

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2017

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

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# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2017

(Unless otherwise stated the amounts are in TL).

	Notes	Unaudited 30 September 2017	Audited 31 December 2016
<b>ASSETS</b>			
<b>Current Assets</b>		<b>1.100.199.051</b>	<b>1.122.788.685</b>
Cash and Cash Equivalents	5	113.420.384	115.641.750
Trade Receivables		642.347.115	697.710.992
<i>Due from related parties</i>	20	-	26.807.040
<i>Trade receivables, third parties</i>	7	642.347.115	670.903.952
Other Receivables		740.509	511.938
<i>Other receivables, third parties</i>		740.509	511.938
Inventories	8	93.333.208	83.991.024
Deferred Costs	4	173.051.887	148.684.598
Prepaid Expenses	9	14.777.386	16.848.978
Other Current Assets		62.528.562	59.399.405
<b>Non-Current Assets</b>		<b>256.781.435</b>	<b>252.698.207</b>
Trade Receivables		98.064.281	88.574.586
<i>Trade receivables, third parties</i>	7	98.064.281	88.574.586
Other Receivables		-	157.115
<i>Other Receivables, third parties</i>		-	157.115
Property, Plant and Equipment		35.353.930	40.167.155
Financial Investments		2.402.937	1.940.781
Intangible Assets		99.377.417	105.917.725
<i>Goodwill</i>	11	65.103.272	64.500.278
<i>Other intangible assets</i>		34.274.145	41.417.447
Associates	3	5.310.664	5.121.827
Other Non-Current Assets		7.552.694	7.478.474
Prepaid Expenses	9	813.815	1.053.159
Deferred Tax Assets	18	7.905.697	2.287.385
<b>TOTAL ASSETS</b>		<b>1.356.980.486</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 SEPTEMBER 2017

(Unless otherwise stated the amounts are in TL).

	Notes	Unaudited 30 September 2017	Audited 31 December 2016
<b>LIABILITIES</b>			
<b>Short Term Liabilities</b>			
Financial Liabilities	6	333.285.627	354.859.452
Derivative Liabilities	21	23.765	2.678.753
Trade Payables		269.103.278	240.464.539
<i>Due to related parties</i>	20	2.448.150	1.321.109
<i>Trade payables, third parties</i>	7	266.655.128	239.143.430
Other Payables		7.056.317	8.686.841
<i>Other payables, third parties</i>		7.056.317	8.686.841
Employee Benefit Obligations		20.753.458	17.825.631
Deferred Revenues	4	50.465.035	59.914.737
Provisions		23.451.664	21.178.816
<i>Provision for Employee Benefits</i>		19.220.625	16.851.535
<i>Other Short Term Provisions</i>	13	4.231.039	4.327.281
Advances Received	4	67.150.695	78.212.274
Current Tax Liabilities		-	297.664
<b>Long Term Liabilities</b>			
Trade Payables		42.354	1.945.728
<i>Trade payables, third parties</i>	7	42.354	1.945.728
Provisions		19.852.398	22.207.434
<i>Provision for Employee Benefits</i>		19.852.398	22.207.434
Deferred Tax Liabilities	18	6.807.803	17.519.146
<b>SHAREHOLDERS' EQUITY</b>			
<b>Equity Attributable to Equity Holders of the Parent</b>			
Share Capital		64.864.800	64.864.800
Capital Reserves		41.612.160	41.612.160
Other comprehensive income to be reclassified in profit and loss		4.649.542	16.764.885
<i>Currency Translation Reserves</i>		4.649.542	16.764.885
Other comprehensive income not to be reclassified in profit and loss		231.896.445	230.056.150
<i>Actuarial Loss</i>		(8.240.661)	(8.240.661)
<i>Currency Translation Reserves</i>		240.137.106	238.296.811
Restricted Reserves Appropriated From Profit		34.917.490	33.182.076
Profit for the Period		3.260.239	18.670.011
Retained Earnings		177.787.416	144.545.795
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1.356.980.486</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 SEPTEMBER 2017

(Unless otherwise stated the amounts are in TL).

		Unaudited	Unaudited	Unaudited	Unaudited
		For the Period Ended 30 September 2017	For the Period Between 1 July and 30 September 2017	For the Period Ended 30 September 2016	For the Period Between 1 July and 30 September 2016
	Note				
<b>INCOME OR LOSS FROM OPERATIONS</b>					
Revenue	15	688.303.593	195.000.825	654.755.191	201.701.578
Cost of Sales (-)	15	(611.865.653)	(171.056.016)	(579.888.102)	(178.728.678)
<b>GROSS PROFIT</b>		<b>76.437.940</b>	<b>23.944.809</b>	<b>74.867.089</b>	<b>22.972.900</b>
Sales, Marketing and Distribution Expenses (-)	4	(39.389.953)	(13.077.564)	(34.115.287)	(9.323.760)
General Administrative Expenses (-)	4	(24.478.894)	(8.964.345)	(16.619.389)	(6.176.142)
Research and Development Expenses (-)		-	-	-	-
Other Income from Operating Activities	16	5.253.413	3.459.228	4.149.330	(4.211.214)
Other Expenses from Operating Activities (-)	16	(6.457.127)	(4.614.720)	(10.628.469)	(6.587.944)
<b>OPERATING PROFIT/(LOSS)</b>		<b>11.365.379</b>	<b>747.408</b>	<b>17.653.274</b>	<b>(3.326.160)</b>
Income from Investment Activities		267.983	5.733	108.654	1.679
Expenses from Investment Activities (-)		(16.067)	(3.674)	(86.450)	3.414
Income from Associates	3	161.135	90.053	298.388	219.099
<b>OPERATING PROFIT/(LOSS) BEFORE FINANCE INCOME</b>		<b>11.778.430</b>	<b>839.520</b>	<b>17.973.866</b>	<b>(3.101.968)</b>
Financial Income	17	8.400.566	3.391.756	7.579.784	6.797.815
Financial Expenses (-)	17	(33.603.663)	(11.952.553)	(35.754.560)	(7.722.243)
<b>(LOSS) BEFORE TAX</b>		<b>(13.424.667)</b>	<b>(7.721.277)</b>	<b>(10.200.910)</b>	<b>(4.026.396)</b>
<b>Tax Income/(Expenses)</b>		<b>16.684.906</b>	<b>3.590.285</b>	<b>8.047.135</b>	<b>(1.789.604)</b>
- Current Tax Income/(Expenses)	18	(21.891)	(21.891)	(15.335)	(15.335)
- Deferred Tax Income/(Expenses)	18	16.706.797	3.612.176	8.062.470	(1.774.269)
<b>PROFIT/(LOSS) AFTER TAX</b>		<b>3.260.239</b>	<b>(4.130.992)</b>	<b>(2.153.775)</b>	<b>(5.816.000)</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss</b>					
Currency translation reserves		1.840.295	3.824.279	6.699.155	7.832.321
<b>Other comprehensive income or expenses that may be reclassified subsequently to profit or loss</b>					
Currency translation reserves		4.191.681	3.238.086	7.359.166	5.969.042
<b>OTHER COMPREHENSIVE (EXPENSES)/INCOME</b>		<b>6.031.976</b>	<b>7.062.365</b>	<b>14.058.321</b>	<b>13.801.363</b>
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSES)</b>		<b>9.292.215</b>	<b>2.931.373</b>	<b>11.904.546</b>	<b>7.985.363</b>
Earnings/(losses) per share	19	0,0503	(0,0637)	(0,0332)	(0,0897)

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## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 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		Retained Earnings			TOTAL
	Capital	Capital Reserves	Currency Translation Reserves	Currency Translation Reserves	Actuarial (Loss)	Restricted Reserves Appropriated from Profit	Retained Earnings	Net (Loss)/Profit for the Period	
<b>Balance as at 1 January 2016</b>	<b>64.864.800</b>	<b>41.612.160</b>	<b>7.661.632</b>	<b>123.400.607</b>	<b>(8.321.961)</b>	<b>33.182.076</b>	<b>140.496.508</b>	<b>34.305.075</b>	<b>437.200.897</b>
Currency translation differences	-	-	2.516.592	6.699.155	-	-	4.842.574	-	14.058.321
Net profit for the period	-	-	-	-	-	-	-	(2.153.775)	(2.153.775)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>2.516.592</b>	<b>6.699.155</b>	<b>-</b>	<b>-</b>	<b>4.842.574</b>	<b>(2.153.775)</b>	<b>11.904.546</b>
Transfer	-	-	-	-	-	-	34.305.075	(34.305.075)	-
<b>Balance as at 30 September 2016</b>	<b>64.864.800</b>	<b>41.612.160</b>	<b>10.178.224</b>	<b>130.099.762</b>	<b>(8.321.961)</b>	<b>33.182.076</b>	<b>179.644.157</b>	<b>(2.153.775)</b>	<b>449.105.443</b>
<b>Balance as at 1 January 2017</b>	<b>64.864.800</b>	<b>41.612.160</b>	<b>16.764.885</b>	<b>238.296.811</b>	<b>(8.240.661)</b>	<b>33.182.076</b>	<b>144.545.795</b>	<b>18.670.011</b>	<b>549.695.877</b>
Currency translation differences	-	-	(12.115.343)	1.840.295	-	-	16.307.024	-	6.031.976
Net profit for the period	-	-	-	-	-	-	-	3.260.239	3.260.239
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(12.115.343)</b>	<b>1.840.295</b>	<b>-</b>	<b>-</b>	<b>16.307.024</b>	<b>3.260.239</b>	<b>9.292.215</b>
Transfer	-	-	-	-	-	-	18.670.011	(18.670.011)	-
Transfer to reserves	-	-	-	-	-	1.735.414	(1.735.414)	-	-
<b>Balance as at 30 September 2017</b>	<b>64.864.800</b>	<b>41.612.160</b>	<b>4.649.542</b>	<b>240.137.106</b>	<b>(8.240.661)</b>	<b>34.917.490</b>	<b>177.787.416</b>	<b>3.260.239</b>	<b>558.988.092</b>

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 SEPTEMBER 2017

(Unless otherwise stated the amounts are in TL).

	Notes	Unaudited	
		1 January- 30 September 2017	1 January- 30 September 2016
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit/(Loss) for the Period</b>		<b>3.260.239</b>	<b>(2.153.775)</b>
<i>Profit/(Loss) from Continuing Operations</i>		3.260.239	(2.153.775)
<b>Adjustments to Reconcile Profit</b>		<b>55.979.334</b>	<b>60.237.158</b>
Adjustments for Depreciation and Amortisation Expense		19.398.462	16.189.932
Adjustments for (Reversal of) Impairment Loss Recognised in Profit or Loss		2.208.154	869.789
<i>Adjustments for (Reversal of) Provision of Receivables</i>	7	2.204.410	869.789
<i>Adjustment for Reversal of Provision of Inventory</i>	8	3.744	-
Adjustments For Provisions		27.229.535	20.514.401
<i>Adjustments for Provisions Related with Employee Benefits</i>		27.333.320	21.139.380
<i>Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions</i>	13	1.316	(576.419)
<i>Adjustments for (Reversal of) Provisions Arising From Sectoral Requirements</i>	13	(105.101)	(48.560)
Adjustments for Interest (Income) and Expenses		28.100.793	31.477.023
<i>Adjustments for Interest Income</i>	17	(1.075.793)	(933.008)
<i>Adjustments for Interest Expense</i>	17	30.827.140	33.808.337
<i>Unearned Financial Income from Credit Sales</i>	16	(1.650.554)	(1.398.306)
Adjustments For Unrealised Foreign Exchange Losses (Gains)	17	(1.428.976)	(556.187)
Other Adjustments for Fair Value Losses (Gains)		(2.654.988)	109.927
<i>Adjustments for Fair Value Losses (Gains) on Derivative Financial Instruments</i>	21	(2.654.988)	109.927
Adjustments for Share of Profit of Investments Accounted for Using the Equity Method	3	(161.135)	(298.388)
Adjustments for Tax (Income)/ Expense	18	(16.684.906)	(8.047.135)
Adjustments for Losses/(Gains) Disposal of Non-Current Assets		(27.605)	(22.204)
<i>Adjustments for Losses/(Gains) Arising From Sale of Tangible Assets</i>		(27.605)	(22.204)
<b>Changes in Working Capital</b>		<b>21.697.006</b>	<b>(165.842.274)</b>
Adjustments for Decrease / (Increase) in Trade Accounts Receivable		50.032.273	75.639.379
<i>Decrease (Increase) in Trade Accounts Receivables from Related Parties</i>	20	27.394.339	2.162.512
<i>Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties</i>	7	22.637.934	73.476.866
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(2.671.887)	(29.720.333)
<i>Adjustments for Decrease (Increase) in Other Receivables Related with Operations from Third Parties</i>		(2.671.887)	(29.720.333)
Adjustments for Decrease / (Increase) in Inventories	8	(8.667.197)	12.693.602
Decrease / (Increase) in Prepaid Expenses	9	2.509.136	14.855.547
Adjustments for Increase/(Decrease) In Trade Accounts Payable		24.773.618	(162.185.134)
<i>Increase (Decrease) in Trade Accounts Payables to Related Parties</i>	20	1.128.561	362.189
<i>Increase/(Decrease) in Trade Accounts Payables to Unrelated Parties</i>	7	23.645.057	(162.547.324)
Increase (Decrease) in Payables due to Employee Benefits		2.795.539	665.578
Increase/(Decrease) in Payables Due to Ongoing Construction or Service Contracts		(23.263.193)	(44.464.352)
Adjustments for Increase/(Decrease) in Other Operating Payables		(1.733.035)	(8.557.670)
<i>Increase/(Decrease) in Other Operating Payables to Unrelated Parties</i>		(1.733.035)	(8.557.670)
Increase/(Decrease) in Deferred Income		(10.134.384)	(16.769.253)
Other Adjustments for Other Increase/(Decrease) in Working Capital		(11.943.864)	(7.999.636)
<b>Cash Flows (Used in) Generated From Operations</b>		<b>80.936.579</b>	<b>(107.758.891)</b>
Payments Related with Provisions for Employee Benefits		(27.319.266)	(23.605.826)
		<b>53.617.313</b>	<b>(131.364.717)</b>

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# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL).

	Notes	Unaudited	
		1 January- 30 September 2017	1 January- 30 September 2016
<b>B.CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		43.672	195.104
<i>Proceeds from Sales of Property, Plant, Equipment</i>		43.672	195.104
Purchase of Property, Plant, Equipment and Intangible Assets		(4.674.835)	(9.468.657)
<i>Purchase of Property, Plant, Equipment</i>		(3.975.961)	(3.420.795)
<i>Purchase of Intangible Assets</i>		(698.874)	(6.047.862)
Dividends received		240.378	-
Interest Received	17	1.075.793	933.008
Other Outflows of Cash/(Proceeds)		(462.156)	(580.421)
		<b>(3.777.148)</b>	<b>(8.920.966)</b>
<b>C.CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from Borrowings	6	(23.466.279)	4.965.370
Interest Paid		(27.505.710)	(29.069.427)
		<b>(50.971.989)</b>	<b>(24.104.057)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)</b>			
		<b>(1.131.824)</b>	<b>(164.389.740)</b>
<b>D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
		(1.089.542)	(8.840.481)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>			
		<b>(2.221.366)</b>	<b>(173.230.221)</b>
<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>			
		<b>113.420.384</b>	<b>52.831.520</b>

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# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 Yenişehir Mah. Osmanlı Bulvarı No:11 34912 Kurtköy-Pendik/İstanbul at Istanbul Trade Registry Office as of 23 July 2013.

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

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

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

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

The Company has established organization (Netas Telecommunications Malta Ltd.) in Maltha and which hold all of share capital (100%) 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 ZTE Coöperatief U.A. and Türk Silahlı Kuvvetleri Güçlendirme Vakfı respectively.

The average number of personnel employed in the Group as of 30 September 2017 is 2.192 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 September 30, 2017 have been approved for issue by the Board of Directors November 9, 2017.

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 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 September 2017 are as follows:

	<u>Place of establishment of operation</u>	<u>Group's shares in capital and voting rights</u>	<u>Main operating activity</u>
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

(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 SEPTEMBER 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 SEPTEMBER 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 September 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
Kron Telekomünikasyon Hizmetleri A.Ş.	Information technology	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 SEPTEMBER 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 September 2017 (Turkish Central Bank USD Buying rate: (1 USD: 3,5521 TL) , statements of income and statements of cash flows have been translated to TL by using nine months average exchange rate (1 USD: 3,5963 TL ) for the period ended 30 September 2017(for the 1 January-30 September 2016 1 USD: 2,9315 TL ) in accordance with TAS 21. In the accompanying condensed consolidated financial statements capital and legal reserves are carried with their values in statutory accounts.

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 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 September 2016, the Group presented cash and cash equivalents and foreign exchange gain/loss of financial borrowing expense accruals amounting to TL 1.046.858 under "Other Expense from Operating Activities". In the current year, the Group's management has been classified these amounts under "Financial Income".

For the period between 1 July-30 September 2016, the Group presented cash and cash equivalent and borrowings foreign exchange income/losses amounting to TL 357.897 under "Other Expense from Operating Activities". In the current year, the Group's management has been classified these amounts under "Financial Income".

#### **2.3 Change in Accounting Policies**

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

#### **2.4 Change in Accounting Estimates and Errors**

Any error is applied retroactively and the financial statements for the prior years are adjusted accordingly. If changes in accounting policies are for only one period, changes are applied on the current year but if the changes affect the future periods, changes are applied both on the current period and future periods prospectively.

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

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

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

	<b>30 September 2017</b>	<b>31 December 2016</b>
Current assets	21.184.264	31.660.181
Non-current assets	14.657.444	11.041.678
Short term liabilities	3.339.455	9.541.266
Long term liabilities	667.917	587.370
Net assets	31.834.336	32.573.223
Share of the Group in net assets	3.183.434	3.257.322

  

	<b>1 January 2017</b>	<b>1 January 2016</b>
	<b>-30 September 2017</b>	<b>-30 September 2016</b>
Net profit	1.555.182	2.910.644
Other comprehensive income	56.168	73.234
Total comprehensive income	1.611.350	2.983.878
Share of the Group in total comprehensive income	161.135	298.388

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

	<b>30 September 2017</b>	<b>30 September 2016</b>
As of 1 January	5.121.827	2.601.418
Share from the profit of the year	161.135	298.388
Currency translation reserves	27.702	822.690
As of 30 September	<b>5.310.664</b>	<b>3.722.496</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 SEPTEMBER 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**

<b>30 September 2017</b>	<b>Enterprise</b>	<b>Public</b>	<b>International</b>	<b>Technology</b>	<b>BDH</b>	<b>Unallocated (*)</b>	<b>Total</b>
Revenue	223.579.555	221.471.092	162.627.530	48.996.890	31.628.526	-	688.303.593
Cost of sales (-)	(201.774.879)	(186.814.184)	(137.824.922)	(46.173.662)	(31.626.715)	(7.651.291)	(611.865.653)
<b>Gross margin</b>	<b>21.804.676</b>	<b>34.656.908</b>	<b>24.802.608</b>	<b>2.823.228</b>	<b>1.811</b>	<b>(7.651.291)</b>	<b>76.437.940</b>
Sales,marketing and distribution expenses (-)	(14.957.772)	(14.844.342)	(9.587.839)	-	-	-	(39.389.953)
General administrative expenses (-)	-	-	-	-	-	(24.478.894)	(24.478.894)
Research and development expenses (-)	-	-	-	-	-	-	-
<b>Operating profit/(loss) of segment</b>	<b>6.846.904</b>	<b>19.812.566</b>	<b>15.214.769</b>	<b>2.823.228</b>	<b>1.811</b>	<b>(32.130.185)</b>	<b>12.569.093</b>

**For the period ended**

<b>30 September 2016</b>	<b>Enterprise</b>	<b>Public</b>	<b>International</b>	<b>Technology</b>	<b>BDH</b>	<b>Unallocated (*)</b>	<b>Total</b>
Revenue	176.775.623	353.074.005	48.140.007	53.089.006	23.676.550	-	654.755.191
Cost of sales (-)	(161.601.832)	(302.490.037)	(36.840.179)	(50.852.336)	(22.308.861)	(5.794.857)	(579.888.102)
<b>Gross margin</b>	<b>15.173.791</b>	<b>50.583.968</b>	<b>11.299.828</b>	<b>2.236.670</b>	<b>1.367.689</b>	<b>(5.794.857)</b>	<b>74.867.089</b>
Sales,marketing and distribution expenses (-)	(13.858.041)	(13.768.124)	(6.489.122)	-	-	-	(34.115.287)
General administrative expenses (-)	-	-	-	-	-	(16.619.389)	(16.619.389)
Research and development expenses (-)	-	-	-	-	-	-	-
<b>Operating profit/(loss) of segment</b>	<b>1.315.750</b>	<b>36.815.844</b>	<b>4.810.706</b>	<b>2.236.670</b>	<b>1.367.689</b>	<b>(22.414.246)</b>	<b>24.132.413</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 SEPTEMBER 2017

(Unless otherwise stated the amounts are in TL).

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

<b>30 September 2017</b>	<b>Enterprise</b>	<b>Public</b>	<b>International</b>	<b>Technology</b>	<b>BDH</b>	<b>Unallocated(*)</b>	<b>Total</b>
Trade receivables	101.584.525	481.462.178	65.516.118	23.865.244	11.314.717	56.668.614	740.411.396
Due from related parties	-	-	-	-	-	-	-
Inventories	29.356.971	58.714.571	4.479.771	316.301	207.164	258.430	93.333.208
Deferred costs	21.158.885	111.059.638	5.212.799	16.367.609	12.917.319	6.335.637	173.051.887
<b>Segments assets</b>	<b>152.100.381</b>	<b>651.236.387</b>	<b>75.208.688</b>	<b>40.549.154</b>	<b>24.439.200</b>	<b>63.262.681</b>	<b>1.006.796.491</b>
Trade payables (*)	112.779.430	65.558.961	67.827.326	395.957	9.755.199	10.380.609	266.697.482
Due to related parties	1.567.940	880.210	-	-	-	-	2.448.150
Deferred revenues	18.967.775	26.215.831	4.432.313	-	585.512	263.604	50.465.035
Advances received	6.483.355	60.611.707	47.187	-	130	8.316	67.150.695
<b>Segment liabilities</b>	<b>139.798.500</b>	<b>153.266.709</b>	<b>72.306.826</b>	<b>395.957</b>	<b>10.340.841</b>	<b>10.652.529</b>	<b>386.761.362</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	8.305	-	-	1.312.804	-	-	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>127.653.467</b>	<b>198.095.343</b>	<b>19.940.502</b>	<b>1.504.445</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 September 2017 and 31 December 2016.

(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 SEPTEMBER 2017

(Unless otherwise stated the amounts are in TL).

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

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

	<b>For the Period Ended 30 September 2017</b>	<b>For the Period Ended 30 September 2016</b>
Operating profit of segment	12.569.093	24.132.413
Other (expenses)/income from operating activities (net)	(1.203.714)	(6.479.139)
Other income/(expenses) from investments (net)	251.916	22.204
Income from associates	161.135	298.388
Finance income/(expenses) (net)	(25.203.097)	(28.174.776)
<b>(Loss) before tax</b>	<b>(13.424.667)</b>	<b>(10.200.910)</b>
<b>Assets</b>	<b>30 September 2017</b>	<b>31 December 2016</b>
Segment assets	1.006.796.491	1.018.961.200
Other assets	350.093.941	356.525.692
<b>Total assets</b>	<b>1.356.890.432</b>	<b>1.375.486.892</b>
<b>Liabilities</b>	<b>30 September 2017</b>	<b>31 December 2016</b>
Segment liabilities	386.761.362	380.537.278
Other liabilities	411.231.032	445.253.737
<b>Total liabilities</b>	<b>797.992.394</b>	<b>825.791.015</b>

### 5. CASH AND CASH EQUIVALENTS

	<b>30 September 2017</b>	<b>31 December 2016</b>
Bank- demand deposits	59.270.369	19.199.752
Bank- time deposits	54.002.963	95.947.358
Other cash and cash equivalents(*)	147.052	494.640
	<b>113.420.384</b>	<b>115.641.750</b>

<b>Currency</b>	<b>Original Currency Amount</b>	<b>Interest Rate %</b>	<b>Maturity</b>	<b>30 September 2017</b>
US\$	15.203.109	1,50-2,50	October 17-September 18	54.002.963
				<b>54.002.963</b>

<b>Currency</b>	<b>Original Currency Amount</b>	<b>Interest Rate %</b>	<b>Maturity</b>	<b>31 December 2016</b>
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 September 2017 and 31 December 2016, there are no restriction / blockage on bank accounts.

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

(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 SEPTEMBER 2017

(Unless otherwise stated the amounts are in TL).

### 6. FINANCIAL LIABILITIES

<b>Short term financial liabilities</b>	<b>30 September 2017</b>	<b>31 December 2016</b>
Short term unsecured loans	333.284.434	354.858.764
Non interest bearing unsecured spot loans	1.193	688
	<b>333.285.627</b>	<b>354.859.452</b>

As of 30 September 2017, the effective interest rate for TL loans is 14,95 % and USD loans is 4,37 % (31 December 2016: the effective 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;

<b>Currency</b>	<b>Original currency amount</b>	<b>Effective interest rate %</b>	<b>Maturity</b>	<b>30 September 2017</b>
US\$	30.367.333	4,00-4,60	October 17-June 18	107.867.804
TL	225.416.630	13,35-15,35	July 18	225.416.630
				<b>333.284.434</b>

  

<b>Currency</b>	<b>Original currency amount</b>	<b>Effective interest rate %</b>	<b>Maturity</b>	<b>31 December 2016</b>
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 September 2017 and 31 December 2016.

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL).

### 7. TRADE RECEIVABLES AND PAYABLES

<b>Trade Receivables from Third Parties</b>	<b>30 September 2017</b>	<b>31 December 2016</b>
Trade receivables	405.536.716	361.758.207
Unbilled receivables	269.344.346	338.562.364
Notes receivables	-	721.018
Discount on trade receivables (*)	(97.065)	(404.060)
Allowances for doubtful receivables	(32.436.882)	(29.733.577)
	<b>642.347.115</b>	<b>670.903.952</b>

<b>Movement of Allowance for Doubtful Receivables</b>	<b>30 September 2017</b>	<b>30 September 2016</b>
Balance at 1 January	(29.733.577)	(21.060.373)
Charge for the period	(2.204.410)	(811.393)
Provision reversal	2.584	102.849
Currency translation differences	(501.479)	109.090
Balance at 30 September	<b>(32.436.882)</b>	<b>(21.659.827)</b>

No guarantee has been obtained for trade receivables

<b>Long Term Trade Receivables from Third Parties</b>	<b>30 September 2017</b>	<b>31 December 2016</b>
Receivables from Nortel companies	48.673.291	48.222.475
Other trade receivables	77.738.945	69.840.757
Provision amount for Nortel companies	(21.902.982)	(21.700.114)
Discount on trade receivables (*)	(6.444.973)	(7.788.532)
	<b>98.064.281</b>	<b>88.574.586</b>

(\*) As of 30 September 2017, Group will collect its trade receivable in every year by equal payment; total amount is USD 22.909.840 based on the agreement, and its maturity date spreads 5 years. Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

<b>Trade Payables to Third Parties</b>	<b>30 September 2017</b>	<b>31 December 2016</b>
Trade payables (*)	266.502.298	238.732.272
Other trade payables	152.830	411.158
	<b>266.655.128</b>	<b>239.143.430</b>

<b>Long Term Trade Payables to Third Parties</b>	<b>30 September 2017</b>	<b>31 December 2016</b>
Trade payables to Nortel companies	17.436	17.276
Other trade payables	24.918	1.928.452
	<b>42.354</b>	<b>1.945.728</b>

(\*) Trade payables to third parties are consisted of 20.419.277 USD factoring operations.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

The Group filed a lawsuit against Nortel for its receivables on March 10, 2017 amounting to USD 14,3 m based on the invoices issued. Based on the lawyer letter obtained Law office is not able to assess the outcome of lawsuit of defending against the Claim Objection Motion. The next hearing will be on September 12, 2017. On September 12, 2017, the bankruptcy judge conducted a hearing and the bankruptcy court denied Nortel's motion for summary judgment. Parties agreed that counsel for each party will exchange written requests for documents to the other party by October 13, 2017, and that each party will respond to the requests for documents by November 13, 2017. After the production and review of documents, the parties may schedule the examination of witnesses.

As of 30 September 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 SEPTEMBER 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 September 2017 and the bankruptcy protection filing date of 14 January 2009 are given below:

Country	Company	14 January 2009			30 September 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.	50.658.533	(8.878.294)	41.780.239	46.295.703	-	(20.830.515)	25.465.188	57.629.551	(11.768.262)	(20.637.580)	25.223.709
Ireland	Nortel Networks (Ireland) Limited	1.726.086	-	1.726.086	1.726.086	-	(776.739)	949.347	1.710.099	-	(769.545)	940.554
Canada	Nortel Networks Technology Corporation	404.584	(54.789)	349.795	-	-	-	-	-	-	-	-
Egypt	Nortel Networks Inc. (Egypt Branch)	307.615	-	307.615	311.734	-	(140.280)	171.454	308.847	-	(138.981)	169.866
Europe	Nortel Networks N.V.	159.082	-	159.082	159.082	-	(71.587)	87.495	157.608	-	(70.924)	86.684
India	Nortel Networks (India) Private Limited	48.795	-	48.795	30.368	-	(13.666)	16.702	30.087	-	(13.539)	16.548
Holland	Nortel Networks BV.	96.349	-	96.349	-	-	-	-	-	-	-	-
Italy	Nortel Networks S.p.A.	23.858	-	23.858	23.857	-	(10.735)	13.122	23.637	-	(10.636)	13.001
		<b>53.424.902</b>	<b>(8.933.083)</b>	<b>44.491.819</b>	<b>48.546.830</b>	<b>-</b>	<b>(21.843.522)</b>	<b>26.703.308</b>	<b>59.859.829</b>	<b>(11.768.262)</b>	<b>(21.641.205)</b>	<b>26.450.362</b>
Mexico	Nortel de México, S. de R.L. de C.V.	-	(17.436)	(17.436)	-	(17.436)	-	(17.436)	-	(17.276)	-	(17.276)
Germany	Nortel GmbH	-	(248.137)	(248.137)	-	-	-	-	-	-	-	-
France	Nortel Networks S.A.	36.587	(105.825)	(69.238)	126.461	-	(59.460)	67.001	216.338	(85.430)	(58.909)	71.999
Canada	Nortel Networks Limited	581.183	(1.459.447)	(878.264)	-	-	-	-	-	-	-	-
England	Nortel Networks UK Limited	6.218.821	(6.886.052)	(667.231)	-	-	-	-	-	-	-	-
Canada	Nortel Networks Limited - EMEA Sales	-	(17.028.805)	(17.028.805)	-	-	-	-	-	-	-	-
		<b>60.261.493</b>	<b>(34.678.785)</b>	<b>25.582.708</b>	<b>48.673.291</b>	<b>(17.436)</b>	<b>(21.902.982)</b>	<b>26.752.873</b>	<b>60.076.167</b>	<b>(11.870.968)</b>	<b>(21.700.114)</b>	<b>26.505.085</b>

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

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# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL.)

### 8. INVENTORIES

	<u>30 September 2017</u>	<u>31 December 2016</u>
Raw materials	25.264.826	32.433.761
Finished goods	62.070.073	47.111.610
Trade goods	16.008.805	14.430.765
Other inventories	1.599.854	1.514.039
Allowance for inventory impairment	(11.610.350)	(11.499.151)
	<u><b>93.333.208</b></u>	<u><b>83.991.024</b></u>

<u>Movement for allowance</u>	<u>30 September 2017</u>	<u>30 September 2016</u>
As of 1 January	(11.499.151)	(8.855.448)
(Provision) / charge for the period	(3.744)	-
Foreign currency exchange differences	(107.455)	(268.928)
As of 30 September	<u><b>(11.610.350)</b></u>	<u><b>(9.124.376)</b></u>

### 9. PREPAID EXPENSES

#### Short Term Prepaid Expenses

	<u>30 September 2017</u>	<u>31 December 2016</u>
Advances given for inventories	1.475.102	6.061.168
Short term prepaid expenses	3.746.954	5.879.015
Goods in transit	9.555.330	4.908.795
	<u><b>14.777.386</b></u>	<u><b>16.848.978</b></u>

#### Long Term Prepaid Expenses

	<u>30 September 2017</u>	<u>31 December 2016</u>
Long term prepaid expenses	813.815	1.053.159
	<u><b>813.815</b></u>	<u><b>1.053.159</b></u>

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL.)

### 10. PLANT, PROPERTY AND EQUIPMENT

For the period ended 30 September 2017, the purchasing amount of tangible fixed assets is TL 3.975.961. For the period ended 30 September 2017 the disposal amount of tangible fixed assets is TL 16.076. (30 September 2016: purchases: TL 3.420.795, net book value of disposal: TL 172.900, 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

	<u>30 September 2017</u>	<u>30 September 2016</u>
As of 1 January	64.500.278	53.290.807
Currency Translation Reserves	602.994	1.618.372
As of 30 September	<u><u>65.103.272</u></u>	<u><u>54.909.179</u></u>

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2017, focusing on the future cashflows predictions of the Group’s management.

#### Other Intangible Assets

For the period ended 30 September 2017, the Group purchased TL 698.874 of intangible assets and no disposal amount for intangible assets (30 September 2016: purchases TL 6.047.862 and no disposal amount).

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

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### 12. GOVERNMENT GRANTS

For the period ended 30 September 2017 the Group has received approved and accrued incentive from TÜBİTAK is TL 24.609.854, which is net off with the total amount of R&D expenses to TL 22.532.182 and TL 2.077.672 is classified under “Other Income from Operating Activities”. (For the period ended 30 September 2016 the Group has received approved and accrued incentive from TÜBİTAK is TL 18.430.300 TL, which is net off with the total amount of R&D expenses.)

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

As of 30 September 2017 the Group has a corporate tax benefit of TL 225.095.298 due to research and development disbursement and TL 9.853.097 of 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 September 2017, the amount of income tax incentive within the scope of Act numbered 5746 is TL 9.270.031 (For the period ended 30 September 2016: TL 8.679.177) 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 7.386.141 (For the period ended 30 September 2016: TL 6.968.449).

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL.)

### 13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

<b>Other Short Term Provisions</b>	<b>30 September 2017</b>	<b>31 December 2016</b>
Provision for legal cases	3.659.808	3.658.492
Other debt ve expense provisions	571.231	668.789
	<b>4.231.039</b>	<b>4.327.281</b>

For the period ended 30 September 2017, the Group had a cash outflow of TL 500.575 for legal cases during the period (For the period ended 30 September 2016: TL 2.467.097).

	<b>Provision for Legal Cases</b>	<b>Other Provisions</b>	<b>Total</b>
As of 1 January 2017	3.658.492	668.789	4.327.281
Provision booked	863.922	52.568	916.490
Paid/(Release) in the period	(862.607)	(157.669)	(1.020.276)
Foreign currency exchange differences	-	7.543	7.543
As of 30 September 2017	<b>3.659.808</b>	<b>571.231</b>	<b>4.231.039</b>

	<b>Provision for Legal Cases</b>	<b>Other Provisions</b>	<b>Total</b>
As of 1 January 2016	4.309.760	428.609	4.738.369
Provision booked	1.890.678	9.397	1.900.075
Paid/(Release) in the period	(2.467.097)	(57.957)	(2.525.054)
Foreign currency exchange differences	-	11.735	11.735
As of 30 September 2016	<b>3.733.341</b>	<b>391.784</b>	<b>4.125.125</b>

### 14. COMMITMENTS

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

	<b>30 September 2017</b>	<b>31 December 2016</b>
Guarantee letters given(*)	370.950.770	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 September 2017.

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL.)

### 14. COMMITMENTS (cont'd)

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

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

<b>30 September 2017</b>	<b>TL Equivalent</b>	<b>TL</b>	<b>USD Dollar</b>	<b>Euro</b>	<b>Other</b>
A. Total amount of CPM is given on behalf of own legal personality	370.950.770	97.697.543	251.250.600	21.806.645	195.982
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	-	-	-	-	-
	<b>370.950.770</b>	<b>97.697.543</b>	<b>251.250.600</b>	<b>21.806.645</b>	<b>195.982</b>

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

<b>31 December 2016</b>	<b>TL Equivalent</b>	<b>TL</b>	<b>USD Dollar</b>	<b>Euro</b>	<b>Other</b>
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	-	-	-	-	-
	<b>379.591.575</b>	<b>132.976.332</b>	<b>235.492.286</b>	<b>10.953.361</b>	<b>169.596</b>

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# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

Commitments	30 September 2017	31 December 2016
Within 1 year	4.398.100	9.733.379
Between 1-5 years (*)	-	2.389.632
	<b>4.398.100</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 SEPTEMBER 2017

(Unless otherwise stated the amounts are in TL.)

### 15. REVENUE AND COST OF SALES

#### Sales:

	For the Period Ended 30 September 2017	For the Period Between 1 July and 30 September 2017	For the Period Ended 30 September 2016	For the Period Between 1 July and 30 September 2016
<b>Total domestic</b>	<b>469.105.544</b>	<b>157.880.390</b>	<b>548.400.979</b>	<b>168.454.518</b>
United States	47.016.729	14.813.557	52.621.648	17.789.992
Asia	807.095	65.284	6.836.095	2.042.332
Africa	161.596.289	19.350.210	37.867.201	10.996.176
Europe	9.777.936	2.891.384	9.029.268	2.418.560
<b>Total export</b>	<b>219.198.049</b>	<b>37.120.435</b>	<b>106.354.212</b>	<b>33.247.060</b>
<b>Total sales</b>	<b>688.303.593</b>	<b>195.000.825</b>	<b>654.755.191</b>	<b>201.701.578</b>

#### Cost of Sales:

	For the Period Ended 30 September 2017	For the Period Between 1 July and 30 September 2017	For the Period Ended 30 September 2016	For the Period Between 1 July and 30 September 2016
Equipment expenses	315.819.194	53.785.568	312.557.614	71.427.683
Personnel expenses	146.956.359	47.498.583	135.361.284	46.256.305
Service/ support expenses	114.121.734	58.037.662	100.254.520	46.451.023
Depreciation and amortization expenses	12.802.049	4.115.584	10.601.289	3.416.580
Rent expenses	6.336.288	1.363.502	5.330.458	1.192.028
Transportation expenses	2.601.853	675.530	2.797.965	1.522.463
Other	13.228.176	5.579.587	12.984.972	8.462.596
	<b>611.865.653</b>	<b>171.056.016</b>	<b>579.888.102</b>	<b>178.728.678</b>



# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL.)

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

	For the Period Ended 30 September 2017	For the Period Between 1 July and 30 September 2017	For the Period Ended 30 September 2016	For the Period Between 1 July and 30 September 2016
<b>Other Income from Operating Activities</b>				
R&D Incentives	2.077.672	2.077.672	-	(877.275)
Foreign exchange gains	-	(144.464)	-	(4.882.195)
Discount income on receivable (*)	1.650.554	496.241	1.398.306	156.374
Service income	42.325	(191.713)	1.513.493	513.144
Other income and gains	1.482.862	1.221.492	1.237.531	878.738
	<b>5.253.413</b>	<b>3.459.228</b>	<b>4.149.330</b>	<b>(4.211.214)</b>

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

	For the Period Ended 30 September 2017	For the Period Between 1 July and 30 September 2017	For the Period Ended 30 September 2016	For the Period Between 1 July and 30 September 2016
<b>Other Expenses from Operating Activities</b>				
Foreign exchange losses	3.240.809	3.240.809	6.090.589	6.090.589
Legal case expenses	695.190	64.601	3.129.338	656.501
Other tax expenses	700.692	123.977	775.611	(432.266)
Other expenses and losses	1.820.436	1.185.333	632.931	273.120
	<b>6.457.127</b>	<b>4.614.720</b>	<b>10.628.469</b>	<b>6.587.944</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 SEPTEMBER 2017

(Unless otherwise stated the amounts are in TL.)

### 17. FINANCIAL INCOME / EXPENSES

#### Financial Income:

	For the Period Ended 30 September 2017	For the Period Between 1 July and 30 September 2017	For the Period Ended 30 September 2016	For the Period Between 1 July and 30 September 2016
Foreign exchange gains(*)	4.669.785	2.503.586	6.646.776	6.646.776
Interest income	1.075.793	549.341	933.008	151.039
Gain on derivative instrument	2.654.988	338.829	-	-
	<b>8.400.566</b>	<b>3.391.756</b>	<b>7.579.784</b>	<b>6.797.815</b>

#### Financial Expenses:

	For the Period Ended 30 September 2017	For the Period Between 1 July and 30 September 2017	For the Period Ended 30 September 2016	For the Period Between 1 July and 30 September 2016
Bank interest expenses	30.827.140	11.113.246	33.808.337	9.961.045
Foreign exchange losses(*)	-	-	-	(2.943.297)
Guarantee letter commissions	1.900.343	619.007	1.946.223	704.495
Other financial expenses	876.180	220.300	-	-
	<b>33.603.663</b>	<b>11.952.553</b>	<b>35.754.560</b>	<b>7.722.243</b>

(\*)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 September 2017	For the Period Between 1 July and 30 September 2017	For the Period Ended 30 September 2016	For the Period Between 1 July and 30 September 2016
Current tax expenses	(21.891)	(21.891)	(15.335)	(15.335)
Deferred tax income/(expense)	16.706.797	3.612.176	8.062.470	(1.774.269)
	<b>16.684.906</b>	<b>3.590.285</b>	<b>8.047.135</b>	<b>(1.789.604)</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 SEPTEMBER 2017

(Unless otherwise stated the amounts are in TL.)

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

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

	1 January 2017	Charge to Profit/(Loss)	Translation Difference	30 September 2017
Tangible and intangible assets	(11.361.781)	1.869.420	(158.606)	(9.650.967)
Trade receivables	(64.660.327)	11.541.211	(746.337)	(53.865.453)
Trade payables and cost provisions	1.299.169	184.869	9.873	1.493.911
Inventory and deferred costs	1.537.007	(11.073.830)	150.471	(9.386.352)
Advances received	2.490.727	(441.250)	28.708	2.078.185
Provisions for employee premiums	2.512.033	162.966	21.481	2.696.480
Provision for unused vacation	1.177.554	(45.727)	11.571	1.143.398
Severance indemnity and retirement provisions	4.122.207	(188.333)	40.852	3.974.726
Deferred revenues	12.125.739	(2.172.797)	140.065	10.093.007
Unused R&D tax exemption	32.995.943	11.860.416	162.701	45.019.060
Carryforward tax losses	1.829.948	4.986.277	(44.176)	6.772.049
Other	700.020	23.575	6.255	729.850
	<b>(15.231.761)</b>	<b>16.706.797</b>	<b>(377.142)</b>	<b>1.097.894</b>

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

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL.)

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

	For the Period Ended 30 September 2017	For the Period Between 1 July and 30 September 2017	For the Period Ended 30 September 2016	For the Period Between 1 July and 30 September 2016
Number of shares	64.864.800	64.864.800	64.864.800	64.864.800
Net profit/(loss) for the period	3.260.239	(4.130.992)	(2.153.775)	(5.816.000)
Earnings/(loss) per share	0,0503	(0,0637)	(0,0332)	(0,0897)

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

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

As of 28 July 2017, because of the shares of OEP (%48,04) transferred to ZTE Cooperatief, Genband US LLC and its associates are not accounted as related parties.

As of 30 September 2017, the Group has no due from related parties. (31 December 2016: Genband US LLC is TL 25.329.936, Genband Ireland Ltd. is TL 1.359.373, Genband Telecommunications (UK) is TL 19.238 and Genband Telecommunicacoes is TL 98.493).

As of 30 September 2017, the Group has due to related parties that ZTE Istanbul Telekomünikasyon Sanayi A.Ş. is TL 880.210 and Kron Telekomünikasyon A.Ş. is TL 1.567.940, respectively.(31 December 2016:Due to Kron Telekomünikasyon A.Ş. is TL 8.305 and Genband Ireland Ltd. is TL 1.312.804).

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2017 and 2016:

	For the Period Ended 30 September 2017	For the Period Between 1 July and 30 September 2017	For the Period Ended 30 September 2016	For the Period Between 1 July and 30 September 2016
<b>Purchases</b>				
Kron Telekomunikasyon A.S.	1.516.627	68.789	-	-
Genband Ireland Ltd.	2.481.016	206.867	642.454	101.044
Genband US LLC	25.174	(283)	-	-
ZTE İstanbul Telekomunikasyon Sanayi	891.163	-	-	-
	<b><u>4.913.980</u></b>	<b><u>275.373</u></b>	<b><u>642.454</u></b>	<b><u>101.044</u></b>

	For the Period Ended 30 September 2017	For the Period Between 1 July and 30 September 2017	For the Period Ended 30 September 2016	For the Period Between 1 July and 30 September 2016
<b>Sales</b>				
Kron Telekomunikasyon A.Ş.	74.264	(834)	-	-
Genband US LLC	34.311.831	2.630.704	50.213.803	16.087.769
Genband Ireland Ltd.	1.824.820	373.246	1.616.585	511.579
Genband Telecommunications (UK)	-	-	41.530	185
	<b><u>36.210.915</u></b>	<b><u>3.003.116</u></b>	<b><u>51.871.918</u></b>	<b><u>16.599.533</u></b>

For the period between 1 January - 28 July 2017, the total sales transaction amount of Genband US LLC and its associates is TL 36.136.651, and purchase transaction amount is TL 2.506.190.

For the period ended 30 September 2017, total remuneration for the directors, management, and board members of the Group is TL 9.052.852 (for the period ended 30 September 2016 total remuneration for the directors, management, and board members are TL 5.961.872). As of 30 September 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.

(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 SEPTEMBER 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 September 2017 and 31 December 2016 are as follows:

	Currency	Nominal Value		Fair Value (Liability)/Asset	
		30 September 2017	31 December 2016	30 September 2017	31 December 2016
European Type,USD Call Option	USD	5.000.000	5.000.000	(23.765)	(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 SEPTEMBER 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>30 September 2017</u>	<u>Trade Receivables</u>		<u>Other</u>	<u>Deposits at Banks</u>
	<u>Related Parties</u>	<u>Other</u>	<u>Receivables</u>	
<b>Maximum credit risks as of balance sheet date(A+B+C+D)</b>	-	<b>740.411.396</b>	<b>740.509</b>	<b>113.273.332</b>
Maximum risk guaranteed by collateral	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	-	626.336.216	740.509	113.273.332
(B) Net book value of overdue but not impaired financial assets (**)	-	114.075.180	-	-
Guaranteed by collateral	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-
Overdue (gross book value)	-	32.436.882	-	-
Impairment (-)	-	(32.436.882)	-	-
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 26.770.309 receivables from Nortel companies.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

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

#### Credit risk (cont'd)

#### 31 December 2016

	Trade Receivables		Other Receivables	Deposits at Banks
	Related Parties	Other	Other (*)	
<b>Maximum credit risks as of balance sheet date (A+B+C+D)</b>	<b>26.807.040</b>	<b>759.478.538</b>	<b>669.053</b>	<b>115.147.110</b>
Maximum risk guaranteed by collateral	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	20.339.053	663.741.201	669.053	115.147.110
(B) Net book value of overdue but not impaired financial assets (**)	6.467.987	95.737.337	-	-
Guaranteed by collateral	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-
Overdue (gross book value)	-	51.433.691	-	-
Impairment (-)	-	(51.433.691)	-	-
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 26.522.361 receivables from Nortel companies. For the period enden 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 SEPTEMBER 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:

<b>30 September 2017</b>	<b>Receivables</b>	
	<b>Trade Receivables</b>	<b>Other Receivables</b>
1-30 days overdue	28.572.756	-
1-3 months overdue	15.729.994	-
3-12 months overdue	26.582.361	-
1-5 years overdue	16.419.760	-
Overdue more than 5 years	26.770.309	-
<b>Total</b>	<b>114.075.180</b>	<b>-</b>

<b>31 December 2016</b>	<b>Receivables</b>	
	<b>Trade Receivables</b>	<b>Other Receivables</b>
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 September 2017 and 31 December 2016 liquidity risk table are as follows;

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

#### Liquidity risk (cont'd)

##### 30 September 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>
<b><u>Non- derivative financial liabilities</u></b>	<b>602.431.259</b>	<b>628.166.637</b>	<b>333.861.244</b>	<b>294.263.039</b>	<b>42.354</b>
Financial liabilities	333.285.627	359.021.005	64.757.966	294.263.039	-
Due to related parties	2.448.150	2.448.150	2.448.150	-	-
Other trade payables to third parties	266.697.482	266.697.482	266.655.128	-	42.354
<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>
<b><u>Non- derivative financial liabilities</u></b>	<b>32.040.814</b>	<b>32.040.814</b>	<b>28.381.006</b>	<b>3.659.808</b>	<b>-</b>
Other short term provisions	4.231.039	4.231.039	571.231	3.659.808	-
Payables related to employee benefits	20.753.458	20.753.458	20.753.458	-	-
Other payables to third parties (*)	7.056.317	7.056.317	7.056.317	-	-

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

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### 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</u>			
		<u>due to agreements</u>	<u>Up to 3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>
<b><u>Non- derivative financial liabilities</u></b>	<b>597.269.719</b>	<b>601.756.648</b>	<b>439.125.390</b>	<b>160.685.530</b>	<b>1.945.728</b>
Financial liabilities	354.859.452	359.346.381	198.660.851	160.685.530	-
Due to related parties	1.321.109	1.321.109	1.321.109	-	-
Other trade payables to third parties	241.089.158	241.089.158	239.143.430	-	1.945.728

  

<u>Expected maturities</u>	<u>Carrying amount</u>	<u>Cash outflows</u>			
		<u>due to agreements</u>	<u>Up to 3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>
<b><u>Non- derivative financial liabilities</u></b>	<b>30.839.753</b>	<b>30.839.753</b>	<b>27.181.261</b>	<b>3.658.492</b>	<b>-</b>
Other short term provisions	4.327.281	4.327.281	668.789	3.658.492	-
Payables related to employee benefits	17.825.631	17.825.631	17.825.631	-	-
Other payables to third parties (*)	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.

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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(Unless otherwise stated the amounts are in TL)

### 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.

	<u>30 September 2017</u>	<u>31 December 2016</u>
<b>Fixed interest rate financial instruments</b>	<b>341.137.397</b>	<b>386.806.122</b>
Financial assets (*)	54.002.963	95.947.358
Financial liabilities	287.134.434	290.858.764
<b>Variable interest rate financial instruments</b>	<b>46.150.000</b>	<b>64.000.000</b>
Financial assets	-	-
Financial liabilities	46.150.000	64.000.000
<b>Interest-free financial instruments</b>	<b>1.193</b>	<b>688</b>
Financial liabilities	1.193	688

(\*) As of 30 September 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 September 2017 and 31 December 2016, the Group's foreign currency position table is given below.

30 September 2017	TL Equivalent (*)	Original Currency				
		TL	EURO	GBP	TAKA	Other
<b>Current Assets</b>	<b>296.304.656</b>	<b>280.199.931</b>	<b>1.498.314</b>	<b>12.838</b>	<b>12.601.173</b>	<b>680.360.067</b>
Cash and cash equivalents	21.601.039	11.341.323	604.575	1.548	12.601.173	587.915.567
Trade receivables, third parties	203.897.309	199.390.787	723.462	-	-	47.031.000
Other receivables, third parties	1.030.536	611.744	-	-	-	36.409.820
Prepaid expenses	7.670.861	6.937.401	159.758	-	-	2.424.753
Other current assets	62.104.911	61.918.675	10.520	11.290	-	6.578.927
<b>TOTAL ASSETS (A)</b>	<b>296.304.656</b>	<b>280.199.931</b>	<b>1.498.314</b>	<b>12.838</b>	<b>12.601.173</b>	<b>680.360.067</b>
<b>Short Term Liabilities</b>	<b>299.035.522</b>	<b>293.938.575</b>	<b>830.467</b>	<b>36.014</b>	-	<b>62.928.344</b>
Financial liabilities	225.417.823	225.417.823	-	-	-	-
Trade payables, third parties	22.366.683	17.375.670	830.467	36.014	-	53.975.007
Other payables, third parties	7.056.318	6.972.900	-	-	-	7.990.230
Employee benefit obligations	20.743.034	20.720.518	-	-	-	963.107
Provision for employee benefit	19.220.625	19.220.625	-	-	-	-
Other short term provisions	4.231.039	4.231.039	-	-	-	-
<b>Long Term Liabilities</b>	<b>19.852.398</b>	<b>19.852.398</b>	-	-	-	-
Provision for employee benefit	19.852.398	19.852.398	-	-	-	-
<b>TOTAL LIABILITIES (B)</b>	<b>318.887.920</b>	<b>313.790.973</b>	<b>830.467</b>	<b>36.014</b>	-	<b>62.928.344</b>
<b>Net Foreign Currency Asset / (Liability) Position (A-B)</b>	<b>(22.583.264)</b>	<b>(33.591.042)</b>	<b>667.847</b>	<b>(23.176)</b>	<b>12.601.173</b>	<b>617.431.723</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.

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(Unless otherwise stated the amounts are in TL)

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

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

31 December 2016	TL Equivalent (*)	Original Currency				
		TL	EURO	GBP	TAKA	Other
<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>	<b>642.863.905</b>
Cash and cash equivalents	34.150.329	23.230.179	1.058.139	29	12.613.887	579.561.577
Trade receivables, third parties	167.304.554	164.675.446	394.964	602	-	36.597.325
Other receivables, third parties	600.120	540.669	-	-	500.000	3.484.204
Prepaid expenses	6.883.679	6.123.745	195.315	-	-	1.452.487
Other current assets	58.977.569	58.465.150	72.110	-	-	21.768.312
<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>642.863.905</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>	<b>31.246.825</b>
Financial liabilities	284.319.045	284.319.045	-	-	-	-
Trade payables, third parties	62.790.540	56.762.542	1.365.069	6.505	-	30.618.282
Other payables, third parties	8.695.796	8.695.796	-	-	-	-
Employee benefit obligations	17.730.044	17.700.903	1.550	798	-	628.543
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>	<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>31.246.825</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.

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

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

##### Exchange Rate Sensitivity Table

30 September 2017

	<u>Profit / (Loss)</u>	
	<u>Appreciation</u>	<u>Devaluation</u>
<i>Effect of 10 % appreciation/devaluation in TL -USD exchange rate :</i>		
Net asset / (liability) in TL	(3.359.104)	3.359.104
Not subjected to TL risk (-)	-	-
<b>(1) Net effect of TL</b>	<b>(3.359.104)</b>	<b>3.359.104</b>
<i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i>		
Net asset / (liability) in EUR	279.988	(279.988)
Not subjected to EUR risk (-)	-	-
<b>(2) Net effect of EUR</b>	<b>279.988</b>	<b>(279.988)</b>
<i>Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:</i>		
Net asset / (liability) in other currencies	820.789	(820.789)
Not subjected to other currency risk (-)	-	-
<b>(3) Net effect of other currencies</b>	<b>820.789</b>	<b>(820.789)</b>
<b>TOTAL (1+2+3)</b>	<b>(2.258.327)</b>	<b>2.258.327</b>

31 December 2016

	<u>Profit / (Loss)</u>	
	<u>Appreciation</u>	<u>Devaluation</u>
<i>Effect of 10 % appreciation/devaluation in TL -USD exchange rate :</i>		
Net asset / (liability) in TL	(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>

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### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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	23.765	Level 2	MTM



# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

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

<b>30 September 2017</b>	Loans and Receivables (including cash and cash equivalents)	Amortized value of financial liabilities	Note
<u>Financial assets</u>			
Cash and cash equivalents	113.420.384	-	5
Trade receivables	740.411.396	-	7
Due from related parties	-	-	20
Financial investments	2.402.937	-	
Other current assets	740.509	-	
<u>Financial liabilities</u>			
Borrowings	-	333.285.627	6
Trade payables	-	266.697.482	7
Due to related parties	-	2.448.150	20
Other liabilities	-	7.056.317	
Employee benefit obligations	-	20.753.458	
<b>31 December 2016</b>	Loans and Receivables (including cash and cash equivalents)	Amortized value of financial liabilities	Note
<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	-	17.825.631	

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

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#### 24. SUBSEQUENT EVENTS

Mandatory takeover bid process in relation to the purchase of other shareholders' shares in Netaş Telekomünikasyon A.Ş. ("Netaş" or the "Company") conducted by ZTE Coöperatief U.A. ("ZTE Coöperatief") in line with the Communiqué on Takeover Bids II-26.1 of the Capital Markets Board is completed between 4 October 2017 and 17 October 2017.

At the end of the takeover bid process, 12 shareholders have accepted the offer; and accordingly, ZTE Coöperatief has acquired 5.781,71 shares owned by 12 tendering shareholders.

Shareholding structure of Netaş after completion of the takeover bid process is as follows:

Trade name	Share class	Capital Nominal Value (TL)	Capital Amount (Number)	Shareholding Ratio (%)
ZTE Coöperatief U.A.	A	23.351.328,00	23.351.328,00	% 36,00
ZTE Coöperatief U.A.	B	7.817.023,34	7.817.023,34	% 12,05
<b>ZTE Coöperatief U.A. (Total)</b>		<b>31.168.351,34</b>	<b>31.168.351,34</b>	<b>% 48,05</b>
Türk Silahlı Kuvvetlerini Güçlendirme Vakfı	A	9.729.720,00	9.729.720,00	% 15,00
Other Shareholders	B	23.966.728,66	23.966.728,66	% 36,95
<b>TOTAL</b>		<b>64.864.800,00</b>	<b>64.864.800,00</b>	<b>% 100,00</b>

ZTE Coöperatief's shareholding in Netaş share capital before and after the takeover bid process is shown below:

Nominal Value and Shareholding Ratio Before the Takeover Bid: 31.162.569,63 shares, 48,04%.

Nominal Value and Shareholding Ratio After the Takeover Bid: 31.168.351,34 shares, 48,05%.

#### 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.