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

NETAS TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S
REVIEW REPORT
FOR THE PERIOD ENDED 30 JUNE 2015

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying condensed consolidated balance sheet of Netaş Telekomünikasyon A.Ş. and its subsidiaries (together will be referred as the "Group") as of 30 June 2015 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. Group management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with Turkish Accounting Standards 34 "Interim Financial Reporting" ("TAS 34"). Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Independent Auditing Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information is not prepared, in all material respects, in accordance with TAS 34 "Interim Financial Reporting".

Other 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 it, Nortel Networks Limited, which was another indirect parent of the Company, and certain of its other Canadian subsidiaries have obtained and 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 12.525.497 US Dollars (equivalent of TL 36.715.114 as of 30 June 2015) (net balance after deducting payables to these companies) as of 14 January 2009, 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. Our conclusion is not qualified in this respect.

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

Gökhan Alpman, SMMM
Partner

İstanbul, 19 August 2015

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET
FOR THE PERIOD ENDED 30 JUNE 2015

(Unless othervise stated the amounts are in TL).

	Notes	Reviewed 30 June 2015	Audited 31 December 2014
ASSETS			
Current Assets		**951.015.107**	**774.185.477**
Cash and Cash Equivalents	5	179.499.022	84.325.174
Trade Receivables		438.720.310	504.265.195
Due from related parties	*20*	*19.329.502*	*17.595.491*
Other trade receivables from third parties	*7*	*419.390.808*	*486.669.704*
Other Receivables		234.754	1.654.284
Other receivables from third parties		*234.754*	*1.654.284*
Derivative Assets	21	2.148.668	-
Inventories	8	97.379.995	54.923.946
Deferred Costs		128.732.917	88.852.528
Prepaid Expenses	9	61.005.092	8.410.332
Other Current Assets		43.294.349	31.754.018
Non-Current Assets		**142.255.977**	**126.920.624**
Trade Receivables	7	-	52.794
Tangible Fixed Assets	10	40.695.177	38.123.936
Financial Investments		581.540	301.458
Intangibles	11	86.431.244	75.387.137
Goodwill		*49.234.797*	*42.501.050*
Other intangibles		*37.196.447*	*32.886.087*
Associates	3	2.686.375	*1.980.222*
Other Non-Current Assets		5.269.840	3.878.995
Deferred Tax Asset	18	6.591.801	7.196.082
TOTAL ASSETS		**1.093.271.084**	**901.106.101**

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET
FOR THE PERIOD ENDED 30 JUNE 2015

(Unless othervise stated the amounts are in TL).

	Notes	Reviewed 30 June 2015	Audited 31 December 2014
LIABILITIES			
Short Term Liabilities		**681.390.337**	**552.723.442**
Financial Liabilities	6	299.847.225	215.874.487
Trade Payables		209.171.351	199.226.502
Due to related parties	*20*	*205.816*	*53.131*
Other trade payables to third parties	*7*	*208.965.535*	*199.173.371*
Other Payables		8.669.052	11.717.184
Other payables to third parties		*8.669.052*	*11.717.184*
Payables Arising from Employee Benefits		13.058.456	4.892.554
Deferred Revenues		75.201.994	56.906.075
Short Term Provisions		14.379.778	19.388.779
Provision for Employee Benefits		*11.538.600*	*15.704.207*
Other Short Term Provisions	*13*	*2.841.178*	*3.684.572*
Advances Received		61.062.481	42.883.536
Current Tax Liabilities		-	1.834.325
Long Term Liabilities		**34.739.008**	**25.484.643**
Trade Payables	7	2.960.779	2.481.648
Long Term Provisions		19.383.499	18.242.410
Provision for Employee Benefits		*19.383.499*	*18.242.410*
Deferred Tax Liability	18	12.394.730	4.760.585
SHAREHOLDERS' EQUITY		**377.141.739**	**322.898.016**
Capital		64.864.800	64.864.800
Capital Reserves		41.612.160	41.612.160
Other comprehensive income to be reclassed in profit and loss		8.562.023	5.315.561
Currency Translation Reserves		*8.562.023*	*5.315.561*
Other comprehensive income not to be reclassed in profit and loss		96.696.781	67.682.699
Actuarial Loss		*(8.053.531)*	*(8.053.531)*
Currency Translation Reserves		*104.750.312*	*75.736.230*
Restricted Reserves Appropriated From Profit		33.182.076	32.809.042
Net Profit for the Year		3.101.020	11.845.089
Retained Earnings		129.122.879	98.768.665
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1.093.271.084**	**901.106.101**

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT FOR THE INTERIM PERIOD ENDED 30 JUNE 2015

(Unless otherwise stated the amounts are in TL).

	Note	Reviewed For the Period Ended 30 June 2015	Unaudited For the Period Between 1 April and 30 June 2015	Reviewed For the Period Ended 30 June 2014	Unaudited For the Period Between 1 April and 30 June 2014
INCOME FROM OPERATIONS					
Revenue	15	336.328.700	177.434.087	339.949.598	180.021.465
Cost of Sales (-)	15	(304.934.715)	(159.506.665)	(310.645.372)	(162.774.792)
GROSS PROFIT		**31.393.985**	**17.927.422**	**29.304.226**	**17.246.673**
Sales and Marketing Expenses (-)		(21.854.994)	(10.155.592)	(18.619.798)	(9.431.849)
General and Administrative Expenses (-)		(10.643.702)	(6.881.974)	(8.910.174)	(4.502.719)
Research and Development Expenses (-)		(734.152)	(429.391)	(689.331)	(350.475)
Income from Operating Activities	16	3.563.629	2.136.857	2.718.229	2.382.474
Expense from Operating Activities (-)	16	(12.083.495)	(1.666.626)	(6.971.100)	380.179
OPERATING (LOSS)/ PROFIT		**(10.358.729)**	**930.696**	**(3.167.948)**	**5.724.283**
Income / (Expense) from Investment Activities		154.371	(232.013)	(699.946)	26.035
OPERATING PROFIT BEFORE FINANCE (LOSS)/PROFİT		**(10.204.358)**	**698.683**	**(3.867.894)**	**5.750.318**
Financial Income	17	37.704.631	10.657.912	817.413	(4.597.148)
Financial Expenses (-)	17	(16.347.678)	(9.626.201)	(9.762.408)	(5.109.748)
PROFIT/(LOSS) BEFORE TAX		**11.152.595**	**1.730.394**	**(12.812.889)**	**(3.956.578)**
Tax (Expense) / Income		**(8.051.575)**	**(3.404.404)**	**9.396.914**	**6.925.135**
- Current Tax Expense	18	(96.675)	(46.243)	-	-
- Deferred Tax (Expense) / Income	18	(7.954.900)	(3.358.161)	9.396.914	6.925.135
PROFIT/(LOSS) AFTER TAX		**3.101.020**	**(1.674.010)**	**(3.415.975)**	**2.968.557**
OTHER COMPREHENSIVE INCOME					
Other comprehensive income or expenses that will not be reclassified subsequently to profit of loss		**29.014.082**	**5.721.078**	**(1.331.285)**	**(4.897.689)**
Currency translation reserves		29.014.082	5.721.078	(1.331.285)	(4.897.689)
Other comprehensive income or expenses that may be reclassified subsequently to profit or loss		**22.128.621**	**4.516.473**	**(2.328.760)**	**(1.416.407)**
Currency translation reserves		22.128.621	4.516.473	(2.328.760)	(1.416.407)
OTHER COMPREHENSIVE INCOME NET OF TAX		**51.142.703**	**10.237.551**	**(3.660.045)**	**(6.314.096)**
TOTAL COMPREHENSIVE INCOME		**54.243.723**	**8.563.541**	**(7.076.020)**	**(3.345.539)**
Profit/(Loss) per share	19	**0,0478**	**(0,0258)**	**(0,0527)**	**0,0458**

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE INTERIM PERIOD ENDED 30 JUNE 2015
(Unless otherwise stated the amounts are in TL).

			Other comprehensive income or expenses that may be reclassified subsequently to profit or loss	Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss			Retained Earnings		
	Capital	Capital Reserves	Currency Translation Reserves	Currency Translation Reserves	Actuarial Loss	Restricted Reserves Appropriated from Profit	Retained Earnings	Net Profit / (Loss) for the Year	TOTAL
Balance as at 1 January 2014	**64.864.800**	**41.612.160**	**4.963.386**	**60.653.018**	**(6.229.966)**	**30.924.042**	**90.078.773**	**2.196.864**	**289.063.077**
Currency translation differences	-	-	(1.843.446)	(1.331.285)	-	-	(485.314)	-	(3.660.045)
Net loss for the period	-	-	-	-	-	-	-	(3.415.975)	(3.415.975)
Total comprehensive income	**-**	**-**	**(1.843.446)**	**(1.331.285)**	**-**	**-**	**(485.314)**	**(3.415.975)**	**(7.076.020)**
Transfer	-	-	-	-	-	-	2.196.864	(2.196.864)	-
Transfer to reserves	-	-	-	-	-	1.885.000	(1.885.000)	-	-
Balance as at 30 June 2014	**64.864.800**	**41.612.160**	**3.119.940**	**59.321.733**	**(6.229.966)**	**32.809.042**	**89.905.323**	**(3.415.975)**	**281.987.057**
Balance as at 1 January 2015	**64.864.800**	**41.612.160**	**5.315.561**	**75.736.230**	**(8.053.531)**	**32.809.042**	**98.768.665**	**11.845.089**	**322.898.016**
Currency translation differences	-	-	3.246.462	29.014.082	-	-	18.882.159	-	51.142.703
Net profit for the period	-	-	-	-	-	-	-	3.101.020	3.101.020
Total comprehensive income	**-**	**-**	**3.246.462**	**29.014.082**	**-**	**-**	**18.882.159**	**3.101.020**	**54.243.723**
Transfer	-	-	-	-	-	-	11.845.089	(11.845.089)	-
Transfer to reserves	-	-	-	-	-	373.034	(373.034)	-	-
Balance as at 30 June 2015	**64.864.800**	**41.612.160**	**8.562.023**	**104.750.312**	**(8.053.531)**	**33.182.076**	**129.122.879**	**3.101.020**	**377.141.739**

Retained earnings contains extraordinary reserves.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE INTERIM PERIOD ENDED 30 JUNE 2015

(Unless otherwise stated the amounts are in TL).

	Notes	Reviewed For the Period Ended 30 June 2015	For the Period Ended 30 June 2014
A. Cash flows from operating activities			
Profit / (Loss) for the year		**3.101.020**	**(3.415.975)**
Adjustements related to depreciation		9.401.130	7.635.800
Adjustments related to loss from the sale of tangible assets		-	(197.556)
Adjustments related to unused vacation provision		1.252.978	1.970.717
Adjustments related to severance indemnity and special retirement pay		1.653.912	1.331.431
Adjustments related to in premium provision		8.501.168	9.581.153
Adjustments related to provisions		(827.648)	(405.313)
Adjustments related to doubtful receivable write off	7	1.302.677	-
Adjustments related to interest income	16	(325.266)	(236.358)
Adjustments related to interest expense	17	15.217.380	9.003.078
Adjustments related to unrealized currency translation	17	(35.065.403)	(817.413)
Adjustments related to financial investments under equity method		(154.371)	699.946
Adjsutments related to tax (income) / expense	18	8.051.575	(9.396.914)
Adjustments to reconcile income / (loss) for the period		**9.008.132**	**19.168.571**
Change in trade receivables	7	66.029.013	61.969.412
Change in inventory	8	(42.456.049)	12.224.503
Change in short and long term deferred costs		(39.880.389)	(23.659.011)
Change in due from related parties	20	(1.734.011)	913.572
Change in prepaid expenses		(52.594.760)	7.311.293
Change in other receivables and assets		(12.269.469)	1.378.433
Change in other tangible fixed assets		(1.390.845)	19.542
Change in trade payables	7	10.271.295	(40.462.300)
Change in advances received		18.178.945	(8.250.040)
Change in deferred revenues		18.295.919	4.913.563
Change in payables arising from employee benefits		8.165.902	(1.564.286)
Change in short and long tern other payables		(3.048.132)	(1.764.310)
Change in due to related parties		152.685	(188.897)
Movements in working capital		**(32.279.896)**	**12.841.474**
Cash used in from operations		**(20.170.744)**	**28.594.070**
Taxes paid		(1.834.325)	(2.057.141)
Payment for employee premiums		(12.745.393)	(12.693.220)
Payment for unused vacation day accruals		(762.288)	(526.480)
Retirement benefits paid		(974.219)	(1.724.652)
		(36.486.969)	**11.592.577**
B. Cash flows from investing activities			
Interest received		325.266	236.358
Acquisition of property, plant and equipment		(4.240.027)	(3.760.967)
Financial investments		(831.864)	(685.025)
Proceeds from sale of property, plant and equipment		97.337	1.773.939
		(4.649.288)	**(2.435.695)**
C. Cash flows from financing activities			
Cash inflow due to the financial liabilities		153.526.324	3.351.188
Interest paid		(13.187.089)	(6.884.714)
		140.339.235	**(3.533.526)**
Net increase in cash and cash equivalents before the effect of exchange rate changes (A+B+C)		**99.202.978**	**5.623.356**
D. Effects of exchange rate changes on cash and cash equivalents		(4.029.130)	(3.208.178)
Net increase in cash and cash equivalents A+B+C+D)		**95.173.848**	**2.415.178**
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	**179.499.022**	**43.285.190**

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

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 Yenişehir 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 Uzbekstan 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 ("KRONT") 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. Registiration processes are completed in date of 4 November 2014.

As at 30 June 2015, the Company has no blue collar employee (31 December 2014: None) Average white collar head count is 2.168 (31 December 2014: 2.101).

Approval of Condensed Consolidated Financial Statements

Group's condensed consolidated financial statements as of 30 June 2015 have been approved by the Board of Directors on 18 August 2015.

2. BASIS OF PRESENTATION OF THE CONDENSED 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 condensed 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 condensed 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.

The accompanying condensed consolidated financial statements for the period ended 30 June 2015 have been prepared in accordance with IAS 34 "Interim Financial Statements" and in consistency with the accounting policies applied in preparation of condensed consolidated financial statements as of 31 December 2014. Accordingly, the accompanying condensed consolidated financial statements should be assessed together with the consolidated financial statements as of 31 December 2014.

b) Basis of presentation of condensed consolidated financial statements:

The details of the Company's subsidiaries as of 30 June 2015 are as follows:

	Place of establishment of operation	Group's shares in capital and voting rights	Main operating activity
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 telecomunication equipment

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

2.1 Basis of Presentation (cont'd)

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

The condensed 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.

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

2.1 Basis of Presentation (cont'd)

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

As at 30 June 2015 and 31 December 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 condensed 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.

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 condensed 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 condensed 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 at 30 June 2015 (Turkish Central Bank USD Buying rate: 1 USD: 2,6863 TL), statements of income and statements of cash flows have been translated to TL by using six months average exchange rate (1 USD: 2,5613 TL) for the period ended 30 June 2015 (for the period ended 30 June 2014 1 USD: 2,1642 TL) in accordance with TAS 21. In the accompanying condensed consolidated financial statements capital and legal reserves are carried with their values in statutory accounts.

2. BASIS OF PRESENTATION OF THE CONDENSED 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 at 31 December 2014 (31 December 2014 1 USD: 2,3189 TL).

2.2 Comparative Information and Restatement of Prior Period Consolidated Financial Statements

Group's condensed 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 at 30 June 2014, "Loss from sale of tangibles" amount to TL 254.029 accounted under "Expenses from operating activities" is reclassified to "Expenses from investment activities".

The changes in allocations of cost of sales in management reports are applied to the prior period figures to give comparative information in Note 15.

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 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.

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

2.5 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 condensed 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 8	Inventories: Estimations regarding to inventory provision
Note 10 and 11	Tangible and intangible assets: Estimations regarding to useful lives
Note 11	Goodwill: Estimations regarding to impairment of goodwill
Note 13	Provisions: Estimations regarding to provision amounts
Note 18	Tax Assets and liabilities: Estimations regarding to recoverability of deferred tax assets
Note 15	Revenue and cost of sales: Estimation of revenue and cost based on project based analysis
Note 22	Financial instruments and risk management: Estimations and accounting judgments regarding to collectability of receivables

2.6 New and Revised Turkish Financial Reporting Standards

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

None.

(b) New and Revised TFRSs applied in 2014 with no material effect on the condensed consolidated financial statements

Amendments to TAS 19	*Defined Benefit Plans: Employee Contributions* [1]
Annual Improvements to 2010-2012 Cycle	*TFRS 2, TFRS 3, TFRS 8, TFRS 13, TAS 16 and TAS 38, TAS 24, TFRS 9, TAS 37, TAS 39* [1]
Annual Improvements to 2011-2013 Cycle	*TFRS 3, TFRS 13, TAS 40* [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 contributions, can, but are not required, to be recognised 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

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

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

(b) New and Revised TFRSs applied in 2014 with no material effect on the condensed 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.

b) <u>New and revised TAS in issue but not yet effective</u>

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

TFRS 9	*Financial Instruments*
Amendments to TFRS 9 and TFRS 7	*Mandatory Effective Date of TFRS 9 and Transition Disclosures*
Amendments to TAS 16 and TAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation* [1]
Amendments to TAS 16 and TAS 41 and amendments to TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40	*Agriculture: Bearer Plants* [1]
Amendments to TFRS 11 and TFRS 1	*Accounting for Acquisition of Interests in Joint operations* [1]
Annual Improvements to 2011-2013 Cycle	*TFRS 1* [2]
Amendments to TAS 1	*Disclosure Initiative* [2]
Annual Improvements to 2012-2014 Cycle	*TFRS 5, TFRS 7, TAS 34, TAS 19* [2]
Amendments to TAS 27	*Equity Method in Separate Financial Statements* [2]
Amendments to TFRS 10 and TAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [2]
Amendments to TFRS 10, TFRS 12 and TAS 28	*Investment Entities: Applying the Consolidation Exception* [2]
TFRS 14	*Regulatory Deferral Accounts* [2]

[1] Effective for annual periods beginning on or after 31 December 2015.
[2] Effective for annual periods beginning on or after 1 January 2016.

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

(b) New and Revised TFRSs applied in 2014 with no material effect on the condensed consolidated financial statements (cont'd)

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.

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

Amendments to TAS 16 and TAS 38 ***Clarification 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.

2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (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 condensed interim financial statements.

TAS 34: Clarify the meaning of 'elsewhere in the interim 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.

2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (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 on the condensed consolidated financial position and consolidated performance.

3. SHARES IN ASSOCIATES

Associates

Details of Important associates

As at 30 June 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 Hiz. A.Ş. for TL 1.700.000. Furthermore, the Company acquired the right to be represented with three 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 Hiz. A.Ş. figures in the accompanying condensed consolidated financial statements.

3. SHARES IN ASSOCIATES(cont'd)

Associates(cont'd)

Goodwill arises from the acquisition of Kron Telekomünikasyon Hiz. A.Ş.. Additionally, the cost includes synergy, the benefits arising from the rising market share and also the labour force of Kron Telekomünikasyon Hiz. A.Ş.. As these benefits are not separable, they are not recognized in the accompanying condensed 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	**601.195**

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

	30 June 2015	**31 December 2014**
Current assets	14.856.524	14.794.261
Non-current assets	8.069.022	9.142.342
Sort term liabilities	7.013.350	9.548.946
Long term liabilities	612.067	631.240
Net assets	15.300.129	13.756.417
Share of the Group in net assets	1.530.013	1.375.642

	1 January 2015 -30 June 2015	**1January 2014 -31 December 2014**
Net profit	1.477.559	2.784.124
Other comprehensive income	66.153	(66.673)
Total comprehensive income	1.543.712	2.717.451
Share of the Group in total comprehensive income	154.371	271.745

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

	30 June 2015	**31 December 2014**
As at 1 January	1.980.222	1.804.909
Share from the profit of the year	154.371	271.745
Currency translation reserves	551.782	(96.432)
Closing balance	**2.686.375**	**1.980.222**

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 30 June 2015	**Enterprise**	**Public**	**International**	**Technology**	**BDH**	**Unallocated (*)**	**Total**
Revenue	205.017.269	56.323.109	25.173.150	37.990.600	11.824.572	-	336.328.700
Cost of sales	(185.402.620)	(47.983.490)	(18.341.072)	(34.012.901)	(15.316.699)	(3.877.933)	(304.934.715)
Gross margin	**19.614.649**	**8.339.619**	**6.832.078**	**3.977.699**	**(3.492.127)**	**(3.877.933)**	**31.393.985**
Sales and marketing expenses	(9.816.884)	(7.940.030)	(4.098.080)	-	-	-	(21.854.994)
General administrative expenses	-	-	-	-	-	(10.643.702)	(10.643.702)
Research and development expenses	-	-	-	(734.152)	-	-	(734.152)
Operating profit / (loss) of segment	**9.797.765**	**399.589**	**2.733.998**	**3.243.547**	**(3.492.127)**	**(14.521.635)**	**(1.838.863)**

For the period ended 30 June 2014	**Enterprise**	**Public**	**International**	**Technology**	**BDH**	**Unallocated (*)**	**Total**
Revenue	212.694.638	73.799.220	10.604.580	32.895.840	9.955.320	-	339.949.598
Cost of sales	(190.666.020)	(61.896.120)	(9.738.900)	(28.433.692)	(10.821.000)	(9.089.640)	(310.645.372)
Gross margin	**22.028.618**	**11.903.100**	**865.680**	**4.462.148**	**(865.680)**	**(9.089.640)**	**29.304.226**
Sales and marketing expenses	(10.612.258)	(6.059.760)	(1.947.780)	-	-	-	(18.619.798)
General administrative expenses	-	-	-	-	-	(8.910.174)	(8.910.174)
Research and development expenses	-	-	-	(689.331)	-	-	(689.331)
Operating profit / (loss) of segment	**11.416.360**	**5.843.340**	**(1.082.100)**	**3.772.817**	**(865.680)**	**(17.999.814)**	**1.084.923**

(*) Unallocated cost of sales are shown as logistic, custom, transportation and amortization expenses.

4. SEGMENT REPORTING (cont'd)

30 June 2015	**Enterprise**	**Public**	**International**	**Technology**	**BDH**	**Unallocated(*)**	**Total**
Trade receivables	72.716.986	207.855.238	78.381.866	5.886.750	8.247.879	46.302.089	419.390.808
Due from related parties	-	-	-	19.329.502	-	-	19.329.502
Inventories	21.609.000	67.512.178	7.570.649	8.325	-	679.843	97.379.995
Deferred costs	45.730.053	68.161.634	6.173.464	1.261.344	6.287.154	1.119.268	128.732.917
Segments assets	**140.056.039**	**343.529.050**	**92.125.979**	**26.485.921**	**14.535.033**	**48.101.200**	**664.833.222**
Trade payables (*)	75.594.757	83.129.539	35.013.960	312.390	4.371.059	13.504.609	211.926.314
Due to related parties	-	-	-	205.816	-	-	205.816
Deferred revenues	34.487.047	25.504.025	14.965.896	-	-	245.026	75.201.994
Advances received	2.856.582	57.935.521	42.239	-	228.139	-	61.062.481
Segment liabilities	**112.938.386**	**166.569.085**	**50.022.095**	**518.206**	**4.599.198**	**13.749.635**	**348.396.605**

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, custom, consultancy, transportation and accommodation expenses

4. SEGMENT REPORTING (cont'd)

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

Operating loss	**For the Interim Period Ended 30 June 2015**	**For the Interim Period Ended 30 June 2014**
Operating (loss)/profit of segment	(1.838.863)	1.084.923
(Loss)/income from operations (net)	(8.519.866)	(4.252.871)
Other income/(expense) from investments	154.371	(699.946)
Finance income / (expenses) (net)	21.356.953	(8.944.995)
Profit before tax	**11.152.595**	**(12.812.889)**

Assets	**30 June 2015**	**31 December 2014**
Segment assets	664.833.222	648.094.463
Other assets	428.437.862	253.011.638
Total assets	**1.093.271.084**	**901.106.101**

Liabilities	**30 June 2015**	**31 December 2014**
Segment liabilities	348.396.605	301.497.761
Other liabilities	367.732.740	276.710.324
Total liabilities	**716.129.345**	**578.208.085**

5. CASH AND CASH EQUIVALENTS

	30 June 2015	**31 December 2014**
Cash	11.889	-
Bank- demand deposits	46.877.072	8.297.909
Bank- time deposits	132.468.033	75.893.218
Other cash and cash equivalents	142.028	134.047
	179.499.022	**84.325.174**

Currency	**Original Currency Amount**	**Interest Rate %**	**Maturity**	**30 June 2015**
US$	49.312.450	0,35-2,5	September 15	132.468.033
				132.468.033

Currency	**Original 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	7,5-9,5	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 22.

As at 30 June 2015 and 31 December 2014, there is no restriction / blockage on bank accounts.

6. FINANCIAL LIABILITIES

Short term financial liabilities	**30 June 2015**	**31 December 2014**
Short term unsecured loans	296.492.377	213.036.774
Non interest bearing unsecured spot loans	3.354.848	2.837.713
	299.847.225	**215.874.487**

As at 30 June 2015, the average interest rate for TL loans is 11,15 % and USD loans is 2,75 % (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**	**30 June 2015**
US$	10.063.747	2,75	October 15	27.034.244
TL	269.458.133	10,8-11,5	November 15	269.458.133
				296.492.377

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	November 15	189.700.749
				213.036.774

The Group had no collaterals given for bank loans as at 30 June 2015 and 31 December 2014.

7. TRADE RECEIVABLES AND PAYABLES

Other trade receivables	**30 June 2015**	**31 December 2014**
Trade receivables	226.472.865	326.669.532
Unbilled receivables	210.308.470	173.747.313
Notes receivable	549.951	508.183
Allowances for doubtful receivables	(17.940.478)	(14.255.324)
	419.390.808	**486.669.704**

Long Term Other Trade Receivables	**30 June 2015**	**31 December 2014**
Trade Receivables	-	52.794
	-	**52.794**

Movement of Allowance for Doubtful Receivables	**2015**	**2014**
Balance at beginning of the year	(14.255.324)	(9.141.289)
Charge for the year	(1.302.677)	-
Provision reversal	436.441	-
Currency translation differences	(2.818.918)	33.774
Balance at June, 30	**(17.940.478)**	**(9.107.515)**

No guarantee has been obtained for trade receivables.

7. TRADE RECEIVABLES AND PAYABLES(cont'd)

Short term other trade payables	**30 June 2015**	**31 December 2014**
Trade payables	208.403.093	195.710.861
Other trade payables	562.442	3.462.510
	208.965.535	**199.173.371**

Long term other trade payables	**30 June 2015**	**31 December 2014**
Other trade payables	2.960.779	2.481.648
	2.960.779	**2.481.648**

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.

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 at 30 June 2015 and the bankruptcy protection filing date of 14 January 2009 are given below:

		14 January 2009			30 June 2015			31 December 2014		
Country	**Company**	**Trade Receivables**	**Trade Payables**	**Net Balance**	**Trade Receivables**	**Trade Payables**	**Net Balance**	**Trade Receivables**	**Trade Payables**	**Net Balance**
USA	Nortel Networks Inc.	38.310.863	(6.714.271)	31.596.592	43.990.186	(8.980.221)	35.009.965	37.973.734	(7.753.439)	30.220.295
Ireland	Nortel Networks (Ireland) Limited	1.305.364	-	1.305.364	1.305.365	-	1.305.365	1.126.832	-	1.126.832
Canada	Nortel Networks Technology Corporation	305.969	(41.434)	264.535	-	-	-	-	-	-
Egypt	Nortel Networks Inc. (Egypt Branch)	232.636	-	232.636	235.751	-	235.751	203.508	-	203.508
Europe	Nortel Networks N.V.	120.307	-	120.307	120.306	-	120.306	103.852	-	103.852
India	Nortel Networks (India) Private Limited	36.902	-	36.902	25.685	-	25.685	31.854	-	31.854
Holland	Nortel Networks BV.	72.864	-	72.864	-	-	-	-	-	-
Italy	Nortel Networks S.p.A.	18.043	-	18.043	18.043	-	18.043	15.575	-	15.575
		40.402.948	**(6.755.705)**	**33.647.243**	**45.695.335**	**(8.980.221)**	**36.715.114**	**39.455.355**	**(7.753.439)**	**31.701.916**
Mexico	Nortel de México, S. de R.L. de C.V.	-	(13.186)	(13.186)	-	(13.186)	(13.186)	-	(11.383)	(11.383)
Germany	Nortel GmbH	-	(187.655)	(187.655)	-	-	-	-	-	-
France	Nortel Networks S.A.	27.669	(80.031)	(52.362)	165.137	(68.673)	96.464	142.551	(73.469)	69.082
Canada	Nortel Networks Limited	439.524	(1.103.717)	(664.193)	-	-	-	-	-	-
England	Nortel Networks UK Limited	4.703.026	(5.207.624)	(504.598)	-	-	-	-	-	-
Canada	Nortel Networks Limited - EMEA Sales	-	(12.878.151)	(12.878.151)	-	-	-	-	-	-
		45.573.167	**(26.226.081)**	**19.347.088**	**45.860.472**	**(9.062.080)**	**36.798.392**	**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 22.

8. INVENTORIES

	30 June 2015	31 December 2014
Raw materials	18.793.776	15.480.461
Finished goods	45.494.726	28.075.289
Trade goods	40.720.077	18.089.760
Other inventories	727.383	491.573
Allowance for inventory impairment	(8.355.967)	(7.213.137)
	97.379.995	**54.923.946**

Movement for allowance	2015	2014
1 January - opening balance	(7.213.137)	(6.638.923)
Foreign currency exchange differences	(1.142.830)	33.905
Closing balance	**(8.355.967)**	**(6.605.018)**

9. PREPAID EXPENSES

Prepaid Expenses

	30 June 2015	31 December 2014
Advances given for inventory purchases	31.237.428	2.114.189
Prepaid expenses	3.940.420	4.644.912
Goods in transit	24.517.426	848.908
Business advances	1.309.818	802.323
	61.005.092	**8.410.332**

10. TANGIBLE FIXED ASSETS

For the period ended 30 June 2015, the Group purchased TL 1.696.074, and disposed TL 193.266 of tangible fixed assets (30 June 2014: purchases: TL 3.342.337, disposal: TL 1.576.383).

11. 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. As of 30 June 2015, the Company management concluded that there is no impairment on goodwill based on the analysis of Group’s future cash flows from operations.

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

11. INTANGIBLE ASSETS (cont'd)

Goodwill(cont'd)

	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	6.733.747
Goodwill as of 30 June 2015	**49.234.797**

Other Intangible Assets

For the period ended 30 June 2015, the Group purchased TL 2.543.953 of intangible assets and disposed no intangible assets (30 June 2014: purchases TL 418.630 and no disposal).

12. GOVERNMENT GRANTS

For the period ended 30 June 2015 the Group has received TL 3.971.531 cash incentive from TÜBİTAK for its research and development activities and TL 2.926.167 is accounted under Income From Operating Activities and TL 1.045.364 is offset against Research and Development Expenses (For the period ended 30 June 2014: TL 2.237.345 cash incentive received, TL 22.421 is accounted under cost of sales and TL 2.214.924 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 at 30 June 2015 the Group has a corporate tax benefit of TL 112.384.720 due to research and development disbursement and TL 18.903.051 of this amount is utilized by the period end (As at 31 December 2014, the benefit is TL 80.800.912 and TL 843.794 of this amount is utilized by the period end). The Group has booked deferref tax assets for unused R&D tax benefit (Not 18).

For the period ended 30 June 2015, the amount of income tax incentive within the scope of Act numbered 5746 is TL 4.610.405 (For the period ended 30 June 2014: TL 1.548.310) 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 3.500.800 (For the period ended 30 June 2014: TL 2.324.388).

13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other Short Term Provisions	30 June 2015	31 December 2014
Provision for legal cases	2.456.783	1.759.816
Other provisions	384.395	1.924.756
	2.841.178	**3.684.572**

The Group's off-balance sheet provisions as at 30 June 2015 and 31 December 2014 are as follows:

	Provision for Legal Cases	Other Provisions	Total
1 January 2015 opening	1.759.816	1.924.756	3.684.572
Provision booked	2.617.927	627.919	3.245.847
Paid / provision no longer required	(1.920.961)	(2.152.534)	(4.073.495)
Foreign currency exchange differences	-	(15.746)	(15.746)
30 June 2015 closing	**2.456.783**	**384.395**	**2.841.178**

	Provision for Legal Cases	Other Provisions	Total
1 January 2014 opening	786.951	1.113.770	1.900.721
Provision booked	1.350.778	618.485	1.969.263
Paid / provision no longer required	(1.529.209)	(891.918)	(2.421.127)
Foreign currency exchange differences	41.098	5.453	46.551
30 June 2014 closing	**649.618**	**845.790**	**1.495.408**

For the period ended 30 June 2015, the Group had a cash outflow of TL 1.920.961 for legal cases during the period (For the period ended 30 June 2014: TL1.529.209).

14. COMMITMENTS

The Group's off-balance sheet commitments and contingencies as at 30 June 2015 and 31 December 2014 are as follows:

	30 June 2015	31 December 2014
Guarantee letters given	310.175.840	209.046.195

14. COMMITMENTS (cont'd)

The off-balance sheet commitments as at 30 June 2015 and 31 December 2014 are as follows:

Commitments, Pledges, Mortgages ("CPM") are given by the Company	30 June 2015	31 December 2014
A. Total amount of CPM is given on behalf of own legal personality	310.175.840	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	-	-
	310.175.840	**209.046.195**

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

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 begining from 1 May 2013. The rent for the five years was USD 6.339.816 + VAT at the begining of the rental period and the aggrement 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 adressed Orhanlı District, İrfan St. No. 28, Tuzla, İstanbul. The rental period is 5 years begining from 1 October 2012. The rents to be paid in cash are USD 480.000+witholding tax for the first year, USD 504.000+witholding tax for the second year, USD 529.200 +witholding tax for the third year, USD 603.288 +witholding tax for the fourth year and USD 633.442 +witholding tax for the fifth year.

Company signed a rent contract for a period of 5+5 years with Yudo Leon Mizrahi and Salvo Özsarfati for 15. And 16. floors in C Blok at "Buyaka Is Merkezi" each of which is 845 m2 that make a total of 1.690 m2 in Istanbul, Umraniye, 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.

14. COMMITMENTS (cont'd)

Rent Agreements(cont'd)

Unrevokable Operational Lease Commitments	**30 June 2015**	**31 December 2014**
Within one year	7.625.054	6.114.231
Between 1-5 years	14.084.797	15.521.642
	21.709.851	**21.635.873**

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.

15. REVENUE AND COST OF SALES

Sales:

	For the Interim Period Ended 30 June 2015	**For the Period Between 1 April and 30 June 2015**	**For the Interim Period Ended 30 June 2014**	**For the Period Between 1 April and 30 June 2014**
Total domestic	**272.169.119**	**143.011.581**	**291.129.451**	**152.137.261**
United States	35.911.517	18.125.513	32.344.357	16.040.457
Asia	1.884.068	1.406.505	11.194.098	8.088.524
Africa	22.965.116	12.344.158	50.602	(1.209)
Europe	3.398.880	2.546.330	5.231.090	3.756.432
Total export	**64.159.581**	**34.422.506**	**48.820.147**	**27.884.204**
Total sales	**336.328.700**	**177.434.087**	**339.949.598**	**180.021.465**

Cost of Sales:

	For the Interim Period Ended 30 June 2015	**For the Period Between 1 April and 30 June 2015**	**For the Interim Period Ended 30 June 2014**	**For the Period Between 1 April and 30 June 2014**
Equipment expenses	166.274.164	82.052.928	187.808.283	97.894.548
Personnel expenses	74.824.253	40.849.783	70.005.386	38.575.057
Service/ support expenses	49.328.281	28.227.205	38.174.223	19.307.228
Depreciation expenses	5.916.028	3.666.078	5.084.898	2.355.267
Transportation cost	1.386.132	763.287	1.944.866	843.577
Rent expenses	2.811.916	1.448.772	2.440.085	1.426.656
Other	4.393.941	2.498.612	5.187.631	2.372.459
	304.934.715	**159.506.665**	**310.645.372**	**162.774.792**

16. INCOME / (EXPENSES) FROM OPERATING ACTIVITIES

Income from operating activities	For the Interim Period Ended 30 June 2015	For the Period Between 1 April and 30 June 2015	For the Interim Period Ended 30 June 2014	For the Period Between 1 April and 30 June 2014
R&D Incentives	2.926.167	1.724.471	2.214.924	2.145.131
Interest income	325.266	248.618	236.356	112.989
Service income	156.249	114.724	100.573	47.474
Other income and gains	155.947	49.044	166.376	76.880
	3.563.629	**2.136.857**	**2.718.229**	**2.382.474**

Expenses from operating activities	For the Interim Period Ended 30 June 2015	For the Period Between 1 April and 30 June 2015	For the Interim Period Ended 30 June 2014	For the Period Between 1 April and 30 June 2014
Foreign exchange loss	8.493.380	(656.589)	3.818.764	(2.421.712)
Legal case provision expenses	2.613.125	1.866.811	1.529.209	1.529.209
Other tax expenses	510.596	153.555	384.669	75.499
Other expenses and loss	466.394	302.849	1.238.458	436.825
	12.083.495	**1.666.626**	**6.971.100**	**(380.179)**

17. FINANCIAL INCOME / (EXPENSES)

	For the Interim Period Ended 30 June 2015	For the Period Between 1 April and 30 June 2015	For the Interim Period Ended 30 June 2014	For the Period Between 1 April and 30 June 2014
Interest income	35.065.403	8.036.443	817.413	(4.597.148)
Income from discount of receivables	2.639.228	2.621.469	-	-
	37.704.631	**10.657.912**	**817.413**	**(4.597.148)**

	For the Interim Period Ended 30 June 2015	For the Period Between 1 April and 30 June 2015	For the Interim Period Ended 30 June 2014	For the Period Between 1 April and 30 June 2014
Bank interest expenses	15.217.380	9.037.290	9.003.078	4.657.977
Guarantee letter commissions	1.130.298	588.911	759.330	499.088
	16.347.678	**9.626.201**	**9.762.408**	**5.109.748**

18. TAX ASSETS AND LIABILITIES

	For the Interim Period Ended 30 June 2015	For the Period Between 1 April and 30 June 2015	For the Interim Period Ended 30 June 2014	For the Period Between 1 April and 30 June 2014
Current Tax Expense	(96.675)	(46.243)	-	-
Deferred Tax (Expense) / Income	(7.954.900)	(3.358.161)	9.396.914	6.925.135
	(8.051.575)	**(3.404.404)**	**9.396.914**	**6.925.135**

Movement for deferred taxes as of 30 June 2015 and 2014 are as follows;

	1 January 2015	Charge to Profit or (Loss)	Translation Difference	30 June 2015
Tangible and intangible assets	(7.408.373)	(239.332)	(1.466.614)	(9.114.319)
Trade receivables	(35.874.160)	(1.506.682)	(5.757.332)	(43.138.174)
Trade payables	(3.268.110)	1.077.805	(465.190)	(2.655.495)
Inventory and deferred costs	11.231.492	(7.042.503)	1.435.788	5.624.777
Advances received	1.298.299	(468.934)	182.813	1.012.178
Provisions for employee bonuses	2.147.358	(1.133.736)	284.891	1.298.513
Provision for unused vacation	865.312	(37.146)	135.285	963.451
Severance and retirement provisions	3.776.653	(431.500)	577.304	3.922.457
Deferred revenues	11.381.215	1.769.613	1.889.571	15.040.399
Unused R&D tax exemption (note 12)	15.991.423	163.304	2.541.606	18.696.333
Carryforward tax loses	1.938.391	187.496	316.264	2.442.151
Other	355.997	(293.285)	42.088	104.800
	2.435.497	**(7.954.900)**	**(283.526)**	**(5.802.929)**

	1 January 2014	Charge to Profit or Loss	Translation Difference	30 June 2014
Tangible and intangible assets	(8.176.481)	2.597.790	2.187	(5.576.504)
Trade receivables	(29.386.467)	1.852.399	119.414	(27.414.654)
Trade payables	2.344.188	(2.925.025)	43.171	(537.666)
Inventory and deferred costs	12.050.651	(1.036.618)	(42.001)	10.972.032
Advances received	2.488.666	(2.075.677)	26.421	439.410
Provision for sales premium	401.841	(173.507)	1.219	229.553
Provision for unused vacation	1.017.213	299.692	(10.845)	1.306.060
Severance and retirement provisions	3.489.276	(61.993)	(16.651)	3.410.632
Accruals for employee bonuses	133.598	(39.497)	62	94.163
Deferred revenues	4.844.181	1.025.107	(44.065)	5.825.223
Unused R&D tax exemption (note 12)	5.234.798	5.741.722	(134.978)	10.841.542
Carryforward tax loses	-	3.788.638	(71.424)	3.717.214
Other	47.333	403.883	(12.112)	439.104
	(5.511.203)	**9.396.914**	**(139.602)**	**3.746.109**

As at 30 June 2015, the Group has TL 12.210.755 carry forward tax losses to be used in the future and booked deferred tax asset of TL 2.442.151 (30 June 2014:TL 18.586.070 carry forward tax losses and the deferred tax asset amount is TL 3.717.214).

19. EARNING PER SHARE

	For the Interim Period Ended 30 June 2015	For the Period Between 1 April and 30 June 2015	For the Interim Period Ended 30 June 2014	For the Period Between 1 April and 30 June 2014
Number of shares	64.864.800	64.864.800	64.864.800	64.864.800
Net profit / (loss) for the year	3.101.020	(1.674.010)	(3.415.975)	2.968.557
Profit / (Loss) earning per share	0,0478	(0,0258)	(0,0527)	0,0458

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.

20. 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 at 30 June 2015 and 31 December 2014 is as follows:

Due from Related Parties	**30 June 2015**	**31 December 2014**
Genband US LLC	18.567.507	17.023.399
Genband Ireland Ltd.	313.768	369.206
Genband Japan GK	38.726	21.064
Genband Telecommunications AUS	-	73.915
Genband Telecommunications (UK)	334.291	107.907
Genband Telecomunicacoes	75.210	-
	19.329.502	**17.595.491**

Due to Related Parties	**30 June 2015**	**31 December 2014**
Genband Ireland Ltd.	205.816	53.131
	205.816	**53.131**

Main transactions with related parties are as follows for the period ended 30 June 2015 and 2014:

Sales	For the Interim Period Ended 30 June 2015	For the Period Between 1 April and 30 June 2015	For the Interim Period Ended 30 June 2014	For the Period Between 1 April and 30 June 2014
Genband US LLC	35.683.857	18.397.949	26.272.899	9.936.611
Genband Ireland Ltd.	976.014	341.763	626.817	80.951
Genband Japan GK	13.659	13.659	219.594	-
Genband UK	344.193	239.737	70.986	70.986
Genband Telecommunications AUS	-	-	165.758	45.989
Genband Holdings B.V.	-	-	18.135	-
Genband Canada UCL	-	-	-	-
	37.089.406	**18.993.108**	**27.374.189**	**10.134.537**

20. BALANCES AND TRANSACTIONS WITH RELATED PARTIES(cont'd)

Purchases	For the Interim Period Ended 30 June 2015	For the Period Between 1 April and 30 June 2015	For the Interim Period Ended 30 June 2014	For the Period Between 1 April and 30 June 2014
Genband Ireland Ltd.	1.585.570	163.752	140.734	49.724
Kron Telekomunikasyon A.Ş.	1.148.128	18.169	-	-
Genband US LLC	26.863	761	21.642	21.642
	2.760.561	**164.513**	**162.376**	**71.366**

For the period ended 30 June 2015, total remuneration for the directors, management, and board members of the Group is TL 6.479.648 (for the period ended 30 June 2014 total remuneration for the directors, management, and board and audit members is TL 5.120.142). As at 30 June 2015 and 31 December 2014 there is no credit granted to the Group's management.

21. 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 are 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 exsting 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 condensed 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.

21. DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

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:

a) At strike rate, if the spot rate effective on the maturity of the forward contract is above the strike rate, which is ranging between 2,49 and 2,57 USD/TL,

b) 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 2,64 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 30 June 2015 are as follows:

	Currency	Nominal Value		Fair Value	
		2015	2014	2015	2014
Asymmetric forward knockout	US $	40.400.000	-	2.148.668	-

22. 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:

	Receivables			
30 June 2015	**Trade Receivables**		**Other Receivables**	
	Related Parties	**Other**	**Other (*)**	**Deposits at Banks**
Maximum credit risks as of balance sheet date(A+B+C+D+E)	**19.329.502**	**419.390.808**	**234.754**	**179.345.105**
Maximum risk guaranteed by collateral	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	12.818.681	254.949.597	234.754	179.345.105
(B) Net book value of overdue but not impaired financial assets (**)	6.510.821	164.441.211	-	-
Guaranteed by collateral	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-
Overdue (gross book value)	-	17.940.478	-	-
Impairment (-)	-	(17.940.478)	-	-
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 45.860.472 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.

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

Credit risk (cont'd)

	Receivables			
31 December 2014	**Trade Receivables**		**Other Receivables**	
	Related Parties	**Other**	**Other (*)**	**Deposits at Banks**
Maximum credit risks as of balance sheet date (A+B+C+D+E)	**17.595.491**	**486.722.498**	**1.654.284**	**84.191.127**
Maximum risk guaranteed by collateral	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	11.342.162	411.722.431	1.654.284	84.191.127
(B) Net book value of overdue but not impaired financial assets (**)	6.253.329	75.000.067	-	-
Guaranteed by collateral	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-
Overdue (gross book value)	-	14.255.324	-	-
Impairment (-)	-	(14.255.324)	-	-
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.

22. 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	
30 June 2015	**Trade Receivables**	**Other Receivables**
1-30 days overdue	38.872.607	-
1-3 months overdue	28.913.472	-
3-12 months overdue	46.691.469	-
1-5 years overdue	10.614.012	-
Overdue more than 5 years	45.860.472	-
Total	**170.952.032**	**-**

	Receivables	
31 December 2014	**Trade Receivables**	**Other Receivables**
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	50.385.154	-
Total	**81.253.396**	**-**

Liquidity risk

The Group holds adequate sources to be able to fulfill its current and future liabilities. As at 30 June 2015 and 31 December 2014 liquidity risk table are as follows;

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

Liquidity risk (cont'd)

30 June 2015

Maturities due to agreements	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
Non- derivative financial liabilities	**511.979.355**	**518.108.511**	**392.733.102**	**122.414.630**	**2.960.779**
Financial liabilities	299.847.225	305.976.381	183.561.751	122.414.630	-
Due to related parties	205.816	205.816	205.816	-	-
Other trade payables to third parties	211.926.314	211.926.314	208.965.535	-	2.960.779

Expected maturities	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
Non- derivative financial liabilities	**24.568.686**	**24.568.686**	**21.727.508**	**2.841.178**	-
Other short term provisions	2.841.178	2.841.178	-	2.841.178	-
Payables related to employee benefits	13.058.456	13.058.456	13.058.456	-	-
Other payables to third parties (*)	8.669.052	8.669.052	8.669.052	-	-

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.

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

Liquidity risk (cont'd)

31 December 2014

Maturities due to agreements	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
Non- derivative financial liabilities	**417.582.637**	**429.262.442**	**329.901.818**	**96.878.976**	**2.481.648**
Financial liabilities	215.874.487	227.554.292	130.675.316	96.878.976	-
Due to related parties	53.131	53.131	53.131	-	-
Other trade payables to third parties	201.655.019	201.655.019	199.173.371	-	2.481.648

Expected maturities	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
Non- derivative financial liabilities	**20.294.310**	**20.294.310**	**16.609.738**	**3.684.572**	**-**
Other short term provisions	3.684.572	3.684.572	-	3.684.572	-
Payables related to employee benefits	4.892.554	4.892.554	4.892.554	-	-
Other payables to third parties (*)	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.

22. 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.

	30 June 2015	**31 December 2014**
Fixed interest rate financial instruments	**334.460.410**	**288.929.992**
Financial assets (*)	132.468.033	75.893.218
Financial liabilities	201.992.377	155.036.774
Variable interest rate financial instruments	**94.500.000**	**58.000.000**
Financial liabilities	94.500.000	58.000.000
Interest-free financial instruments	**3.354.848**	**2.837.713**
Financial liabilities	3.354.848	2.837.713

(*) As of 30 June and 31 December 2014, time deposits and spot loans 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.

As at 30 June 2015 and 31 December 2014, the Group's foreign exchange details are as in the following:

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

Foreign currency risk (cont'd)

		Original Currency					
30 June 2015	**TL Equivalent (*)**	**TL**	**EURO**	**CAD**	**GBP**	**TAKA**	**Other**
Current Assets	**109.993.409**	**97.831.865**	**1.669.211**	**-**	**53.978**	**15.909.270**	**395.747.844**
Cash and cash equivalents	20.151.673	11.872.104	781.527	-	3.869	15.909.270	352.183.361
Trade receivables	36.726.756	33.871.436	572.724	-	49.984	-	37.774.445
Other receivables	234.754	234.754	-	-	-	-	-
Prepaid expenses	9.585.877	8.682.056	301.902	-	-	-	1.218
Other current assets	43.294.349	43.171.515	13.058	-	125	-	5.788.820
TOTAL ASSETS (A)	**109.993.409**	**97.831.865**	**1.669.211**	**-**	**53.978**	**15.909.270**	**395.747.844**
Short Term Liabilities	**348.555.102**	**344.271.129**	**1.319.015**	**3.138**	**3.694**	**150.000**	**13.026.786**
Financial liabilities	272.815.958	272.815.958	-	-	-	-	-
Trade payables	39.631.858	37.817.546	498.797	3.138	1.828	150.000	11.932.897
Other payables	8.669.052	6.207.303	820.218	-	1.866	-	544.375
Payables from employee benefits	13.058.456	13.050.543	-	-	-	-	549.514
Employee benefits	11.538.600	11.538.600	-	-	-	-	-
Other short term provision	2.841.178	2.841.179	-	-	-	-	-
Long Term Liabilities	**19.383.499**	**19.383.499**	**-**	**-**	**-**	**-**	**-**
Employee benefits	19.383.499	19.383.499	-	-	-	-	-
TOTAL LIABILITIES (B)	**367.938.601**	**363.654.628**	**1.319.015**	**3.138**	**3.694**	**150.000**	**13.026.786**
Net Foreign Currency Asset / (Liability) Position (A-B)	**(257.945.192)**	**(265.822.763)**	**350.196**	**(3.138)**	**50.284**	**15.759.270**	**382.721.058**

(*) 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.

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

Foreign currency risk (cont'd)

		Original Currency					
31 December 2014	**TL Equivalent (*)**	**TL**	**EURO**	**CAD**	**GBP**	**TAKA**	**Other**
Current Assets	**146.757.629**	**130.536.319**	**2.233.739**	**-**	**2.876**	**24.888.822**	**706.618.735**
Cash and cash equivalents	17.085.784	11.714.678	462.311	-	2.149	16.289.845	280.344.681
Trade receivables	90.558.741	81.790.958	1.036.174	-	602	8.598.977	425.640.826
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	-	633.228
TOTAL ASSETS (A)	**146.757.629**	**130.536.319**	**2.233.739**	**-**	**2.876**	**24.888.822**	**706.618.735**
Short Term Liabilities	**271.772.089**	**261.337.309**	**2.165.591**	**3.138**	**22.473**	**-**	**333.797.625**
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)**	**24.888.822**	**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 period end rates.

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

Foreign currency risk (cont'd)

Exchange Rate Sensitivity Table

30 June 2015

	Profit / Loss	
	Appreciation	Devaluation
Effect of 10 % appreciation/devaluation in TL -USD exchange rate :		
Net asset / (liability) in TL	(26.582.276)	26.582.276
Not subjected to TL risk (-)	-	-
(1) Net effect of TL	**(26.582.276)**	**26.582.276**
Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :		
Net asset / (liability) in EUR	104.435	(104.435)
Not subjected to EUR risk (-)	-	-
(2) Net effect of EUR	**104.435**	**(104.435)**
Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:		
Net asset / (liability) in other currencies	683.322	(683.322)
Not subjected to other currency risk (-)	-	-
(3) Net effect of other currencies	**683.322**	**(683.322)**
TOTAL (1+2+3)	**(25.794.519)**	**25.794.519**

31 December 2014

	Profit / Loss	
	Appreciation	Devaluation
Effect of 10 % appreciation/devaluation in TL -USD exchange rate :		
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**
Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :		
Net asset / (liability) in EUR	19.222	(19.222)
Not subjected to EUR risk (-)	-	-
(2) Net effect of EUR	**19.222**	**(19.222)**
Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:		
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**

23. SUBSEQUENT EVENTS

OEP Turkey B.V ("OEP"), one of the shareholders of the Company, has declared its intention to determine strategic options as probable partnership, cooperation and/or the sale of shares and to evaluate indirect opportunities, in the notification sent on 8 July 2015. The Company will continue to share any updates in accordance with the present codes and communiqués/notices.

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

None.