

**(CONVENIENCE TRANSLATION OF CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS ORIGINALLY ISSUED IN TURKISH)**

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

CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016
AND LIMITED REVIEW REPORT

(CONVENIENCE TRANSLATION OF THE REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION ORIGINALLY ISSUED IN TURKISH)

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Netaş Telekomünikasyon A.Ş. ("the Company") and its subsidiaries (together will be referred as "the Group") as of 30 June 2016 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. Group management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with Turkish Accounting Standards 34 "Interim Financial Reporting" ("TAS 34"). Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

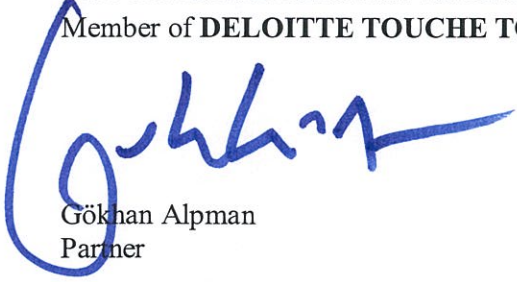
Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information is not prepared, in all material respects, in accordance with TAS 34 "Interim Financial Reporting".

Emphasis of matter

Nortel Networks Corporation, the ultimate parent of Nortel Networks International Finance and Holding B.V. which is holding 53,13% shares of the Company until 22 December 2010 (see note 7), has announced that Nortel Networks Limited, which was another indirect parent of the Company, and certain of its other Canadian subsidiaries have obtained an order from the Ontario Superior Court of Justice for creditor protection under the Companies' Creditors Arrangement Act in Canada filed as of 14 January 2009. Nortel Networks UK Limited, and certain subsidiaries of the Nortel Group incorporated in the EMEA region, obtained an administration order from the English High Court of Justice under the Insolvency Act 1986. As detailed in Note 7, the Company's receivables from Nortel Group companies amounted to TL 39.545.843 as of 30 June 2016 (31 December 2015: TL 39.740.554), and as of our report date, the Company's management attempted by the insolvent estate regarding the collectability of receivables, there is a continuing uncertainty regarding the collectability and collection time table of these receivables due to the reasons explained above.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Gökhan Alpman
Partner

İstanbul, 11 August 2016

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2016**

(Unless otherwise stated the amounts are in TL).

		Reviewed	Audited
	Notes	30 June 2016	31 December 2015
ASSETS			
Current Assets		1.036.224.407	1.094.101.658
Cash and Cash Equivalents	5	166.257.735	226.061.741
Trade Receivables		545.945.207	596.232.981
<i>Trade Receivables from Related Parties</i>	20	16.869.469	18.541.627
<i>Trade Receivables from Third Parties</i>	7	529.075.738	577.691.354
Other Receivables		583.182	397.045
<i>Other Receivables from Third Parties</i>		583.182	397.045
Derivative Instruments		-	109.927
Inventories	8	100.593.016	103.016.525
Deferred Costs		150.354.135	99.108.517
Prepaid Expenses	9	11.605.908	32.896.350
Other Current Assets		60.885.224	36.278.572
Non-Current Assets		251.071.629	258.513.498
Trade Receivables		110.261.278	109.479.328
<i>Trade Receivables from Third Parties</i>	7	110.261.278	109.479.328
Property, Plant and Equipment	10	37.188.407	40.220.084
Financial Investments		1.147.265	862.056
Intangible Assets		87.328.431	90.035.336
<i>Goodwill</i>	11	53.034.213	53.290.807
<i>Other intangible assets</i>	11	34.294.218	36.744.529
Associates	3	3.417.261	2.601.418
Other Non-Current Assets		6.069.627	6.872.784
Prepaid Expenses	9	1.366.262	1.098.957
Deferred Tax Assets	18	4.293.098	7.343.535
TOTAL ASSETS		1.287.296.036	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 AT 30 JUNE 2016

(Unless otherwise stated the amounts are in TL).

	Notes	Reviewed 30 June 2016	Audited 31 December 2015
LIABILITIES			
Short Term Liabilities		811.834.487	866.372.756
Financial Liabilities	6	344.800.989	333.068.285
Trade Payables		316.244.996	350.117.975
<i>Trade Payables to Related Parties</i>	20	414.662	45.443
<i>Trade Payables to Third Parties</i>	7	315.830.334	350.072.532
Other Payables		9.105.486	12.731.107
<i>Other Payables to Third Parties</i>		9.105.486	12.731.107
Employee Benefit Obligations		14.504.869	13.034.339
Deferred Revenues		51.852.001	67.306.810
Provisions		15.631.745	21.376.150
<i>Provision for Employee Benefits</i>		11.056.500	16.637.781
<i>Other Short Term Provisions</i>	13	4.575.245	4.738.369
Advances Received		59.694.401	66.778.156
Current Tax Liabilities		-	1.959.934
Long Term Liabilities		36.364.424	49.041.503
Trade Payables		12.336.513	12.781.889
<i>Trade Payables to Third Parties</i>	7	12.336.513	12.781.889
Provisions		21.140.877	20.513.651
<i>Provision for Employee Benefits</i>		21.140.877	20.513.651
Deferred Tax Liabilities	18	2.887.034	15.745.963
SHAREHOLDERS' EQUITY		439.097.125	437.200.897
Capital		64.864.800	64.864.800
Capital Reserves		41.612.160	41.612.160
Other comprehensive income to be reclassified in profit and loss		9.051.756	7.661.632
<i>Currency Translation Reserves</i>		9.051.756	7.661.632
Other comprehensive income not to be reclassified in profit and loss		113.945.480	115.078.646
<i>Actuarial Loss</i>		(8.321.961)	(8.321.961)
<i>Currency Translation Reserves</i>		122.267.441	123.400.607
Restricted Reserves Appropriated From Profit		33.182.076	33.182.076
Net Profit for the Period		3.662.225	34.305.075
Retained Earnings		172.778.628	140.496.508
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1.287.296.036	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 STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2016

(Unless otherwise stated the amounts are in TL).

		Reviewed	Unaudited	Reviewed	Unaudited
		For the Period Ended 30 June 2016	For the Period Between 1 April and 30 June 2016	For the Period Ended 30 June 2015	For the Period Between 1 April and 30 June 2015
Note					
INCOME OR LOSS FROM OPERATIONS					
Revenue	15	453.053.613	248.588.135	336.328.700	177.434.087
Cost of Sales (-)	15	(401.159.424)	(219.175.707)	(304.934.715)	(159.506.665)
GROSS PROFIT		51.894.189	29.412.428	31.393.985	17.927.422
Sales and Marketing Expenses (-)		(24.791.527)	(11.801.281)	(21.854.994)	(10.155.592)
General Administrative Expenses (-)		(10.443.247)	(6.014.647)	(10.643.702)	(6.881.974)
Research and Development Expenses (-)		-	583.902	(734.152)	(429.391)
Other Income from Operating Activities	16	7.671.583	1.651.101	3.238.363	1.888.239
Other Expenses from Operating Activities (-)	16	(4.040.525)	(1.485.820)	(12.083.495)	(1.666.626)
OPERATING PROFIT/(LOSS)		20.290.473	12.345.683	(10.683.995)	682.078
Income/(Expenses) from Investment Activities		96.400	42.855	154.371	232.013
OPERATING PROFIT/(LOSS) BEFORE FINANCE INCOME/(EXPENSE)		20.386.873	12.388.538	(10.529.624)	914.091
Financial Income	17	781.969	236.076	38.029.897	10.906.530
Financial Expenses (-)	17	(27.343.356)	(6.486.318)	(16.347.678)	(9.626.201)
(LOSS)/PROFIT BEFORE TAX		(6.174.514)	6.138.296	11.152.595	2.194.420
Tax Income / (Expense)		9.836.739	(708.300)	(8.051.575)	(3.404.404)
- Current Tax (Expense) / Income	18	-	-	(96.675)	(46.243)
- Deferred Tax Income / (Expense)	18	9.836.739	(708.300)	(7.954.900)	(3.358.161)
PROFIT / (LOSS) AFTER TAX		3.662.225	5.429.996	3.101.020	(1.209.984)
OTHER COMPREHENSIVE INCOME					
Other comprehensive expenses or income that will not be reclassified subsequently to profit or loss		(1.133.166)	4.610.137	29.014.082	5.721.078
Currency translation reserves		(1.133.166)	4.610.137	29.014.082	5.721.078
Other comprehensive expenses or income that may be reclassified subsequently to profit or loss		(632.831)	4.607.315	22.128.621	4.516.473
Currency translation reserves		(632.831)	4.607.315	22.128.621	4.516.473
OTHER COMPREHENSIVE (EXPENSE) / INCOME NET OF TAX		(1.765.997)	9.217.452	51.142.703	10.237.551
TOTAL COMPREHENSIVE INCOME		1.896.228	14.647.448	54.243.723	9.027.567
Profit/(Loss) per share	19	0,0565	0,0837	0,0478	(0,0187)

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 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	Currency Translation Reserves	Capital Reserves	Currency Translation Reserves	Actuarial Loss	Appropriated from Profit	Restricted Reserves	Retained Earnings	Net Profit for the Period	TOTAL
	Capital	Capital	Capital	Reserves	Reserves	Reserves	Reserves	Reserves	Reserves	Reserves	Reserves	Reserves
Balance as at 1 January 2015	64.864.800	41.612.160	41.612.160	5.315.561	75.736.230	(8.053.531)	32.809.042	98.768.665	11.845.089	322.898.016		
Currency translation differences	-	-	-	3.246.462	29.014.082	-	-	18.882.159	-	51.142.703		
Net profit for the period	-	-	-	-	-	-	-	-	-	3.101.020	3.101.020	3.101.020
Total comprehensive income	-	-	-	3.246.462	29.014.082	-	-	18.882.159	-	54.243.723		
Transfer	-	-	-	-	-	-	-	11.845.089	(11.845.089)	-		
Transfer to reserves	-	-	-	-	-	-	373.034	(373.034)	-	-		
Balance as at 30 June 2015	64.864.800	41.612.160	41.612.160	8.562.023	104.750.312	(8.053.531)	33.182.076	129.122.879	3.101.020	377.141.739		
Balance as at 1 January 2016	64.864.800	41.612.160	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	-	-	-	1.390.124	(1.133.166)	-	-	(2.022.955)	-	(1.765.997)		
Net profit for the period	-	-	-	-	-	-	-	-	-	3.662.225	3.662.225	3.662.225
Total comprehensive income	-	-	-	1.390.124	(1.133.166)	-	-	(2.022.955)	-	1.896.228		
Transfer	-	-	-	-	-	-	-	34.305.075	(34.305.075)	-		
Balance as at 30 June 2016	64.864.800	41.612.160	41.612.160	9.051.756	122.267.441	(8.321.961)	33.182.076	172.778.628	3.662.225	439.097.125		

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 STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 30 JUNE 2016

(Unless otherwise stated the amounts are in TL).

	Notes	Reviewed	
		For the Period Ended 30 June 2016	For the Period Ended 30 June 2015
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit		3.662.225	3.101.020
<i>Profit from Continuing Operations</i>		<i>3.662.225</i>	<i>3.101.020</i>
Adjustments to Reconcile Profit		41.579.846	9.008.132
Adjustments for Depreciation and Amortisation Expense		10.765.660	9.401.130
Adjustments for Impairment Loss Recognised in Profit or Loss		811.393	1.302.677
<i>Adjustments for Provision of Receivables</i>	7	<i>811.393</i>	<i>1.302.677</i>
Adjustments For Provisions		15.748.278	10.580.410
<i>Adjustments for Provisions Related with Employee Benefits</i>		<i>15.927.720</i>	<i>11.408.058</i>
<i>Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions</i>	13	<i>(200.535)</i>	<i>696.967</i>
<i>Adjustments for (Reversal of) Provisions Arising From Sectoral Requirements</i>	13	<i>21.093</i>	<i>(1.524.615)</i>
Adjustments for Interest Income and Expenses		21.134.430	14.892.114
<i>Adjustments for Interest Income</i>	16	<i>(781.969)</i>	<i>(325.266)</i>
<i>Adjustments for Interest Expense</i>	17	<i>23.158.331</i>	<i>15.217.380</i>
<i>Unearned Financial Income from Credit Sales</i>	16	<i>(1.241.932)</i>	-
Adjustments For Unrealised Foreign Exchange Losses (Gains)	16-17	2.943.297	(35.065.403)
Other Adjustments for Fair Value Losses		109.927	-
<i>Adjustments for Fair Value Losses on Derivative Financial Instruments</i>		<i>109.927</i>	-
Adjustments for Share of Profit of Investments Accounted for Using the Equity Method	3	(79.289)	(154.371)
Adjustments for Income Tax Expense	18	(9.836.739)	8.051.575
Adjustments for Gains On Disposal of Non-Current Assets		(17.111)	-
<i>Adjustments for Losses / (Gains) Arising From Sale of Tangible Assets</i>		<i>(17.111)</i>	-
Changes in Working Capital		(72.576.317)	29.265.601
Adjustments for Decrease / (Increase) in Trade Accounts Receivable		37.997.257	138.729.920
<i>Decrease in Trade Accounts Receivables from Related Parties</i>		<i>1.596.502</i>	<i>1.004.735</i>
<i>Decrease in Trade Accounts Receivables from Unrelated Parties</i>		<i>36.400.755</i>	<i>137.725.186</i>
Adjustments for Increase in Other Receivables Related with Operations		(25.184.247)	(4.603.040)
Adjustments for Decrease / (Increase) in Inventories		1.944.074	(32.183.396)
Decrease / (Increase) in Prepaid Expenses		21.038.950	(48.876.895)
Adjustments for Decrease In Trade Accounts Payable		(33.223.901)	(20.669.613)
<i>Decrease in Trade Accounts Payables to Unrelated Parties</i>		<i>(33.223.901)</i>	<i>(20.669.613)</i>
Increase in Payables due to Employee Benefits		1.546.484	7.046.831
Decrease in Payables Due to Ongoing Construction or Service Contracts		(52.167.907)	(24.602.176)
Adjustments for Decrease in Other Operating Payables		(3.222.376)	(4.538.794)
<i>Increase in Other Operating Payables to Related Parties</i>		<i>372.617</i>	<i>137.554</i>
<i>Decrease in Other Operating Payables to Unrelated Parties</i>		<i>(3.594.993)</i>	<i>(4.676.348)</i>
Increase / (Decrease) in Deferred Income		(15.260.932)	8.848.065
Other Adjustments for Other Increase / (Decrease) in Working Capital		(6.043.719)	10.114.699
Cash Flows (Used in) Generated From Operations		(27.334.246)	41.374.754
Payments Related with Provisions for Employee Benefits		(20.881.775)	(14.481.900)
Income Taxes Paid		-	(1.834.325)
		(48.216.021)	25.058.529

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 30 JUNE 2016**

(Unless otherwise stated the amounts are in TL).

		Reviewed	
		For the Period Ended 30 June 2016	For the Period Ended 30 June 2015
	Notes		
B.CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		189.243	97.337
Purchase of Property, Plant, Equipment and Intangible Assets	10-11	(4.785.328)	(4.240.027)
Interest Received		781.969	325.266
Other Outflows of Cash		(285.210)	(831.864)
		<u>(4.099.326)</u>	<u>(4.649.288)</u>
C.CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings		3.602.234	81.942.447
Interest Paid		(17.971.157)	(13.187.089)
		<u>(14.368.923)</u>	<u>68.755.358</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)			
		<u>(66.684.270)</u>	<u>89.164.598</u>
D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
		6.880.264	6.009.250
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		<u>(59.804.006)</u>	<u>95.173.848</u>
E.CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD			
		226.061.741	84.325.174
CASH AND CASH EQUIVALENTS AT END OF PERIOD (A+B+C+D+E)		<u>166.257.735</u>	<u>179.499.022</u>

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(Unless otherwise stated the amounts are in TL).

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

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

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

According to Board of Directors resolution as of 11 April 2012, foundation of a “Limited Liability Partnership” (Netaş 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 of 28 November 2013, an agreement is signed between Kron Telekomünikasyon Hizmetleri A.Ş.'nin (“KRON”) and the Company for the acquisition of 10 % of A group shares from Lütfi Yenel for TL 1.700.000.

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

The average number of personnel employed in the Group for the period ended 30 June 2016 is 2.124 white-collar (31 December 2015: 2.204), and the Group has no blue-collar employees.

Approval of Condensed Consolidated Financial Statements

Group’s condensed consolidated financial statements as of 30 June 2016 have been approved by the Board of Directors on 11 August 2016.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(Unless otherwise stated the amounts are in TL).

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 interim consolidated financial statements for the period ended 30 June 2016 have been prepared in accordance with IAS 34 "Interim Financial Statements" and in consistency with the accounting policies applied in preparation of 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.

2016 TAS Taxonomy, which is prepared in accordance with paragraph 9(b) of Decree Law No.660 to enable users to analyze TAS financial statements in a Extensible. Business Reporting Language "XBRL" format, was approved upon the Board's decision no.30 as at June 2nd, 2016. 2016 TAS Taxonomy is taken into account in the accompanying condensed consolidated financial statements.

b) Basis of presentation of consolidated financial statements:

The details of the Company's subsidiaries as of 30 June 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 telecommunication equipment

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(Unless otherwise stated the amounts are in TL).

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.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(Unless otherwise stated the amounts are in TL).

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 30 June 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.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(Unless otherwise stated the amounts are in TL).

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 of 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 30 June 2016 (Turkish Central Bank USD Buying rate: (1 USD: = 2,8936 TL) , statements of income and statements of cash flows have been translated to TL by using six months average exchange rate (1 USD: 2,9185TL) for the period ended 30 June 2016 (for the 1 January-30 June 2015 1 USD: 2,5613 TL) in accordance with TAS 21. In the accompanying condensed consolidated financial statements capital and legal reserves are carried with their values in statutory accounts.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(Unless otherwise stated the amounts are in TL).

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 with the current period financial statement's presentation. In current year, the Company made some reclassifications on the condensed consolidated financial statements for the period ended as of 30 June 2016 and the reclassifications nature, amount and reasons are explained below:

- As of 30 June 2016, the Group presented interest income amounting to TL 325.266 under "Income from Other Operating Income" in the accompanying financial statements. In the current year, the Group's management has been classified these amounts under "Finance Income". For the period 1 April – 30 June 2016, the Group presented interest income amounting to TL 248.618 under "Income from Other Operating Income" in the accompanying financial statements. In the current period, the Group's management has been classified these amounts under "Finance Income".

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 Accounting Estimates and Assumptions

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(Unless otherwise stated the amounts are in TL).

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

2.5 Accounting Estimates and Assumptions (cont'd)

In particular, information about significant areas at estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized 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 15	Revenue and cost of sales: Estimation of revenue and cost based on project based analysis
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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(Unless otherwise stated the amounts are in TL).

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 TAS applied with no material effect on the consolidated financial statements(Cont'd)

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.

Annual Improvements 2011-2013 Cycle

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(Unless otherwise stated the amounts are in TL).

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 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 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.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(Unless otherwise stated the amounts are in TL).

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	<i>Financial Instruments</i>
Amendments to TFRS 9 and TFRS 7	<i>Mandatory Effective Date of TFRS 9 and Transition Disclosures</i>

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.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(Unless otherwise stated the amounts are in TL).

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 (cont'd)

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

3. SHARES IN ASSOCIATES

Associates

Details of Important Associates

As of 30 June 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

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.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(Unless otherwise stated the amounts are in TL).

3. SHARES IN ASSOCIATES (cont'd)

Associates (cont'd)

Goodwill

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

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

	30 June 2016	31 December 2015
Current assets	16.107.217	18.060.465
Non-current assets	9.961.734	9.131.425
Short term liabilities	4.805.208	6.627.093
Long term liabilities	468.620	562.570
Net assets	<u>20.795.123</u>	<u>20.002.227</u>
Share of the Group in net assets	2.079.512	2.000.223
	1 January 2016 -30 June 2016	1 January 2015 -30 June 2015
Net profit	716.441	1.477.559
Other comprehensive income	76.455	66.153
Total comprehensive income	<u>792.896</u>	<u>1.543.712</u>
Share of the Group in total comprehensive income	79.289	154.371

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

	30 June 2016	30 June 2015
As of 1 January	2.601.418	1.980.222
Share from the profit of the year	79.289	154.371
Currency translation reserves	736.554	551.782
As of 30 June	<u>3.417.261</u>	<u>2.686.375</u>

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(Unless otherwise stated the amounts are in TL).

4. SEGMENT REPORTING

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

For the period ended

30 June 2016	Enterprise	Public	International	Technology	BDH	Unallocated (**)	Total
Revenue	199.347.619	168.698.220	32.531.664	36.168.018	16.308.092	-	453.053.613
Cost of sales	(178.083.271)	(144.215.340)	(25.436.666)	(34.745.382)	(14.766.870)	(3.911.895)	(401.159.424)
Gross margin	21.264.348	24.482.880	7.094.998	1.422.636	1.541.222	(3.911.895)	51.894.189
Sales and marketing expenses	(11.919.516)	(8.304.673)	(4.567.338)	-	-	-	(24.791.527)
General administrative expenses	-	-	-	-	-	(10.443.247)	(10.443.247)
Research and development expenses	-	-	-	-	-	-	-
Operating profit / (loss) of segment	9.344.832	16.178.207	2.527.660	1.422.636	1.541.222	(14.355.142)	16.659.415

For the period ended

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

(**) Unallocated costs of sales are shown as amortization, rent and general expenses etc. and not directly allocated.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2016**

(Unless otherwise stated the amounts are in TL).

4. SEGMENT REPORTING (cont'd)

30 June 2016	Enterprise	Public	International	Technology	BDH	Unallocated (*)	Total
Trade receivables	157.303.506	376.322.321	29.466.485	19.008.258	6.786.190	50.450.256	639.337.016
Due from related parties	-	-	-	16.869.469	-	-	16.869.469
Inventories	22.548.501	73.635.664	3.784.598	-	-	624.253	100.593.016
Deferred costs	45.269.175	95.033.608	4.197.586	-	2.799.534	3.054.232	150.354.135
Segments assets	225.121.182	544.991.593	37.448.669	35.877.727	9.585.724	54.128.741	907.153.636
Trade payables (*)	168.535.664	105.091.147	22.823.162	226.587	4.963.779	26.526.508	328.166.847
Due to related parties	390.624	24.037	-	-	-	-	414.662
Deferred revenues	30.463.240	17.252.497	3.587.433	-	-	548.831	51.852.001
Advances received	3.868.432	55.277.828	547.170	-	971	-	59.694.401
Segment liabilities	203.257.960	177.645.509	26.957.765	226.587	4.964.750	27.075.339	440.127.911

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 Nortal companies under bankruptcy protection as of 30 June 2016 and 31 December 2015.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

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4. SEGMENT REPORTING (cont'd)

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

	For the Period Ended 30 June 2016	For the Period Ended 30 June 2015
Operating profit/(loss) of segment	16.659.415	(1.838.863)
Other income /(expenses) from operating activities (net)	3.631.058	(8.845.132)
Other income/(expenses) from investments	96.400	154.371
Finance (expenses)/income (net)	(26.561.387)	21.682.219
(Loss)/ Profit before tax	(6.174.514)	11.152.595
Assets	30 June 2016	31 December 2015
Segment assets	907.153.636	907.837.351
Other assets	380.142.400	444.777.805
Total assets	1.287.296.036	1.352.615.156
Liabilities	30 June 2016	31 December 2015
Segment liabilities	440.127.911	496.984.830
Other liabilities	408.071.000	418.429.429
Total liabilities	848.198.911	915.414.259

5. CASH AND CASH EQUIVALENTS

	30 June 2016	31 December 2015
Cash	182	-
Bank- demand deposits	94.128.049	38.598.503
Bank- time deposits	71.806.759	187.084.434
Other cash and cash equivalents	322.745	378.804
	166.257.735	226.061.741

Currency	Original Currency Amount	Interest Rate %	Maturity	30 June 2016
US\$	24.815.717	0,35-7,00	July 16	71.806.759
				71.806.759

Currency	Original Currency Amount	Interest Rate %	Maturity	31 December 2015
US\$	51.285.090	0,25-2,90	January 16	149.116.529
EURO	822.245	2,75	January 16	2.612.767
TL	35.355.138	7,50-13,90	January 16	35.355.138
				187.084.434

The credit risk, foreign currency and sensitivity risks of financial assets and liabilities are disclosed in Note 21.

As of 30 June 2016 and 31 December 2015, there are no restriction / blockage on bank accounts.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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6. FINANCIAL LIABILITIES

Short term financial liabilities	30 June 2016	31 December 2015
Short term unsecured loans	335.864.919	329.886.371
Non interest bearing unsecured spot loans	8.936.070	3.181.914
	344.800.989	333.068.285

As of 30 June 2016, the average interest rate for TL loans is 12,64 % and USD loans is 3,08 % (31 December 2015: the average interest rate for TL loans is 13,40% and the average interest rate for USD loans is 3,13%).

The details of loans of the Group are given below;

Currency	Original currency amount	Effective interest rate %	Maturity	30 June 2016
US\$	20.180.208	3,00-3,25	November 16	58.393.450
TL	277.471.469	11,50-14,50	August 16- October 16	277.471.469
				335.864.919

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 30 June 2016 and 31 December 2015.

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7. TRADE RECEIVABLES AND PAYABLES

Trade Receivables from Third Parties	30 June 2016	31 December 2015
Trade receivables	327.847.048	405.517.617
Unbilled receivables	222.537.291	192.680.792
Notes receivable	508.916	553.318
Discount on trade receivables(*)	(157.690)	-
Allowances for doubtful receivables	(21.659.827)	(21.060.373)
	529.075.738	577.691.354

Movement of Allowance for Doubtful Receivables	30 June 2016	30 June 2015
Balance at beginning of the year	(21.060.373)	(14.255.324)
Charge for the period	(811.393)	(1.302.677)
Provision reversal	102.849	436.441
Currency translation differences	109.090	(2.818.918)
Balance at 30 June	(21.659.827)	(17.940.478)

No guarantee has been obtained for trade receivables

Long Term Trade Receivables from Third Parties	30 June 2016	31 December 2015
Trade Receivables	117.799.547	118.417.160
Discount on trade receivables(*)	(7.538.269)	(8.937.832)
	110.261.278	109.479.328

(*) As of 30 June 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.

Trade Payables to Third Parties	30 June 2016	31 December 2015
Trade payables	314.791.551	347.705.986
Other trade payables	1.038.783	2.366.546
	315.830.334	350.072.532

Long Term Trade Payables to Third Parties	30 June 2016	31 December 2015
Other trade payables	12.336.513	12.781.889
	12.336.513	12.781.889

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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 of 24 April 2013.

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

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7. TRADE RECEIVABLES AND PAYABLES (cont'd)

The details of trade receivables and payables of the Company to and from Nortel companies under bankruptcy protection as of 30 June 2016 and the bankruptcy protection filing date of 14 January 2009 are given below:

Country	Company	14 January 2009			30 June 2016			31 December 2015		
		Trade Receivables	Trade Payables	Net Balance	Trade Receivables	Trade Payables	Net Balance	Trade Receivables	Trade Payables	Net Balance
USA	Nortel Networks Inc.	41.267.287	(7.232.407)	34.034.881	47.384.880	(9.672.843)	37.712.037	47.614.139	(9.719.208)	37.894.931
Ireland	Nortel Networks (Ireland) Limited	1.406.098	-	1.406.098	1.406.099	-	1.406.099	1.412.902	-	1.412.902
Canada	Nortel Networks Technology Corporation	329.581	(44.632)	284.949	-	-	-	-	-	-
Egypt	Nortel Networks Inc. (Egypt Branch)	250.588	-	250.588	253.944	-	253.944	255.174	-	255.174
Europe	Nortel Networks N.V.	129.591	-	129.591	129.590	-	129.590	130.217	-	130.217
India	Nortel Networks (India) Private Limited	39.749	-	39.749	24.738	-	24.738	27.800	-	27.800
Holland	Nortel Networks BV.	78.487	-	78.487	-	-	-	-	-	-
Italy	Nortel Networks S.p.A.	19.435	-	19.435	19.435	-	19.435	19.530	-	19.530
Mexico	Nortel de México, S. de R.L. de C.V.	43.520.817	(7.277.039)	36.243.778	49.218.686	(9.672.843)	39.545.843	49.459.762	(9.719.208)	39.740.554
Germany	Nortel GmbH	-	(14.204)	(14.204)	-	(14.204)	(14.204)	-	(14.273)	(14.273)
France	Nortel Networks S.A.	29.804	(86.207)	(56.403)	177.880	(73.790)	104.090	178.744	(73.173)	105.571
Canada	Nortel Networks Limited	473.442	(1.188.890)	(715.449)	-	-	-	-	-	-
England	Nortel Networks UK Limited	5.065.956	(5.609.493)	(543.537)	-	-	-	-	-	-
Canada	Nortel Networks Limited - EMEA Sales	-	(13.871.949)	(13.871.949)	-	-	-	-	-	-
		49.090.019	(28.249.929)	20.840.090	49.396.566	(9.760.837)	39.635.729	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.

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8. INVENTORIES

	30 June 2016	31 December 2015
Raw materials	30.196.762	25.109.488
Finished goods	52.779.483	47.400.127
Trade goods	25.331.075	38.444.605
Other inventories	1.098.505	917.753
Allowance for inventory impairment	(8.812.809)	(8.855.448)
	<u>100.593.016</u>	<u>103.016.525</u>

Movement for allowance	30 June 2016	30 June 2015
Opening balance as of 1 January	(8.855.448)	(7.213.137)
Foreign currency exchange differences	42.639	(1.142.830)
Closing balance as of 30 June	<u>(8.812.809)</u>	<u>(8.355.967)</u>

9. PREPAID EXPENSES

Short Term Prepaid Expenses

	30 June 2016	31 December 2015
Advances given for inventory purchases	2.078.028	25.951.614
Prepaid expenses relating to future months	2.662.205	4.818.986
Goods in transit	6.537.196	1.946.039
Business advances	328.479	179.711
	<u>11.605.908</u>	<u>32.896.350</u>

Long Term Prepaid Expenses

	30 June 2016	31 December 2015
Prepaid expenses relating to future years	1.366.262	1.098.957
	<u>1.366.262</u>	<u>1.098.957</u>

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10. PLANT, PROPERTY AND EQUIPMENT

For the period ended 30 June 2016, the purchasing amount of tangible fixed assets is TL 2.916.009. Net book value of fixed assets' disposed is TL 172.132 and including scrap sales. (30 June 2015: purchases: TL 1.696.074, net book value of fixed assets disposed is: TL 193.266, and including scrap sales).

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:

	<u>Goodwill TL</u>
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	(256.594)
Goodwill as of 30 June 2016	53.034.213

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11. INTANGIBLE ASSETS (cont'd)

Goodwill (Cont'd)

According to accounting policies, Group has put goodwill amount to the test of impairment.

Netas has engaged an independent assessment report to perform 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 consolidated basis by applying adjusted Discounted Cash Flow ("DCF") valuation. The DCF model is based on a cash flow forecast provided by Management over the period of 1 January 2016-31 December 2020.

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

Weighted average cost of capital has been calculated as 11,4 %, 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 % 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 capital expenditures.

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.

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

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11. INTANGIBLE ASSETS (cont'd)

Other Intangible Assets

For the period ended 30 June 2016, the Group purchased TL 1.869.319 of intangible assets and no disposal amount for intangible assets (30 June 2015: purchases TL 2.543.953 and no disposal amount).

12. GOVERNMENT GRANTS

For the period ended 30 June 2016 the Group has received approved and accrued incentive from TÜBİTAK is TL 10.519.606 which is net-off with the total amount of Research and Development Expenses, TL 9.642.331, and TL 877.275 is classified under "Other Income from Operating Activities". (For the period ended 30 June 2015: TL 3.971.531 accrued incentive received, 2.926.167 TL is accounted under "Other Income from Operating Activities" and 1.045.364 is net off with "Research and Development Expenses").

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 30 June 2016 the Group has a corporate tax benefit of TL 131.283.210 due to research and development disbursement and this amount did not utilized during the period and carryforward to future periods (As of 31 December 2015, the benefit is TL 162.422.957 and TL 67.996.102 of this amount is utilized by the period end). The Group has booked deferred tax assets for unused R&D tax benefit (Note 18).

For the period ended 30 June 2016, the amount of income tax incentive within the scope of Act numbered 5746 is TL 5.666.405 (For the period ended 30 June 2015: TL 4.610.405) 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 4.536.506 (For the period ended 30 June 2015: TL 3.500.800).

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13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other Short Term Provisions	30 June 2016	31 December 2015
Provision for legal cases	4.109.225	4.309.760
Other provisions	466.020	428.609
	4.575.245	4.738.369

For the period ended 30 June 2016, the Group had a cash outflow of TL 1.746.554 for legal cases during the period (For the period ended 30 June 2015: TL 1.920.961).

	Provision for Legal Cases	Other Provisions	Total
1 January 2016 opening	4.309.760	428.609	4.738.369
Provision booked	1.546.019	30.448	1.576.467
Paid / provision no longer required	(1.746.554)	(9.355)	(1.755.909)
Foreign currency exchange differences	-	16.318	16.318
30 June 2016 closing	4.109.225	466.020	4.575.245

	Provision for Legal Cases	Other Provisions	Total
1 January 2015 opening	1.759.816	1.924.756	3.684.572
Provision booked	2.617.927	627.919	3.245.846
Paid / provision no longer required	(1.920.961)	(2.152.534)	(4.073.495)
Foreign currency exchange differences	-	(15.746)	(15.746)
30 June 2015 closing	2.456.782	384.395	2.841.177

14. COMMITMENTS

The Group's off-balance sheet commitments and contingencies as of 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016	31 December 2015
Guarantee letters given(*)	336.476.688	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 30 June 2016.

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14. COMMITMENTS (cont'd)

The off-balance sheet commitments and contingencies as of 30 June 2016 and 31 December 2015 are as follows:

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

Company	30 June 2016	31 December 2015
A. Total amount of CPM is given on behalf of own legal personality	336.476.688	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	-	-
	<u>336.476.688</u>	<u>318.911.600</u>

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

Rent Agreements

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

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

Company signed a rent contract with Yudo Leon Mizrahi (Renter) and Salvo Özserfati (Lessor) for "Buyaka İş 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 amount 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 1 February 2016 and 31 January 2017 is net USD 18.236 and between 1 February 2017 and 31 January 2018, net USD 18.784 which will be paid.

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14. COMMITMENTS (cont'd)

Rent Agreements (cont'd)

Unrevokable Operational Lease

Commitments

	30 June 2016	31 December 2015
Within 1 year	8.974.225	8.656.502
Between 1-5 years	6.197.487	10.805.625
	<u>15.171.712</u>	<u>19.462.127</u>

Guarantees Given

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

15. REVENUE AND COST OF SALES

Revenue:

	For the Period Ended 30 June 2016	For the Period Between 1 April and 30 June 2016	For the Period Ended 30 June 2015	For the Period Between 1 April and 30 June 2015
Total domestic	379.946.461	212.337.841	272.169.119	143.011.581
United States	34.831.656	17.034.659	35.911.517	18.125.513
Asia	4.793.763	4.126.416	1.884.068	1.406.505
Africa	26.871.025	12.725.983	22.965.116	12.344.158
Europe	6.610.708	2.363.236	3.398.880	2.546.330
Total export	<u>73.107.152</u>	<u>36.250.294</u>	<u>64.159.581</u>	<u>34.422.506</u>
Total sales	<u>453.053.613</u>	<u>248.588.135</u>	<u>336.328.700</u>	<u>177.434.087</u>

Cost of Sales:

	For the Period Ended 30 June 2016	For the Period Between 1 April and 30 June 2016	For the Period Ended 30 June 2015	For the Period Between 1 April and 30 June 2015
Equipment expenses	241.129.931	127.808.676	166.274.164	82.052.928
Personnel expenses	89.104.979	44.447.011	74.824.253	40.849.783
Service/ support expenses	53.803.497	37.836.702	49.328.281	28.227.205
Depreciation expenses	7.184.709	3.384.662	5.916.028	3.666.078
Rent expenses	4.138.430	2.273.917	1.386.132	763.287
Transportation expenses	1.275.502	675.408	2.811.916	1.448.772
Other	4.522.376	2.749.331	4.393.941	2.498.612
	<u>401.159.424</u>	<u>219.175.707</u>	<u>304.934.715</u>	<u>159.506.665</u>

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16. OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES

	For the Period Ended 30 June 2016	For the Period Between 1 April and 30 June 2016	For the Period Ended 30 June 2015	For the Period Between 1 April and 30 June 2015
Other income from operating activities				
R&D Incentives	877.275	877.275	2.926.167	1.724.471
Foreign exchange gains	4.193.234	(697.679)	-	-
Discount income on receivables (*)	1.241.932	571.470	-	-
Service income	1.000.349	946.834	156.249	114.724
Other income and gains	358.793	(46.799)	155.947	49.044
	7.671.583	1.651.101	3.238.363	1.888.239

(*) Discount income of trade receivables accounted in Other Income from Operating Activities.

	For the Period Ended 30 June 2016	For the Period Between 1 April and 30 June 2016	For the Period Ended 30 June 2015	For the Period Between 1 April and 30 June 2015
Other expenses from operating activities				
Foreign exchange expenses	-	-	8.493.380	(656.589)
Legal case expenses	2.472.837	838.430	2.613.125	1.866.811
Other tax expenses	1.207.877	988.821	510.596	153.555
Other expenses and losses	359.811	(341.431)	466.394	302.849
	4.040.525	1.485.820	12.083.495	1.666.626

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17. FINANCIAL INCOME / (EXPENSES)**Finance Income:**

	For the Period Ended 30 June 2016	For the Period Between 1 April and 30 June 2016	For the Period Ended 30 June 2015	For the Period Between 1 April and 30 June 2015
Foreign exchange gain from loans	-	-	35.065.403	8.036.443
Interest income	781.969	236.076	325.266	248.618
Income from derivative transactions	-	-	2.639.228	2.621.469
	781.969	236.076	38.029.897	10.906.530

Finance Expenses:

	For the Period Ended 30 June 2016	For the Period Between 1 April and 30 June 2016	For the Period Ended 30 June 2015	For the Period Between 1 April and 30 June 2015
Bank Interest expenses	23.158.331	11.553.893	15.217.380	9.037.290
Foreign exchange loss from loans	2.943.297	(5.553.700)	-	-
Guarantee letter commissions	1.241.728	486.125	1.130.298	588.911
	27.343.356	6.486.318	16.347.678	9.626.201

18. TAX ASSETS AND LIABILITIES

	For the Period Ended 30 June 2016	For the Period Between 1 April and 30 June 2016	For the Period Ended 30 June 2015	For the Period Between 1 April and 30 June 2015
Current tax expense	-	-	(96.675)	(46.243)
Deferred tax income/(expense)	9.836.739	(708.300)	(7.954.900)	(3.358.161)
	9.836.739	(708.300)	(8.051.575)	(3.404.404)

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18. TAX ASSETS AND LIABILITIES (cont'd)

Movement for deferred taxes as of 30 June 2016 and 2015 are as follows;

Deferred Tax (Liabilities) / Assets				
	1 January 2016	Charge to Profit or (Loss)	Translation Difference	30 June 2016
Tangible and intangible assets	(9.628.160)	664.838	55.907	(8.907.415)
Trade receivables	(41.139.634)	(4.374.198)	235.406	(45.278.426)
Trade payables and cost provisions	2.240.615	356.897	258.123	2.855.635
Inventory and deferred costs	3.360.460	1.331.764	(299.499)	4.392.725
Advances received	2.168.521	(946.278)	(2.368)	1.219.875
Provisions for employee bonuses	2.272.264	(877.230)	(3.456)	1.391.578
Provision for unused vacation	1.002.494	142.551	(6.043)	1.139.002
Severance and retirement provisions	4.155.527	(228.573)	(18.059)	3.908.895
Deferred revenues	6.279.027	4.157.074	(65.701)	10.370.400
Unused R&D incentives	18.885.370	7.526.417	(155.145)	26.256.642
Carryforward tax losses	1.227.063	2.061.760	(23.499)	3.265.324
Other	774.025	21.717	(3.913)	791.829
	(8.402.428)	9.836.739	(28.247)	1.406.064

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

As of 30 June 2016, the Group has TL 16.326.620 carry forward tax losses to be used in the future (30 June 2015: TL 12.210.755) and booked deferred tax asset of TL 3.265.324 TL (30 June 2015: TL 2.442.151).

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19. EARNINGS / (LOSS) PER SHARE

	For the Period Ended 30 June 2016	For the Period Between 1 April and 30 June 2016	For the Period Ended 30 June 2015	For the Period Between 1 April and 30 June 2015
Number of shares	64.864.800	64.864.800	64.864.800	64.864.800
Net profit for the year	3.662.225	5.429.996	3.101.020	(1.209.984)
Earnings/(Loss) per share	0,0565	0,0837	0,0478	(0,0187)

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 of 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 30 June 2016 and 31 December 2015 is as follows:

Due from Related Parties	30 June 2016	31 December 2015
Genband US LLC	16.339.827	17.903.265
Genband Ireland Ltd.	432.840	319.025
Genband Japan GK	-	41.917
Genband Telecommunications (UK)	15.818	196.044
Genband Telecommunicacoes	80.984	81.376
	16.869.469	18.541.627
Due to Related Parties	30 June 2016	31 December 2015
Genband Ireland Ltd.	414.662	21.588
Genband IUS LLC	-	23.855
	414.662	45.443

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

Main transactions with related parties are as follows for the period ended 30 June 2016 and 2015:

	For the Period Ended 30 June 2016	For the Period Between 1 April and 30 June 2016	For the Period Ended 30 June 2015	For the Period Between 1 April and 30 June 2015
Sales				
Genband US LLC	34.126.034	16.230.740	35.683.857	18.397.949
Genband Ireland Ltd.	1.105.006	430.861	976.014	341.763
Genband Japan GK	-	-	13.659	13.659
Genband Telecommunications UK	41.345	(353)	344.193	239.737
Genband Telecommunicacoes	-	-	71.683	-
	35.272.385	16.661.248	37.089.406	18.993.108
	For the Period Ended 30 June 2016	For the Period Between 1 April and 30 June 2016	For the Period Ended 30 June 2015	For the Period Between 1 April and 30 June 2015
Purchases				
Genband Ireland Ltd.	541.410	392.728	1.585.570	163.752
Kron Telekomunikasyon A.Ş.	-	-	1.148.128	18.169
Genband IUS LLC	-	-	26.683	761
	541.410	392.728	2.760.381	182.682

For the period ended 30 June 2016, total remuneration for the directors, management, and board members of the Group is TL 5.663.846 (for the period ended 30 June 2015 total remuneration for the directors, management, and board and audit members are TL 6.479.648). As of 30 June 2016 and 31 December 2015 there is no credit granted to the Group's management.

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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 of the date of balance sheet maximum credit risks are as follows:

	Trade Receivables		Other Receivables	
	Related Parties	Other	Other (*)	Deposits at Banks
30 June 2016	16.869.469	639.337.016	583.182	165.934.808
Maximum credit risks as of balance sheet date(A+B+C+D)				
Maximum risk guaranteed by collateral	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	16.772.667	532.242.286	583.182	165.934.808
(B) Net book value of overdue but not impaired financial assets (**)	96.802	107.094.730	-	-
Guaranteed by collateral	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-
Overdue (gross book value)	-	21.659.827	-	-
Impairment (-)	-	(21.659.827)	-	-
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 49.396.566 of overdue but not impaired is receivable from Nortel companies and as there is a continuing uncertainty regarding the collectability and collection time table of these receivables, no provision has been made.

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

Credit risk (cont'd)

31 December 2015

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

Maximum risk guaranteed by collateral

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

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

Guaranteed by collateral

(C) Net book value of impaired assets

Overdue (gross book value)

Impairment (-)

Guaranteed by collateral

Unexpired (gross book value)

Impairment (-)

Guaranteed by collateral

(D) Off balance sheet risks

	Trade Receivables		Other Receivables	Deposits at Banks
	Related Parties	Other	Other (*)	
	18.541.627	687.170.682	397.045	225.682.937
	-	-	-	-
	18.032.221	596.400.799	397.045	225.682.937
	509.406	90.769.883	-	-
	-	-	-	-
	-	-	-	-
	-	21.060.373	-	-
	-	(21.060.373)	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-

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

(**) TL 49.638.506 of overdue but not impaired is receivable from Nortel companies and as there is a continuing uncertainty regarding the collectability and collection time table of these receivables, no provision has been made.

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

Credit risk (cont'd)

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

	Receivables	
	Trade Receivables	Other Receivables
30 June 2016		
1-30 days overdue	16.370.857	-
1-3 months overdue	20.369.962	-
3-12 months overdue	15.226.986	-
1-5 years overdue	5.827.161	-
Overdue more than 5 years	49.396.566	-
Total	107.191.532	-

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

Liquidity risk

The Group holds adequate sources to be able to fulfill its current and future liabilities. As of 30 June 2016 and 31 December 2015 liquidity risk table are as follows;

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

Liquidity risk (cont'd)

30 June 2016

<u>Maturities due to agreements</u>	<u>Carrying amount</u>	<u>Cash outflows due to agreements</u>	<u>Up to 3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>
<u>Non- derivative financial liabilities</u>	673.382.498	680.611.094	469.336.504	198.938.078	12.336.513
Financial liabilities	344.800.989	352.029.585	153.091.508	198.938.078	-
Due to related parties	414.662	414.662	414.662	-	-
Other trade payables to third parties	328.166.847	328.166.847	315.830.334	-	12.336.513
<u>Expected maturities</u>	<u>Carrying amount</u>	<u>Cash outflows due to agreements</u>	<u>Up to 3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>
<u>Non- derivative financial liabilities</u>	28.185.600	28.185.600	23.610.355	4.575.245	-
Other short term provisions	4.575.245	4.575.245	-	4.575.245	-
Payables related to employee benefits	14.504.869	14.504.869	14.504.869	-	-
Other payables to third parties (*)	9.105.486	9.105.486	9.105.486	-	-

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

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

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

Liquidity risk (cont'd)

31 December 2015

	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
<u>Maturities due to agreements</u>					
<u>Non- derivative financial liabilities</u>	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
<u>Expected maturities</u>					
	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
<u>Non- derivative financial liabilities</u>	30.503.815	30.503.815	25.765.446	4.738.369	-
Other short term provisions	4.738.369	4.738.369	-	4.738.369	-
Payables related to employee benefits	13.034.339	13.034.339	13.034.339	-	-
Other payables to third parties (*)	12.731.107	12.731.107	12.731.107	-	-

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

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

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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 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 of the balance sheet date.

	30 June 2016	31 December 2015
Fixed interest rate financial instruments	294.671.678	516.970.805
Financial assets (*)	71.806.759	187.084.434
Financial liabilities	222.864.919	329.886.371
Variable interest rate financial instruments	113.000.000	-
Financial assets	-	-
Financial liabilities	113.000.000	-
Interest-free financial instruments	8.936.070	3.181.914
Financial liabilities	8.936.070	3.181.914

(*) As of 30 June 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 USD 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.

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

Foreign currency risk (cont'd)

As of 30 June 2016 and 31 December 2015, the Group's foreign currency position table is given below.

30 June 2016	TL Equivalent (*)	Original Currency				
		TL	EURO	CAD	GBP	TAKA
Current Assets	250.195.318	239.362.684	1.328.313	-	4.494	13.714.462
Cash and cash equivalents	33.282.319	25.329.538	696.829	-	3.767	13.214.462
Trade receivables, third parties	128.418.164	126.339.884	427.958	-	602	-
Other receivables, third parties	448.772	429.074	-	-	-	500.000
Prepaid expenses	27.160.839	26.487.976	203.526	-	-	-
Other current assets	60.885.224	60.776.212	-	-	125	-
TOTAL ASSETS (A)	250.195.318	239.362.684	1.328.313	-	4.494	13.714.462
Short Term Liabilities	399.609.646	394.644.908	1.235.853	3.138	1.985	150.000
Financial liabilities	286.407.539	286.407.539	-	-	-	-
Trade payables, third parties	73.952.643	69.129.223	1.235.853	3.138	1.985	150.000
Other payables, third parties	9.112.850	9.083.817	-	-	-	-
Employee benefit obligations	14.504.869	14.392.584	-	-	-	-
Provision for employee benefit	11.056.500	11.056.500	-	-	-	-
Other short term provisions	4.575.245	4.575.245	-	-	-	-
Long Term Liabilities	21.140.877	21.140.877	-	-	-	-
Provision for employee benefit	21.140.877	21.140.877	-	-	-	-
TOTAL LIABILITIES (B)	420.750.523	415.785.785	1.235.853	3.138	1.985	150.000
Net Foreign Currency Asset / (Liability) Position (A-B)	(170.555.205)	(176.423.101)	92.460	(3.138)	2.509	13.564.462
						527.548.907

(*) 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 year-end rates.

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

Foreign currency risk (cont'd)

31 December 2015	TL Equivalent (*)	Original Currency					Other
		TL	EURO	CAD	GBP	TAKA	
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, third parties	118.104.174	113.899.625	1.040.627	-	511	-	37.590.930
Other receivables, third parties	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, third parties	95.397.802	90.793.273	1.290.374	3.138	1.357	-	18.276.863
Other payables, third parties	12.750.707	12.745.554	-	-	-	-	599.186
Employee benefit obligations	13.034.339	13.031.518	-	-	-	-	328.023
Provision for employee benefit	16.637.781	16.637.781	-	-	-	-	-
Other short term provisions	4.738.369	4.738.369	-	-	-	-	-
Long Term Liabilities	20.513.651	20.513.651	-	-	-	-	-
Provision for employee benefit	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 year-end rates.

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

Foreign currency risk (cont'd)

Exchange Rate Sensitivity Table 30 June 2016

	<u>Profit / (Loss)</u>	
	<u>Appreciation</u>	<u>Devaluation</u>
<i>Effect of 10 % appreciation/devaluation in TL -USD exchange rate :</i>		
Net asset /liability in TL	(17.585.051)	17.585.051
Not subjected to TL risk (-)	-	-
(1) Net effect of TL	(17.585.051)	17.585.051
<i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i>		
Net asset / liability in EUR	29.628	(29.628)
Not subjected to EUR risk (-)	-	-
(2) Net effect of EUR	29.628	(29.628)
<i>Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:</i>		
Net asset / liability in other currencies	499.903	(499.903)
Not subjected to other currency risk (-)	-	-
(3) Net effect of other currencies	499.903	(499.903)
TOTAL (1+2+3)	(17.055.520)	17.055.520

31 December 2015

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2016

(Unless otherwise stated the amounts are in TL)

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

Ministry of Internal Affairs has decided to blacklist the Company regarding all public tenders effective from 31 May 2016 for a period of one year in accordance with Bursa Municipality request. Such decision has been published on Official Gazette dated 31 May 2016 and numbered 29728. The Company has filed a claim for awarding cancellation of the Ministry of Internal Affairs blacklist decision on 17 June 2016.