NETAŞ TELEKOMÜNİKASYON A.Ş.
AND ITS' SUBSIDIARIES

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2016

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

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2016

(Unless otherwise stated the amounts are in TL).

	Notes	Unaudited 31 March 2016	Audited 31 December 2015
ASSETS			
Current Assets		**955.720.921**	**1.094.101.658**
Cash and Cash Equivalents	5	87.573.850	226.061.741
Trade Receivables		575.142.650	596.232.981
Due from related parties	20	*18.188.522*	*18.541.627*
Other trade receivables from third parties	7	*556.954.128*	*577.691.354*
Other Receivables		515.062	397.045
Other receivables from third parties		*515.062*	*397.045*
Derivative Assets		-	109.927
Inventories	8	102.583.265	103.016.525
Deferred Costs		126.314.082	99.108.517
Prepaid Expenses	9	13.245.469	32.896.350
Other Current Assets		50.346.543	36.278.572
Non-Current Assets		**252.458.455**	**258.513.498**
Trade Receivables	7	107.330.898	109.479.328
Tangible Fixed Assets	10	37.914.337	40.220.084
Financial Investments		1.123.397	862.056
Intangibles		87.462.231	90.035.336
Goodwill	11	*51.930.861*	*53.290.807*
Other intangibles	11	*35.531.370*	*36.744.529*
Associates	3	3.328.145	*2.601.418*
Other Non-Current Assets		6.329.983	6.872.784
Prepaid Expenses	9	1.539.057	1.098.957
Deferred Tax Asset	18	7.430.407	7.343.535
TOTAL ASSETS		**1.208.179.376**	**1.352.615.156**

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET AS OF 31 MARCH 2016

(Unless otherwise stated the amounts are in TL).

	Notes	Unaudited 31 March 2016	Audited 31 December 2015
LIABILITIES			
Short Term Liabilities		**745.946.348**	**866.372.756**
Financial Liabilities	6	333.773.513	333.068.285
Trade Payables		245.529.038	350.117.975
Due to related parties	*20*	*160.460*	*45.443*
Other trade payables to third parties	*7*	*245.368.578*	*350.072.532*
Other Payables		3.613.793	12.731.107
Other payables to third parties		*3.613.793*	*12.731.107*
Payables Arising from Employee Benefits		27.014.852	13.034.339
Deferred Revenues		61.810.568	67.306.810
Short Term Provisions		11.894.540	21.376.150
Provision for Employee Benefits		*7.358.523*	*16.637.781*
Other Short Term Provisions	*13*	*4.536.017*	*4.738.369*
Advances Received		60.350.110	66.778.156
Current Tax Liabilities		1.959.934	1.959.934
Long Term Liabilities		**37.783.352**	**49.041.503**
Trade Payables	7	12.313.104	12.781.889
Long Term Provisions		20.073.205	20.513.651
Provision for Employee Benefits		*20.073.205*	*20.513.651*
Deferred Tax Liability	18	5.397.043	15.745.963
SHAREHOLDERS' EQUITY		**424.449.676**	**437.200.897**
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		8.483.078	7.661.632
Currency Translation Reserves		*8.483.078*	*7.661.632*
Other comprehensive income not to be reclassed in profit and loss		68.222.178	115.078.646
Actuarial Loss		*(8.321.961)*	*(8.321.961)*
Currency Translation Reserves		*76.544.139*	*123.400.607*
Restricted Reserves Appropriated From Profit		33.555.110	33.182.076
Net (Loss)/Profit for the Year		(1.767.771)	34.305.075
Retained Earnings		209.480.121	140.496.508
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1.208.179.376**	**1.352.615.156**

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED FINANCIAL STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2016

(Unless otherwise stated the amounts are in TL).

		Unaudited	
	Note	**For the Period Ended 31 March 2016**	**For the Period Ended 31 March 2015**
INCOME FROM OPERATIONS			
Revenue	15	204.465.478	158.894.613
Cost of Sales (-)	15	(181.983.717)	(145.428.050)
GROSS PROFIT		**22.481.761**	**13.466.563**
Sales and Marketing Expenses (-)		(12.990.246)	(11.699.402)
General and Administrative Expenses (-)		(4.428.600)	(3.761.728)
Research and Development Expenses (-)		(583.902)	(304.761)
Income from Operating Activities	16	6.566.375	1.426.772
Expense from Operating Activities (-)	16	(2.554.705)	(10.416.869)
OPERATING PROFIT/(LOSS)		**8.490.683**	**(11.289.425)**
Income from Investment Activities		140.346	661.289
Expense from Investment Activities (-)		(86.801)	(274.905)
OPERATING PROFIT/(LOSS) BEFORE FINANCE INCOME/(EXPENSE)		**8.544.228**	**(10.903.041)**
Financial Income	17	-	27.046.719
Financial Expenses (-)	17	(20.857.038)	(6.721.477)
(LOSS)/PROFIT BEFORE TAX		**(12.312.810)**	**9.422.201**
Tax Income /(Expense)		**10.545.039**	**(4.647.171)**
- Current Tax Expense	18	-	(50.432)
- Deferred Tax Income /(Expense)	18	10.545.039	(4.596.739)
(LOSS)/PROFIT AFTER TAX		**(1.767.771)**	**4.775.030**
OTHER COMPREHENSIVE INCOME			
Other comprehensive income or expenses that will not be reclassified subsequently to profit of loss		**(46.856.468)**	**23.293.004**
Currency translation reserves		(46.856.468)	23.293.004
Other comprehensive income or expenses that may be reclassified subsequently to profit or loss		**35.873.018**	**17.612.148**
Currency translation reserves		35.873.018	17.612.148
OTHER COMPREHENSIVE (EXPENSE)/ INCOME NET OF TAX		**(10.983.450)**	**40.905.152**
TOTAL COMPREHENSIVE (EXPENSE)/INCOME		**(12.751.221)**	**45.680.182**
(Loss)/Profit per share	19	**(0,0273)**	**0,0736**

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED FINANCIAL STATEMENT OF CHANGES IN EQUITY FOR THE ENDED 31 MARCH 2016

(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 (Loss)/ Profit for the Period	TOTAL
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	-	-	2.641.071	23.293.004	-	-	14.971.077	-	40.905.152
Net profit for the period	-	-	-	-	-	-	-	4.775.030	4.775.030
Total comprehensive income	**-**	**-**	**2.641.071**	**23.293.004**	**-**	**-**	**14.971.077**	**4.775.030**	**45.680.182**
Transfer	-	-	-	-	-	-	11.845.089	(11.845.089)	-
Balance as at 31 March 2015	**64.864.800**	**41.612.160**	**7.956.632**	**99.029.234**	**(8.053.531)**	**32.809.042**	**125.584.831**	**4.775.030**	**368.578.198**
Balance as at 1 January 2016	**64.864.800**	**41.612.160**	**7.661.632**	**123.400.607**	**(8.321.961)**	**33.182.076**	**140.496.508**	**34.305.075**	**437.200.897**
Currency translation differences	-	-	821.446	(46.856.468)	-	-	35.051.572	-	(10.983.450)
Actuarial loss	-	-	-	-	-	-	-	-	-
Deferred tax benefit on actuarial loss	-	-	-	-	-	-	-	-	-
Net (loss)/profit for the period	-	-	-	-	-	-	-	(1.767.771)	(1.767.771)
Total comprehensive income	**-**	**-**	**821.446**	**(46.856.468)**	**-**	**-**	**35.051.572**	**(1.767.771)**	**(12.751.221)**
Transfer	-	-	-	-	-	-	34.305.075	(34.305.075)	-
Transfer to reserves	-	-	-	-	-	373.034	(373.034)	-	-
Balance as at 31 March 2016	**64.864.800**	**41.612.160**	**8.483.078**	**76.544.139**	**(8.321.961)**	**33.555.110**	**209.480.121**	**(1.767.771)**	**424.449.676**

Retained earnings contain extraordinary reserves.

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOW FOR THE PERIOD ENDED 31 MARCH 2016

(Unless otherwise stated the amounts are in TL).

		Unaudited	
	Notes	For the Period Ended 31 March 2016	For the Period Ended 31 March 2015
A. Cash flows from operating activities			
(Loss)/Profit for the year		**(1.767.771)**	**4.775.030**
Adjustements related to depreciation	10-11	5.430.842	4.430.808
Adjustments related to loss from the sale of tangible assets		(12.683)	(270.648)
Adjustments related to unused vacation provision		337.225	189.673
Adjustments related to severance indemnity and special retirement pay provision		682.634	826.956
Adjustments related to in premium provision		6.339.018	2.968.798
Adjustments related to provisions	13	(201.799)	(1.489.748)
Adjustments related to doubtful receivable write off	7	207.797	1.177.612
Adjustments related to derivative financial instruments		109.927	-
Adjustments related to interest income	16	(545.893)	(76.648)
Adjustments related to interest expense	17	10.823.513	6.112.966
Adjustments related to unrealized currency translation	16-17	3.606.084	(17.870.796)
Adjustments related to financial investments under equity method	3	(726.727)	(112.197)
Adjustments related to discount (income)/expense	16	(670.462)	-
Adjsutments related to tax income/(expense)	18	(10.545.039)	4.647.171
Adjustments to reconcile income for the period		**14.834.437**	**533.947**
Change in trade receivables	7	(2.714.932)	108.741.525
Change in inventory	8	(2.280.894)	3.947.843
Change in short and long term deferred costs		(30.889.129)	(19.883.591)
Change in due from related parties	20	(124.726)	720.656
Change in prepaid expenses	9	19.055.376	(1.864.978)
Change in other receivables and assets	8-19	(15.709.000)	(1.037.497)
Change in other tangible fixed assets		381.676	101.942
Change in trade payables	7	(99.621.883)	(87.557.605)
Change in advances received		(4.907.307)	(21.261.176)
Change in deferred revenues		(3.925.313)	(1.916.048)
Change in payables arising from employee benefits		14.868.814	14.059.363
Change in short and long term other payables		(9.133.770)	(8.537.004)
Change in due to related parties	20	106.041	1.664.108
Movements in working capital		**(134.895.047)**	**(12.822.462)**
Cash used in from operations		**(121.828.381)**	**(7.513.485)**
Taxes paid		-	(187.368)
Payment for employee premiums		(13.864.791)	(10.334.386)
Payment for unused vacation day accruals		(593.716)	(288.913)
Retirement benefits paid		(2.620.074)	(373.141)
		(138.906.962)	**(18.697.293)**
B. Cash flows from investing activities			
Interest received		545.893	76.648
Acquisition of property, plant and equipment	10-11	(3.563.880)	(1.019.690)
Financial investments		(261.341)	(150.065)
Proceeds from sale of property, plant and equipment	10-11	98.963	821.912
		(3.180.365)	**(271.195)**
C. Cash flows from financing activities			
Cash (outflow)/ inflow due to the financial liabilities		(3.985.083)	47.500.194
Interest paid		(2.527.118)	(3.468.504)
		(6.512.201)	**44.031.690**
Net increase in cash and cash equivalents before the effect of exchange rate changes (A+B+C)		**(148.599.528)**	**25.063.202**
D. Effects of exchange rate changes on cash and cash equivalents		10.111.637	(3.747.150)
Net increase in cash and cash equivalents A+B+C+D)		**(138.487.891)**	**21.316.052**
E. Cash and cash equivalents at the beginning of the period	5	226.061.741	84.325.174
Cash and cash equivalents at the end of the period (A+B+C+D+E)	5	**87.573.850**	**105.641.226**

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 of 31 March 2016, Average white collar head count is 2.121 (31 December 2015: 2.204).

Approval of Condensed Consolidated Financial Statements

Group's condensed consolidated financial statements as of 31 March 2016 have been approved by the Board of Directors on 10 May 2016.

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 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

The accompanying condensed consolidated financial statements for the period ended 31 March 2016 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 2015. Accordingly, the accompanying condensed consolidated financial statements should be assessed together with the consolidated financial statements as of 31 December 2015.
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b) Basis of presentation of consolidated financial statements:

The details of the Company’s subsidiaries as of 31 March 2016 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 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.

2. BASIS OF PRESENTATION OF THE CONDENSED 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 March 2016 and 31 December 2015 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.

2. BASIS OF PRESENTATION OF THE CONDENSED 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 March 2016 (Turkish Central Bank USD Buying rate: 1 USD: = 2,8334 TL), statements of income and statements of cash flows have been translated to TL by using three months average exchange rate (1 USD: 2,9434TL) for the period ended 31 March 2016(for the 1 January-31 March 2015 1 USD: 2,4578 TL) 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 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 condensed consolidated financial statements are translated by using USD rates as of 31 December 2015 (31 December 2015 1 USD: 2,9076 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.

2.3 Change in Accounting Policies

Significant changes in accounting policies are applied retrospectively and prior period financial statements are adjusted accordingly. There are not any changes in accounting policies in the current year. Applied accounting standards are consistent with previous periods.

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.

2. BASIS OF PRESENTATION OF THE CONDENSED 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.

2. BASIS OF PRESENTATION OF THE CONDENSED 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.

2. BASIS OF PRESENTATION OF THE CONDENSED 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.

2. BASIS OF PRESENTATION OF THE CONDENSED 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.

2. BASIS OF PRESENTATION OF THE CONDENSED 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 March 2016, 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

2. BASIS OF PRESENTATION OF THE CONDENSED 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.The main purpose to the risk management is protect the foreign exchange position that least currency fluctuation.

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:

2. BASIS OF PRESENTATION OF THE CONDENSED 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.

2. BASIS OF PRESENTATION OF THE CONDENSED 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 condensed consolidated financial statements as TL, balance sheet has been translated to TL by using Turkish Central Bank foreign exchange buying rates as of 31 March 2016 1 US $ = 2,8334 TL , 1EUR = 3,2081 TL , 1 CAD = 2,1711 TL, 1 GBP = 4,0766 TL and 1 BDT = 0,03549 TL.

2. BASIS OF PRESENTATION OF THE CONDENSED 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.

2. BASIS OF PRESENTATION OF THE CONDENSED 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.

2. BASIS OF PRESENTATION OF THE CONDENSED 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 condensed 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 12.

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 form 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 taxableprofitnortheaccountingprofit.

2. BASIS OF PRESENTATION OF THE CONDENSED 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.

2. BASIS OF PRESENTATION OF THE CONDENSED 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

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.

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.

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

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.

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 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 21	Financial instruments and risk management: Estimations and accounting judgments regarding to collectability of receivables
Note 15	Revenue and cost of sales: Estimation of revenue and cost based on project based analysis

2.6 New and Revised Turkish Financial Reporting Standards

(a) Amendments to TAS affecting amounts reported and/or disclosures in the [consolidated] financial statements

None.

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

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 TAS applied with no material effect on the consolidated financial statements

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.

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.

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 with no material effect on the consolidated financial statements (cont'd)

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)

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

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

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

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

2.6 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.

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

3. SHARES IN ASSOCIATES

Associates

Details of Important associates

As of 31 March 2016, 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.

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 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.

	31 March 2016	**31 December 2015**
Current assets	16.244.181	18.060.465
Non-current assets	9.374.565	9.131.425
Sort term liabilities	4.761.333	6.627.093
Long term liabilities	446.570	562.570
Net assets	20.410.843	20.002.227
Share of the Group in net assets	2.041.084	2.000.223

	1 January 2016 -31 March 2016	**1 January 2015 -31 December 2015**
Net profit	298.623	6.216.280
Other comprehensive income	109.993	29.530
Total comprehensive income	408.616	6.245.810
Share of the Group in total comprehensive income	40.862	624.581

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

	31 March 2016	**31 March 2015**
As at 1 January	2.601.418	1.804.909
Share from the profit of the year	40.862	115.736
Currency translation reserves	686.005	171.774
Closing balance as 31 March	**3.328.145**	**2.092.419**

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 March 2016	Enterprise	Public	International	Technology	BDH	Unallocated (*)	Total
Revenue	82.415.200	79.959.658	15.600.020	18.543.420	7.947.180	-	204.465.478
Cost of sales	(73.985.855)	(68.227.620)	(12.422.962)	(17.465.553)	(7.063.496)	(2.818.231)	(181.983.717)
Gross margin	**8.429.345**	**11.732.038**	**3.177.058**	**1.077.867**	**883.684**	**(2.818.231)**	**22.481.761**
Sales and marketing expenses	(5.621.538)	(4.874.062)	(2.494.645)	-	-	-	(12.990.246)
General administrative expenses	-	-	-	-	-	(4.428.600)	(4.428.600)
Research and development expenses	-	-	-	(583.902)	-	-	(583.902)
Operating profit / (loss) of segment	**2.807.807**	**6.857.975**	**682.413**	**493.965**	**883.684**	**(7.246.831)**	**4.479.013**

For the period ended 31 March 2015	Enterprise	Public	International	Technology	BDH	Unallocated (*)	Total
Revenue	99.310.759	23.220.853	11.347.417	18.393.286	6.622.298	-	158.894.613
Cost of sales	(91.202.702)	(21.535.099)	(6.981.358)	(15.423.466)	(8.096.978)	(2.188.447)	(145.428.050)
Gross margin	**8.108.057**	**1.685.754**	**4.366.059**	**2.969.820**	**(1.474.680)**	**(2.188.447)**	**13.466.563**
Sales and marketing expenses	(5.513.768)	(4.375.644)	(1.809.990)	-	-	-	(11.699.402)
General administrative expenses	-	-	-	-	-	(3.761.728)	(3.761.728)
Research and development expenses	-	-	-	(304.761)	-	-	(304.761)
Operating profit / (loss) of segment	**2.594.289**	**(2.689.890)**	**2.556.069**	**2.665.059**	**(1.474.680)**	**(5.950.175)**	**(2.299.328)**

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

4. SEGMENT REPORTING (cont'd)

31 March 2016	Enterprise	Public	International	Technology	BDH	Unallocated(*)	Total
Trade receivables	137.384.186	379.835.355	77.673.791	300.155	7.058.588	62.032.952	664.285.026
Due from related parties	-	-	-	18.188.522	-	-	18.188.522
Inventories	17.411.932	79.403.649	5.154.445	-	-	613.239	102.583.265
Deferred costs	35.042.160	80.990.036	1.368.257	3.012.128	3.146.638	2.754.863	126.314.082
Segments assets	**189.838.277**	**540.229.040**	**84.196.493**	**21.500.805**	**10.205.226**	**65.401.055**	**911.370.895**
Trade payables (*)	106.729.581	101.488.515	18.277.275	67.587	4.192.697	26.926.028	257.681.682
Due to related parties	-	-	-	160.460	-	-	160.460
Deferred revenues	33.604.688	20.734.507	6.991.406	-	-	479.967	61.810.568
Advances received	1.697.278	58.449.731	202.014	-	1.087	-	60.350.110
Segment liabilities	**142.031.546**	**180.672.752**	**25.470.695**	**228.047**	**4.193.784**	**27.405.995**	**380.002.820**

31 December 2015	Enterprise	Public	International	Technology	BDH	Unallocated(*)	Total
Trade receivables	179.315.387	346.456.702	89.979.032	599.050	5.626.981	65.193.530	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	**233.075.474**	**488.802.271**	**95.509.343**	**19.140.677**	**5.626.981**	**65.682.605**	**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**

(*) 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 March 2016 and 2015.

4. SEGMENT REPORTING (cont'd)

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

(Loss)/Profit before tax	**For the Period Ended 31 March 2016**	**For the Period Ended 31 March 2015**
Operating profit of segment	4.479.013	(2.299.328)
Income /(Expense) from operations (net)	4.011.670	(8.990.097)
Other income/(expense) from investments	53.545	386.384
Finance (Expenses)/Income (net)	(20.857.038)	20.325.242
(Loss)/ Profit before tax	**(12.312.810)**	**9.422.201**

Assets	**31 March 2016**	**31 December 2015**
Segment assets	911.370.895	907.837.351
Other assets	296.808.481	444.777.805
Total assets	**1.208.179.376**	**1.352.615.156**

Liabilities	**31 March 2016**	**31 December 2015**
Segment liabilities	380.002.820	496.984.830
Other liabilities	403.726.880	418.429.429
Total liabilities	**783.729.700**	**915.414.259**

5. CASH AND CASH EQUIVALENTS

	31 March 2016	**31 December 2015**
Cash	458	
Bank- demand deposits	57.043.725	38.598.503
Bank- time deposits	30.300.144	187.084.434
Other cash and cash equivalents	229.523	378.804
	87.573.850	**226.061.741**

Currency	**Original Currency Amount**	**Interest Rate %**	**Maturity**	**31 March 2016**
US$	10.693.917	1,25-2,6	April 16	30.300.144
				30.300.144

Currency	**Original Currency Amount**	**Interest Rate %**	**Maturity**	**31 December 2015**
US$	51.285.090	1,25-2,6	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

The credit risk, foreign currency and sensitivity risks of financial assets and liabilities are disclosed in Note 21. As of 31 March 2016 and 31 December 2015, there are no restriction / blockage on bank accounts.

6. FINANCIAL LIABILITIES

Short term financial liabilities	31 March 2016	31 December 2015
Short term unsecured loans	330.017.944	329.886.371
Non interest bearing unsecured spot loans	3.755.569	3.181.914
	333.773.513	**333.068.285**

As of 31 March 2016, the average interest rate for TL loans is 13,76 % and USD loans is 3,08 % (2015: for TL loans is 13,40% and for USD loans is 3,13%).

The details of loans of the Group are given below;

Currency	Original Currency Amount	Effective interest rate %	Maturity	31 March 2016
US$	20.140.138	3,00-3,25	October 16- November 16	57.065.067
TL	272.952.877	12,50-14,50	April 16- October 16	272.952.877
				330.017.944

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

The Group had no collaterals given for bank loans as of 31 March 2016 and 31 December 2015.

7. TRADE RECEIVABLES AND PAYABLES

Other Trade Receivables from Third Parties	**31 March 2016**	**31 December 2015**
Trade receivables	379.681.103	405.517.617
Unbilled receivables	197.372.559	192.680.792
Notes receivable	518.763	553.318
Allowances for doubtful receivables	(20.618.297)	(21.060.373)
	556.954.128	**577.691.354**

Movement of Allowance for Doubtful Receivables	**31 March 2016**	**31 March 2105**
Balance at beginning of the year	(21.060.373)	(14.255.324)
Charge for the period	(207.797)	(1.177.611)
Provision reversal	95.673	426.480
Currency translation differences	554.200	(2.200.458)
Balance at 31 March	**(20.618.297)**	**(17.206.913)**

No guarantee has been obtained for trade receivables

Long Term Trade Receivables from Third Parties	**31 March 2016**	**31 December 2015**
Trade Receivables	115.395.237	118.417.160
Discount on Trade Receivables(-)(*)	(8.064.339)	(8.937.832)
	107.330.898	**109.479.328**

(*) As of 31 March 2016, Group will collect its trade receivable in every year by equal payment; total amount is USD 26.725.649 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 March 2016**	**31 December 2015**
Trade payables	245.085.935	347.705.986
Other trade payables	282.643	2.366.546
	245.368.578	**350.072.532**

Long term other trade payables	**31 March 2016**	**31 December 2015**
Other trade payables	12.313.104	12.781.889
	12.313.104	**12.781.889**

7. TRADE RECEIVABLES AND PAYABLES (Cont'd)

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 of 31 March 2016 and the bankruptcy protection filing date of 14 January 2009 are given below:

		14 January 2009			31 March 2016			31 December 2015		
Country	**Company**	**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	46.399.059	(9.471.180)	36.927.879	47.614.139	(9.719.208)	37.894.931
Ireland	Nortel Networks (Ireland) Limited	1.412.901	-	1.412.901	1.376.846	-	1.376.846	1.412.902	-	1.412.902
Canada	Nortel Networks Technology Corporation	331.175	(44.848)	286.328	-	-	-	-	-	-
Egypt	Nortel Networks Inc. (Egypt Branch)	251.800	-	251.800	248.661	-	248.661	255.174	-	255.174
Europe	Nortel Networks N.V.	130.218	-	130.218	126.894	-	126.894	130.217	-	130.217
India	Nortel Networks (India) Private Limited	39.942	-	39.942	24.224	-	24.224	27.800	-	27.800
Holland	Nortel Networks BV.	78.867	-	78.867	-	-	-	-	-	-
Italy	Nortel Networks S.p.A.	19.529	-	19.529	19.031	-	19.031	19.530	-	19.530
		43.731.381	**(7.312.247)**	**36.419.134**	**48.194.715**	**(9.471.180)**	**38.723.535**	**49.459.762**	**(9.719.208)**	**39.740.554**
Mexico	Nortel de México, S. de R.L. de C.V.	-	(14.272)	(14.272)	-	(13.908)	(13.908)	-	(14.273)	(14.273)
Germany	Nortel GmbH	-	(203.114)	(203.114)	-	-	-	-	-	-
France	Nortel Networks S.A.	29.948	(86.624)	(56.676)	174.180	(71.305)	102.875	178.744	(73.173)	105.571
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**	**48.368.895**	**(9.556.393)**	**38.812.502**	**49.638.506**	**(9.806.654)**	**39.831.852**

The foreign currency risk and liquidity risk of short term trade receivables and payables are disclosed in Note 21.

8. INVENTORIES

	31 March 2016	31 December 2015
Raw materials	32.851.311	25.109.488
Finished goods	42.785.607	47.400.127
Trade goods	34.650.961	38.444.605
Other inventories	924.849	917.753
Allowance for inventory impairment	(8.629.463)	(8.855.448)
	102.583.265	**103.016.525**

Movement for allowance	31 March 2016	31 March 2015
1 January - opening balance	(8.855.448)	(7.213.137)
Release / (charge) for the period	-	-
Foreign currency exchange differences	225.985	(906.114)
Closing balance as 31 March	**(8.629.463)**	**(8.119.251)**

9. PREPAID EXPENSES

Short Term Prepaid Expenses

	31 March 2016	31 December 2015
Advances given for inventory purchases	6.112.052	25.951.614
Prepaid expenses Relating to Future Months	4.131.366	4.818.986
Goods in transit	2.701.079	1.946.039
Business advances	300.972	179.711
	13.245.469	**32.896.350**

Long Term Prepaid Expenses	31 March 2016	31 December 2015
Prepaid Expenses Relating to Future Years	1.539.057	1.098.957
	1.539.057	**1.098.957**

10. TANGIBLE FIXED ASSETS

For the period ended 31 March 2016, the Group purchased TL 1.764.945, and disposed TL 86.280 of tangible fixed assets. (31 March 2015: purchases: TL 991.568TL, disposal :TL 276.308)

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.

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**
Currency Translation Reserves	(1.359.945)
Goodwill as of 31 March 2016	**51.930.861**

11. 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 perfom a valuation analysis of Probil. An independent assessment has been prepared a valuation of 100% of the share capital of Probil, based on its financial statements on a consolitated 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 is between 43,0 –50,4 million USD.

The result of the sensitivity analysis is conducted by changing the WACC value between 10,9 % to 11,9 %, 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.Consequantly,base on goodwill amount to the test of impairment by appraised company.Company has no determine any impairment of analysis by probil.

As conclusion, an independent assessment report has been obtained, and no goodwill impairment is noted.

11. INTANGIBLE ASSETS (cont'd)

Other Intangible Assets

For the period ended 31 March 2016, the Group purchased TL 1.798.935 of intangible assets and disposed no intangible assets (31 March 2015: purchases TL 28.122 and no disposal).

12. GOVERNMENT GRANTS

For the period ended 31 March 2016 the Group has no received accrued incentive from TÜBİTAK for its research and development activities. (For the period ended 31 March 2015: TL 1.201.696 accrued incentive received, TL 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 March 2016 the Group has a corporate tax benefit of TL 115.241.146 due to research and development disbursement and this amount has no utilized by the period end,handed over to other terms (As of 31 March 2015, the benefit is TL 99.625.897 and TL 12.259.583 of this amount is utilized by the period end). The Group has booked deferref tax assets for unused R&D tax benefit (Note 18).

For the period ended 31 March 2016, the amount of income tax incentive within the scope of Act numbered 5746 is TL 2.896.238 (For the period ended 31 March 2015: TL 2.149.965) 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 2.247.853 (For the period ended 31 March 2015: TL 1.673.567).

13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other Short Term Provisions	31 March 2016	31 December 2015
Provision for legal cases	4.085.216	4.309.760
Other provisions	450.801	428.609
	4.536.017	**4.738.369**

For the period ended 31 March 2016, the Group had a cash outflow of TL 1.094.298 for legal cases during the period (For the period ended 31 December 2015: TL 4.201.720).

	Provision for Legal Cases	Other Provisions	Total
1 January 2016 opening	4.309.760	428.609	4.738.369
Provision booked	390.367	300.939	691.306
Provision no longer required	(614.911)	(278.194)	(893.105)
Foreign currency exchange differences	-	(553)	(553)
31 March 2016 closing	**4.085.216**	**450.801**	**4.536.017**

	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**

14. COMMITMENTS

The Group's off-balance sheet commitments and contingencies as of 31 March 2016 and 31 December 2015 are as follows:

	31 March 2016	31 December 2015
Guarantee letters given(*)	330.486.259	318.911.600

(*) The group has no off-balance sheet commitments and contingencies in favor of subsidiaries which are fully consolidated and non-consolidated as of 31 March 2016

14. COMMITMENTS (cont'd)

The off-balance sheet commitments and contingencies as of 31 March 2016 and 31 December2015 are as follows:

Commitments, Pledges, Mortgages ("CPM") are given by the Company	**31 March 2016**	**31 December 2015**
A. Total amount of CPM is given on behalf of own legal personality	330.486.259	318.911.600
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	-	-
	330.486.259	**318.911.600**

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 with Yudo Leon Mizrahi(Renter) and Salvo Özsarfati(Lessor) for "Buyaka İs Merkezi" which 50 threader,1840 block of buildings,233 parcel that registered immovabe for 15th floor in C Block each of which is 845 m2 is utilized as an office. The amout which it will be paid for the rented place starting on 1 January 2016 for 15th floor is USD 17.705. 3% will be applied for the increase of next year rental. The amount of rent between 01.02.2016-31.01.2017 is net USD 18.236 and between 01.02.2017-31.01.2018, net USD 18.784 which will be paid.

14. COMMITMENTS (cont'd)

Rent Agreements **(cont'd)**

Unrevokable Operational Lease Commitments	31 March 2016	31 December 2015
Within one year	8.612.848	8.656.502
Between 1-5 years	8.346.311	10.805.625
	16.959.159	**19.462.127**

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 Period Ended 31 March 2016	For the Period Ended 31 March 2015
Total domestic	**167.608.620**	**129.157.538**
United States	17.796.997	17.786.004
Asia	667.347	477.563
Africa	14.145.042	10.620.958
Europe	4.247.472	852.550
Total export	**36.856.858**	**29.737.075**
Total sales	**204.465.478**	**158.894.613**

Cost of Sales:

	For the Period Ended 31 March 2016	For the Period Ended 31 March 2015
Equipment expenses	113.321.255	82.795.320
Personnel expenses	44.657.968	35.086.930
Service/ support expenses	15.966.795	21.407.819
Depreciation expenses	3.800.047	2.876.267
Rent Expenses	1.864.513	1.305.460
Transportation cost	600.094	632.892
Other	1.773.045	1.323.362
	181.983.717	**145.428.050**

16. INCOME/EXPENSES FROM OTHER OPERATING ACTIVITIES

Income from operating activities	For the Period Ended 31 March 2016	For the Period Ended 31 March 2015
R&D Incentives	-	1.201.696
İncome from foreign exchange	4.890.913	-
Rediscount income	670.462	-
Interest income	545.893	76.648,00
Service income	53.515	41.525
Income from inventory sales	6.475	1.388
Other income and gains	399.117	105.515
	6.566.375	**1.426.772**

(*)Rediscount income of trade operation receognized in income from other operating activities.

Expenses from operating activities	For the Period Ended 31 March 2016	For the Period Ended 31 March 2015
Foreign exchange expense	-	9.149.969
Legal case provision expenses	1.634.407	746.314
Other tax expenses	219.056	357.041
Other expenses and loss	701.242	163.545
	2.554.705	**10.416.869**

17. FINANCIAL INCOME / (EXPENSES)

Finance Income:

	For the Period Ended 31 March 2016	For the Period Ended 31 March 2015
Foreign exchange gain from loans	-	27.020.765
Income from option contracts	-	25.954
	-	**27.046.719**

Finance Expense:

	For the Period Ended 31 March 2016	For the Period Ended 31 March 2015
Interest expenses	10.823.513	6.112.966
Foreign exchange loss of credit	8.496.997	-
Guarantee letter commissions	755.603	541.386
Other finance expenses	780.925	67.125
	20.857.038	**6.721.477**

18. TAX ASSETS AND LIABILITIES

	For the Period Ended 31 March 2016	For the Period Ended 31 March 2015
Current Tax Expense	-	(50.432)
Deferred Tax Income/(Expense)	10.545.039	(4.596.739)
	10.545.039	**(4.647.171)**

18. TAX ASSETS AND LIABILITIES (Cont'd)

Movement for deferred taxes as of 31 March 2016 and 2015 are as follows;

	1 January 2016	Profit or Loss	Difference	31 March 2016
Tangible and intangible assets	(9.628.160)	439.855	299.681	(8.888.624)
Trade receivables	(41.139.634)	996.549	1.012.613	(39.130.472)
Trade payables and provisions	2.240.615	(22.738.703)	792.606	(19.705.482)
Inventory and deferred costs	3.360.460	25.394.475	(1.034.792)	27.720.143
Advances received	2.168.521	(1.203.977)	(10.344)	954.200
Provisions for employee bonuses	2.272.264	(1.503.350)	(1.804)	767.110
Provision for unused vacation	1.002.494	(26.714)	(24.585)	951.195
Severance and retirement provisions	4.155.527	(292.367)	(95.120)	3.768.040
Deferred revenues	6.279.027	1.130.530	(202.486)	7.207.071
Unused R&D tax exemption	18.885.370	4.825.123	(662.265)	23.048.228
Carryforward tax loses	1.227.063	3.530.229	(163.244)	4.594.048
Other	774.025	(6.611)	(19.507)	747.907
	(8.402.428)	**10.545.039**	**(109.247)**	**2.033.364**

	1 January 2015	Charge to Profit or Loss	Translation Difference	31 March 2015
Tangible and intangible assets	(7.408.373)	(417.994)	(1.179.701)	(9.006.068)
Trade receivables	(35.874.160)	2.064.013	(4.378.526)	(38.188.673)
Trade payables and provisions	(3.268.110)	(87.248)	(415.950)	(3.771.308)
Inventory and deferred costs	11.231.492	(2.815.983)	1.236.289	9.651.798
Advances received	1.298.299	(516.051)	131.094	913.342
Provisions for employee bonuses	2.147.358	(1.641.109)	167.991	674.240
Provision for unused vacation	865.312	(121.043)	101.195	845.464
Severance and retirement provisions	3.776.653	(361.259)	452.022	3.867.416
Deferred revenues	11.381.215	(383.210)	1.405.946	12.403.951
Unused R&D tax exemption	15.991.423	(496.308)	1.978.067	17.473.182
Carryforward tax loses	1.938.391	221.976	257.264	2.417.631
Other	355.997	(42.523)	42.084	355.558
	2.435.497	**(4.596.739)**	**(202.225)**	**(2.363.467)**

As at 31 March 2016, the Group has TL 22.970.239 carry forward tax losses to be used in the future (31 March 2015: TL 12.088.155) and booked deferred tax asset of TL 4.594.048 TL (31 March 2015: TL 2.417.631).

19. (LOSS)/EARNING PER SHARE

	For the Period Ended 31 March 2016	For the Period Ended 31 March 2015
Number of shares	64.864.800	64.864.800
Net (loss)/profit for the year	(1.767.771)	4.775.030
(Loss)/Earning per share	(0,0273)	0,0736

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 of 31 March 2016 and 31 December 2015 is as follows:

Due from Related Parties	31 March 2016	31 December 2015
Genband US LLC	17.226.516	17.903.265
Genband Ireland Ltd.	827.078	319.025
Genband Japan GK	-	41.917
Genband Telecommunications (UK)	55.629	196.044
Genband Telecomunicacoes	79.299	81.376
	18.188.522	**18.541.627**

Due to Related Parties	31 March 2016	31 December 2015
Genband Ireland Ltd.	140.626	21.588
Genband IUS LLC	19.834	23.855
	160.460	**45.443**

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

Main transactions with related parties are as follows for the period ended 31 March 2016 and 2015:

Sales	For the Period Ended 31 March 2016	For the Period Ended 31 March 2015
Genband US LLC	17.895.294	17.285.908
Genband Ireland Ltd.	674.145	634.251
Genband Telecommunications(UK)	41.698	104.456
	18.611.137	**18.024.615**

Purchases	For the Period Ended 31 March 2016	For the Period Ended 31 March 2015
Genband Ireland Ltd.	148.682	1.421.818
Kron Telekomunikasyon A.Ş.	-	1.129.959
Genband IUS LLC	-	26.102
	148.682	**2.577.879**

For the period ended 31 March 2016, total remuneration for the directors, management, and board members of the Group is TL 3.647.692 (for the period ended 31 March 2015 total remuneration for the directors, management, and board and audit members are TL 2.823.708). As of 31 March 2016 and 31 March 2015 there is no credit granted to the Group's management.

21. 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:

31 March 2016	**Trade Receivables**		**Other Receivables**	
	Related Parties	**Other**	**Other (*)**	**Deposits at Banks**
Maximum credit risks as of balance sheet date(A+B+C+D+E)	**18.188.522**	**664.285.026**	**515.062**	**87.343.869**
Maximum risk guaranteed by collateral	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	17.807.492	522.078.850	515.062	87.343.869
(B) Net book value of overdue but not impaired financial assets (**)	381.030	142.206.176	-	-
Guaranteed by collateral	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-
Overdue (gross book value)	-	20.618.297	-	-
Impairment (-)	-	(20.618.297)	-	-
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 48.368.895 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.

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

Credit risk (cont'd)

31 December 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)	**18.541.627**	**687.170.682**	**397.045**	**225.682.937**
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.

21. 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	
31 March 2016	**Trade Receivables**	**Other Receivables**
1-30 days overdue	48.261.264	-
1-3 months overdue	25.294.814	-
3-12 months overdue	13.232.856	-
1-5 years overdue	7.429.378	-
Overdue more than 5 years	48.368.895	-
Total	**142.587.206**	-

	Receivables	
31 December 2015	**Trade Receivables**	**Other Receivables**
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**	-

Liquidity risk

The Group holds adequate sources to be able to fulfill its current and future liabilities. As of 31 March 2016 and 31 December 2015 liquidity risk table are as follows;

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

Liquidity risk (cont'd)

31 March 2016

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	**591.615.655**	**606.219.203**	**358.976.063**	**234.930.036**	**12.313.104**
Financial liabilities	333.773.513	348.377.061	113.447.025	234.930.036	-
Due to related parties	160.460	160.460	160.460	-	-
Other trade payables to third parties	257.681.682	257.681.682	245.368.578	-	12.313.104

Expected maturities	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
Non- derivative financial liabilities	**35.164.662**	**35.164.662**	**30.628.645**	**4.536.017**	**-**
Other short term provisions	4.536.017	4.536.017	-	4.536.017	-
Payables related to employee benefits	27.014.852	27.014.852	27.014.852	-	-
Other payables to third parties (*)	3.613.793	3.613.793	3.613.793	-	-

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.

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

Liquidity risk (cont'd)

31 December 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	**695.968.149**	**716.692.411**	**439.151.113**	**264.759.409**	**12.781.889**
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	350.072.532	-	12.781.889

Expected maturities	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
Non- derivative financial liabilities	**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.

21. 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 March 2016	**31 December 2015**
Fixed interest rate financial instruments	**360.318.088**	**516.970.805**
Financial assets (*)	30.300.144	187.084.434
Financial liabilities	330.017.944	329.886.371
Variable interest rate financial instruments	**-**	**-**
Financial liabilities	-	-
Interest-free financial instruments	**3.755.569**	**3.181.914**
Financial liabilities	3.755.569	3.181.914

(*) As of 31 March 2016 and 31 December 2015, 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 March 2016	**31 March 2015**
Export	36.856.858	29.737.075
Imports	70.338.802	63.741.040

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

Foreign currency risk (cont'd)

As of 31 March 2016 and 31 December 2015, the Group's foreign currency position table is given below.

		Original Currency					
31 March 2016	**TL Equivalent (*)**	**TL**	**EURO**	**CAD**	**GBP**	**TAKA**	**Other**
Current Assets	**309.176.404**	**294.687.562**	**2.761.885**	**-**	**74.094**	**14.027.976**	**588.845.600**
Cash and cash equivalents	30.159.627	22.359.304	800.414	-	73.492	13.527.976	543.025.595
Trade receivables	148.909.682	143.368.256	1.641.253	-	602	-	33.374.132
Other receivables	458.638	440.893	-	-	-	500.000	-
Prepaid expenses	79.254.068	78.240.820	314.588	-	-	-	490.019
Other current assets	50.394.389	50.278.289	5.630	-	-	-	11.955.854
TOTAL ASSETS (A)	**309.176.404**	**294.687.562**	**2.761.885**	**-**	**74.094**	**14.027.976**	**588.845.600**
Short Term Liabilities	**376.299.532**	**371.184.580**	**1.539.196**	**4.306**	**3.182**	**238.514**	**17.838.092**
Financial liabilities	276.708.445	276.708.445	-	-	-	-	-
Trade payables	57.742.499	52.651.034	1.535.197	3.138	3.182	238.514	16.847.604
Other payables	3.606.582	3.600.599	-	-	-	-	729.634
Payables from employee benefits	27.013.854	26.996.350	3.999	1.168	-	-	260.854
Employee benefits	6.710.923	6.710.923	-	-	-	-	-
Other short term provision	4.517.229	4.517.229	-	-	-	-	-
Long Term Liabilities	**20.073.205**	**20.073.205**	**-**	**-**	**-**	**-**	**-**
Employee benefits	20.073.205	20.073.205	-	-	-	-	-
TOTAL LIABILITIES (B)	**396.372.737**	**391.257.785**	**1.539.196**	**4.306**	**3.182**	**238.514**	**17.838.092**
Net Foreign Currency Asset / (Liability) Position (A-B)	**(87.196.334)**	**(96.570.223)**	**1.222.689**	**(4.306)**	**70.912**	**13.789.462**	**571.007.508**

(*) 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.

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

Foreign currency risk (cont'd)

		Original Currency					
31 December 2015	**TL Equivalent (*)**	**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 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.

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

Foreign currency risk (cont'd)

Exchange Rate Sensitivity Table

31 March 2016

	Profit / Loss	
	Appreciation	Devaluation
Effect of 10 % appreciation/devaluation in TL -USD exchange rate :		
Net asset / (liability) in TL	(9.657.022)	9.657.022
Not subjected to TL risk (-)	-	-
(1) Net effect of TL	**(9.657.022)**	**9.657.022**
Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :		
Net asset / (liability) in EUR	392.251	(392.251)
Not subjected to EUR risk (-)	-	-
(2) Net effect of EUR	**392.251**	**(392.251)**
Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:		
Net asset / (liability) in other currencies	545.138	(545.138)
Not subjected to other currency risk (-)	-	-
(3) Net effect of other currencies	**545.138**	**(545.138)**
TOTAL (1+2+3)	**(8.719.633)**	**8.719.633**

31 December 2015

	Profit / Loss	
	Appreciation	Devaluation
Effect of 10 % appreciation/devaluation in TL -USD exchange rate :		
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**
Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :		
Net asset / (liability) in EUR	500.481	(500.481)
Not subjected to EUR risk (-)	-	-
(2) Net effect of EUR	**500.481**	**(500.481)**
Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:		
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**

22. SUBSEQUENT EVENTS

None.

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

None.