

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

CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017  
AND LIMITED REVIEW REPORT

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

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

Mersis No: 0291001097600016  
Ticari Sicil No : 304099

**REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM  
FINANCIAL INFORMATION**

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

*Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of Netaş Telekomünikasyon A.Ş. (“the Company”) and its subsidiaries (together will be referred as “the Group”) as of 30 June 2017 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. Group management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standards 34 “Interim Financial Reporting” (“TAS 34”). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

*Scope of Review*

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

*Conclusion*

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

## *Emphasis of matter*

*Without qualifying our review conclusion, we would like to draw your attention to below issue:*

Nortel Networks Corporation, the ultimate parent of Nortel Networks International Finance and Holding B.V. which is holding 53,13% shares of the Company until 22 December 2010 (see note 7), has announced that Nortel Networks Limited, which was another indirect parent of the Company, and certain of its other Canadian subsidiaries have obtained an order from the Ontario Superior Court of Justice for creditor protection under the Companies' Creditors Arrangement Act in Canada filed as of 14 January 2009. Nortel Networks UK Limited, and certain subsidiaries of the Nortel Group incorporated in the EMEA region, obtained an administration order from the English High Court of Justice under the Insolvency Act 1986. On 24 January 2017, the final revised plan is presented to Nortel Networks Inc., Delaware Region High Court of Justice about the payments which will be made to debtors as part of protection from the bankruptcy. According to this plan, Nortel Networks Inc. predicted that payments can be made from sales of different assets that belong to Nortel with the total estimated unsecured receivables between the range of 55,1%-61,2%. As detailed in Note 7, the Company's receivables from Nortel Group companies amounted to TL 48.056.669 as of 30 June 2017 (31 December 2016: TL 48.222.475), in the frame of this plan, the Company management booked a provision of 45% against for Nortel receivables on a net basis amounted to TL 21.625.501 in the accompanying condensed consolidated financial statements (31 December 2016: TL 21.700.114). The Group filed a lawsuit against Nortel for its receivables on 10 March 2017 amounting to USD 14.3 m based on the invoices issued. Based on the lawyer letter obtained as of 30 June 2017, Law office is not able to assess the outcome of lawsuit of defending against the Claim Objection Motion. The hearing will be on 12 September 2017 and as of 30 June 2017 no additional provision has been booked in the accompanying condensed consolidated financial statements.

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

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Burç Seven  
Partner

Istanbul, 17 August 2017

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**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2017**

(Unless otherwise stated the amounts are in TL).

	Notes	Reviewed 30 June 2017	Audited 31 December 2016
<b>ASSETS</b>			
<b>Current Assets</b>		<b>1.097.746.985</b>	<b>1.122.788.685</b>
Cash and Cash Equivalents	5	63.933.382	115.641.750
Trade Receivables		698.625.351	697.710.992
<i>Due from related parties</i>	20	19.854.949	26.807.040
<i>Trade receivables, third parties</i>	7	678.770.402	670.903.952
Other Receivables		637.398	511.938
<i>Other receivables, third parties</i>		637.398	511.938
Inventories	8	95.867.005	83.991.024
Deferred Costs	4	162.895.711	148.684.598
Prepaid Expenses	9	15.840.959	16.848.978
Other Current Assets		59.947.179	59.399.405
<b>Non-Current Assets</b>		<b>252.186.239</b>	<b>252.698.207</b>
Trade Receivables		92.257.531	88.574.586
<i>Trade receivables, third parties</i>	7	92.257.531	88.574.586
Other Receivables		-	157.115
<i>Other Receivables, third parties</i>		-	157.115
Property, Plant and Equipment		36.849.483	40.167.155
Financial Investments		2.162.070	1.940.781
Intangible Assets		100.506.133	105.917.725
<i>Goodwill</i>	11	64.278.508	64.500.278
<i>Other intangible assets</i>		36.227.625	41.417.447
Associates	3	5.182.722	5.121.827
Other Non-Current Assets		7.856.318	7.478.474
Prepaid Expenses	9	1.051.980	1.053.159
Deferred Tax Assets	18	6.320.002	2.287.385
<b>TOTAL ASSETS</b>		<b>1.349.933.224</b>	<b>1.375.486.892</b>

The accompanying notes form an integral part of these condensed consolidated financial statements.  
(Convenience translation of the report and the condensed consolidated financial statements originally issued in Turkish)

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2017**

(Unless otherwise stated the amounts are in TL).

	Notes	Reviewed 30 June 2017	Audited 31 December 2016
<b>LIABILITIES</b>			
<b>Short Term Liabilities</b>		<b>765.117.272</b>	<b>784.118.707</b>
Financial Liabilities	6	311.135.539	354.859.452
Derivative Liabilities	21	362.590	2.678.753
Trade Payables		290.779.023	240.464.539
<i>Due to related parties</i>	20	3.031.946	1.321.109
<i>Trade payables, third parties</i>	7	287.747.077	239.143.430
Other Payables		9.378.368	8.686.841
<i>Other payables, third parties</i>		9.378.368	8.686.841
Employee Benefit Obligations		16.045.286	17.825.631
Deferred Revenues	4	49.623.863	59.914.737
Provisions		19.416.308	21.178.816
<i>Provision for Employee Benefits</i>		15.337.827	16.851.535
<i>Other Short Term Provisions</i>	13	4.078.481	4.327.281
Advances Received	4	68.376.295	78.212.274
Current Tax Liabilities		-	297.664
<b>Long Term Liabilities</b>		<b>28.759.233</b>	<b>41.672.308</b>
Trade Payables		38.272	1.945.728
<i>Trade payables, third parties</i>	7	38.272	1.945.728
Provisions		19.875.945	22.207.434
<i>Provision for Employee Benefits</i>		19.875.945	22.207.434
Deferred Tax Liabilities	18	8.845.016	17.519.146
<b>SHAREHOLDERS' EQUITY</b>			
<b>Equity Attributable to Equity Holders of the Parent</b>		<b>556.056.719</b>	<b>549.695.877</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		17.718.480	16.764.885
<i>Currency Translation Reserves</i>		17.718.480	16.764.885
Other comprehensive income not to be reclassified in profit and loss		228.072.166	230.056.150
<i>Actuarial Loss</i>		(8.240.661)	(8.240.661)
<i>Currency Translation Reserves</i>		236.312.827	238.296.811
Restricted Reserves Appropriated From Profit		33.182.076	33.182.076
Profit for the Period		7.391.231	18.670.011
Retained Earnings		163.215.806	144.545.795
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1.349.933.224</b>	<b>1.375.486.892</b>

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# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2017

(Unless otherwise stated the amounts are in TL).

		Reviewed	Unaudited	Reviewed	Unaudited
		For the Period	For the Period	For the Period	For the Period
		Ended	Between	Ended	Between
		30 June	1 April and	30 June	1 April and
	Note	2017	30 June 2017	2016	30 June 2016
<b>INCOME OR LOSS FROM OPERATIONS</b>					
Revenue	15	493.302.768	325.424.531	453.053.613	248.588.135
Cost of Sales (-)	15	(440.809.637)	(290.479.877)	(401.159.424)	(219.175.707)
<b>GROSS PROFIT</b>		<b>52.493.131</b>	<b>34.944.654</b>	<b>51.894.189</b>	<b>29.412.428</b>
Sales, Marketing and Distribution Expenses (-)		(26.312.389)	(13.214.334)	(24.791.527)	(11.801.281)
General Administrative Expenses (-)		(15.514.549)	(8.515.890)	(10.443.247)	(6.014.647)
Research and Development Expenses (-)		-	-	-	583.902
Other Income from Operating Activities	16	1.794.185	2.898.060	8.360.544	2.696.686
Other Expenses from Operating Activities (-)	16	(1.842.407)	(1.037.405)	(4.040.525)	(2.491.074)
<b>OPERATING PROFIT</b>		<b>10.617.971</b>	<b>15.075.085</b>	<b>20.979.434</b>	<b>12.386.014</b>
Income from Investment Activities		262.250	246.039	106.975	1.016
Expenses from Investment Activities (-)		(12.393)	(12.393)	(89.864)	(3.063)
Income from Associates	3	71.082	22.658	79.289	38.427
<b>OPERATING PROFIT BEFORE FINANCE INCOME</b>		<b>10.938.910</b>	<b>15.331.389</b>	<b>21.075.834</b>	<b>12.422.394</b>
Financial Income	17	5.008.810	1.880.285	781.969	5.755.920
Financial Expenses (-)	17	(21.651.110)	(15.891.596)	(28.032.317)	(12.040.018)
<b>(LOSS)/PROFIT BEFORE TAX</b>		<b>(5.703.390)</b>	<b>1.320.078</b>	<b>(6.174.514)</b>	<b>6.138.296</b>
Tax Income/(Expenses)		13.094.621	5.293.275	9.836.739	(708.300)
- Current Tax Income/(Expenses)	18	-	-	-	-
- Deferred Tax Income/(Expenses)	18	13.094.621	5.293.275	9.836.739	(708.300)
<b>PROFIT AFTER TAX</b>		<b>7.391.231</b>	<b>6.613.353</b>	<b>3.662.225</b>	<b>5.429.996</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		(1.983.984)	(1.979.109)	(1.133.166)	4.610.137
Currency translation reserves		(1.983.984)	(1.979.109)	(1.133.166)	4.610.137
Other comprehensive income or expenses that may be reclassified subsequently to profit or loss		953.595	(18.314.726)	1.390.124	4.607.315
Currency translation reserves		953.595	(18.314.726)	1.390.124	4.607.315
<b>OTHER COMPREHENSIVE (EXPENSES)/INCOME</b>		<b>(1.030.389)</b>	<b>(20.293.835)</b>	<b>256.958</b>	<b>9.217.452</b>
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSES)</b>		<b>6.360.842</b>	<b>(13.680.482)</b>	<b>3.919.183</b>	<b>14.647.448</b>
Earnings per share	19	0,1139	0,1020	0,0565	0,0837

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# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2017 (Unless otherwise stated the amounts are in TL).

		Other comprehensive income or expenses that may be reclassified subsequently to profit or loss	Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		Currency Translation Reserves	Actuarial (Loss)	Appropriated from Profit	Restricted Reserves	Retained Earnings	Net Profit for the Period	TOTAL
	Capital	Capital Reserves	Currency Translation Reserves	Capital Reserves	Currency Translation Reserves	Actuarial (Loss)	Appropriated from Profit	Restricted Reserves	Retained Earnings	Net Profit for the Period	TOTAL
Balance as at 1 January 2016	64.864.800	41.612.160	7.661.632	41.612.160	123.400.607	(8.321.961)	33.182.076	33.182.076	140.496.508	34.305.075	437.200.897
Currency translation differences	-	-	1.390.124	-	(1.133.166)	-	-	-	-	-	256.958
Net profit for the period	-	-	-	-	-	-	-	-	-	3.662.225	3.662.225
Total comprehensive income	-	-	1.390.124	-	(1.133.166)	-	-	-	-	3.662.225	3.662.225
Transfer	-	-	-	-	-	-	-	-	34.305.075	(34.305.075)	-
Balance as at 30 June 2016	64.864.800	41.612.160	9.051.756	41.612.160	122.267.441	(8.321.961)	33.182.076	33.182.076	174.801.583	3.662.225	441.120.080
Balance as at 1 January 2017	64.864.800	41.612.160	16.764.885	41.612.160	238.296.811	(8.240.661)	33.182.076	33.182.076	144.545.795	18.670.011	549.695.877
Currency translation differences	-	-	953.595	-	(1.983.984)	-	-	-	-	-	(1.030.389)
Net profit for the period	-	-	-	-	-	-	-	-	-	7.391.231	7.391.231
Total comprehensive income	-	-	953.595	-	(1.983.984)	-	-	-	-	7.391.231	6.360.842
Transfer	-	-	-	-	-	-	-	-	18.670.011	(18.670.011)	-
Balance as at 30 June 2017	64.864.800	41.612.160	17.718.480	41.612.160	236.312.827	(8.240.661)	33.182.076	33.182.076	163.215.806	7.391.231	556.056.719

Retained earnings contain extraordinary reserves and other profit reserves.

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# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2017

(Unless otherwise stated the amounts are in TL).

		Reviewed 1 January- 30 June 2017	Reviewed 1 January- 30 June 2016
	Notes		
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the Period		7.391.231	3.662.225
<i>Profit from Continuing Operations</i>		7.391.231	3.662.225
<b>Adjustments to Reconcile Profit</b>		<b>32.102.011</b>	<b>41.579.846</b>
Adjustments for Depreciation and Amortisation Expense		13.189.560	10.765.660
Adjustments for (Reversal of) Impairment Loss Recognised in Profit or Loss		1.080.803	811.393
<i>Adjustments for (Reversal of) Provision of Receivables</i>	7	1.077.019	811.393
<i>Adjustment for Reversal of Provision of Inventory</i>	8	3.784	-
Adjustments For Provisions		17.472.025	15.748.278
<i>Adjustments for Provisions Related with Employee Benefits</i>		17.732.098	15.927.720
<i>Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions</i>	13	120.762	(200.535)
<i>Adjustments for (Reversal of) Provisions Arising From Sectoral Requirements</i>	13	(380.835)	21.093
Adjustments for Interest (Income) and Expenses		18.033.129	21.134.430
<i>Adjustments for Interest Income</i>	17	(526.452)	(781.969)
<i>Adjustments for Interest Expense</i>	17	19.713.894	23.158.331
<i>Unearned Financial Income from Credit Sales</i>	16	(1.154.313)	(1.241.932)
Adjustments For Unrealised Foreign Exchange Losses (Gains)	17	(2.166.199)	2.943.297
Other Adjustments for Fair Value Losses (Gains)		(2.316.163)	109.927
<i>Adjustments for Fair Value Losses (Gains) on Derivative Financial Instruments</i>	21	(2.316.163)	109.927
Adjustments for Share of Profit of Investments Accounted for Using the Equity Method	3	(71.082)	(79.289)
Adjustments for Losses Tax Expense	18	(13.094.621)	(9.836.739)
Adjustments for Losses/(Gains) Disposal of Non-Current Assets		(25.441)	(17.111)
<i>Adjustments for Losses/(Gains) Arising From Sale of Tangible Assets</i>		(25.441)	(17.111)
<b>Changes in Working Capital</b>		<b>(8.224.072)</b>	<b>(66.122.290)</b>
Adjustments for Decrease / (Increase) in Trade Accounts Receivable		(9.801.897)	44.451.284
<i>Decrease (Increase) in Trade Accounts Receivables from Related Parties</i>	20	7.113.420	1.596.502
<i>Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties</i>	7	(16.915.317)	42.854.782
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(749.356)	(25.184.247)
<i>Adjustments for Decrease (Increase) in Other Receivables Related with Operations from Third Parties</i>		(749.356)	(25.184.247)
Adjustments for Decrease / (Increase) in Inventories	8	(12.618.082)	1.944.074
Decrease / (Increase) in Prepaid Expenses	9	982.664	21.038.950
Adjustments for Increase/(Decrease) In Trade Accounts Payable		51.060.117	(32.851.284)
<i>Increase (Decrease) in Trade Accounts Payables to Related Parties</i>	20	1.778.769	372.617
<i>Increase/(Decrease) in Trade Accounts Payables to Unrelated Parties</i>	7	49.281.348	(33.223.901)
Increase (Decrease) in Payables due to Employee Benefits		(1.782.581)	1.546.484
Increase/(Decrease) in Payables Due to Ongoing Construction or Service Contracts		(15.266.376)	(52.167.907)
Adjustments for Increase/(Decrease) in Other Operating Payables		748.053	(3.594.993)
<i>Increase/(Decrease) in Other Operating Payables to Unrelated Parties</i>		748.053	(3.594.993)
Increase/(Decrease) in Deferred Income		(10.457.543)	(15.260.932)
Other Adjustments for Other Increase/(Decrease) in Working Capital		(10.339.071)	(6.043.719)
<b>Cash Flows (Used in) Generated From Operations</b>		<b>31.269.170</b>	<b>(20.880.219)</b>
Payments Related with Provisions for Employee Benefits		(21.572.645)	(20.881.775)
		<b>9.696.525</b>	<b>(41.761.994)</b>

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2017

(Unless otherwise stated the amounts are in TL).

		Reviewed	Reviewed
		1 January- 30 June 2017	1 January- 30 June 2016
Notes			
<b>B.CASH FLOWS FROM INVESTING ACTIVITIES</b>			
		37.834	189.243
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets			
<i>Proceeds from Sales of Property, Plant, Equipment</i>		37.834	189.243
Purchase of Property, Plant, Equipment and Intangible Assets		(3.419.014)	(4.785.328)
<i>Purchase of Property, Plant, Equipment</i>		(3.016.495)	(2.916.009)
<i>Purchase of Intangible Assets</i>		(402.519)	(1.869.319)
Dividends received		236.809	-
Interest Received	17	526.452	781.969
Other Outflows of Cash/(Proceeds)		(221.289)	(285.210)
		<u>(2.839.208)</u>	<u>(4.099.326)</u>
<b>C.CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from Borrowings	6	(47.763.238)	3.602.234
Interest Paid		(13.508.370)	(17.971.157)
		<u>(61.271.608)</u>	<u>(14.368.923)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)</b>			
		<u>(54.414.291)</u>	<u>(60.230.243)</u>
<b>D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
		2.705.923	426.237
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>		<u>(51.708.368)</u>	<u>(59.804.006)</u>
<b>E.CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>			
	5	115.641.750	226.061.741
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (A+B+C+D+E)</b>		<u>63.933.382</u>	<u>166.257.735</u>

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# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(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”) since 1993. The headquarter of the Group was located at Alemdağ Caddesi No:171 Ümraniye / İstanbul and then the headquarter is registered as Yenışehir Mah. Osmanlı Bulvarı No:11 34912 Kurtköy-Pendik/İstanbul at Istanbul Trade Registry Office as of 23 July 2013.

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

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

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

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

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

The Group’s ultimate partner and the controlling shareholders are OEP Turkey Tech B.V. and Türk Silahlı Kuvvetleri Güçlendirme Vakfı respectively.

The average number of personnel employed in the Group as of 30 June 2017 is 2.116 white-collar (31 December 2016: 2.050), and the Group has no blue-collar employees.

#### Approval of Condensed Consolidated Financial Statements

The condensed consolidated financial statements for the period ended June 30, 2017 have been approved for issue by the Board of Directors August 17, 2017.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(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 condensed consolidated financial statements and disclosures have been prepared in accordance with the communique numbered II-14,1 "Communique on the Principles of Financial Reporting in Capital Markets" ("the Communique") announced by the Capital Markets Board (CMB) (hereinafter will be referred to as "the CMB Accounting Standards") on 13 June 2013 which is published on Official Gazette numbered 28676.

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

The accompanying condensed consolidated financial statements for the period ended 30 June 2017 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 2016. Accordingly, the accompanying condensed consolidated financial statements should be assessed together with the consolidated financial statements as of 31 December 2016.

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 consolidated financial statements.

#### b) Basis of presentation of consolidated financial statements:

The details of the Company's subsidiaries as of 30 June 2017 are as follows:

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

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

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

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

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

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

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

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

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

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

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

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Unless otherwise stated the amounts are in TL).

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

##### 2.1 Basis of Presentation (cont'd)

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

As of 30 June 2017 and 31 December 2016 the details of associate of the Group is given below:

	Main operating activity	Acquisition date	Acquired share of capital	Acquisition amount
	Information technology			
Kron Telekomünikasyon Hizmetleri A.Ş.		28 November 2013	10%	1.700.000

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

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

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

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

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Unless otherwise stated the amounts are in TL).

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

##### 2.1 Basis of Presentation (cont'd)

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

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

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

##### c) Functional Currency and Reporting Currency

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

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

On 17 March 2005, CMB has announced that the Turkey is no longer hyperinflationary economy and Financial Reporting under Hyperinflationary Economy is not applicable effective from 1 January 2005. Accordingly in the accompanying consolidated financial statements TL is treated as a currency for non-hyperinflationary economy. For the purpose of presentation of the USD financial statements in TL (as explained in the paragraph above), balance sheet (except for some equity accounts) have been translated to TL by using USD rate as of 30 June 2017 (Turkish Central Bank USD Buying rate: (1 USD: = 3,5071 TL) , statements of income and statements of cash flows have been translated to TL by using six months average exchange rate (1 USD: 3,6367 TL ) for the period ended 30 June 2017(for the 1 January-30 June 2016 1 USD: 2,9185 TL ) in accordance with TAS 21. In the accompanying condensed consolidated financial statements capital and legal reserves are carried with their values in statutory accounts.



## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(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 2016 (31 December 2016:1 USD: 3,5192 TL).

### 2.2 Comparative Information and Restatement of Prior Period Consolidated Financial Statements

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

As of 30 June 2016, Telecom group companies are reclassified from enterprise segment group to public segment. These reclassifications are occurred in "Segment Reporting" and there are not any effects on profit loss statements.

As of 30 June 2016, the Group presented Group's share in Kron total comprehensive income amounting to TL 79.289 under "Income from Investment Activities". In the current year, the Group's management has been classified these amounts under "Income from Associates".

As of 30 June 2016, the Group presented cash and cash equivalents and foreign exchange gain/loss of financial borrowing expense accruals amounting to TL 688.961 under "Other Income from Operating Activities". In the current year, the Group's management has been classified these amounts under "Financial Expenses".

For the period between 1 April-30 June 2016, the Group presented cash and cash equivalent and borrowings foreign exchange income/losses amounting to TL 33.856 under "Other Income from Operating Activities". In the current year, the Group's management has been classified these amounts under "Finance Expenses".

For the period between 1 April-30 June 2016, the Group presented Group's share in Kron total comprehensive income amounting to TL 38.427 under "Income from Investment Activities". In the current year, the Group's management has been classified these amounts under "Income from Associates".

For the period between 1 April-30 June 2016, the Group presented salvages' income amounting to TL 6.475 under "Income from Investment Activities". In the current year, the Group's management has been classified these amounts under "Other Income from Operating Activities".

### 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.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(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

The preparation of condensed 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.

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 condensed consolidated financial statements is included in the following notes:

Note 7	Trade receivables and payables: Estimations and accounting judgments regarding to collectability of receivables
Note 8	Inventories: Estimations regarding to inventory provision
Note 10 and 11	Tangible and intangible assets: Estimations regarding to useful lives
Note 11	Goodwill: Estimations regarding to impairment of goodwill
Note 13	Provisions: Estimations regarding to provision amounts
Note 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 22	Financial instruments and risk management: Estimations and accounting judgments regarding to collectability of receivables

### 2.6 New and Revised Turkish Accounting Standards

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

None.

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

None.

#### (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> <sup>1</sup>
TFRS 15	<i>Revenue from Contracts with Customers</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(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 Accounting Standards(Cont'd)

#### (c) New and revised TAS in issue but not yet effective(Cont'd)

##### **TFRS 9 Financial Instruments**

TFRS 9, issued by Public Oversight Authority ("POA") in 2010, introduces new requirements for the classification and measurement of financial assets. TFRS 9 is amended in 2011 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Revised version of IFRS 9 is issued by POA in January 2017 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income ("FVTOCI") measurement category for certain simple debt instruments.

TFRS 9 is effective for the annual periods beginning on or after 1 January 2018. Early adoption is permitted.

##### **TFRS 15 Revenue from Contracts with Customers**

TFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts,
- Recognise revenue when the entity satisfies a performance obligation.

TFRS 15 also clarifies three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and provides some transition relief for modified contracts and completed contracts.

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

## 3. SHARES IN ASSOCIATES

### **Associates**

#### *Detail of Important Associates*

As of 30 June 2017, the details of important associate is as in the following;

	Main operating activity	Acquisition date	Acquired share of capital	Acquisition amount
	Information technology			
Kron Telekomünikasyon Hizmetleri A.Ş.		28 November 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.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Unless otherwise stated the amounts are in TL).

#### 3. SHARES IN ASSOCIATES (cont'd)

##### Associates (cont'd)

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.

##### 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.

	30 June 2017	31 December 2016
Current assets	22.108.437	31.660.181
Non-current assets	13.697.897	11.041.678
Short term liabilities	4.014.138	9.541.266
Long term liabilities	858.389	587.370
Net assets	30.933.807	32.573.223
Share of the Group in net assets	3.093.381	3.257.322

	1 January 2017 -30 June 2017	1 January 2016 -30 June 2016
Net profit	760.212	716.441
Other comprehensive (expenses)/ income	(49.391)	76.455
Total comprehensive income	710.821	792.896
Share of the Group in total comprehensive income	71.082	79.289

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

	30 June 2017	30 June 2016
As of 1 January	5.121.827	2.601.418
Share from the profit of the year	71.082	79.289
Currency translation reserves	(10.187)	736.554
As of 30 June	<b>5.182.722</b>	<b>3.417.261</b>

#### NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017  
(Unless otherwise stated the amounts are in TL).

#### 4. SEGMENT REPORTING

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

For the period ended

30 June 2017	Enterprise	Public	International	Technology	BDH	Unallocated (*)	Total
Revenue	162.987.536	132.010.691	143.220.914	33.163.639	21.919.988	-	493.302.768
Cost of sales (-)	(148.734.554)	(116.443.543)	(120.707.792)	(28.772.962)	(20.209.038)	(5.941.748)	(440.809.637)
<b>Gross margin</b>	<b>14.252.982</b>	<b>15.567.148</b>	<b>22.513.122</b>	<b>4.390.677</b>	<b>1.710.950</b>	<b>(5.941.748)</b>	<b>52.493.131</b>
Sales,marketing and distribution expenses (-)	(10.403.571)	(10.859.375)	(5.049.443)	-	-	-	(26.312.389)
General administrative expenses (-)	-	-	-	-	-	(15.514.549)	(15.514.549)
Research and development expenses (-)	-	-	-	-	-	-	-
<b>Operating (loss)/ profit of segment</b>	<b>3.849.411</b>	<b>4.707.773</b>	<b>17.463.679</b>	<b>4.390.677</b>	<b>1.710.950</b>	<b>(21.456.297)</b>	<b>10.666.193</b>
For the period ended							
30 June 2016	Enterprise	Public	International	Technology	BDH	Unallocated (*)	Total
Revenue	137.081.297	230.964.542	32.531.664	36.168.018	16.308.092	-	453.053.613
Cost of sales (-)	(125.854.875)	(196.443.736)	(25.436.666)	(34.745.382)	(14.766.870)	(3.911.895)	(401.159.424)
<b>Gross margin</b>	<b>11.226.422</b>	<b>34.520.806</b>	<b>7.094.998</b>	<b>1.422.636</b>	<b>1.541.222</b>	<b>(3.911.895)</b>	<b>51.894.189</b>
Sales,marketing and distribution expenses (-)	(9.971.629)	(10.252.560)	(4.567.338)	-	-	-	(24.791.527)
General administrative expenses (-)	-	-	-	-	-	(10.443.247)	(10.443.247)
Research and development expenses (-)	-	-	-	-	-	-	-
<b>Operating profit / (loss) of segment</b>	<b>1.254.793</b>	<b>24.268.246</b>	<b>2.527.660</b>	<b>1.422.636</b>	<b>1.541.222</b>	<b>(14.355.142)</b>	<b>16.659.415</b>

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

(Convenience translation of the report and the condensed consolidated financial statements originally issued in Turkish)

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017  
(Unless otherwise stated the amounts are in TL).

## 4. SEGMENT REPORTING (cont'd)

30 June 2017	Enterprise	Public	International	Technology	BDH	Unallocated(*)	Total
Trade receivables	102.598.540	451.024.112	147.249.891	5.506.310	12.553.253	52.095.827	771.027.933
Due from related parties	-	-	-	19.854.949	-	-	19.854.949
Inventories	19.693.134	71.099.542	4.484.105	222.826	112.351	255.047	95.867.005
Deferred costs	18.335.838	98.257.639	1.757.733	21.851.114	18.570.003	4.123.384	162.895.711
<b>Segments assets</b>	<b>140.627.512</b>	<b>620.381.293</b>	<b>153.491.729</b>	<b>47.435.199</b>	<b>31.235.607</b>	<b>56.474.258</b>	<b>1.049.645.598</b>
Trade payables (*)	113.231.540	77.328.005	80.053.449	507.816	10.427.967	6.236.572	287.785.349
Due to related parties	1.426.994	-	-	1.604.952	-	-	3.031.946
Deferred revenues	16.526.316	24.008.435	8.451.717	-	622.564	14.831	49.623.863
Advances received	5.231.581	62.315.343	821.011	-	130	8.230	68.376.295
<b>Segment liabilities</b>	<b>136.416.431</b>	<b>163.651.783</b>	<b>89.326.177</b>	<b>2.112.768</b>	<b>11.050.661</b>	<b>6.259.633</b>	<b>408.817.453</b>
<b>31 December 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	90.811.398	576.010.590	33.138.229	1.264.208	11.111.765	47.142.348	759.478.538
Due from related parties	-	-	-	26.807.040	-	-	26.807.040
Inventories	18.354.327	62.002.227	3.071.685	29.667	-	533.118	83.991.024
Deferred costs	28.168.345	81.055.375	10.504.269	10.252.337	13.506.922	5.197.350	148.684.598
<b>Segments assets</b>	<b>137.334.070</b>	<b>719.068.192</b>	<b>46.714.183</b>	<b>38.353.252</b>	<b>24.618.687</b>	<b>52.872.816</b>	<b>1.018.961.200</b>
Trade payables (*)	93.176.041	96.848.239	17.544.935	191.641	11.588.128	21.740.174	241.089.158
Due to related parties	-	-	-	1.321.109	-	-	1.321.109
Deferred revenues	20.553.340	39.322.003	24.305	-	-	15.089	59.914.737
Advances received	13.915.781	61.925.101	2.371.262	-	130	-	78.212.274
<b>Segment liabilities</b>	<b>127.645.162</b>	<b>198.095.343</b>	<b>19.940.502</b>	<b>1.512.750</b>	<b>11.588.258</b>	<b>21.755.263</b>	<b>380.537.278</b>

(\*) Unallocated trade payables are shown as insurance, rent, consultancy and etc. The uncollated amount of trade receivable and trade payables are related to Nortel companies under bankruptcy protection as of 30 June 2017 and 31 December 2016.

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Unless otherwise stated the amounts are in TL).

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

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

	For the Period Ended 30 June 2017	For the Period Ended 30 June 2016
Operating profit of segment	10.666.193	16.659.415
Other income/(expenses) from operating activities (net)	(48.222)	4.320.019
Other income/(expenses) from investments (net)	249.857	17.111
Income from associates	71.082	79.289
Finance income/(expenses) (net)	(16.642.300)	(27.250.348)
<b>(Loss) before tax</b>	<b>(5.703.390)</b>	<b>(6.174.514)</b>
<b>Assets</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
Segment assets	1.049.645.598	1.018.961.200
Other assets	300.287.626	356.525.692
<b>Total assets</b>	<b>1.349.933.224</b>	<b>1.375.486.892</b>
<b>Liabilities</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
Segment liabilities	408.817.453	380.537.278
Other liabilities	385.059.052	445.253.737
<b>Total liabilities</b>	<b>793.876.505</b>	<b>825.791.015</b>

### 5. CASH AND CASH EQUIVALENTS

	30 June 2017	31 December 2016
Bank- demand deposits	25.372.812	19.199.752
Bank- time deposits	38.338.499	95.947.358
Other cash and cash equivalents(*)	222.071	494.640
	<b>63.933.382</b>	<b>115.641.750</b>

Currency	Original Currency Amount	Interest Rate %	Maturity	30 June 2017
US\$	10.646.545	0,60-2,50	July 17-September 17	37.338.499
TL	1.000.000	6,75	July 17	1.000.000
				<b>38.338.499</b>

Currency	Original Currency Amount	Interest Rate %	Maturity	31 December 2016
US\$	22.269.675	0,20-2,50	January 17-September 17	78.371.441
EURO	996.231	0,01-0,10	January 17	3.695.917
TL	13.880.000	6,00-7,00	January 17	13.880.000
				<b>95.947.358</b>

The credit risk, foreign currency and sensitivity risks of financial assets and liabilities are disclosed in Note 22. As of 30 June 2017 and 31 December 2016, there are no restriction / blockage on bank accounts.

(\*) Other cash and cash equivalents are consisted of credit card receivables.



## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Unless otherwise stated the amounts are in TL).

#### 6. FINANCIAL LIABILITIES

Short term financial liabilities	30 June 2017	31 December 2016
Short term unsecured loans	306.818.527	354.858.764
Non interest bearing unsecured spot loans	4.317.012	688
	<b>311.135.539</b>	<b>354.859.452</b>

As of 30 June 2017, the average interest rate for TL loans is 13,97 % and USD loans is 4,17 % (31 December 2016: the average interest rate for TL loans is 11,53% and the average interest rate for USD loans is 3,47%).

The details of loans of the Group are given below;

Currency	Original currency amount	Effective interest rate %	Maturity	30 June 2017
US\$	30.267.680	4,00-4,60	June 18	106.151.782
TL	200.666.745	13,25-14,90	July 17	200.666.745
				<b>306.818.527</b>

  

Currency	Original currency amount	Effective interest rate %	Maturity	31 December 2016
US\$	20.044.444	Libor+%1,26-4,00	October 17	70.540.407
TL	284.318.357	10,85-12,40	February 17- May 17	284.318.357
				<b>354.858.764</b>

The Group has no collaterals given for bank loans as of 30 June 2017 and 31 December 2016.

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Unless otherwise stated the amounts are in TL).

### 7. TRADE RECEIVABLES AND PAYABLES

Trade Receivables from Third Parties	30 June 2017	31 December 2016
Trade receivables	436.257.110	361.758.207
Unbilled receivables	272.962.891	338.562.364
Notes receivables	577.479	721.018
Discount on trade receivables (*)	(200.038)	(404.060)
Allowances for doubtful receivables	(30.827.040)	(29.733.577)
	<u>678.770.402</u>	<u>670.903.952</u>

Movement of Allowance for Doubtful Receivables	30 June 2017	31 December 2016
Balance at beginning of the year	(29.733.577)	(21.060.373)
Charge for the period	(1.077.019)	(811.393)
Provision reversal	2.613	102.849
Currency translation differences	(19.057)	109.090
Balance at 30 June	<u>(30.827.040)</u>	<u>(21.659.827)</u>

No guarantee has been obtained for trade receivables

Long Term Trade Receivables from Third Parties	30 June 2017	31 December 2016
Receivables from Nortel companies	48.056.669	48.222.475
Other trade receivables	72.664.605	69.840.757
Provision amount for Nortel companies	(21.625.501)	(21.700.114)
Discount on trade receivables(*)	(6.838.242)	(7.788.532)
	<u>92.257.531</u>	<u>88.574.586</u>

(\*) As of 30 June 2017, Group will collect its trade receivable in every year by equal payment; total amount is USD 22.916.748 based on the agreement, and its maturity date spreads 6 years. Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

Trade Payables to Third Parties	30 June 2017	31 December 2016
Trade payables(*)	287.591.144	238.732.272
Other trade payables	155.933	411.158
	<u>287.747.077</u>	<u>239.143.430</u>

Long Term Trade Payables to Third Parties	30 June 2017	31 December 2016
Trade payables to Nortel companies	17.215	17.276
Other trade payables	21.057	1.928.452
	<u>38.272</u>	<u>1.945.728</u>

(\*) Trade payables to third parties are consisted of 10.000.000 USD factoring operations.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(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.

On 24 January 2017, the final revised plan is presented to Nortel Networks Inc., Delaware Region High Court of Justice about the payments which will be made to debtors as part of protection from the bankruptcy. According to this plan, Nortel Networks Inc. predicted that payments can be made from sales of different assets that belong to Nortel with the total estimated unsecured receivables between the range of 55,1%-61,2%.

In the frame of this plan, Group has net-off Nortel Companies' trade receivables and payables. Group management decided to finalize uncertainty of collections, and book a provision of 45% against for Nortel receivables on a net basis as of 31 December 2016.

As of 30 June 2017, no additional provision is booked for the receivables due from Nortel companies.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017  
(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 June 2017 and the bankruptcy protection filing date of 14 January 2009 are given below:

Country	Company	14 January 2009			30 June 2017			31 December 2016				
		Trade Receivables	Trade Payables	Net Balance	Trade Receivables	Trade Payables	Provision Amount	Net Balance	Trade Receivables	Trade Payables	Provision Amount	Net Balance
USA	Nortel Networks Inc.	50,016,762	(8,765,819)	41,250,943	45,707,477	-	(20,566,622)	25,140,855	57,629,551	(11,768,262)	(20,637,580)	25,223,709
Ireland	Nortel Networks (Ireland) Limited	1,704,219	-	1,704,219	1,704,219	-	(766,899)	937,320	1,710,099	-	(769,545)	940,554
Canada	Nortel Networks Technology Corporation	399,458	(54,095)	345,363	-	-	-	-	-	-	-	-
Egypt	Nortel Networks Inc. (Egypt Branch)	303,718	-	303,718	307,785	-	(138,503)	169,282	308,847	-	(138,981)	169,866
Europe	Nortel Networks N.V.	157,066	-	157,066	157,066	-	(70,680)	86,386	157,608	-	(70,924)	86,684
India	Nortel Networks (India) Private Limited	48,177	-	48,177	29,983	-	(13,492)	16,491	30,087	-	(13,539)	16,548
Holland	Nortel Networks BV.	95,128	-	95,128	-	-	-	-	-	-	-	-
Italy	Nortel Networks S.p.A.	23,556	-	23,556	23,555	-	(10,599)	12,956	23,637	-	(10,636)	13,001
Mexico	Nortel de México, S. de R.L. de C.V.	52,748,084	(8,819,914)	43,928,170	47,930,085	-	(21,566,795)	26,363,290	59,859,829	(11,768,262)	(21,641,205)	26,450,362
Germany	Nortel GmbH	-	(17,215)	(17,215)	-	(17,215)	-	(17,215)	-	(17,276)	-	(17,276)
France	Nortel Networks S.A.	36,123	(104,485)	(68,362)	126,584	-	(58,706)	67,878	216,338	(85,430)	(58,909)	71,999
Canada	Nortel Networks Limited	573,821	(1,440,958)	(867,137)	-	-	-	-	-	-	-	-
England	Nortel Networks UK Limited	6,140,038	(6,798,816)	(658,778)	-	-	-	-	-	-	-	-
Canada	Nortel Networks Limited - EMEA Sales	-	(16,813,074)	(16,813,074)	-	-	-	-	-	-	-	-
		59,498,066	(34,239,455)	25,258,611	48,056,669	(17,215)	(21,625,501)	26,413,953	60,076,167	(11,870,968)	(21,700,114)	26,505,085

The foreign currency risk and liquidity risk of trade receivables and payables are disclosed in Note 22.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Unless otherwise stated the amounts are in TL.)

#### 8. INVENTORIES

	30 June 2017	31 December 2016
Raw materials	27.623.554	32.433.761
Finished goods	59.665.483	47.111.610
Trade goods	18.466.291	14.430.765
Other inventories	1.574.940	1.514.039
Allowance for inventory impairment	(11.463.263)	(11.499.151)
	<b>95.867.005</b>	<b>83.991.024</b>

#### Movement for allowance

	30 June 2017	30 June 2016
As of 1 January	(11.499.151)	(8.855.448)
(Provision) / charge for the period	(3.784)	-
Foreign currency exchange differences	39.672	42.639
As of 30 June	<b>(11.463.263)</b>	<b>(8.812.809)</b>

#### 9. PREPAID EXPENSES

##### Short Term Prepaid Expenses

	30 June 2017	31 December 2016
Advances given for inventories	6.265.462	6.061.168
Short term prepaid expenses	3.766.819	5.879.015
Goods in transit	5.808.678	4.908.795
	<b>15.840.959</b>	<b>16.848.978</b>

##### Long Term Prepaid Expenses

	30 June 2017	31 December 2016
Long term prepaid expenses	1.051.980	1.053.159
	<b>1.051.980</b>	<b>1.053.159</b>

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Unless otherwise stated the amounts are in TL.)

### 10. PLANT, PROPERTY AND EQUIPMENT

For the period ended 30 June 2017, the purchasing amount of tangible fixed assets is TL 3.016.495. For the period ended 30 June 2017 the disposal amount of tangible fixed assets is TL 12.393 (30 June 2016: purchases: TL 2.916.009, net book value of disposal: TL 172.132, 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:

#### Cost Value

	30 June 2017	30 June 2016
As of 1 January	64.500.278	53.290.807
Currency Translation Reserves	(221.770)	(256.594)
As of 30 June	64.278.508	53.034.213

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(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 2017-31 December 2021.

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

Weighted average cost of capital has been calculated as 9,4 %, 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 41,4 million USD. Company management has not predicted any capital expenditures.

The result of DCF analysis concluded indicative firm value of Probil is nearly 89,6 million USD. As of the valuation date Probil has a net debt of 41,4 million USD, equity value of Probil with considering its net debt position is nearly 48,2 million USD.

As conclusion, impairment provision for goodwill is not foreseen as of 30 June 2017, focusing on the future cashflows predictions of the Group's management.



## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Unless otherwise stated the amounts are in TL.)

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

##### Other Intangible Assets

For the period ended 30 June 2017, the Group purchased TL 402.519 of intangible assets and no disposal amount for intangible assets (30 June 2016: purchases TL 1.869.319 and no disposal amount).

#### 12. GOVERNMENT GRANTS

For the period ended 30 June 2017 the Group has received approved and accrued incentive from TÜBİTAK is TL 20.474.591, which is net off with the total amount of R&D expenses. (For the period ended 30 June 2016 the Group has received approved and accrued incentive from TÜBİTAK is TL 10.519.606 TL, which is net off with the total amount of R&D expenses to TL 9.642.331 and TL 877.275 is classified under "Other Income from Operating Activities".)

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

As of 30 June 2017 the Group has a corporate tax benefit of TL 212.669.415 due to research and development disbursement and this amount has no utilized by the period end, handed over to other terms (As of 31 December 2016, the benefit is TL 168.679.599 and TL 3.699.882 of this amount is utilized by the period end). The Group has booked deferred tax assets for unused R&D tax benefit (Note 18).

For the period ended 30 June 2017, the amount of income tax incentive within the scope of Act numbered 5746 is TL 5.899.296 (For the period ended 30 June 2016: TL 5.666.405) and the total amount of social premium incentive within the scope of Act numbered 5746 and Social Security and General Health Insurance Act numbered 5510 is TL 4.856.915 (For the period ended 30 June 2016: TL 4.536.506).

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Unless otherwise stated the amounts are in TL.)

### 13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other Short Term Provisions	30 June 2017	31 December 2016
Provision for legal cases	3.779.254	3.658.492
Other debt ve expense provisions	299.227	668.789
	<b>4.078.481</b>	<b>4.327.281</b>

For the period ended 30 June 2017, the Group had a cash outflow of TL 363.376 for legal cases during the period (For the period ended 30 June 2016: TL 1.746.554).

	Provision for Legal Cases	Other Provisions	Total
As of 1 January 2017	3.658.492	668.789	4.327.281
Provision booked	846.170	(380.835)	465.335
Paid/(Release) in the period	(725.408)	-	(725.408)
Foreign currency exchange differences	-	11.273	11.273
As of 30 June 2017	<b>3.779.254</b>	<b>299.227</b>	<b>4.078.481</b>

	Provision for Legal Cases	Other Provisions	Total
As of 1 January 2016	4.309.760	428.609	4.738.369
Provision booked	1.546.019	30.448	1.576.467
Paid/(Release) in the period	(1.746.554)	(9.355)	(1.755.909)
Foreign currency exchange differences	-	16.318	16.318
As of 30 June 2016	<b>4.109.225</b>	<b>466.020</b>	<b>4.575.245</b>

### 14. COMMITMENTS

The Group's off-balance sheet commitments and contingencies as of 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	31 December 2016
Guarantee letters given(*)	359.575.570	379.591.575

(\*) The Group has no off-balance sheet commitments and contingencies in favor of subsidiaries which are fully consolidated and non-consolidated as of 30 June 2017.

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Unless otherwise stated the amounts are in TL.)

### 14. COMMITMENTS (cont'd)

The off-balance sheet commitments and contingencies as of 30 June 2017 and 31 December 2016 are as follows:

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

30 June 2017	TL Equivalent	TL	USD Dollar	Euro	Other
A. Total amount of CPM is given on behalf of own legal personality	359.575.570	88.158.191	249.691.029	21.523.675	202.675
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>359.575.570</u>	<u>88.158.191</u>	<u>249.691.029</u>	<u>21.523.675</u>	<u>202.675</u>

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

31 December 2016	TL Equivalent	TL	USD Dollar	Euro	Other
A. Total amount of CPM is given on behalf of own legal personality	379.591.575	132.976.332	235.492.286	10.953.361	169.596
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>379.591.575</u>	<u>132.976.332</u>	<u>235.492.286</u>	<u>10.953.361</u>	<u>169.596</u>

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Unless otherwise stated the amounts are in TL.)

### 14. COMMITMENTS (cont'd)

#### Rent Agreements

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

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

Company signed a rent contract with Yudo Leon Mizrahi (Renter) and Salvo Özsarfatı (Lessor) for "Buyaka İş Merkezi" which 50 plate, 1840 block of buildings, 233 parcels that registered immovable for 15th floor in C Block each of which is 845 m2 are 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.

#### **Unrevokable Operational Lease**

<b>Commitments</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
Within 1 year	6.997.581	9.733.379
Between 1-5 years (*)	-	2.389.632
	<b>6.997.581</b>	<b>12.123.011</b>

(\*)The length of the lease contract has an option of 5+5 year and the lease amount will be adjusted by US WPI and CPI annually.

#### 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.

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Unless otherwise stated the amounts are in TL.)

### 15. REVENUE AND COST OF SALES

#### Sales:

	For the Period Ended 30 June 2017	For the Period Between 1 April and 30 June 2017	For the Period Ended 30 June 2016	For the Period Between 1 April and 30 June 2016
<b>Total domestic</b>	<b>311.225.154</b>	<b>186.693.962</b>	<b>379.946.461</b>	<b>212.337.841</b>
United States	32.203.172	14.163.391	34.831.656	17.034.659
Asia	741.811	19.730	4.793.763	4.126.416
Africa	142.246.079	120.840.217	26.871.025	12.725.983
Europe	6.886.552	3.707.231	6.610.708	2.363.236
<b>Total export</b>	<b>182.077.614</b>	<b>138.730.569</b>	<b>73.107.152</b>	<b>36.250.294</b>
<b>Total sales</b>	<b>493.302.768</b>	<b>325.424.531</b>	<b>453.053.613</b>	<b>248.588.135</b>

#### Cost of Sales:

	For the Period Ended 30 June 2017	For the Period Between 1 April and 30 June 2017	For the Period Ended 30 June 2016	For the Period Between 1 April and 30 June 2016
Service/ support expenses	56.084.072	35.748.108	53.803.497	37.836.702
Equipment expenses	262.033.626	190.134.382	241.129.931	127.808.676
Personnel expenses	99.457.776	51.369.151	89.104.979	44.447.011
Depreciation and amortization expenses	8.686.465	4.339.577	7.184.709	3.384.662
Rent expenses	4.972.786	2.693.688	4.138.430	2.273.917
Transportation expenses	1.926.323	731.098	1.275.502	675.408
Other	7.648.589	5.463.873	4.522.376	2.749.331
	<b>440.809.637</b>	<b>290.479.877</b>	<b>401.159.424</b>	<b>219.175.707</b>

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Unless otherwise stated the amounts are in TL.)

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

	For the Period Ended 30 June 2017	For the Period Between 1 April and 30 June 2017	For the Period Ended 30 June 2016	For the Period Between 1 April and 30 June 2016
<b>Other Income from Operating Activities</b>				
R&D Incentives	-	(990.446)	877.275	877.275
Foreign exchange gains	144.464	2.861.301	4.882.195	-
Discount income on receivable (*)	1.154.313	853.579	1.241.932	571.470
Service income	234.038	173.626	1.000.349	946.834
Other income and gains	261.370	-	358.793	301.107
	<b>1.794.185</b>	<b>2.898.060</b>	<b>8.360.544</b>	<b>2.696.686</b>

(\*) Discount income related to trade receivables is accounted under Other Income from Operating Activities.

	For the Period Ended 30 June 2017	For the Period Between 1 April and 30 June 2017	For the Period Ended 30 June 2016	For the Period Between 1 April and 30 June 2016
<b>Other Expenses from Operating Activities</b>				
Foreign exchange losses	-	-	-	663.823
Legal case expenses	630.589	353.377	2.472.837	838.430
Other tax expenses	576.715	171.614	1.207.877	988.821
Other expenses and losses	635.103	512.414	359.811	-
	<b>1.842.407</b>	<b>1.037.405</b>	<b>4.040.525</b>	<b>2.491.074</b>

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Unless otherwise stated the amounts are in TL.)

### 17. FINANCIAL INCOME / (EXPENSES)

#### Financial Income:

	For the Period Ended 30 June 2017	For the Period Between 1 April and 30 June 2017	For the Period Ended 30 June 2016	For the Period Between 1 April and 30 June 2016
Foreign exchange gains(*)	2.166.199	-	-	5.519.844
Interest income	526.452	229.345	781.969	236.076
Gain on derivative instrument	2.316.159	1.650.940	-	-
	<u>5.008.810</u>	<u>1.880.285</u>	<u>781.969</u>	<u>5.755.920</u>

#### Financial Expenses:

	For the Period Ended 30 June 2017	For the Period Between 1 April and 30 June 2017	For the Period Ended 30 June 2016	For the Period Between 1 April and 30 June 2016
Bank interest expenses	19.713.894	9.024.635	23.158.331	11.553.893
Foreign exchange losses(*)	-	5.924.650	3.632.258	-
Guarantee letter commissions	1.281.336	664.921	1.241.728	486.125
Other financial expenses	655.880	277.390	-	-
	<u>21.651.110</u>	<u>15.891.596</u>	<u>28.032.317</u>	<u>12.040.018</u>

(\*)Foreign exchange gain and loss related to cash and cash equivalents, financial borrowings, and other financial liability.

### 18. TAX ASSETS AND LIABILITIES

	For the Period Ended 30 June 2017	For the Period Between 1 April and 30 June 2017	For the Period Ended 30 June 2016	For the Period Between 1 April and 30 June 2016
Current tax expenses	-	-	-	-
Deferred tax income/(expense)	13.094.621	5.293.275	9.836.739	(708.300)
	<u>13.094.621</u>	<u>5.293.275</u>	<u>9.836.739</u>	<u>(708.300)</u>

(Convenience translation of the report and the condensed consolidated financial statements originally issued in Turkish)



# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Unless otherwise stated the amounts are in TL.)

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

Movement for deferred taxes as of 30 June 2017 and 2016 are as follows;

	1 January 2017	Charge to Profit/(Loss)	Translation Difference	30 June 2017
Tangible and intangible assets	(11.361.781)	1.428.775	14.552	(9.918.454)
Trade receivables	(64.660.327)	11.632.122	(192.210)	(53.220.415)
Trade payables and cost provisions	1.299.169	250.428	(13.391)	1.536.206
Inventory and deferred costs	1.537.007	(11.829.094)	416.266	(9.875.821)
Advances received	2.490.727	(485.669)	8.744	2.013.802
Provisions for employee premiums	2.512.033	(895.787)	23.284	1.639.530
Provision for unused vacation	1.177.554	263.935	(13.454)	1.428.035
Severance indemnity and retirement provisions	4.122.207	(137.754)	(9.264)	3.975.189
Deferred revenues	12.125.739	(2.239.068)	38.102	9.924.773
Unused R&D tax exemption	32.995.943	10.008.043	(470.103)	42.533.883
Carryforward tax losses	1.829.948	5.040.544	(185.920)	6.684.572
Other	700.020	58.146	(4.480)	753.686
	<b>(15.231.761)</b>	<b>13.094.621</b>	<b>(387.874)</b>	<b>(2.525.014)</b>

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

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Unless otherwise stated the amounts are in TL.)

### 19. EARNINGS PER SHARE

	For the Period Ended 30 June 2017	For the Period Ended 30 June 2017	For the Period Ended 30 June 2016	For the Period Between 1 April and 30 June 2016
Number of shares	64.864.800	64.864.800	64.864.800	64.864.800
Net profit for the period	7.391.231	6.613.353	3.662.225	5.429.996
Earnings per share	0,1139	0,1020	0,0565	0,0837

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

### 20. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

Due from related parties as of 30 June 2017 and 31 December 2016 is as follows:

Due from Related Parties	30 June 2017	31 December 2016
Genband US LLC	18.783.409	25.329.936
Genband Ireland Ltd.	954.214	1.359.373
Genband Telecommunications (UK)	19.172	19.238
Genband Telecomunicacoes do br	98.154	98.493
	<b>19.854.949</b>	<b>26.807.040</b>

Due to Related Parties	30 June 2017	31 December 2016
Genband Ireland Ltd.	1.604.952	1.312.804
Kron Telekomunikasyon A.Ş.	1.426.994	8.305
	<b>3.031.946</b>	<b>1.321.109</b>

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(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 June 2017 and 2016:

	For the Period Ended 30 June 2017	For the Period Between 1 April and 30 June 2017	For the Period Ended 30 June 2016	For the Period Between 1 April and 30 June 2016
<b>Purchases</b>				
Genband Ireland Ltd.	2.274.149	2.165.046	541.410	392.728
Kron Telekomunikasyon A.Ş.	1.447.838	1.437.384	-	-
Genband US LLC	25.457	(382)	-	-
	<u>3.747.444</u>	<u>3.602.048</u>	<u>541.410</u>	<u>392.728</u>

	For the Period Ended 30 June 2017	For the Period Between 1 April and 30 June 2017	For the Period Ended 30 June 2016	For the Period Between 1 April and 30 June 2016
<b>Sales</b>				
Genband US LLC	31.681.127	16.468.662	34.126.034	16.230.740
Genband Ireland Ltd.	1.451.574	731.116	1.105.006	430.861
Kron Telekomunikasyon A.Ş.	75.098	(1.127)	-	-
Genband Telecommunications (UK)	-	-	41.345	(353)
	<u>33.207.799</u>	<u>17.198.651</u>	<u>35.272.385</u>	<u>16.661.248</u>

For the period ended 30 June 2017, total remuneration for the directors, management, and board members of the Group is TL 6.810.645 (for the period ended 30 June 2016 total remuneration for the directors, management, and board members are TL 5.663.846). As of 30 June 2017 and 31 December 2016 there is no credit granted to the Group's management.

#### 21. DERIVATIVE FINANCIAL INSTRUMENTS

##### Derivative financial instruments

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

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

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017 (Unless otherwise stated the amounts are in TL.)

### 21. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

#### Derivative financial instruments (Cont'd)

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

#### Asymmetric Forward Knockout

In order to meet the US Dollar funding requirement and minimize the negative exposure to appreciation of US Dollar against Turkish Lira, the Group has entered into a series of "asymmetric zero-cost collar forward knockout contracts", which have been accounted for as a derivative instrument. For each of these contracts, with maturities until 28 February 2017, the Group has agreed to purchase US Dollars: At strike rate, if the spot rate effective on the maturity of the forward contract is above the strike rate, which is ranging between 3,0998 and 3,3700 USD/TL, If the spot rate is above the "barrier" rate, which is 3,3800 USD / TL, then the forward contracts will in favor of bank.

#### Option Contract

The maturity date of Group's option contract is 20 October 2017, and its type is "Call Option Contract". The contract exchange rate is 4,00 USD/TL. If the exchange rate exceeds the 4,00 USD/TL at the maturity date, bank will use the warranty, purchase USD from the Group at that rate, and finally pay premiums to the Group related to this purchase. If the exchange rate is lower than the 4,00 USD/TL at the maturity date, bank does not use its warranty, but pays premiums to the Group.

The nominal amounts and the fair values of these derivative instruments as of 30 June 2017 and 31 December 2016 are as follows:

	Currency	Nominal Value		Fair Value (Liability)/Asset	
		30 June 2017	31 December 2016	30 June 2017	31 December 2016
European Type, USD Call Option	USD	5.000.000	5.000.000	(362.590)	(2.299.731)
Asymmetric Forward Knockout	USD	-	1.791.222	-	(379.022)

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

#### 22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

##### *Credit risk*

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

	<u>Trade Receivables</u>		<u>Other Receivables</u>		<u>Deposits at Banks</u>
	<u>Related Parties</u>	<u>Other</u>	<u>Other (*)</u>	<u>637.398</u>	
<b>30 June 2017</b>	<b>19,854,949</b>	<b>771,027,933</b>	<b>637,398</b>	<b>637,398</b>	<b>63,711,311</b>
<b>Maximum credit risks as of balance sheet date(A+B+C+D)</b>					
Maximum risk guaranteed by collateral	-	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	18,280,404	675,633,580	637,398	637,398	63,711,311
(B) Net book value of overdue but not impaired financial assets (**)	1,574,545	95,394,353	-	-	-
Guaranteed by collateral	-	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-	-
Overdue (gross book value)	-	30,827,040	-	-	-
Impairment (-)	-	(30,827,040)	-	-	-
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.

(\*\*) The amount of overdue but not impaired financial assets is consisted of TL 26.431.168 receivables from Nortel companies.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

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

**Credit risk (cont'd)**

**31 December 2016**

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

Maximum risk guaranteed by collateral

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

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

Guaranteed by collateral

(C) Net book value of impaired assets

Overdue (gross book value)

Impairment (-)

Guaranteed by collateral

Unexpired (gross book value)

Impairment (-)

Guaranteed by collateral

(D) Off balance sheet risks

	Trade Receivables		Other Receivables	Deposits at Banks
	Related Parties	Other	Other (*)	
	<b>26.807.040</b>	<b>759.478.538</b>	<b>669.053</b>	<b>115.147.110</b>
	-	-	-	-
	20.339.053	663.741.201	669.053	115.147.110
	6.467.987	95.737.337	-	-
	-	-	-	-
	-	-	-	-
	-	51.433.691	-	-
	-	(51.433.691)	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-

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

(\*\*) The amount of overdue but not impaired financial assets is consisted of TL 26.522.361 receivables from Nortel companies. For the period ended 31 December 2016 as a result of net-off Nortel companies' receivables and payables, 45 % provision amount is adjusted..

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Unless otherwise stated the amounts are in TL)

#### 22. 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:

<u>30 June 2017</u>	Receivables	
	Trade Receivables	Other Receivables
1-30 days overdue	15.157.799	-
1-3 months overdue	10.799.243	-
3-12 months overdue	21.299.555	-
1-5 years overdue	23.281.133	-
Overdue more than 5 years	26.431.168	-
<b>Total</b>	<b>96.968.898</b>	<b>-</b>

<u>31 December 2016</u>	Receivables	
	Trade Receivables	Other Receivables
1-30 days overdue	35.554.912	-
1-3 months overdue	9.988.473	-
3-12 months overdue	19.963.730	-
1-5 years overdue	10.175.848	-
Overdue more than 5 years	26.522.361	-
<b>Total</b>	<b>102.205.324</b>	<b>-</b>

##### Liquidity risk

The Group holds adequate sources to be able to fulfill its current and future liabilities. As of 30 June 2017 and 31 December 2016 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 JUNE 2017  
(Unless otherwise stated the amounts are in TL)

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

### Liquidity risk (cont'd)

30 June 2017

<u>Maturities due to agreements</u>	<u>Carrying amount</u>	<u>Cash outflows due to agreements</u>	<u>Up to 3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>
<u>Non- derivative financial liabilities</u>	<b>601.952.834</b>	<b>607.143.207</b>	<b>497.215.575</b>	<b>109.889.360</b>	<b>38.272</b>
Financial liabilities	311.135.539	316.325.912	206.436.552	109.889.360	-
Due to related parties	3.031.946	3.031.946	3.031.946	-	-
Other trade payables to third parties	287.785.349	287.785.349	287.747.077	-	38.272
<u>Expected maturities</u>	<u>Carrying amount</u>	<u>Cash outflows due to agreements</u>	<u>Up to 3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>
<u>Non- derivative financial liabilities</u>	<b>29.502.135</b>	<b>29.502.135</b>	<b>25.722.881</b>	<b>3.779.254</b>	<b>-</b>
Other short term provisions	4.078.481	4.078.481	299.227	3.779.254	-
Payables related to employee benefits	16.045.286	16.045.286	16.045.286	-	-
Other payables to third parties (*)	9.378.368	9.378.368	9.378.368	-	-

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 JUNE 2017  
(Unless otherwise stated the amounts are in TL)

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

#### Liquidity risk (cont'd)

##### 31 December 2016

<u>Maturities due to agreements</u>	<u>Carrying amount</u>	<u>Cash outflows due to agreements</u>	<u>Up to 3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>
<u>Non- derivative financial liabilities</u>					
Financial liabilities	597.269.719	601.756.648	439.125.390	160.685.530	1.945.728
Due to related parties	354.859.452	359.346.381	198.660.851	160.685.530	-
Other trade payables to third parties	1.321.109	1.321.109	1.321.109	-	-
	241.089.158	241.089.158	239.143.430	-	1.945.728
<u>Expected maturities</u>					
<u>Non- derivative financial liabilities</u>					
Other short term provisions	30.839.753	30.839.753	27.181.261	3.658.492	-
Payables related to employee benefits	4.327.281	4.327.281	668.789	3.658.492	-
Other payables to third parties (*)	17.825.631	17.825.631	17.825.631	-	-
	8.686.841	8.686.841	8.686.841	-	-

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

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

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

#### Interest rate risk

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

	30 June 2017	31 December 2016
<b>Fixed interest rate financial instruments</b>	<b>311.257.026</b>	<b>386.806.122</b>
Financial assets (*)	38.338.499	95.947.358
Financial liabilities	272.918.527	290.858.764
<b>Variable interest rate financial instruments</b>	<b>33.900.000</b>	<b>64.000.000</b>
Financial assets	-	-
Financial liabilities	33.900.000	64.000.000
<b>Interest-free financial instruments</b>	<b>4.317.012</b>	<b>688</b>
Financial liabilities	4.317.012	688

(\*) As of 30 June 2017 and 31 December 2016, time deposits are included in the fixed interest rate financial instruments.

#### Foreign currency risk

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

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

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

As of 30 June 2017 and 31 December 2016, the Group's foreign currency position table is given below.

30 June 2017	TL Equivalent (*)	TL	EURO	GBP	TAKA	Other
<b>Current Assets</b>	<b>265.951.212</b>	<b>252.068.955</b>	<b>1.160.910</b>	<b>1.275</b>	<b>13.052.035</b>	<b>648.714.108</b>
Cash and cash equivalents	19.254.029	12.014.222	115.809	673	12.552.035	543.658.331
Trade receivables, third parties	180.511.671	174.915.792	832.307	602	-	94.852.779
Other receivables, third parties	568.704	487.188	-	-	500.000	1.851.296
Prepaid expenses	6.090.269	5.480.577	139.730	-	-	2.597.997
Other current assets	59.526.539	59.171.176	73.064	-	-	5.753.705
<b>TOTAL ASSETS (A)</b>	<b>265.951.212</b>	<b>252.068.955</b>	<b>1.160.910</b>	<b>1.275</b>	<b>13.052.035</b>	<b>648.714.108</b>
<b>Short Term Liabilities</b>	<b>282.035.443</b>	<b>277.403.965</b>	<b>875.669</b>	<b>1.198</b>	<b>450.000</b>	<b>58.213.624</b>
Financial liabilities	204.983.757	204.983.757	-	-	-	-
Trade payables, third parties	32.398.138	28.058.514	867.534	503	450.000	37.734.720
Other payables, third parties	9.199.290	8.993.530	-	-	-	18.825.252
Employee benefit obligations	16.037.950	15.951.856	8.135	695	-	1.653.652
Provision for employee benefit	15.337.827	15.337.827	-	-	-	-
Other short term provisions	4.078.481	4.078.481	-	-	-	-
<b>Long Term Liabilities</b>	<b>19.875.945</b>	<b>19.875.945</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Provision for employee benefit	19.875.945	19.875.945	-	-	-	-
<b>TOTAL LIABILITIES (B)</b>	<b>301.911.388</b>	<b>297.279.910</b>	<b>875.669</b>	<b>1.198</b>	<b>450.000</b>	<b>58.213.624</b>
<b>Net Foreign Currency Asset / (Liability) Position (A-B)</b>	<b>(35.960.176)</b>	<b>(45.210.955)</b>	<b>285.241</b>	<b>77</b>	<b>12.602.035</b>	<b>590.500.484</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.

(Convenience translation of the report and the condensed consolidated financial statements originally issued in Turkish)

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

### Foreign currency risk (cont'd)

31 December 2016	TL Equivalent (*)	Original Currency			
		TL	EURO	GBP	TAKA
<b>Current Assets</b>	<b>267.916.251</b>	<b>253.035.189</b>	<b>1.720.528</b>	<b>631</b>	<b>13.113.887</b>
Cash and cash equivalents	34.150.329	23.230.179	1.058.139	29	12.613.887
Trade receivables, third parties	167.304.554	164.675.446	394.964	602	-
Other receivables, third parties	600.120	540.669	-	-	500.000
Prepaid expenses	6.883.679	6.123.745	195.315	-	-
Other current assets	58.977.569	58.465.150	72.110	-	-
<b>TOTAL ASSETS (A)</b>	<b>267.916.251</b>	<b>253.035.189</b>	<b>1.720.528</b>	<b>631</b>	<b>13.113.887</b>
<b>Short Term Liabilities</b>	<b>394.714.241</b>	<b>388.657.102</b>	<b>1.366.619</b>	<b>7.303</b>	<b>-</b>
Financial liabilities	284.319.045	284.319.045	-	-	-
Trade payables, third parties	62.790.540	56.762.542	1.365.069	6.505	-
Other payables, third parties	8.695.796	8.695.796	-	-	-
Employee benefit obligations	17.730.044	17.700.903	1.550	798	-
Provision for employee benefit	16.851.535	16.851.535	-	-	-
Other short term provisions	4.327.281	4.327.281	-	-	-
<b>Long Term Liabilities</b>	<b>22.207.434</b>	<b>22.207.434</b>	<b>-</b>	<b>-</b>	<b>-</b>
Provision for employee benefit	22.207.434	22.207.434	-	-	-
<b>TOTAL LIABILITIES (B)</b>	<b>416.921.675</b>	<b>410.864.536</b>	<b>1.366.619</b>	<b>7.303</b>	<b>-</b>
<b>Net Foreign Currency Asset / (Liability) Position (A-B)</b>	<b>(149.005.424)</b>	<b>(157.829.347)</b>	<b>353.909</b>	<b>(6.672)</b>	<b>13.113.887</b>
					<b>611.617.080</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  
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**22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)****Foreign currency risk (cont'd)****Exchange Rate Sensitivity Table****30 June 2017**

	<b><u>Profit / (Loss)</u></b>	
	<b><u>Appreciation</u></b>	<b><u>Devaluation</u></b>
<i>Effect of 10 % appreciation/devaluation in TL -USD exchange rate :</i>		
Net asset / (liability) in TL	(4.521.096)	4.521.096
Not subjected to TL risk (-)	-	-
<b>(1) Net effect of TL</b>	<b>(4.521.096)</b>	<b>4.521.096</b>
<i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i>		
Net asset / (liability) in EUR	114.182	(114.182)
Not subjected to EUR risk (-)	-	-
<b>(2) Net effect of EUR</b>	<b>114.182</b>	<b>(114.182)</b>
<i>Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:</i>		
Net asset / (liability) in other currencies	810.896	(810.896)
Not subjected to other currency risk (-)	-	-
<b>(3) Net effect of other currencies</b>	<b>810.896</b>	<b>(810.896)</b>
<b>TOTAL (1+2+3)</b>	<b>(3.596.018)</b>	<b>3.596.018</b>

**31 December 2016**

	<b><u>Profit / (Loss)</u></b>	
	<b><u>Appreciation</u></b>	<b><u>Devaluation</u></b>
<i>Effect of 10 % appreciation/devaluation in TL -USD exchange rate :</i>		
Net asset / (liability) in TL	(15.782.935)	15.782.935
Not subjected to TL risk (-)	-	-
<b>(1) Net effect of TL</b>	<b>(15.782.935)</b>	<b>15.782.935</b>
<i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i>		
Net asset / (liability) in EUR	131.297	(131.297)
Not subjected to EUR risk (-)	-	-
<b>(2) Net effect of EUR</b>	<b>131.297</b>	<b>(131.297)</b>
<i>Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:</i>		
Net asset / (liability) in other currencies	751.096	(751.096)
Not subjected to other currency risk (-)	-	-
<b>(3) Net effect of other currencies</b>	<b>751.096</b>	<b>(751.096)</b>
<b>TOTAL (1+2+3)</b>	<b>(14.900.542)</b>	<b>14.900.542</b>

(Convenience translation of the report and the condensed consolidated financial statements originally issued in Turkish)

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

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#### 23. FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

Financial Assets / Financial Liabilities	Fair value as at	Fair value hierarchy	Valuation technique(s) and key input(s)
Option agreements	362.590	Level 2	MTM

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

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**23. FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)**

	Loans and Receivables (including cash and cash equivalents)	Amortized value of financial liabilities	Note
<b>30 June 2017</b>			
<u>Financial assets</u>			
Cash and cash equivalents	63.933.382	-	5
Trade receivables	771.027.933	-	7
Due from related parties	19.854.949	-	20
Financial investments	2.162.070	-	
Other current assets	637.398	-	
<u>Financial liabilities</u>			
Borrowings	-	311.135.539	6
Trade payables	-	287.785.349	7
Due to related parties	-	3.031.946	20
Other liabilities	-	9.378.368	
Employee benefit obligations		16.045.286	
<b>31 December 2016</b>			
<u>Financial assets</u>			
Cash and cash equivalents	115.641.750	-	5
Trade receivables	759.478.538	-	7
Due from related parties	26.807.040	-	20
Financial investments	1.940.781	-	
Other current assets	669.053	-	
<u>Financial liabilities</u>			
Borrowings	-	354.859.452	6
Trade payables	-	241.089.158	7
Due to related parties	-	1.321.109	20
Other liabilities	-	8.686.841	
Employee benefit obligations	-	17825631	

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

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### **24. SUBSEQUENT EVENTS**

In the public disclosure made by our company, Netaş Telekomünikasyon A.Ş. (“Company”) ,and OEP Turkey Tech B.V. (“OEP”) on 6 December 2016 and subsequent updates made thereafter, it was announced that a share purchase agreement (“Agreement”) for the transfer of shares representing 48.04% of our Company (“Shares”) has been executed between Company’s shareholder OEP and ZTE Cooperatief U.A. (“ZTE Cooperatief”) and that the share purchase price which was agreed between the parties through bargaining shall be paid at the date of completion of the share transfer which is subject to amongst other, approval of the Competition Board.

Following the above mentioned disclosure, it was announced on 8 May 2017 that several supplemental agreements were signed between the parties related to the transfer of the Shares and accordingly USD 10,000,000 was paid by ZTE Cooperatief to OEP as deposit of a portion of the share purchase price.

According to Article 23/7 of the Communiqué on Special Circumstances numbered (II/15.1), we hereby submit to the investors’ attention that as informed by OEP, the Shares of OEP was transferred to ZTE Cooperatief as of 28 July 2017. Following the transaction, ZTE Cooperatief has become a shareholder of our Company whose ratio of the shares to the entire share capital of Netaş is 48.04%.

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

None.