572	-
Other payables to third parties (*)	4.892.554	4.892.554	4.892.554	-	-
	11.717.184	11.717.184	11.717.184	-	-

The Group management considers that net book value of financial instrument reflects with the fair value.

(*) Social security premiums, income tax and other taxes payable are included in other liabilities.

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30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Liquidity risk (cont'd)

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1 The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2 The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: The fair value of the financial assets and financial liabilities where there is no observable market data. The fair value of derivative instruments, are calculated using quoted prices.

In accordance with fair value hierarchy; while cash and cash equivalent are categorized as at Level 1, other financial asset and liabilities in the table are categorized as Level 2.

Interest rate risk

Interest rate sensitive financial assets are placed in short term instruments in order to avoid any possible interest rate fluctuations. The Group has the following interest sensitive liability as at the balance sheet date.

	31 December 2015	31 December 2014
Fixed interest rate financial instruments	516.970.805	288.929.992
Financial assets (*)	187.084.434	75.893.218
Financial liabilities	329.886.371	155.036.774
Variable interest rate financial instruments	-	58.000.000
Financial liabilities	-	58.000.000
Interest-free financial instruments	3.181.914	2.837.713
Financial liabilities	3.181.914	2.837.713

(*) As of 31 December 2015 and 2014, time deposits are included in the fixed interest rate financial instruments.

Foreign currency risk

The Group's foreign currency risk is mainly associated with change in value of US Dollar against TL and other currencies. In order to avoid possible losses due to fluctuations of foreign exchange rates, the Group places its assets with the same currency for liabilities and bears its contractual expenses in the same currency of contracts if possible.

	31 December 2015	31 December 2014
Export	208.821.431	171.241.370
Imports	374.793.579	524.128.430

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30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Foreign currency risk (cont'd)

As of 31 December 2015 and 2014, the Group's foreign currency position table is given below.

31 December 2015	TL Equivalent (*)	Original Currency					
		TL	EURO	CAD	GBP	TAKA	Other
Current Assets	230.670.927	216.714.939	2.865.403	-	62.797	15.361.031	579.561.650
Cash and cash equivalents	58.084.253	49.582.078	1.455.245	-	61.726	15.358.695	535.666.291
Trade receivables	118.104.174	113.899.625	1.040.627	-	511	-	37.590.930
Other receivables	397.045	397.045	-	-	-	-	-
Prepaid expenses	18.066.540	17.095.629	297.433	-	560	2.336	612.103
Other current assets	36.018.915	35.740.562	72.098	-	-	-	5.692.326
TOTAL ASSETS (A)	230.670.927	216.714.939	2.865.403	-	62.797	15.361.031	579.561.650
Short Term Liabilities	417.175.437	412.562.934	1.290.374	3.138	1.357	-	19.204.072
Financial liabilities	274.616.439	274.616.439	-	-	-	-	-
Trade payables	95.397.802	90.793.273	1.290.374	3.138	1.357	-	18.276.863
Other payables	12.750.707	12.745.554	-	-	-	-	599.186
Payables from employee benefits	13.034.339	13.031.518	-	-	-	-	328.023
Employee benefits	16.637.781	16.637.781	-	-	-	-	-
Other short term provision	4.738.369	4.738.369	-	-	-	-	-
Long Term Liabilities	20.513.651	20.513.651	-	-	-	-	-
Employee benefits	20.513.651	20.513.651	-	-	-	-	-
TOTAL LIABILITIES (B)	437.689.088	433.076.585	1.290.374	3.138	1.357	-	19.204.072
Net Foreign Currency Asset / (Liability) Position (A-B)	(207.018.161)	(216.361.646)	1.575.029	(3.138)	61.440	15.361.031	560.357.578

(*) Since the functional currency of the Group is USD the currencies other than USD are shown in the table. Foreign currencies are denominated in their original currency amount and TL equivalents are calculated by using yearend rates.

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30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Foreign currency risk (cont'd)

31 December 2014	TL Equivalent (*)	Original Currency				
		TL	EURO	CAD	GBP	TAKA
Current Assets	146.757.629	130.536.319	2.233.739	-	2.876	24.888.822
Cash and cash equivalents	17.085.784	11.714.678	462.311	-	2.149	16.289.845
Trade receivables	90.558.741	81.790.958	1.036.174	-	602	8.598.977
Other receivables	1.654.284	1.654.284	-	-	-	-
Prepaid expenses	5.704.803	3.863.140	652.910	-	-	-
Other current assets	31.754.017	31.513.259	82.344	-	125	-
TOTAL ASSETS (A)	146.757.629	130.536.319	2.233.739	-	2.876	24.888.822
Short Term Liabilities	271.772.089	261.337.309	2.165.591	3.138	22.473	-
Financial liabilities	192.538.462	192.538.462	-	-	-	-
Trade payables	43.235.110	34.859.009	1.474.862	3.138	20.680	325.617.074
Other payables	11.717.184	9.658.917	690.729	-	1.793	8.148.110
Payables from employee benefits	4.892.554	4.892.142	-	-	-	32.441
Employee benefits	15.704.207	15.704.207	-	-	-	-
Other short term provision	3.684.572	3.684.572	-	-	-	-
Long Term Liabilities	18.242.410	18.242.410	-	-	-	-
Employee benefits	18.242.410	18.242.410	-	-	-	-
TOTAL LIABILITIES (B)	290.014.499	279.579.719	2.165.591	3.138	22.473	333.797.625
Net Foreign Currency Asset / (Liability) Position (A-B)	(143.256.870)	(149.043.400)	68.148	(3.138)	(19.597)	372.821.110

(*) Since the functional currency of Group is USD, the currencies other than USD are shown in the table. Foreign currencies are denominated in their original currency amount and TL equivalents are calculated by using yearend rates.

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30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Foreign currency risk (cont'd)

Exchange Rate Sensitivity Table 31 December 2015

	<u>Profit / Loss</u>	
	<u>Appreciation</u>	<u>Devaluation</u>
<i>Effect of 10 % appreciation/devaluation in TL -USD exchange rate :</i>		
Net asset / (liability) in TL	(21.636.165)	21.636.165
Not subjected to TL risk (-)	-	-
(1) Net effect of TL	(21.636.165)	21.636.165
<i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i>		
Net asset / (liability) in EUR	500.481	(500.481)
Not subjected to EUR risk (-)	-	-
(2) Net effect of EUR	500.481	(500.481)
<i>Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:</i>		
Net asset / (liability) in other currencies	433.868	(433.868)
Not subjected to other currency risk (-)	-	-
(3) Net effect of other currencies	433.868	(433.868)
TOTAL (1+2+3)	(20.701.816)	20.701.816

31 December 2014

	<u>Profit / Loss</u>	
	<u>Appreciation</u>	<u>Devaluation</u>
<i>Effect of 10 % appreciation/devaluation in TL -USD exchange rate :</i>		
Net asset / (liability) in TL	(14.904.340)	14.904.340
Not subjected to TL risk (-)	-	-
(1) Net effect of TL	(14.904.340)	14.904.340
<i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i>		
Net asset / (liability) in EUR	19.222	(19.222)
Not subjected to EUR risk (-)	-	-
(2) Net effect of EUR	19.222	(19.222)
<i>Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:</i>		
Net asset / (liability) in other currencies	559.431	(559.431)
Not subjected to other currency risk (-)	-	-
(3) Net effect of other currencies	559.431	(559.431)
TOTAL (1+2+3)	(14.325.687)	14.325.687

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31. FAIR VALUE OF FINANCIAL INSTRUMENTS

31 December 2015	Loans and Receivables (including cash and cash equivalents)	Amortized value of financial liabilities	Note
<u>Financial assets</u>			
Liquid assets	226.061.741	-	5
Trade receivables	687.170.682	-	7
Due from related parties	18.541.627	-	28
Financial investments	862.056	-	
Other current assets	397.045	-	8
<u>Financial liabilities</u>			
Borrowings	-	333.068.285	6
Trade payables(net)	-	362.854.421	7
Due to related parties	-	45.443	28
Other financial liabilities	-	12.731.107	8

31 December 2014	Loans and Receivables (including cash and cash equivalents)	Amortized value of financial liabilities	Note
<u>Financial assets</u>			
Liquid assets	84.325.174	-	5
Trade receivables	486.722.498	-	7
Due from related parties	17.595.491	-	28
Financial investments	301.458	-	
Other current assets	1.654.284	-	8
<u>Financial liabilities</u>			
Borrowings	-	215.874.487	6
Trade payables(net)	-	201.655.019	7
Due to related parties	-	53.131	28
Other financial liabilities	-	11.717.184	8

32. SUBSEQUENT EVENTS

None.

33. DISCLOSURE OF OTHER MATTERS THAT MAY AFFECT CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR IS NECESSARY FOR CONSOLIDATED FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND COMPREHENSIBLE

None.