

**(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 SEPTEMBER 2016**

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# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2016

(Unless otherwise stated the amounts are in TL).

		Unaudited	Audited
	Notes	30 September 2016	31 December 2015
<b>ASSETS</b>			
<b>Current Assets</b>		<b>913.258.766</b>	<b>1.094.101.658</b>
Cash and Cash Equivalents	5	52.831.520	226.061.741
Trade Receivables		532.961.439	596.232.981
<i>Due from related parties</i>	20	16.894.693	18.541.627
<i>Trade receivables, third parties</i>	7	516.066.746	577.691.354
Other Receivables		555.481	397.045
<i>Other receivables, third parties</i>		555.481	397.045
Derivative Instruments		-	109.927
Inventories	8	93.172.543	103.016.525
Deferred Costs		147.559.470	99.108.517
Prepaid Expenses	9	18.641.160	32.896.350
Other Current Assets		67.537.153	36.278.572
<b>Non-Current Assets</b>		<b>260.106.022</b>	<b>258.513.498</b>
Trade Receivables		114.563.461	109.479.328
<i>Trade receivables, third parties</i>	7	114.563.461	109.479.328
Property, Plant and Equipment	10	36.302.364	40.220.084
Financial Investments		1.442.477	862.056
Intangible Assets		92.492.357	90.035.336
<i>Goodwill</i>	11	54.909.179	53.290.807
<i>Other intangible assets</i>	11	37.583.178	36.744.529
Associates	3	3.722.496	2.601.418
Other Non-Current Assets		6.043.598	6.872.784
Prepaid Expenses	9	1.274.653	1.098.957
Deferred Tax Assets	18	4.264.616	7.343.535
<b>TOTAL ASSETS</b>		<b>1.173.364.788</b>	<b>1.352.615.156</b>

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 SEPTEMBER 2016

(Unless otherwise stated the amounts are in TL).

	Notes	Unaudited 30 September 2016	Audited 31 December 2015
<b>LIABILITIES</b>			
<b>Short Term Liabilities</b>			
Financial Liabilities	6	342.216.378	333.068.285
Trade Payables		195.599.371	350.117.975
<i>Due to related parties</i>	20	416.969	45.443
<i>Trade payables, third parties</i>	7	195.182.402	350.072.532
Other Payables		4.372.067	12.731.107
<i>Other payables, third parties</i>		4.372.067	12.731.107
Employee Benefit Obligations		14.110.374	13.034.339
Deferred Revenues		52.213.185	67.306.810
Provisions		18.034.653	21.376.150
<i>Provision for Employee Benefits</i>		13.909.528	16.637.781
<i>Other Short Term Provisions</i>	13	4.125.125	4.738.369
Advances Received		59.592.843	66.778.156
Current Tax Liabilities		-	1.959.934
<b>Long Term Liabilities</b>			
Trade Payables		12.573.224	12.781.889
<i>Trade payables, third parties</i>	7	12.573.224	12.781.889
Provisions		20.772.270	20.513.651
<i>Provision for Employee Benefits</i>		20.772.270	20.513.651
Deferred Tax Liabilities	18	4.774.980	15.745.963
<b>SHAREHOLDERS' EQUITY</b>			
<b>Equity Attributable to Equity Holders of the Parent</b>			
Share 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		10.178.224	7.661.632
<i>Currency Translation Reserves</i>		10.178.224	7.661.632
Other comprehensive income not to be reclassified in profit and loss		121.777.801	115.078.646
<i>Actuarial Income/(Loss)</i>		(8.321.961)	(8.321.961)
<i>Currency Translation Reserves</i>		130.099.762	123.400.607
Restricted Reserves Appropriated From Profit		33.182.076	33.182.076
Net (Loss)/Profit for the Period		(2.153.775)	34.305.075
Retained Earnings		179.644.157	140.496.508
<b>SHAREHOLDERS' EQUITY</b>		<b>1.173.364.788</b>	<b>1.352.615.156</b>

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 SEPTEMBER 2016

(Unless otherwise stated the amounts are in TL).

	Note	Unaudited			
		For the Period Ended 30 September 2016	For the Period Between 1 July and 30 September 2016	For the Period Ended 30 September 2015	For the Period Between 1 July and 30 September 2015
<b>INCOME OR LOSS FROM OPERATIONS</b>					
Revenue	15	654.755.191	201.701.578	554.547.726	218.219.026
Cost of Sales (-)	15	(579.888.102)	(178.728.678)	(494.899.905)	(189.965.190)
<b>GROSS PROFIT</b>		<b>74.867.089</b>	<b>22.972.900</b>	<b>59.647.821</b>	<b>28.253.836</b>
Sales, Marketing and Distribution Expenses (-)		(34.115.287)	(9.323.760)	(33.772.681)	(11.917.687)
General Administrative Expenses (-)		(16.619.389)	(6.176.142)	(16.356.581)	(5.712.879)
Research and Development Expenses (-)		-	-	(1.103.508)	(369.356)
Other Income from Operating Activities	16	4.149.330	(3.522.253)	3.238.007	-
Other Expenses from Operating Activities (-)	16	(9.581.611)	(5.541.086)	(16.136.264)	(4.052.769)
<b>OPERATING PROFIT/(LOSS)</b>		<b>18.700.132</b>	<b>(1.590.341)</b>	<b>(4.483.206)</b>	<b>6.201.145</b>
Income/(Expenses) from Investment Activities		22.204	5.093	(85.113)	(85.113)
Income from Associates	3	298.388	219.099	327.923	173.552
<b>OPERATING PROFIT/(LOSS) BEFORE FINANCE INCOME/(EXPENSES)</b>		<b>19.020.724</b>	<b>(1.366.149)</b>	<b>(4.240.396)</b>	<b>6.289.584</b>
Financial Income	17	6.532.926	5.750.957	72.242.218	34.211.965
Financial Expenses (-)	17	(35.754.560)	(8.411.204)	(26.098.835)	(9.751.157)
<b>(LOSS)/PROFIT BEFORE TAX</b>		<b>(10.200.910)</b>	<b>(4.026.396)</b>	<b>41.902.987</b>	<b>30.750.392</b>
Tax Income / (Expenses)		<b>8.047.135</b>	<b>(1.789.604)</b>	<b>(18.982.814)</b>	<b>(10.931.239)</b>
- Current Tax (Expenses) / Income	18	(15.335)	(15.335)	(803.226)	(706.551)
- Deferred Tax Income / (Expenses)	18	8.062.470	(1.774.269)	(18.179.588)	(10.224.688)
<b>(LOSS)/PROFIT AFTER TAX</b>		<b>(2.153.775)</b>	<b>(5.816.000)</b>	<b>22.920.173</b>	<b>19.819.153</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss</b>					
		<b>6.699.155</b>	<b>7.832.321</b>	<b>59.141.460</b>	<b>23.091.888</b>
Currency translation reserves		6.699.155	7.832.321	59.141.460	23.091.888
<b>Other comprehensive income or expenses that may be reclassified subsequently to profit or loss</b>					
		<b>7.359.166</b>	<b>7.991.997</b>	<b>42.065.294</b>	<b>19.936.673</b>
Currency translation reserves		7.359.166	7.991.997	42.065.294	19.936.673
<b>OTHER COMPREHENSIVE INCOME/(EXPENSES) NET OF TAX</b>		<b>14.058.321</b>	<b>15.824.318</b>	<b>101.206.754</b>	<b>43.028.561</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>11.904.546</b>	<b>10.008.318</b>	<b>124.126.927</b>	<b>62.847.714</b>
(Loss)/Profit per share	19	(0,0332)	(0,0897)	0,3534	0,3055

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 SEPTEMBER 2016

(Unless otherwise stated the amounts are in TL).

	Other comprehensive income or expenses that may be reclassified subsequently to profit or loss		Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss			Retained Earnings		Net Profit/(Loss) for the Period	TOTAL
	Capital	Capital Reserves	Currency Translation Reserves	Currency Translation Reserves	Actuarial Loss	Restricted Reserves Appropriated from Profit	Retained Earnings		
<b>Balance as at 1 January 2015</b>	<b>64.864.800</b>	<b>41.612.160</b>	<b>5.315.561</b>	<b>75.736.230</b>	<b>(8.053.531)</b>	<b>32.809.042</b>	<b>98.768.665</b>	<b>11.845.089</b>	<b>322.898.016</b>
Currency translation differences	-	-	4.835.484	59.141.460	-	-	37.229.810	-	101.206.754
Net profit for the period	-	-	-	-	-	-	-	22.920.173	22.920.173
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>4.835.484</b>	<b>59.141.460</b>	<b>-</b>	<b>-</b>	<b>37.229.810</b>	<b>22.920.173</b>	<b>124.126.927</b>
Transfer	-	-	-	-	-	-	11.845.089	(11.845.089)	-
Transfer to reserves	-	-	-	-	-	373.034	(373.034)	-	-
<b>Balance as at 30 September 2015</b>	<b>64.864.800</b>	<b>41.612.160</b>	<b>10.151.045</b>	<b>134.877.690</b>	<b>(8.053.531)</b>	<b>33.182.076</b>	<b>147.470.530</b>	<b>22.920.173</b>	<b>447.024.943</b>
<b>Balance as at 1 January 2016</b>	<b>64.864.800</b>	<b>41.612.160</b>	<b>7.661.632</b>	<b>123.400.607</b>	<b>(8.321.961)</b>	<b>33.182.076</b>	<b>140.496.508</b>	<b>34.305.075</b>	<b>437.200.897</b>
Currency translation differences	-	-	2.516.592	6.699.155	-	-	4.842.574	-	14.058.321
Net loss for the period	-	-	-	-	-	-	-	(2.153.775)	(2.153.775)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>2.516.592</b>	<b>6.699.155</b>	<b>-</b>	<b>-</b>	<b>4.842.574</b>	<b>(2.153.775)</b>	<b>11.904.546</b>
Transfer	-	-	-	-	-	-	34.305.075	(34.305.075)	-
<b>Balance as at 30 September 2016</b>	<b>64.864.800</b>	<b>41.612.160</b>	<b>10.178.224</b>	<b>130.099.762</b>	<b>(8.321.961)</b>	<b>33.182.076</b>	<b>179.644.157</b>	<b>(2.153.775)</b>	<b>449.105.443</b>

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 FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

(Unless otherwise stated the amounts are in TL).

	Unaudited	
	For the Period Ended	For the Period Ended
	Notes	30 September 2015
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Loss/(Profit)</b>	<b>(2.153.775)</b>	<b>22.920.173</b>
<i>Loss/(Profit) from Continuing Operations</i>	<i>(2.153.775)</i>	<i>22.920.173</i>
<b>Adjustments to Reconcile Profit</b>	<b>55.193.426</b>	<b>6.926.809</b>
Adjustments for Depreciation and Amortisation Expense	16.189.931	14.603.267
Adjustments for (Reversal of) Impairment Loss Recognised in Profit or Loss	869.789	2.678.835
<i>Adjustments for (Reversal of) Provision of Receivables</i>	7 869.789	2.678.835
Adjustments For Provisions	20.514.401	16.671.432
<i>Adjustments for (Reversal of) Provisions Related with Employee Benefits</i>	21.139.380	17.539.503
<i>Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions</i>	13 (576.419)	696.966
<i>Adjustments for (Reversal of) Provisions Arising From Sectoral Requirements</i>	13 (48.560)	(1.565.037)
Adjustments for Interest (Income) and Expenses	31.477.023	23.576.136
<i>Adjustments for Interest Income</i>	17 (933.008)	(591.271)
<i>Adjustments for Interest Expense</i>	17 33.808.337	24.167.407
<i>Unearned Financial Income from Credit Sales</i>	16 (1.398.306)	-
Adjustments For Unrealised Foreign Exchange Losses (Gains)	17 (5.599.918)	(69.395.683)
Other Adjustments for Fair Value Losses(Gains)	109.927	-
<i>Adjustments for Fair Value Losses(Gains) on Derivative Financial Instruments</i>	109.927	-
Adjustments for Share of Profit of Investments		
Accounted for Using the Equity Method	3 (298.388)	(327.923)
Adjustments for (Income)/Losses Tax Expense	18 (8.047.135)	18.982.814
Adjustments for (Gains)/Losses On Disposal of Non-Current Assets	(22.204)	137.931
<i>Adjustments for Losses / (Gains) Arising From Sale of Tangible Assets</i>	(22.204)	137.931
<b>Changes in Working Capital</b>	<b>(171.983.493)</b>	<b>(78.615.418)</b>
Adjustments for Decrease / (Increase) in Trade Accounts Receivable	69.498.159	77.366.490
<i>Decrease (Increase) in Trade Accounts Receivables from Related Parties</i>	2.162.512	(3.834.871)
<i>Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties</i>	67.335.647	81.201.361
Adjustments for Decrease (Increase) in Other Receivables Related with Operations	(29.651.827)	(16.143.014)
Adjustments for Decrease (Increase) in Other Receivables Related with Operations from Third Parties	(29.651.827)	(16.143.014)
Adjustments for Decrease / (Increase) in Inventories	12.693.602	(79.570.659)
Decrease / (Increase) in Prepaid Expenses	14.787.041	(8.377.084)
Adjustments for Decrease In Trade Accounts Payable	(162.185.135)	(14.107.558)
Increase(Decrease) in Trade Accounts Payables to Related Parties	362.189	(60.843)
Increase (Decrease) in Trade Accounts Payables to Unrelated Parties	(162.547.324)	(14.046.715)
Increase (Decrease) in Payables due to Employee Benefits	665.578	(655.564)
Increase (Decrease) in Payables Due to Ongoing Construction or Service Contracts	(44.464.352)	(37.526.592)
Adjustments for Decrease in Other Operating Payables	(8.557.670)	(8.677.920)
<i>Decrease in Other Operating Payables to Unrelated Parties</i>	(8.557.670)	(8.677.920)
Increase / (Decrease) in Deferred Income	(16.769.253)	(6.692.708)
Other Adjustments for Other Increase / (Decrease) in Working Capital	(7.999.636)	15.769.191
<b>Cash Flows (Used in) Generated From Operations</b>	<b>(118.943.842)</b>	<b>(48.768.436)</b>
Payments Related with Provisions for Employee Benefits	(23.605.826)	(18.786.588)
Income Taxes Paid	-	(1.172.115)
	<b>(142.549.668)</b>	<b>(68.727.139)</b>

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 FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2016

(Unless otherwise stated the amounts are in TL).

		<u>Unaudited</u>	
		<b>For the Period Ended</b>	<b>For the Period Ended</b>
<b>Notes</b>	<b>30 September 2016</b>	<b>30 September 2015</b>	
<b>B.CASH FLOWS FROM INVESTING ACTIVITIES</b>			
	Proceeds from Sales of Property, Plant, Equipment and Intangible Assets	195.104	293.880
	<i>Proceeds from Sales of Property, Plant, Equipment</i>	195.104	293.880
	Purchase of Property, Plant, Equipment and Intangible Assets	(9.468.657)	(5.085.672)
	<i>Purchase of Property, Plant, Equipment</i>	10 (3.420.795)	(2.373.400)
	<i>Purchase of Intangible Assets</i>	11 (6.047.862)	(2.712.272)
	Interest Received	933.008	591.271
	Other Proceeds/(Outflows) of Cash	(580.421)	(357.366)
		<u><b>(8.920.966)</b></u>	<u><b>(4.557.887)</b></u>
<b>C.CASH FLOWS FROM FINANCING ACTIVITIES</b>			
	Proceeds from Borrowings	10.009.101	110.639.894
	Interest Paid	(29.069.427)	(18.733.547)
		<u><b>(19.060.326)</b></u>	<u><b>91.906.347</b></u>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)</b>		<u><b>(170.530.960)</b></u>	<u><b>18.621.321</b></u>
<b>D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		(2.699.261)	6.211.935
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>		<u><b>(173.230.221)</b></u>	<u><b>24.833.256</b></u>
<b>E.CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		5 226.061.741	84.325.174
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (A+B+C+D+E)</b>		<u><b>52.831.520</b></u>	<u><b>109.158.430</b></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 SEPTEMBER 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 Yenişehir 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” (Netas Telecom Limited Liability Partnership) was completed in Kazakhstan Almaty. The amount of capital which solely belongs to Netaş is 161.800 Tenge (approximately 1.100 American USD). Registration was made on 25 June 2012 and it will be valid starting from 4 July 2012.

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

The average number of personnel employed in the Group for the period ended 30 September 2016 is 2.069 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 September 2016 have been approved by the Board of Directors on 9 November 2016.

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 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 an 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 September 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 SEPTEMBER 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 SEPTEMBER 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 September 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 SEPTEMBER 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 September 2016 (Turkish Central Bank USD Buying rate: (1 USD: = 2,9959 TL) , statements of income and statements of cash flows have been translated to TL by using nine months average exchange rate (1 USD: 2,9315TL ) for the period ended 30 September 2016 (for the 1 January-30 September 2015 1 USD: 2,6555 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 SEPTEMBER 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 September 2016 and the reclassifications nature, amount and reasons are explained below:

As of 30 September 2015, the Group presented interest income amounting to TL 591.271 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 July–30 September 2015, the Group presented interest income amounting to TL 266.005 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".

As of 30 September 2015, the Group presented Group's share in Kron total comprehensive income amounting to TL 327.923 under "Investment Activities". In the current year, the Group's management has been classified these amounts under "Income from Associates". For the period 1 July-30 September 2015, the Group presented Group's share in Kron total comprehensive income amounting to TL 173.552 under "Investment Activities". In the current year, the Group's management has been classified these amounts under "Income from Associates".

#### **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 SEPTEMBER 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 condensed consolidated financial statements

None.

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

Amendments to TAS 16 and TAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> <sup>1</sup>
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> <sup>1</sup>
Amendments to TFRS 11 and TFRS 1 Annual Improvements to 2011-2013 Cycle	<i>Accounting for Acquisition of Interests in Joint operations</i> <sup>1</sup> <i>TFRS 1</i> <sup>2</sup>
Amendments to TAS 1 Annual Improvements to 2012-2014 Cycle	<i>Disclosure Initiative</i> <sup>2</sup> <i>TFRS 5, TFRS 7, TAS 34, TAS 19</i> <sup>2</sup>
Amendments to TAS 27	<i>Equity Method in Separate Financial Statements</i> <sup>2</sup>
Amendments to TFRS 10 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>2</sup>
Amendments to TFRS 10, TFRS 12 and TAS 28	<i>Investment Entities: Applying the Consolidation Exception</i> <sup>2</sup>
TFRS 14	<i>Regulatory Deferral Accounts</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 31 December 2015.

<sup>2</sup> 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 SEPTEMBER 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 condensed 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 SEPTEMBER 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 condensed 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 SEPTEMBER 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 condensed 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 SEPTEMBER 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 September 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 SEPTEMBER 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	<b>601.195</b>

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

	<b>30 September 2016</b>	<b>31 December 2015</b>
Current assets	18.424.927	18.060.465
Non-current assets	10.216.337	9.131.425
Short term liabilities	5.170.884	6.627.093
Long term liabilities	484.275	562.570
Net assets	22.986.105	20.002.227
Share of the Group in net assets	2.298.611	2.000.223

	<b>1 January 2016 -30 September 2016</b>	<b>1 January 2015 -30 September 2015</b>
Net profit	2.910.644	3.216.436
Other comprehensive income	73.234	62.790
Total comprehensive income	2.983.878	3.279.226
Share of the Group in total comprehensive income	298.388	327.923

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

	<b>30 September 2016</b>	<b>30 September 2015</b>
As of 1 January	2.601.418	1.980.222
Share from the profit of the year	298.388	327.923
Currency translation reserves	822.690	851.486
As of 30 September	<b>3.722.496</b>	<b>3.159.631</b>

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2016	Enterprise	Public	International	Technology	BDH	Unallocated (*)	Total
Revenue	281.518.351	248.331.277	48.140.007	53.089.006	23.676.550	-	654.755.191
Cost of sales	(248.529.751)	(215.570.590)	(36.840.179)	(50.852.336)	(22.308.861)	(5.786.385)	(579.888.102)
<b>Gross margin</b>	<b>32.988.600</b>	<b>32.760.687</b>	<b>11.299.828</b>	<b>2.236.670</b>	<b>1.367.689</b>	<b>(5.786.385)</b>	<b>74.867.089</b>
Sales,marketing and distribution expenses	(16.274.176)	(11.351.989)	(6.489.122)	-	-	-	(34.115.287)
General administrative expenses	-	-	-	-	-	(16.619.389)	(16.619.389)
Research and development expenses	-	-	-	-	-	-	-
<b>Operating profit / (loss) of segment</b>	<b>16.714.424</b>	<b>21.408.698</b>	<b>4.810.706</b>	<b>2.236.670</b>	<b>1.367.689</b>	<b>(22.405.774)</b>	<b>24.132.413</b>
<b>For the period ended 30 September 2015</b>	<b>Enterprise</b>	<b>Public</b>	<b>International</b>	<b>Technology</b>	<b>BDH</b>	<b>Unallocated (*)</b>	<b>Total</b>
Revenue	294.298.926	129.593.280	52.846.440	57.360.960	20.448.120	-	554.547.726
Cost of sales	(265.556.716)	(113.128.560)	(35.319.480)	(50.987.520)	(26.024.880)	(3.882.749)	(494.899.905)
<b>Gross margin</b>	<b>28.742.210</b>	<b>16.464.720</b>	<b>17.526.960</b>	<b>6.373.440</b>	<b>(5.576.760)</b>	<b>(3.882.749)</b>	<b>59.647.821</b>
Sales,marketing and distribution expenses	(14.074.680)	(12.262.321)	(6.904.560)	(531.120)	-	-	(33.772.681)
General administrative expenses	-	-	-	-	-	(16.356.581)	(16.356.581)
Research and development expenses	-	-	-	(1.103.508)	-	-	(1.103.508)
<b>Operating profit / (loss) of segment</b>	<b>14.667.530</b>	<b>4.202.399</b>	<b>10.622.400</b>	<b>4.738.812</b>	<b>(5.576.760)</b>	<b>(20.239.330)</b>	<b>8.415.051</b>

(\*) 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 SEPTEMBER 2016

(Unless otherwise stated the amounts are in TL).

### 4. SEGMENT REPORTING (cont'd)

<b>30 September 2016</b>	<b>Enterprise</b>	<b>Public</b>	<b>International</b>	<b>Technology</b>	<b>BDH</b>	<b>Unallocated(*)</b>	<b>Total</b>
Trade receivables	114.366.998	416.072.744	20.710.644	699.382	7.531.909	71.248.530	630.630.207
Due from related parties	-	-	-	16.894.693	-	-	16.894.693
Inventories	13.097.033	73.823.324	5.585.151	-	-	667.035	93.172.543
Deferred costs	61.852.176	67.413.919	6.681.104	3.170.531	5.678.807	2.762.933	147.559.470
<b>Segments assets</b>	<b>189.316.207</b>	<b>557.309.987</b>	<b>32.976.899</b>	<b>20.764.606</b>	<b>13.210.716</b>	<b>74.678.498</b>	<b>888.256.913</b>
Trade payables (*)	91.766.381	69.055.329	17.481.094	355.369	6.247.856	22.849.597	207.755.626
Due to related parties	357.929	59.040	-	-	-	-	416.969
Deferred revenues	30.695.491	19.731.350	1.068.348	-	-	717.996	52.213.185
Advances received	3.566.327	53.487.716	2.538.670	-	130	-	59.592.843
<b>Segment liabilities</b>	<b>126.386.128</b>	<b>142.333.435</b>	<b>21.088.112</b>	<b>355.369</b>	<b>6.247.986</b>	<b>23.567.593</b>	<b>319.978.623</b>
<b>31 December 2015</b>	<b>Enterprise</b>	<b>Public</b>	<b>International</b>	<b>Technology</b>	<b>BDH</b>	<b>Unallocated(*)</b>	<b>Total</b>
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
<b>Segments assets</b>	<b>233.075.474</b>	<b>488.802.271</b>	<b>95.509.343</b>	<b>19.140.677</b>	<b>5.626.981</b>	<b>65.682.605</b>	<b>907.837.351</b>
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
<b>Segment liabilities</b>	<b>159.110.760</b>	<b>245.841.923</b>	<b>54.963.475</b>	<b>247.017</b>	<b>5.601.977</b>	<b>31.219.678</b>	<b>496.984.830</b>

(\*) Unallocated trade payables are shown as insurance, rent, consultancy and etc. The uncollected amount of trade receivable and trade payables are related to Nortel companies under bankruptcy protection as of 30 September 2016 and 31 December 2015.

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL).

### 4. SEGMENT REPORTING (cont'd)

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

	<b>For the Period Ended 30 September 2016</b>	<b>For the Period Ended 30 September 2015</b>
Operating profit of segment	24.132.413	8.415.051
Other income/(expenses) from operating activities (net)	(5.432.281)	(12.898.257)
Other income/(expenses) from investments	22.204	(85.113)
Income/(Loss) from associates	298.388	327.923
Finance (expenses)/income (net)	(29.221.634)	46.143.383
<b>(Loss)/ Profit before tax</b>	<b>(10.200.910)</b>	<b>41.902.987</b>
<b>Assets</b>	<b>30 September 2016</b>	<b>31 December 2015</b>
Segment assets	888.256.913	907.837.351
Other assets	285.107.875	444.777.805
<b>Total assets</b>	<b>1.173.364.788</b>	<b>1.352.615.156</b>
<b>Liabilities</b>	<b>30 September 2016</b>	<b>31 December 2015</b>
Segment liabilities	319.978.623	496.984.830
Other liabilities	404.280.722	418.429.429
<b>Total liabilities</b>	<b>724.259.345</b>	<b>915.414.259</b>

### 5. CASH AND CASH EQUIVALENTS

	<b>30 September 2016</b>	<b>31 December 2015</b>
Cash	68	-
Bank- demand deposits	48.514.849	38.598.503
Bank- time deposits	4.143.479	187.084.434
Other cash and cash equivalents	173.124	378.804
	<b>52.831.520</b>	<b>226.061.741</b>

<b>Currency</b>	<b>Original Currency</b>		<b>Maturity</b>	<b>30 September 2016</b>
	<b>Amount</b>	<b>Interest Rate %</b>		
US\$	1.383.050	2,5	September 17	4.143.479
				<b>4.143.479</b>
<b>Currency</b>	<b>Original Currency</b>		<b>Maturity</b>	<b>31 December 2015</b>
	<b>Amount</b>	<b>Interest Rate %</b>		
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
				<b>187.084.434</b>

The credit risk, foreign currency and sensitivity risks of financial assets and liabilities are disclosed in Note 21. As of 30 September 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 FOR THE PERIOD ENDED 30 SEPTEMBER 2016

(Unless otherwise stated the amounts are in TL).

### 6. FINANCIAL LIABILITIES

<b>Short term financial liabilities</b>	<b>30 September 2016</b>	<b>31 December 2015</b>
Short term unsecured loans	335.111.015	329.886.371
Non interest bearing unsecured spot loans	7.105.363	3.181.914
	<b>342.216.378</b>	<b>333.068.285</b>

As of 30 September 2016, the average interest rate for TL loans is 11,93 % 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;

<b>Currency</b>	<b>Original currency amount</b>	<b>Effective interest rate %</b>	<b>Maturity</b>	<b>30 September 2016</b>
US\$	20.217.708	3,00-3,25	November 16	60.570.231
TL	274.540.784	10,90-14,50	October 16-November 16	274.540.784
				<b>335.111.015</b>

  

<b>Currency</b>	<b>Original currency amount</b>	<b>Effective interest rate %</b>	<b>Maturity</b>	<b>31 December 2015</b>
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
				<b>329.886.371</b>

The Group had no collaterals given for bank loans as of 30 September 2016 and 31 December 2015.



# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL).

### 7. TRADE RECEIVABLES AND PAYABLES

<b>Trade Receivables from Third Parties</b>	<b>30 September 2016</b>	<b>31 December 2015</b>
Trade receivables	256.309.085	405.517.617
Unbilled receivables	281.905.097	192.680.792
Notes receivable	505.302	553.318
Discount on trade receivables(*)	(82.502)	-
Allowances for doubtful receivables	(22.570.236)	(21.060.373)
	<b>516.066.746</b>	<b>577.691.354</b>

<b>Movement of Allowance for Doubtful Receivables</b>	<b>30 September 2016</b>	<b>30 September 2015</b>
Balance at 1 January	(21.060.373)	(14.255.324)
Charge for the period	(869.789)	(2.678.835)
Provision reversal	128.400	489.574
Currency translation differences	(768.474)	(5.910.894)
Balance at 30 September	<b>(22.570.236)</b>	<b>(22.355.479)</b>

No guarantee has been obtained for trade receivables.

#### Long Term Trade Receivables from Third Parties

	<b>30 September 2016</b>	<b>31 December 2015</b>
Trade Receivables	122.020.485	118.417.160
Discount on trade receivables(*)	(7.457.024)	(8.937.832)
	<b>114.563.461</b>	<b>109.479.328</b>

(\*) As of 30 September 2016, Group will collect its trade receivable in every year by equal payment; total amount is USD 26.736.205 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.

<b>Trade Payables to Third Parties</b>	<b>30 September 2016</b>	<b>31 December 2015</b>
Trade payables	194.369.067	347.705.986
Other trade payables	813.335	2.366.546
	<b>195.182.402</b>	<b>350.072.532</b>

<b>Long Term Trade Payables to Third Parties</b>	<b>30 September 2016</b>	<b>31 December 2015</b>
Other trade payables	12.573.224	12.781.889
	<b>12.573.224</b>	<b>12.781.889</b>

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL).

#### 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.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL.)

#### 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 September 2016 and the bankruptcy protection filing date of 14 January 2009 are given below:

Country	Company	14 January 2009			30 September 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.	42.726.246	(7.488.101)	35.238.145	49.060.119	(10.014.763)	39.045.356	47.614.139	(9.719.208)	37.894.931
Ireland	Nortel Networks (Ireland) Limited	1.455.809	-	1.455.809	1.455.810	-	1.455.810	1.412.902	-	1.412.902
Canada	Nortel Networks Technology Corporation	341.233	(46.210)	295.023	-	-	-	-	-	-
Egypt	Nortel Networks Inc. (Egypt Branch)	259.447	-	259.447	262.922	-	262.922	255.174	-	255.174
Europe	Nortel Networks N.V.	134.172	-	134.172	134.172	-	134.172	130.217	-	130.217
India	Nortel Networks (India) Private Limited	41.154	-	41.154	25.613	-	25.613	27.800	-	27.800
Holland	Nortel Networks BV.	81.262	-	81.262	-	-	-	-	-	-
Italy	Nortel Networks S.p.A.	20.122	-	20.122	20.122	-	20.122	19.530	-	19.530
		<b>45.059.445</b>	<b>(7.534.311)</b>	<b>37.525.134</b>	<b>50.958.758</b>	<b>(10.014.763)</b>	<b>40.943.995</b>	<b>49.459.762</b>	<b>(9.719.208)</b>	<b>39.740.554</b>
Mexico	Nortel de México, S. de R.L. de C.V.	-	(14.706)	(14.706)	-	(14.707)	(14.707)	-	(14.273)	(14.273)
Germany	Nortel GmbH	-	(209.283)	(209.283)	-	-	-	-	-	-
France	Nortel Networks S.A.	30.858	(89.255)	(58.397)	184.169	(77.390)	106.779	178.744	(73.173)	105.571
Canada	Nortel Networks Limited	490.180	(1.230.922)	(740.742)	-	-	-	-	-	-
England	Nortel Networks UK Limited	5.245.057	(5.807.810)	(562.753)	-	-	-	-	-	-
Canada	Nortel Networks Limited - EMEA Sales	-	(14.362.376)	(14.362.376)	-	-	-	-	-	-
		<b>50.825.540</b>	<b>(29.248.663)</b>	<b>21.576.877</b>	<b>51.142.927</b>	<b>(10.106.860)</b>	<b>41.036.067</b>	<b>49.638.506</b>	<b>(9.806.654)</b>	<b>39.831.852</b>

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

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL.)

### 8. INVENTORIES

	<u>30 September 2016</u>	<u>31 December 2015</u>
Raw materials	32.097.022	25.109.488
Finished goods	51.643.262	47.400.127
Trade goods	17.473.423	38.444.605
Other inventories	1.083.212	917.753
Allowance for inventory impairment	(9.124.376)	(8.855.448)
	<u><b>93.172.543</b></u>	<u><b>103.016.525</b></u>

<u>Movement for allowance</u>	<u>30 September 2016</u>	<u>30 September 2015</u>
1 January - opening balance	(8.855.448)	(7.213.137)
Foreign currency exchange differences	(268.928)	(2.055.601)
Closing balance as 30 September	<u><b>(9.124.376)</b></u>	<u><b>(9.268.738)</b></u>

### 9. PREPAID EXPENSES

#### Short Term Prepaid Expenses

	<u>30 September 2016</u>	<u>31 December 2015</u>
Advances given for inventory purchases	5.548.840	25.951.614
Prepaid expenses relating to future months	2.047.736	4.818.986
Goods in transit	10.789.405	1.946.039
Business advances	255.179	179.711
	<u><b>18.641.160</b></u>	<u><b>32.896.350</b></u>

#### Long Term Prepaid Expenses

	<u>30 September 2016</u>	<u>31 December 2015</u>
Prepaid Expenses relating to future years	1.274.653	1.098.957
	<u><b>1.274.653</b></u>	<u><b>1.098.957</b></u>

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL.)

### 10. PLANT, PROPERTY AND EQUIPMENT

For the period ended 30 September 2016, the purchasing amount of tangible fixed assets is TL 3.420.795. Net book value of fixed assets' disposed is TL 172.900 and including scrap sales.(30 September 2015: purchases: TL 2.373.400, net book value of fixed assets disposed is: TL 431.810, 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>
<b>Goodwill calculated as of acquisition date</b>	<b>33.820.858</b>
Currency Translation Reserves	799.105
<b>Goodwill as of 31 December 2011</b>	<b>34.619.963</b>
Currency Translation Reserves	(1.948.278)
<b>Goodwill as of 31 December 2012</b>	<b>32.671.685</b>
Currency Translation Reserves	6.445.996
<b>Goodwill as of 31 December 2013</b>	<b>39.117.681</b>
Currency Translation Reserves	3.383.369
<b>Goodwill as of 31 December 2014</b>	<b>42.501.050</b>
Currency Translation Reserves	10.789.757
<b>Goodwill as of 31 December 2015</b>	<b>53.290.807</b>
Currency Translation Reserves	1.618.372
<b>Goodwill as of 30 September 2016</b>	<b>54.909.179</b>

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL.)

### 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.

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL.)

### 11. INTANGIBLE ASSETS (cont'd)

#### Other Intangible Assets

For the period ended 30 September 2016, the Group purchased TL 6.047.862 of intangible assets and no disposal amount for intangible assets (30 September 2015: purchases TL 2.712.272 and no disposal amount).

### 12. GOVERNMENT GRANTS

For the period ended 30 September 2016 the Group has received approved and accrued incentive from TÜBİTAK is 18.430.300 and 10.735.591 is net off with "Research and Development Expenses." (For the period ended 30 September 2015: TL 3.472.221 accrued incentive received, 576.414 million TL is accounted under "Other Income from Operating Activities" and 2.895.807 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 September 2016 the Group has a corporate tax benefit of TL 146.264.290 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 September 2016, the amount of income tax incentive within the scope of Act numbered 5746 is TL 8.679.177 (For the period ended 30 September 2015: TL 7.330.281) 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 6.968.449 (For the period ended 30 September 2015: TL : 5.419.248 TL

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL.)

### 13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

<b>Other Short Term Provisions</b>	<b>30 September 2016</b>	<b>31 December 2015</b>
Provision for legal cases	3.733.341	4.309.760
Other provisions	391.784	428.609
	<b>4.125.125</b>	<b>4.738.369</b>

For the period ended 30 September 2016, the Group had a cash outflow of TL 2.467.097 for legal cases during the period (For the period ended 30 September 2015: TL 3.500.309).

	<b>Provision for Legal Cases</b>	<b>Other Provisions</b>	<b>Total</b>
1 January 2016 opening	4.309.760	428.609	4.738.369
Provision booked	1.890.678	9.397	1.900.075
Paid / provision no longer required	(2.467.097)	(57.957)	(2.525.054)
Foreign currency exchange differences	-	11.735	11.735
30 September 2016 closing	<b>3.733.341</b>	<b>391.784</b>	<b>4.125.125</b>

	<b>Provision for Legal Cases</b>	<b>Other Provisions</b>	<b>Total</b>
1 January 2015 opening	1.759.816	1.924.756	3.684.572
Provision booked	4.197.275	648.848	4.846.123
Paid / provision no longer required	(3.500.309)	(2.213.885)	(5.714.194)
Foreign currency exchange differences	-	4.808	4.808
30 September 2015 closing	<b>2.456.782</b>	<b>364.527</b>	<b>2.821.309</b>

### 14. COMMITMENTS

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

	<b>30 September 2016</b>	<b>31 December 2015</b>
Guarantee letters given(*)	373.694.211	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 September 2016.



# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL.)

### 14. COMMITMENTS (cont'd)

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

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

Company	30 September 2016	31 December 2015
A. Total amount of CPM is given on behalf of own legal personality	373.694.211	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>373.694.211</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 Özсарfati (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.

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL.)

### 14. COMMITMENTS (cont'd)

#### Rent Agreements (cont'd)

##### Unrevokable Operational Lease Commitments

	<u>30 September 2016</u>	<u>31 December 2015</u>
Within 1 year	8.729.510	8.656.502
Between 1-5 years	3.709.430	10.805.625
	<u><b>12.438.940</b></u>	<u><b>19.462.127</b></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 September 2016	For the Period Between 1 July and 30 September 2016	For the Period Ended 30 September 2015	For the Period Between 1 July and 30 September 2015
Total domestic	<u>548.400.979</u>	<u>168.454.518</u>	<u>438.134.375</u>	<u>165.965.256</u>
United States	52.621.648	17.789.992	53.849.594	17.938.077
Asia	6.836.095	2.042.332	3.481.759	1.597.691
Africa	37.867.201	10.996.176	49.043.264	26.078.148
Europe	9.029.268	2.418.560	10.038.734	6.639.854
Total export	<u>106.354.212</u>	<u>33.247.060</u>	<u>116.413.351</u>	<u>52.253.770</u>
Total sales	<u><b>654.755.191</b></u>	<u><b>201.701.578</b></u>	<u><b>554.547.726</b></u>	<u><b>218.219.026</b></u>

#### Cost of Sales:

	For the Period Ended 30 September 2016	For the Period Between 1 July and 30 September 2016	For the Period Ended 30 September 2015	For the Period Between 1 July and 30 September 2015
Equipment expenses	318.296.844	77.166.913	258.855.839	92.581.675
Personnel expenses	131.394.061	42.289.082	113.791.039	38.966.786
Service/ support expenses	105.103.180	51.299.683	100.450.050	51.121.769
Depreciation expenses	10.601.289	3.416.580	9.075.407	3.159.379
Rent expenses	6.226.897	2.088.467	4.384.386	1.572.470
Transportation expenses	2.061.028	785.526	1.849.764	463.632
Other	6.204.803	1.682.427	6.493.420	2.099.479
	<u><b>579.888.102</b></u>	<u><b>178.728.678</b></u>	<u><b>494.899.905</b></u>	<u><b>189.965.190</b></u>

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL.)

### 16. OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES

	For the Period Ended 30 September 2016	For the Period Between 1 July and 30 September 2016	For the Period Ended 30 September 2015	For the Period Between 1 July and 30 September 2015
<b>Other income from operating activities</b>				
R&D Incentives	-	(877.275)	576.414	(2.349.753)
Foreign exchange gains	-	(4.193.234)	1.852.544	1.852.544
Discount income on receivables (*)	1.398.306	156.374	-	-
Service income	1.513.493	513.144	711.947	555.698
Other income and gains	1.237.531	878.738	97.102	(58.489)
	<b>4.149.330</b>	<b>(3.522.253)</b>	<b>3.238.007</b>	<b>-</b>

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

	For the Period Ended 30 September 2016	For the Period Between 1 July and 30 September 2016	For the Period Ended 30 September 2015	For the Period Between 1 July and 30 September 2015
<b>Other expenses from operating activities</b>				
Foreign exchange expenses	5.043.731	5.043.731	10.581.654	2.088.274
Legal case expenses	3.129.338	656.501	4.189.309	1.576.184
Other tax expenses	775.611	(432.266)	686.798	176.202
Other expenses and losses	632.931	273.120	678.503	212.109
	<b>9.581.611</b>	<b>5.541.086</b>	<b>16.136.264</b>	<b>4.052.769</b>

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL.)

### 17. FINANCIAL INCOME / (EXPENSES)

#### Financial Income:

	For the Period Ended 30 September 2016	For the Period Between 1 July and 30 September 2016	For the Period Ended 30 September 2015	For the Period Between 1 July and 30 September 2015
Foreign exchange gain from loans	5.599.918	5.599.918	69.395.683	34.330.280
Interest income	933.008	151.039	591.271	266.005
Income from derivative transactions	-	-	2.255.264	(384.320)
	<b>6.532.926</b>	<b>5.750.957</b>	<b>72.242.218</b>	<b>34.211.965</b>

#### Financial Expenses:

	For the Period Ended 30 September 2016	For the Period Between 1 July and 30 September 2016	For the Period Ended 30 September 2015	For the Period Between 1 July and 30 September 2015
Bank interest expenses	33.808.337	10.650.006	24.167.407	8.950.027
Foreign exchange loss from loans	-	(2.943.297)	-	-
Guarantee letter commissions	1.946.223	704.495	1.931.428	801.130
	<b>35.754.560</b>	<b>8.411.204</b>	<b>26.098.835</b>	<b>9.751.157</b>

### 18. TAX ASSETS AND LIABILITIES

	For the Period Ended 30 September 2016	For the Period Between 1 July and 30 September 2016	For the Period Ended 30 September 2015	For the Period Between 1 July and 30 September 2015
Current tax expenses	(15.335)	(15.335)	(803.226)	(706.551)
Deferred tax income/(expenses)	8.062.470	(1.774.269)	(18.179.588)	(10.224.688)
	<b>8.047.135</b>	<b>(1.789.604)</b>	<b>(18.982.814)</b>	<b>(10.931.239)</b>

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL.)

### 18. TAX ASSETS AND LIABILITIES (cont'd)

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

	<b>1 January 2016</b>	<b>Charge to Profit/(Loss)</b>	<b>Translation Difference</b>	<b>30 September 2016</b>
Tangible and intangible assets	(9.628.160)	674.818	(369.926)	(9.323.268)
Trade receivables	(41.139.634)	(16.054.209)	(1.602.040)	(58.795.883)
Trade payables and cost provisions	2.240.615	(668.108)	53.367	1.625.874
Inventory and deferred costs	3.360.460	6.782.686	251.057	10.394.203
Advances received	2.168.521	(852.275)	47.132	1.363.378
Provisions for employee bonuses	2.272.264	(391.226)	60.411	1.941.449
Provision for unused vacation	1.002.494	124.072	33.170	1.159.736
Severance and retirement provisions	4.155.527	(436.952)	116.599	3.835.174
Deferred revenues	6.279.027	3.887.522	276.088	10.442.637
Unused R&D tax exemption	18.885.370	9.583.431	784.057	29.252.858
Carryforward tax losses	1.227.063	5.483.278	157.722	6.868.063
Other	774.025	(70.567)	21.957	725.415
	<b>(8.402.428)</b>	<b>8.062.470</b>	<b>(170.406)</b>	<b>(510.364)</b>

	<b>1 January 2015</b>	<b>Charge to (Loss)/Profit</b>	<b>Translation Difference</b>	<b>30 September 2015</b>
Tangible and intangible assets	(7.408.373)	(412.566)	(3.021.261)	(10.842.200)
Trade receivables	(35.874.160)	(10.866.677)	(12.793.202)	(59.534.039)
Trade payables and cost provisions	(3.268.110)	(1.987.294)	(1.311.029)	(6.566.433)
Inventory and deferred costs	11.231.492	2.881.772	3.929.246	18.042.510
Advances received	1.298.299	(234.547)	371.331	1.435.083
Provisions for employee bonuses	2.147.358	(830.987)	549.490	1.865.861
Provision for unused vacation	865.312	(330.573)	222.052	756.791
Severance and retirement provisions	3.776.653	(906.793)	1.047.395	3.917.255
Deferred revenues	11.381.215	(1.338.587)	3.359.942	13.402.570
Unused R&D tax exemption	15.991.423	(1.543.952)	4.770.135	19.217.606
Carryforward tax losses	1.938.391	(2.219.842)	281.451	-
Other	355.997	(389.542)	54.334	20.789
	<b>2.435.497</b>	<b>(18.179.588)</b>	<b>(2.540.116)</b>	<b>(18.284.207)</b>

As of 30 September 2016, the Group has TL 34.340.315 carryforward tax losses to be used in the future (30 September 2015: None) and booked deferred tax asset of TL 6.868.063 TL (30 September 2015: None).

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL.)

### 19. (LOSS) /EARNINGS PER SHARE

	<b>For the Period Ended 30 September 2016</b>	<b>For the Period Between 1 July and 30 September 2016</b>	<b>For the Period Ended 30 September 2015</b>	<b>For the Period Between 1 July and 30 September 2015</b>
Number of shares	64.864.800	64.864.800	64.864.800	64.864.800
Net (loss)/profit for the year	(2.153.775)	(5.816.000)	22.920.173	19.819.153
(Loss)/Earning per share	(0,0332)	(0,0897)	0,3534	0,3055

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 September 2016 and 31 December 2015 is as follows:

<b>Due from Related Parties</b>	<b>30 September 2016</b>	<b>31 December 2015</b>
Genband US LLC	16.297.520	17.903.265
Genband Ireland Ltd.	496.948	319.025
Genband Japan GK	-	41.917
Genband Telecommunications (UK)	16.379	196.044
Genband Telecommunicacoes	83.846	81.376
	<b>16.894.693</b>	<b>18.541.627</b>

<b>Due to Related Parties</b>	<b>30 September 2016</b>	<b>31 December 2015</b>
Genband Ireland Ltd.	409.900	21.588
Genband US LLC	-	23.855
Kron Telekomunikasyon A.Ş.	7.069	-
	<b>416.969</b>	<b>45.443</b>

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL.)

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

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

	<b>For the Period Ended 30 September 2016</b>	<b>For the Period Between 1 July and 30 September 2016</b>	<b>For the Period Ended 30 September 2015</b>	<b>For the Period Between 1 July and 30 September 2015</b>
<b>Sales</b>				
Genband US LLC	50.213.803	16.087.769	53.792.463	18.108.606
Genband Ireland Ltd.	1.616.585	511.579	1.435.272	459.258
Genband Japan GK	-	-	14.162	503
Genband Telecommunications UK	41.530	185	739.377	395.184
Genband Telecommunicacoes	-	-	74.332	2.639
	<b><u>51.871.918</u></b>	<b><u>16.599.533</u></b>	<b><u>56.055.606</u></b>	<b><u>18.966.190</u></b>
	<b>For the Period Ended 30 September 2016</b>	<b>Period Between 1 July and 30 September</b>	<b>For the Period Ended 30 September 2015</b>	<b>For the Period Between 1 July and 30 September 2015</b>
<b>Purchases</b>				
Genband Ireland Ltd.	642.454	101.044	1.809.061	223.491
Kron Telekomunikasyon A.Ş.	-	-	1.190.399	42.271
Genband US LLC	-	-	30.433	3.570
	<b><u>642.454</u></b>	<b><u>101.044</u></b>	<b><u>3.029.893</u></b>	<b><u>269.332</u></b>

For the period ended 30 September 2016, total remuneration for the directors, management, and board members of the Group is TL 5.961.872 (for the period ended 30 September 2015 total remuneration for the directors, management, and board and audit members are TL 5.412.872). As of 30 September 2016 and 31 December 2015 there is no credit granted to the Group's management.

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL)

### 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:

<u>30 September 2016</u>	<u>Trade Receivables</u>		<u>Other</u>	<u>Deposits at Banks</u>
	<u>Related Parties</u>	<u>Other</u>	<u>Receivables</u>	
<b>Maximum credit risks as of balance sheet date(A+B+C+D)</b>	<b>16.894.693</b>	<b>630.630.207</b>	<b>555.481</b>	<b>52.658.328</b>
Maximum risk guaranteed by collateral	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	16.661.740	505.211.499	555.481	52.658.328
(B) Net book value of overdue but not impaired financial assets (**)	232.953	125.418.708	-	-
Guaranteed by collateral	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-
Overdue (gross book value)	-	22.570.236	-	-
Impairment (-)	-	(22.570.236)	-	-
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 51.142.927 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.



# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL)

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

#### Credit risk (cont'd)

##### 31 December 2015

	Trade Receivables		Other Receivables	Deposits at Banks
	Related Parties	Other	Other (*)	
<b>Maximum credit risks as of balance sheet date (A+B+C+D)</b>	<b>18.541.627</b>	<b>687.170.682</b>	<b>397.045</b>	<b>225.682.937</b>
Maximum risk guaranteed by collateral	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	18.032.221	596.400.799	397.045	225.682.937
(B) Net book value of overdue but not impaired financial assets (**)	509.406	90.769.883	-	-
Guaranteed by collateral	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-
Overdue (gross book value)	-	21.060.373	-	-
Impairment (-)	-	(21.060.373)	-	-
Guaranteed by collateral	-	-	-	-
Unexpired (gross book value)	-	-	-	-
Impairment (-)	-	-	-	-
Guaranteed by collateral	-	-	-	-
(D) Off balance sheet risks	-	-	-	-

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

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

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL)

### 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
<b>30 September 2016</b>		
1-30 days overdue	20.646.006	-
1-3 months overdue	15.849.127	-
3-12 months overdue	20.806.397	-
1-5 years overdue	17.207.204	-
Overdue more than 5 years	51.142.927	-
<b>Total</b>	<b>125.651.661</b>	-

	Receivables	
	Trade Receivables	Other Receivables
<b>31 December 2015</b>		
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	-
<b>Total</b>	<b>91.279.289</b>	-

#### Liquidity risk

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

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL)

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

#### Liquidity risk (cont'd)

##### 30 September 2016

<u>Maturities due to agreements</u>	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
<b><u>Non- derivative financial liabilities</u></b>	<b>550.388.973</b>	<b>551.672.533</b>	<b>539.099.309</b>	-	<b>12.573.224</b>
Financial liabilities	342.216.378	343.499.938	343.499.938	-	-
Due to related parties	416.969	416.969	416.969	-	-
Other trade payables to third parties	207.755.626	207.755.626	195.182.402	-	12.573.224
<u>Expected maturities</u>	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
<b><u>Non- derivative financial liabilities</u></b>	<b>22.607.566</b>	<b>22.607.566</b>	<b>18.482.441</b>	<b>4.125.125</b>	-
Other short term provisions	4.125.125	4.125.125	-	4.125.125	-
Payables related to employee benefits	14.110.374	14.110.374	14.110.374	-	-
Other payables to third parties (*)	4.372.067	4.372.067	4.372.067	-	-

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.

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL)

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

#### Liquidity risk (cont'd)

##### 31 December 2015

<u>Maturities due to agreements</u>	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
<b><u>Non- derivative financial liabilities</u></b>	<b>695.968.149</b>	<b>716.692.411</b>	<b>439.151.113</b>	<b>264.759.409</b>	<b>12.781.889</b>
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
<b><u>Non- derivative financial liabilities</u></b>	<b>30.503.815</b>	<b>30.503.815</b>	<b>25.765.446</b>	<b>4.738.369</b>	<b>-</b>
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.

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL)

### 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.

	<u>30 September 2016</u>	<u>31 December 2015</u>
<b>Fixed interest rate financial instruments</b>	<b>268.754.494</b>	<b>516.970.805</b>
Financial assets (*)	4.143.479	187.084.434
Financial liabilities	264.611.015	329.886.371
<b>Variable interest rate financial instruments</b>	<b>70.500.000</b>	<b>-</b>
Financial assets	-	-
Financial liabilities	70.500.000	-
<b>Interest-free financial instruments</b>	<b>7.105.363</b>	<b>3.181.914</b>
Financial liabilities	7.105.363	3.181.914

(\*) As of 30 September 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.

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL)

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

#### Foreign currency risk (cont'd)

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

30 September 2016	TL Equivalent (*)	Original Currency					
		TL	EURO	CAD	GBP	TAKA	Other
<b>Current Assets</b>	<b>222.894.487</b>	<b>208.293.974</b>	<b>2.480.250</b>	-	<b>12.196</b>	<b>13.413.887</b>	<b>551.999.226</b>
Cash and cash equivalents	17.914.277	13.783.157	248.668	-	23	12.913.887	287.079.970
Trade receivables, third parties	128.165.273	119.074.730	1.928.912	-	602	-	235.708.702
Other receivables, third parties	495.524	475.871	-	-	-	500.000	35.816
Prepaid expenses	8.819.657	8.038.023	209.986	-	11.571	-	518.241
Other current assets	67.499.756	66.922.193	92.684	-	-	-	28.656.497
<b>TOTAL ASSETS (A)</b>	<b>222.894.487</b>	<b>208.293.974</b>	<b>2.480.250</b>	-	<b>12.196</b>	<b>13.413.887</b>	<b>551.999.226</b>
<b>Short Term Liabilities</b>	<b>368.962.724</b>	<b>364.407.831</b>	<b>857.441</b>	<b>3.138</b>	<b>1.229</b>	<b>75.000</b>	<b>174.008.067</b>
Financial liabilities	281.646.147	281.646.147	-	-	-	-	-
Trade payables, third parties	53.510.515	49.318.562	829.226	3.138	1.229	75.000	144.017.799
Other payables, third parties	1.536.704	1.197.189	27.301	-	-	-	27.713.758
Employee benefit obligations	14.234.705	14.211.280	914	-	-	-	2.276.510
Provision for employee benefit	13.909.528	13.909.528	-	-	-	-	-
Other short term provisions	4.125.125	4.125.125	-	-	-	-	-
<b>Long Term Liabilities</b>	<b>20.772.270</b>	<b>20.772.270</b>	-	-	-	-	-
Provision for employee benefit	20.772.270	20.772.270	-	-	-	-	-
<b>TOTAL LIABILITIES (B)</b>	<b>389.734.994</b>	<b>385.180.101</b>	<b>857.441</b>	<b>3.138</b>	<b>1.229</b>	<b>75.000</b>	<b>174.008.067</b>
<b>Net Foreign Currency Asset / (Liability) Position</b>							
<b>(A-B)</b>	<b>(166.840.507)</b>	<b>(176.886.127)</b>	<b>1.622.809</b>	<b>(3.138)</b>	<b>10.967</b>	<b>13.338.887</b>	<b>377.991.159</b>

(\*) 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.

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL)

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

#### Foreign currency risk (cont'd)

31 December 2015	TL Equivalent (*)	Original Currency					
		TL	EURO	CAD	GBP	TAKA	Other
<b>Current Assets</b>	<b>230.670.927</b>	<b>216.714.939</b>	<b>2.865.403</b>	-	<b>62.797</b>	<b>15.361.031</b>	<b>579.561.650</b>
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
<b>TOTAL ASSETS (A)</b>	<b>230.670.927</b>	<b>216.714.939</b>	<b>2.865.403</b>	-	<b>62.797</b>	<b>15.361.031</b>	<b>579.561.650</b>
<b>Short Term Liabilities</b>	<b>417.175.437</b>	<b>412.562.934</b>	<b>1.290.374</b>	<b>3.138</b>	<b>1.357</b>	-	<b>19.204.072</b>
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	-	-	-	-	-
<b>Long Term Liabilities</b>	<b>20.513.651</b>	<b>20.513.651</b>	-	-	-	-	-
Provision for employee benefit	20.513.651	20.513.651	-	-	-	-	-
<b>TOTAL LIABILITIES (B)</b>	<b>437.689.088</b>	<b>433.076.585</b>	<b>1.290.374</b>	<b>3.138</b>	<b>1.357</b>	-	<b>19.204.072</b>
<b>Net Foreign Currency Asset / (Liability) Position (A-B)</b>	<b>(207.018.161)</b>	<b>(216.361.646)</b>	<b>1.575.029</b>	<b>(3.138)</b>	<b>61.440</b>	<b>15.361.031</b>	<b>560.357.578</b>

(\*) 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.

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL)

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

#### Foreign currency risk (cont'd)

##### Exchange Rate Sensitivity Table 30 September 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	(17.289.309)	17.289.309
Not subjected to TL risk (-)	-	-
<b>(1) Net effect of TL</b>	<b>(17.289.309)</b>	<b>17.289.309</b>
<i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i>		
Net asset / (liability) in EUR	545.393	(545.393)
Not subjected to EUR risk (-)	-	-
<b>(2) Net effect of EUR</b>	<b>545.393</b>	<b>(545.393)</b>
<i>Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:</i>		
Net asset / (liability) in other currencies	59.865	(59.865)
Not subjected to other currency risk (-)	-	-
<b>(3) Net effect of other currencies</b>	<b>59.865</b>	<b>(59.865)</b>
<b>TOTAL (1+2+3)</b>	<b>(16.684.051)</b>	<b>16.684.051</b>

##### 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 (-)	-	-
<b>(1) Net effect of TL</b>	<b>(21.636.165)</b>	<b>21.636.165</b>
<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 (-)	-	-
<b>(2) Net effect of EUR</b>	<b>500.481</b>	<b>(500.481)</b>
<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 (-)	-	-
<b>(3) Net effect of other currencies</b>	<b>433.868</b>	<b>(433.868)</b>
<b>TOTAL (1+2+3)</b>	<b>(20.701.816)</b>	<b>20.701.816</b>



# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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.