

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2018  
AND LIMITED REVIEW REPORT

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



KPMG Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
İş Kuleleri Kule 3 Kat:2-9  
Levent 34330 İstanbul  
Tel +90 212 316 6000  
Fax +90 212 316 6060  
www.kpmg.com.tr

### *Review Report on Interim Condensed Financial Information*

To the Board of Directors of Netaş Telekomünikasyon Anonim Şirketi,

#### *Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of Netaş Telekomünikasyon Anonim Şirketi (the "Company") and its subsidiaries (the "Group") as at 30 June 2018, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standards 34 *Interim Financial Reporting* ("TAS 34") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

#### *Scope of Review*

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



### *Conclusion*

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

### *Emphasis of matter*

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

Nortel Networks Corporation, the ultimate parent of Nortel Networks International Finance and Holding B.V. which is holding 53,13% shares of the Company until 22 December 2010 (see note 7), has announced that Nortel Networks Limited, which was another indirect parent of the Company, and certain of its other Canadian subsidiaries have obtained an order from the Ontario Superior Court of Justice for creditor protection under the Companies' Creditors Arrangement Act in Canada filed as of 14 January 2009. Nortel Networks UK Limited, and certain subsidiaries of the Nortel Group incorporated in the EMEA region, obtained an administration order from the English High Court of Justice under the Insolvency Act 1986.

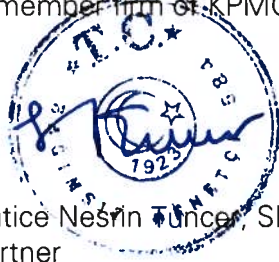
As detailed in Note 7, the Group's receivables from Nortel Group companies amounted to TL 30.103.814 as of 30 June 2018 (31 December 2017: TL 25.824.055). On 24 January 2017, the final revised plan is presented to Nortel Networks Inc., Delaware Region High Court of Justice about the payments which will 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, the Company management booked a provision of 50% against for Nortel receivables on a net basis amounted to TL 30.126.202 in the accompanying condensed consolidated financial statements (31 December 2017: TL 25.842.571). The Group filed a lawsuit against Nortel for its receivables on 10 March 2017 amounting to USD 14.3 millions based on the invoices issued. Based on the lawyer letter obtained as of 30 June 2018, due to the uncertainty the outcome of lawsuit of defending against the Claim Objection Motion can not be assessed. The Group signed a preliminary protocol with Nortel Networks Inc. Amounting of USD 4.4 m. In the Board of Directors meeting dated August 15, 2018, it was decided to sign a settlement agreement with provisions of the Pre-Reconciliation.



*Other Matter*

The consolidated financial statements of the Group as at and for the year ended 31 December 2017 and as at and for the six-month period ended 30 June 2017 were audited and reviewed by the another auditor who expressed an unmodified opinion and an unmodified conclusion on 9 March 2018 and 17 August 2017 respectively.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.  
A member firm of KPMG International Cooperative



Hatice Neşrin Tüncel, SMMM  
Partner  
15 August 2018  
İstanbul, Türkiye

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# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2018

(Unless otherwise stated the amounts are in TL).

	Notes	Reviewed 30 June 2018	Audited 31 December 2017
<b>ASSETS</b>			
<b>Current Assets</b>		<b>1.480.682.519</b>	<b>1.286.317.631</b>
Cash and Cash Equivalents	5	231.353.417	187.212.070
Trade Receivables		798.222.473	806.226.238
<i>Due from related parties</i>	20	17.559	-
<i>Trade receivables, third parties</i>	7	798.204.914	806.226.238
Other Receivables		1.612.843	1.479.485
<i>Other receivables, third parties</i>		1.612.843	1.479.485
Inventories	8	94.243.062	70.801.802
Deferred Costs	4	289.314.127	165.497.546
Prepaid Expenses	9	18.992.027	11.457.890
Other Current Assets		46.944.570	43.642.600
<b>Non-Current Assets</b>		<b>319.291.760</b>	<b>263.534.876</b>
Trade Receivables		101.721.642	83.903.835
<i>Trade receivables, third parties</i>	7	101.721.642	83.903.835
Property, Plant and Equipment	10	44.194.286	36.598.628
Financial Investments		3.814.951	2.928.818
Intangible Assets		118.537.607	103.327.185
<i>Goodwill</i>	11	83.589.002	69.131.791
<i>Other intangible assets</i>	11	34.948.605	34.195.394
Associates	3	6.955.362	6.155.424
Other Non-Current Assets		21.329.980	18.909.728
Prepaid Expenses	9	589.373	416.766
Deferred Tax Assets	18	22.148.559	11.294.492
<b>TOTAL ASSETS</b>		<b>1.799.974.279</b>	<b>1.549.852.507</b>

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

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF  
30 JUNE 2018**

(Unless otherwise stated the amounts are in TL).

	Notes	Reviewed 30 June 2018	Audited 31 December 2017
<b>LIABILITIES</b>			
<b>Short Term Liabilities</b>			
<b>1.054.338.539</b>			
<b>845.140.220</b>			
Short Term Financial Liabilities	6	636.895.775	302.073.547
Trade Payables		212.934.514	382.578.302
<i>Due to related parties</i>	20	1.849.026	1.715.824
<i>Trade payables, third parties</i>	7	211.085.488	380.862.478
Other Payables		9.456.541	10.710.962
<i>Other payables, third parties</i>		9.456.541	10.710.962
Employee Benefit Obligations		12.715.111	11.623.440
Deferred Revenues	4	101.711.054	55.182.524
Provisions		24.391.734	27.300.712
<i>Provision for Employee Benefits</i>		18.022.311	21.736.094
<i>Other Short Term Provisions</i>	13	6.369.423	5.564.618
Advances Received	4	56.233.810	52.676.354
Current Tax Liabilities		-	2.994.379
<b>Long Term Liabilities</b>			
<b>45.427.937</b>			
<b>60.105.663</b>			
Long Term Financial Liabilities	6	-	24.044.293
Trade Payables		51.994	46.357
<i>Trade payables, third parties</i>	7	51.994	46.357
Provisions		28.081.825	24.974.362
<i>Provision for Employee Benefits</i>		28.081.825	24.974.362
Deferred Tax Liabilities	18	17.294.118	11.040.651
<b>SHAREHOLDERS' EQUITY</b>			
<b>Equity Attributable to Equity Holders of the Parent</b>			
<b>700.207.803</b>			
<b>644.606.624</b>			
Share Capital		64.864.800	64.864.800
Capital Reserves		41.612.160	41.612.160
Other comprehensive income to be reclassified in profit and loss		10.961.738	6.008.477
<i>Currency Translation Reserves</i>		10.961.738	6.008.477
Other comprehensive income not to be reclassified in profit and loss		394.963.534	282.205.103
<i>Actuarial Loss</i>		(8.901.434)	(8.901.434)
<i>Currency Translation Reserves</i>		403.864.968	291.106.537
Restricted Reserves Appropriated From Profit		34.897.360	34.897.360
(Loss)/ Profit for the Period		(23.019.436)	53.518.202
Retained Earnings		175.927.647	161.500.522
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1.799.974.279</b>	<b>1.549.852.507</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 1 JANUARY-30 JUNE 2018

(Unless otherwise stated the amounts are in TL).

	Notes	Reviewed	Unaudited	Reviewed	Unaudited
		For the Period Ended 30 June 2018	For the Period Between 1 April and 30 June 2018	For the Period Ended 30 June 2017	For the Period Between 1 April and 30 June 2017
<b>INCOME OR LOSS FROM OPERATIONS</b>					
Revenue	15	407.900.763	218.691.981	493.302.768	325.424.531
Cost of Sales (-)		(371.103.650)	(202.110.381)	(440.809.637)	(290.479.877)
<b>GROSS PROFIT</b>		<b>36.797.113</b>	<b>16.581.600</b>	<b>52.493.131</b>	<b>34.944.654</b>
Sales, Marketing and Distribution Expenses (-)		(28.249.062)	(15.035.153)	(26.312.389)	(13.214.334)
General Administrative Expenses (-)		(17.838.557)	(8.393.446)	(15.514.549)	(8.515.890)
Research and Development Expenses (-)		(4.878.328)	-	-	-
Other Income from Operating Activities	16	3.655.221	1.430.344	1.794.185	2.898.060
Other Expenses from Operating Activities (-)	16	(41.949.393)	(37.377.248)	(1.842.407)	(1.037.405)
<b>OPERATING (LOSS)/PROFIT</b>		<b>(52.463.006)</b>	<b>(42.793.903)</b>	<b>10.617.971</b>	<b>15.075.085</b>
Income from Investment Activities		12.380	12.380	262.250	246.039
Expenses from Investment Activities (-)		(15.850)	(7.484)	(12.393)	(12.393)
(Loss)/Income from Associates	3	135.768	339.555	71.082	22.658
<b>OPERATING (LOSS)/PROFIT BEFORE FINANCE PROFIT</b>		<b>(52.330.708)</b>	<b>(42.449.452)</b>	<b>10.938.910</b>	<b>15.331.389</b>
Financial Income	17	69.596.571	56.989.358	5.008.810	1.880.285
Financial Expenses (-)	17	(35.506.312)	(21.327.014)	(21.651.110)	(15.891.596)
<b>(LOSS) / PROFIT BEFORE TAX</b>		<b>(18.240.449)</b>	<b>(6.787.108)</b>	<b>(5.703.390)</b>	<b>1.320.078</b>
Tax Income/(Expenses)		(4.778.987)	(13.521.635)	13.094.621	5.293.275
- Current Tax Expenses	18	(77.410)	(77.410)	-	-
- Deferred Tax Income/(Expenses)	18	(4.701.577)	(13.444.225)	13.094.621	5.293.275
<b>(LOSS)/PROFIT AFTER TAX</b>		<b>(23.019.436)</b>	<b>(20.308.743)</b>	<b>7.391.231</b>	<b>6.613.353</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		120.933.367	89.334.909	(1.983.984)	(1.979.109)
<b>Other comprehensive income or expenses that may be reclassified subsequently to profit or loss</b>					
Currency translation reserves		4.953.261	(11.342.106)	953.595	(18.314.726)
<b>OTHER COMPREHENSIVE INCOME / (LOSS)</b>		<b>125.886.628</b>	<b>77.992.803</b>	<b>(1.030.389)</b>	<b>(20.293.835)</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>		<b>102.867.192</b>	<b>57.684.060</b>	<b>6.360.842</b>	<b>(13.680.482)</b>
<b>(Loss)/Earnings per share</b>	19	<b>(0,3549)</b>	<b>(0,3131)</b>	<b>0,1139</b>	<b>0,1020</b>
(Loss)/Earnings per common share		(0,3549)	(0,3131)	0,1139	0,1020

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# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2018

(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 Profit for the Period	
<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	-	-	953.595	(1.983.984)	-	-	-	-	(1.030.389)
Net profit for the year	-	-	-	-	-	-	-	7.391.231	7.391.231
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>953.595</b>	<b>(1.983.984)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7.391.231</b>	<b>6.360.842</b>
Transfer	-	-	-	-	-	-	18.670.011	(18.670.011)	-
<b>Balance as at 30 June 2017</b>	<b>64.864.800</b>	<b>41.612.160</b>	<b>17.718.480</b>	<b>236.312.827</b>	<b>(8.240.661)</b>	<b>33.182.076</b>	<b>163.215.806</b>	<b>7.391.231</b>	<b>556.056.719</b>
<b>Balance as at 1 January 2018</b>	<b>64.864.800</b>	<b>41.612.160</b>	<b>6.008.477</b>	<b>291.106.537</b>	<b>(8.901.434)</b>	<b>34.897.360</b>	<b>161.500.522</b>	<b>53.518.202</b>	<b>644.606.624</b>
Changes in Accounting Policies (Note 2)	-	-	-	(8.174.936)	-	-	(39.091.077)	-	(47.266.013)
<b>Revised reported as of 1 January 2018</b>	<b>64.864.800</b>	<b>41.612.160</b>	<b>6.008.477</b>	<b>282.931.601</b>	<b>(8.901.434)</b>	<b>34.897.360</b>	<b>122.409.445</b>	<b>53.518.202</b>	<b>597.340.611</b>
Currency translation differences	-	-	4.953.261	120.933.367	-	-	-	-	125.886.628
Net loss for the period	-	-	-	-	-	-	-	(23.019.436)	(23.019.436)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>4.953.261</b>	<b>120.933.367</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(23.019.436)</b>	<b>102.867.192</b>
Transfer	-	-	-	-	-	-	53.518.202	(53.518.202)	-
<b>Balance as at 30 June 2018</b>	<b>64.864.800</b>	<b>41.612.160</b>	<b>10.961.738</b>	<b>403.864.968</b>	<b>(8.901.434)</b>	<b>34.897.360</b>	<b>175.927.647</b>	<b>(23.019.436)</b>	<b>700.207.803</b>

(\*) Retained earnings contain extraordinary reserves.

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# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise stated the amounts are in TL).

		<u>Reviewed</u>	<u>Reviewed</u>
		<u>Current Period</u>	<u>Previous Period</u>
		<u>1 January-</u>	<u>1 January-</u>
	<u>Notes</u>	<u>30 June 2018</u>	<u>30 June 2017</u>
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit/ (Loss) for the Period</b>		<b>(23.019.436)</b>	<b>7.391.231</b>
<i>(Loss)/ Profit from Continuing Operations</i>		<i>(23.019.436)</i>	<i>7.391.231</i>
<b>Adjustments to Reconcile Profit</b>		<b>30.778.456</b>	<b>32.102.011</b>
Adjustments for Depreciation and Amortisation Expense		13.834.296	13.189.560
Adjustments for (Reversal of) Impairment Loss Recognised in Profit or Loss		1.655.262	1.080.803
<i>Adjustments for (Reversal of) Provision of Receivables</i>	7	<i>1.655.262</i>	<i>1.077.019</i>
<i>Adjustment for Reversal of Provision of Inventory</i>	8	<i>-</i>	<i>3.784</i>
Adjustments For Provisions		15.130.202	17.472.025
<i>Adjustments for Provisions Related with Employee Benefits</i>		<i>13.109.270</i>	<i>17.732.098</i>
<i>Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions</i>	13	<i>1.599.159</i>	<i>120.762</i>
<i>Adjustments for (Reversal of) Provisions Arising From Sectoral Requirements</i>	13	<i>421.773</i>	<i>(380.835)</i>
Adjustments for Interest (Income) and Expenses		27.870.215	18.033.129
<i>Adjustments for Interest Income</i>	17	<i>(3.263.473)</i>	<i>(526.452)</i>
<i>Adjustments for Interest Expense</i>	17	<i>32.629.585</i>	<i>19.713.894</i>
<i>Unearned Financial Loss/Income from Credit Sales</i>	16	<i>(1.495.897)</i>	<i>(1.154.313)</i>
Adjustments For Unrealised Foreign Exchange Losses (Gains)	17	<i>(32.358.208)</i>	<i>(2.166.199)</i>
Other Adjustments for Fair Value Losses (Gains)		-	(2.316.163)
<i>Adjustments for Fair Value Losses (Gains) on Derivative Financial Instruments</i>		<i>-</i>	<i>(2.316.163)</i>
Adjustments for Share of Profit of Investments Accounted for Using the Equity Method	3	(135.768)	(71.082)
Adjustments for Losses Tax Expense	18	4.778.987	(13.094.621)
Adjustments for (Gains)/Losses Disposal of Non-Current Assets		3.470	(25.441)
<i>Adjustments for (Gains)/Losses Arising From Sale of Tangible Assets</i>	10	<i>3.470</i>	<i>(25.441)</i>
<b>Changes in Working Capital</b>		<b>(177.801.452)</b>	<b>(8.224.072)</b>
Adjustments for Decrease / (Increase) in Trade Accounts Receivable		185.328.646	(9.801.897)
<i>Decrease (Increase) in Trade Accounts Receivables from Related Parties</i>	20	<i>(15.732)</i>	<i>7.113.420</i>
<i>Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties</i>	7	<i>185.344.378</i>	<i>(16.915.317)</i>
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		5.376.379	(749.356)
<i>Adjustments for Decrease (Increase) in Other Receivables Related with Operations from Third Parties</i>		<i>5.376.379</i>	<i>(749.356)</i>
Adjustments for Decrease / (Increase) in Inventories	8	<i>(7.736.243)</i>	<i>(12.618.082)</i>
Decrease / (Increase) in Prepaid Expenses	9	<i>(4.679.884)</i>	<i>982.664</i>
Adjustments for (Decrease) In Trade Accounts Payable		(207.534.300)	51.060.117
<i>Increase (Decrease) in Trade Accounts Payables to Related Parties</i>	20	<i>(202.142)</i>	<i>1.778.769</i>
<i>(Decrease)/Increase in Trade Accounts Payables to Unrelated Parties</i>	7	<i>(207.332.158)</i>	<i>49.281.348</i>
Increase (Decrease) in Payables due to Employee Benefits		(1.199.736)	(1.782.581)
(Decrease)/Increase in Payables Due to Ongoing Construction or Service Contracts	4	<i>(108.049.411)</i>	<i>(15.266.376)</i>
Adjustments for Decrease in Other Operating Payables		(3.130.722)	748.053
<i>(Decrease) in Other Operating Payables to Unrelated Parties</i>		<i>(3.130.722)</i>	<i>748.053</i>
(Decrease)/ Increase in Deferred Income	4	<i>(30.868.422)</i>	<i>(10.457.543)</i>
Other Adjustments for Other (Decrease)/ Increase in Working Capital		(5.307.759)	(10.339.071)
<b>Cash Flows (Used in) Generated From Operations</b>		<b>(170.042.432)</b>	<b>31.269.170</b>
Payments Related with Provisions for Employee Benefits		(21.180.171)	(21.209.269)
Income Taxes Paid		-	-
Payments Related with Lawsuits	13	(1.357.423)	(363.376)
		<b>(192.580.026)</b>	<b>9.696.525</b>

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

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise stated the amounts are in TL).

	Notes	Reviewed 1 January- 30 June 2018	Reviewed 1 January- 30 June 2017
<b>B.CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		12.380	37.834
<i>Proceeds from Sales of Property, Plant, Equipment</i>	10	12.380	37.834
Purchase of Property, Plant, Equipment and Intangible Assets		(6.857.449)	(3.419.014)
<i>Purchase of Property, Plant, Equipment</i>	10	(6.168.964)	(3.016.495)
<i>Purchase of Intangible Assets</i>	11	(688.485)	(402.519)
Dividend Received		-	236.809
Interest Received	17	3.263.473	526.452
Other Outflows of Cash		(886.133)	(221.289)
		<b>(4.467.729)</b>	<b>(2.839.208)</b>
<b>C.CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from Borrowings/Outflows,net	6	303.510.412	(47.763.238)
Interest Paid	6	(25.362.062)	(13.508.370)
		<b>278.148.350</b>	<b>(61.271.608)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)</b>			
		<b>81.100.595</b>	<b>(54.414.291)</b>
<b>D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
		(36.959.248)	2.705.923
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>			
		<b>44.141.347</b>	<b>(51.708.368)</b>
<b>E.CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
	5	187.212.070	115.641.750
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (A+B+C+D+E)</b>			
		<b>231.353.417</b>	<b>63.933.382</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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise stated the amounts are in TL).

### 1. ORGANIZATION AND OPERATIONS OF THE GROUP

Netaş Telekomünikasyon A.Ş. (the “Company”) and its’ subsidiaries (together 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 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 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 provided design and development services to the foreign customers as well as to local customers.

The title of "Probil Bilgi İşlem Destek ve Danışmanlık Sanayi Ve Ticaret A.Ş." into "Netaş Bilişim Teknolojileri A.Ş." (“Netaş Bilişim”) effective as of 2 May 2018. In the meantime, its tax office and number have remained unchanged.

The Group, %100 subsidiaries is, Netaş Bilişim Teknolojileri A.Ş. offers industrial solutions, system integration, outsourcing, support services, network solutions and consultancy services to its domestic customers. Founded in 1989, Netaş Bilişim Teknolojileri A.Ş (“Netaş Bilişim”) also provides value added solutions to international customers in CIS region, mainly in Asia Pasific (Nepal), Kazakhstan, Azerbaijan, Algeria and Uzbekstan with strategic business partnerships.

Specialized in all IT services, The Netaş Bilişim Teknolojileri A.Ş. (“Netaş Bilişim”) of %100 subsidiaries is BDH Bilişim Destek Hizmetleri San. Tic.A.Ş. (“BDH”) in order to provide consultancy, strategic outsourcing, data center and support services.

Foundation of a “Limited Liability Partnership” (Netaş Telecom Limited Liability Partnership) was completed Almaty in Kazakhstan. The amount of capital which solely belongs to Netaş is TENGE 161.800 (approximately USD 1.100). Registration was made on 25 June 2012 and it will be valid starting from 4 July 2012.

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

The Company which is amounted EUR 1.200 Registration of Netas Telecommunications Malta Ltd.) has been established organization in date of 4 November 2014 in Malta

As of 12 June 2018, the Group’s liaison office was established in Azerbaijan.

As of 30 June 2018, The Group’s ultimate partner and the controlling shareholders are ZTE Cooperatief U.A. and Türk Silahlı Kuvvetleri Güçlendirme Vakfi respectively.

As of 30 June 2018, the average number of personnel employed in the Group is 2.301 white-collar (31 December 2017: 2.154). The Group has no blue-collar employees (31 December 2017: None).

#### Approval of Condensed Consolidated Financial Statements

The condensed consolidated financial statements as of and for the period ended 30 June 2018 have been approved for issue by the Board of Directors 15 August 2018.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

(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.

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 of June 2nd, 2016. 2016 TAS Taxonomy is taken into account in the accompanying condensed consolidated financial statements.

For the six month period ended 30 June 2018, the Group prepared its interim condensed consolidated financial statements in accordance with the Turkish Accounting Standard No.34 "Interim Financial Reporting". Interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group's annual financial statements, as at 31 December 2017.

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

The details of the Company's subsidiaries as of 30 June 2018 are as follows:

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

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

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018**

(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 condensed 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 period are included in the condensed consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

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

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

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

(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 condensed consolidated financial statements (cont'd)

As of 30 June 2018 and 31 December 2017 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 condensed 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 is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, 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 TFRS 9 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with TAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with TAS 36 to the extent that the recoverable amount of the investment subsequently increases.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

(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 condensed 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 when the investment is classified as held for sale. When the Group retains an interest in the former associate 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 TFRS 9. The difference between the carrying amount of the associate 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 is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate 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 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 of the Group, profits and losses resulting from the transactions with the associate is recognized in the Group's condensed 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 condensed 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 condensed consolidated statement of profit or loss as net foreign exchange gain or loss.

For the purpose of presentation of the USD financial statements in TL (as explained in the paragraph above), balance sheet (except for some equity accounts) have been translated to TL by using USD rate as of 30 June 2018 (Turkish Central Bank USD Buying rate: 1 USD: 4,5607 TL), statements of income and statements of cash flows have been translated to TL by using six months average exchange rate (1 USD: 4,0861 TL) for the period between 1 January-30 June 2018 (for the period between 1 January-30 June 2017 1 USD: 3,6367 TL) in accordance with TAS 21. In the accompanying condensed consolidated financial statements capital and legal reserves are carried with their values in statutory accounts.



## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

(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 condensed consolidated financial statements. Comparative condensed consolidated financial statements are translated by using USD rates as of 31 December 2017 (31 December 2017: 1 USD: 3,7719 TL).

### 2.2 Comparative Information and Restatement of Prior Period Condensed 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.

The Group intends to use *the cumulative effect method* of transition to TFRS 9 and TFRS 15, and accordingly as of 1 January 2018 opening entry based on prior years profit and losses.

### 2.3 Change in Accounting Policies

The accounting policies adopted in preparation of the condensed consolidated financial statements as at 30 June 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS 15 and 9 interpretations effective as of January 1, 2018. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

#### Transition to TFRS 9 "Financial instruments"

Group has applied TFRS 9 "Financial instruments", which has replaced TMS 39 on the transition date, 1 January 2018. The amendments include the classification and measurement of financial assets and liabilities and the expected credit risk model which will replace incurred credit risk model. Effect of transition is accounted based on the simplified approach. In accordance with this method, Group recorded the cumulative effect related to the transition of TFRS 9 in retained earnings on the first application date. Therefore, prior year financial statements are not restated and these financial statements are presented in accordance with TMS 39.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise stated the amounts are in TL).

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

### 2.3 Change in Accounting Policies (Cont'd)

#### Transition to TFRS 9 “Financial instruments” (Cont'd)

Changes related to the classification of financial assets and liabilities are as follows and these changes in the classification do not result in changes in measurement of assets except for financial assets:

<b>Financial assets</b>	<b>Original classification under TMS 39</b>	<b>New classification under TFRS 9</b>
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade receivables	Loans and receivables	Amortized cost
Derivative instruments	Fair value through statement of profit or loss	Fair value through statement of profit or loss
Financial investments	Available for sale financial assets	other comprehensive income
	Fair value through	
<b>Financial liabilities</b>	<b>Original classification under TMS 39</b>	<b>New classification under TFRS 9</b>
Derivative instruments	Fair value through statement of profit or loss	Fair value through statement of profit or loss
Borrowings	Amortized cost	Amortized cost
Financial lease liabilities	Amortized cost	Amortized cost
Trade payables	Amortized cost	Amortized cost

#### First Transition to TFRS 15 “Revenue from contracts with customers”

The Group applies retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application in accordance with related paragraphs of TFRS 15. The Group recognized the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. Under this transition method, the Group applied this Standard retrospectively only to contracts that are not completed contracts at the date of initial application.

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise stated the amounts are in TL).

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

#### 2.3 Change in Accounting Policies (Cont'd)

##### *First Transition to TFRS 15 "Revenue from contracts with customers" (Cont'd)*

##### Consolidated Financial Position

	30 June 2018 (reported)	TFRS 9 Effect	TFRS 15 Effect	30 June 2018 (excluding adoption)
Deferred Tax Assets	22.148.559	(3.550.664)	(7.591.029)	11.006.866
Deferred Costs	289.314.127	-	(32.380.621)	256.933.506
Trade Receivables	899.944.115	16.139.381	4.021.829	920.105.325
Other	588.567.478	-	-	588.567.478
<b>Total Assets</b>	<b>1.799.974.279</b>	<b>12.588.717</b>	<b>(35.949.821)</b>	<b>1.776.613.175</b>
Deferred Tax Liabilities	17.294.118	-	-	17.294.118
Deferred Revenue	101.711.054	-	(69.774.208)	31.936.846
Trade Payables	212.986.508	-	6.910.739	219.897.247
Other	767.774.796	-	-	767.774.796
<b>Total Liabilities</b>	<b>1.099.766.476</b>	<b>-</b>	<b>(62.863.469)</b>	<b>1.036.903.007</b>
Retained Earnings	175.927.647	10.514.429	28.576.648	215.018.724
Net Period (Loss)	(23.019.436)	2.074.288	(1.663.000)	(22.608.148)
Other	547.299.592	-	-	547.299.592
<b>Total Liabilities and Shareholders' Equity</b>	<b>1.799.974.279</b>	<b>12.588.717</b>	<b>(35.949.821)</b>	<b>1.776.613.175</b>

##### Consolidated Profit/Loss Statements

	30 June 2018 (reported)	TFRS 9 Effect	TFRS 15 Effect	30 June 2018 (excluding adoption)
Revenue	407.900.763	-	(1.374.217)	406.526.546
Cost of Sales (-)	(371.103.650)	-	(757.833)	(371.861.483)
Other Expenses from Operating Activities	(41.949.393)	2.659.344	-	(39.290.049)
Other	(47.310.726)	-	-	(47.310.726)
<b>Operating (Loss)</b>	<b>(52.463.006)</b>	<b>2.659.344</b>	<b>(2.132.050)</b>	<b>(51.935.712)</b>
<b>Operating (Loss) before Finance Loss</b>	<b>(52.330.708)</b>	<b>2.659.344</b>	<b>(2.132.050)</b>	<b>(51.803.414)</b>
<b>(Loss) Before Tax</b>	<b>(18.240.449)</b>	<b>2.074.288</b>	<b>(2.132.050)</b>	<b>(18.298.211)</b>
<b>(Loss) After Tax</b>	<b>(23.019.436)</b>	<b>2.074.288</b>	<b>(1.663.000)</b>	<b>(22.608.148)</b>

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

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise stated the amounts are in TL).

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

### 2.3 Change in Accounting Policies (Cont'd)

#### The Effects of Transition to TFRS 9 “Financial Instruments”

The amendments include the classification and measurement of financial assets and liabilities and the expected credit risk model which will replace incurred credit risk model. Effects of the transition to TFRS 9 on the condensed consolidated financial statements as of 1 January 2018 are as follows;

	<u>1 January 2018</u>
<b>Retained Earnings - 31 December 2017</b>	<b>215.018.724</b>
Increase in provision for impairment on trade receivables	(13.480.037)
Increase in deferred tax assets	2.965.608
<b>Total impact of adoption in accordance with TFRS 9</b>	<b>(10.514.429)</b>
<b>Retained Earnings Opening – 1 January 2018</b>	
<b>(Including TFRS 9- excluding TFRS 15)</b>	<b>204.504.295</b>

#### The Effects of Transition to TFRS 15 “Revenue from contracts with customers”

Effects of the transition to TFRS 15 on the condensed consolidated financial statements as of 1 January 2018 are as follows;

	<u>1 January 2018</u>
<b>Retained Earnings – 31 December 2017 -</b>	
<b>(TFRS 9 effects-excluding TFRS 15 effects)</b>	<b>204.504.295</b>
Increase in trade receivables	(20.961.870)
Increase in deferred costs	26.857.497
Increase in deferred revenues	(57.431.798)
Decrease in provisions	14.899.443
Deferred tax effect	8.060.080
<b>Total impact of adoption in accordance with TFRS 15</b>	<b>(28.576.648)</b>
<b>Retained Earnings – (Including TFRS 15)</b>	<b>175.927.647</b>

The Group accounted design, equipment, installation, maintenance, warranty, license, outsourcing and support services as separate performance obligation by determining standalone selling price of them. The group recognizes revenue to depict the transfer of performance obligations to customers in over time or at a point of time.

TFRS 15 defines transfer of control of as the ability to direct the use of and obtain substantially all of the remaining benefits from the asset. In this scope the Group assessed transfer of control of maintenance and installation services.

The Group assessed warranty services provided to customers under TFRS 15 warranty application guidance. Since for the equipment produced by the Group, there is no legal requirement for warranty and customary business practices do not create any expectation, it is priced or negotiated separately that defined as separate performance obligation. For equipment which warrant period hasn't started yet however revenue was recognized due to realized costs, accounted as deferred cost and deferred revenue in transition.

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

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018**

(Unless otherwise stated the amounts are in TL).

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

### **2.4 Summary of Significant Accounting Policies**

#### **2.4.1 Revenue**

The group recognizes revenue when the control of an asset transferred (or transferring) to the customer, the asset has transferred.

The Group, recognizes revenue when the control of an asset transferred (or transferring) to the customer, the asset has transferred if all criterias of account for a contract are met according to TFRS 15. The Group provides to customers design, equipment, installation, maintenance, guarantee, licence and other performance obligations. The Group may provide those performance obligations standalone or bundle.

The group recognizes revenue to depict the transfer of promised goods or services to customers in over time or at a point of time.

The Group accounts the performance obligations transferred over 3 months with the output method considering the value to the customer of the goods and services. When the Group use output method to recognize revenue, on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract have right to payment and revenue related to invoice is recognized.

When the time between the progress payments is longer than a reporting period, since a significant performance is satisfied and the cost incurred are in proportion to the progress of the performance obligation, the input method is used for this performance obligations' revenue recognition.

#### **Design Performance Obligation**

Design is the output that for production the economic benefit for the customers. Customers can use it stand alone or together with other resources. Design performance obligation is stated explicitly or is an integral part of production in some contracts.

The Group stated that design is a separate performance obligation in contracts which the design expectation is explicitly stated and the intellectual rights and know-how is transferred. On the other hand, if the design is an integral part of the production process and the customer does not have a know-how transfer after delivery, the highly related and customized stage of the production process is regarded as a combined output as a production process and not considered as a separate performance obligation.

The customer has control over the design product as the design process continues. Additionally, the design is customer-specific and have no alternative use, and the Group has an enforceable right to payment for performance completed to date. Because of this criterias, design performance obligation is recognized at overtime.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise stated the amounts are in TL).

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

### 2.4 Summary of Significant Accounting Policies (Cont'd)

#### 2.4.1 Revenue (Cont'd)

In case of the Group can reasonably measure the progress towards complete satisfaction of design performance obligation, the revenue which is related with cost occurred in overtime is recognized by cost based input method. The Group can provide a certain number of man / day service as determined by the R & D team and purchase orders that demanded from the customers. In this type of contracts, the design is evaluated as a separate performance obligation on behalf of the intellectual property rights of the design belong to customers. In such contracts, the best measuring progress method is specified as "Output Method".

#### Hardware Performance Obligation

Hardware performance obligation is committed in the contracts by its own or with system solution. Hardware performance obligation consists of products that the Group produces itself, as well as products that are supplied by other producers. Hardware integration can be a phase in a complex long term solution projects in which hardware is highly interrelated with installation, or can be sold as stand-alone to the customers.

The Group recognized the hardware that are produced by its own or are sold as a phase in a complex and integrated Project as "overtime" for meeting the overtime criteria; the significant control in the integration process, no alternative use of the hardware of integration process, alternative use is restricted by the contract and the Group has an enforceable right to payment for performance completed to date.

Hardware which are more than one, produced afterwards and integrated and delivered are not concluded as separate performance obligations, but a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer are settled as single performance obligation.

The Group recognizes revenue at a point of time of the hardware which are not produced by the Group or does not need a significant integration process. The Group recognizes revenue when the control, collection right and the legal ownership of the hardware are transferred to the customers.

#### Installation Performance Obligation

Installation performance obligation is committed in the contracts with the hardware or by its own. The Group provides installation services with the hardware sales together or provides installation service alone in accordance with customer requirements. The installation service can be obtained from other providers, or the customer can do it with its own facilities.

The group recognizes revenue for installation performance obligation at over time when the customer controls the process simultaneously. The Group recognizes revenue by cost with cost based input method when it can reasonably measure the progress towards complete satisfaction of installation performance obligation.

When the customer does not have a significant control over installation process, and the Group has the collection right, the Group recognizes revenue at a point of time.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise stated the amounts are in TL).

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

### 2.4 Summary of Significant Accounting Policies (Cont'd)

#### 2.4.1 Revenue (Cont'd)

The Group accounts the installation performance obligation transferred less than 3 months with the output method considering the value to the customer of the goods and services. When the Group use output method to recognize revenue, on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract have right to payment and revenue related to invoice is recognized.

#### **Maintenance Performance Obligation**

Maintenance performance obligation is committed in the contracts with the hardware or by its own. The maintenance is not related to the equipment at a high level, it is also negotiated separately in the contracts and the customer can buy the maintenance service from another providers or the Company can maintain the equipment by itself.

Maintenance service can be offered in three different ways according to customer demands: periodic maintenance regularly, maintenance services provided on an adhoc based on customer requirements, and maintenance services provided for a period agreed upon as a service level agreement (SLA).

Maintenance service is recognized at over time since the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

In case of the Group can reasonably measure the progress towards complete satisfaction of maintenance performance obligation, the revenue which is related with cost occurred in overtime is recognized by cost based input method.

At the same time, The Group recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract with output method. When the group accounts for adhoc and periodic maintenance with output method, in case of the customer acquires the collection right for a certain amount that in line with the value of the customer for the completed performance, the Group recognizes the revenue to be billed. For the service level agreements (SLAs), the output method is used for measuring progress towards complete satisfaction but the collection cost is not measured by invoicing, it is measured by the cost incurred.

The group sells support packages, which is provided from third parties, with the hardware. In cases of the Group is not directly responsible for the performance in the support packages provided by third party, the Group acts as an "agent".

The Group determined standalone selling price of maintenance performance obligation using cost plus margin method considering management's best estimate and experience, observable prices of similar types of contracts. When the sum of the stand-alone selling prices of promised goods or services in the contract exceeds the promised consideration, the Group allocates a discount proportionately to all performance obligations in the contract.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise stated the amounts are in TL).

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

### 2.4 Summary of Significant Accounting Policies (Cont'd)

#### 2.4.1 Revenue (Cont'd)

##### **Warranty Performance Obligation**

Warranty performance obligation is committed by the Group for its own production. In case of the customer has a purchase the warranty separately in other words and the warranty is separately priced and negotiated in the contracts, the warranty is evaluated as a different service and recognized as a separate performance obligation.

Warranty income is recognized when the customer obtains the control of the hardware and accepts it. In other words, each hardware's warranty begins after its delivery and the revenue is recognized after the delivery.

Warranty is recognized at over time since the customer controls as the asset is created or enhanced and the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. The Group recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract with output method.

##### **Licence Performance Obligation**

The Group sells licenses with three parties' contracts. In such contracts, the Group is acting as agent therefore the Group is not directly responsible for fulfilling the contract (e.g. license updates), the Group does not have inventory risk and the Group has restricted discretion in establishing prices. The Group recognizes the net amount after paying license fee to providers as commission income for the license contracts that the Group is acting as agent.

License performance obligations' income is recognized at "a point of time" when the control of an asset is transferred.

##### **Outsourcing and Support Services Performance Obligation**

The Group provides outsourcing, support and consultancy services in accordance with the customers' expectations. Outsourcing and some support and consultancy services are recognized at over time since the customer controls as the asset is created or enhanced and the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

In case of the Group can reasonably measure the progress towards complete satisfaction of outsourcing and support services performance obligations, the revenue which is related with cost occurred in overtime is recognized by cost based input method. In the case of the Group can not reasonably measure the progress towards complete satisfaction, the Group recognizes revenue to the extent of the right to bill by output method.

The Group recognizes revenue at "a point of time" when the control is transferred for short-term support services and one-off consultancy services.

The training services, which are in the goods and services, specified in the contracts and an integral part of production and integration, are recognized with "Input Method" with considering the total design, hardware and training costs of the projects.



## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise stated the amounts are in TL).

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

### 2.4 Summary of Significant Accounting Policies (Cont'd)

#### 2.4.1 Revenue (Cont'd)

If a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract as a “deferred revenue” when the payment is made or the payment is due (whichever is earlier). Deferred revenue is Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group defers associated costs until to deliver all contractual obligations and they are presented on the face of balance sheet under “Short and Long Term Deferred Costs” accounts.

If an entity performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the Group presents the contract as “unbilled receivables”, excluding any amounts presented as a receivable. An unbilled receivables are an entity’s right to consideration in exchange for goods or services that the Group has transferred to a customer. If the consideration is unconditional, it is recognized as “trade receivables”.

Advance payments received on contracts, before corresponding works had been carried out, are booked in “Order Advances” account group under “Advances Received”. Costs incurred to date, adjusted by profits and losses recognized and progress billings, is determined on a contract by contract basis. If the amount is positive it is included as asset under “unbilled receivables” under “Trade receivables” group.

The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group expects to recover those costs.

In the long contracts exceeding one year, depending on the level of materiality, the stamp tax that is paid for the contract and is expected to recover is capitalized as "Contract Costs" throughout the term of the contract and is amortized by depreciation method.

If the contract period or the redemption period of the asset, is one year or less, the stamp tax is recognized as an expense in the financial statements.

#### 2.4.2 Financial Instruments

##### Classification and Measurement

Financial assets are recognized on a trade-date basis and are initially measured at fair value. At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity are measured at amortized cost, less any impairment loss recognized to reflect irrecoverable amounts.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise stated the amounts are in TL).

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

### 2.4 Summary of Significant Accounting Policies (Cont'd)

#### 2.4.2 Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables" and "cash and cash equivalents" in the statement of financial position. In addition, with recourse factoring receivables classified in trade receivables are classified as financial assets carried at amortized cost since collection risk for those receivables are not transferred to counterparty.

#### *Impairment*

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectation based on the macroeconomic indications.

#### **(b) Financial assets carried at fair value**

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. Group make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

#### *Financial assets carried at fair value through profit or loss*

Financial assets carried at fair value through profit or loss comprise of "derivative instruments" in the statement of financial position. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative. Group's financial instruments at fair value through profit or loss consist of forward contracts and currency swaps.

#### *Financial assets carried at fair value through other comprehensive income*

Financial assets carried at fair value through other comprehensive income comprise of "financial assets" in the statement of financial position. In addition, trade receivables collected from factoring companies due to without recourse factoring activities are classified as financial assets carried at fair value through other comprehensive income since the collection risk of these receivables are transferred to the factoring companies and management's business plan for them is "hold to sell".

When the financial assets carried at fair value through other comprehensive income are sold fair value gain or loss classified in other comprehensive income is classified to retained earnings.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise stated the amounts are in TL).

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

### 2.4 Summary of Significant Accounting Policies (cont'd)

#### 2.4.2 Financial Instruments (cont'd)

The Group accounts for expected loan losses in accordance with TFRS 9 that are expected to be equal to their expected life-time losses for their trade receivables, in cases where the trade receivables are not impaired for some reason with realized impairment losses. Expected credit impairment provision is based on the Group's past credit loss experience and expected credit loss ratio as determined based on forward-looking macroeconomic indicators. Expected credit loss reversals are recorded in other operating income/(expenses) (Notes 7 and 21).

#### *Financial liabilities*

Financial liabilities are initially measured at fair value. Financial liabilities other than fair value through profit or loss are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

### 2.5 New and Revised Turkish Accounting Standards

#### **Standard issued but not yet effective and not early adopted**

#### *Standards issued but not yet effective and not early adopted*

New standards, interpretations and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

#### **IFRS 16 Leases**

On 16 April 2018, POA issued the new leasing standard which will replace TAS 17 Leases, IFRS Interpretation 4 Determining Whether an Arrangement Contains a Lease, TAS Interpretation 15 Operating Leases – Incentives, and TAS Interpretation 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to TAS 40 Investment Properties. IFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise stated the amounts are in TL).

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

### 2.5 New and Revised Turkish Accounting Standards (cont'd)

#### **Standard issued but not yet effective and not early adopted**

##### **TFRS Interpretation 23 –Uncertainty Over Income Tax Treatments**

On 24 May 2018, POA issued TFRS Interpretation 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. TAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. TFRS Interpretation 23 provides requirements that add to the requirements in TAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of TFRS Interpretation 23.

##### **Amendments to TFRS 9 - Prepayment features with negative compensation**

On December 2017, POA has issued amendments to TFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of TFRS 9. Under TFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group does not expect that application of these amendments to TAS 28 will have significant impact on its consolidated financial statements.

##### **Amendments to TAS 28- Long-term *Interests in Associates and Joint Ventures***

On December 2017, POA has issued amendments to TAS 28 to clarify that entities also apply TFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of TAS 28. In applying TFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying TAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group does not expect that application of these amendments to TAS 28 will have significant impact on its consolidated financial statements.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise stated the amounts are in TL).

#### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

##### 2.5 New and Revised Turkish Accounting Standards (cont'd)

*The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA*

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

##### *Annual Improvements to IFRSs 2015-2017 Cycle*

##### *Improvements to IFRSs*

IASB issued Annual Improvements to IFRSs - 2015–2017 Cycle. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

##### *IFRS 3 Business Combinations and IFRS 11 Joint Arrangements*

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

##### *IAS 12 Income Taxes*

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

##### *IAS 23 Borrowing Costs*

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise stated the amounts are in TL).

#### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

##### Summary of significant accounting policies (continued)

*The new standards, amendments and interpretations that are issued by the IASB but not issued by POA*

##### **Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement -**

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 19.

##### **The revised Conceptual Framework**

The revised Conceptual Framework issued on 28 March 2018 by the IASB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise stated the amounts are in TL).

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

### 2.5. New and Revised Turkish Accounting Standards (cont'd)

*The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA*

#### IFRS 17 – Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier. The Group does not expect that application of IFRS 17 will have significant impact on its consolidated financial statements.

## 3. SHARES IN ASSOCIATES

### Associates

#### Details of significant associate

As of 30 June 2018, the detail 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 out of 6 in the Board of Directors at Kron A.Ş. and to be active in taking strategic growth decisions of the company.

Goodwill arises from the acquisition of Kron Telekomünikasyon Hizmetleri A.Ş. Additionally; the cost includes synergy, the benefits arising from the rising market share and also the labor force of Kron Telekomünikasyon Hizmetleri A.Ş. As these benefits are not separable, they are not recognized in the accompanying condensed consolidated financial statements.

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE**  
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**3. SHARES IN ASSOCIATES (cont'd)**

**Associates (cont'd)**

Goodwill

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

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

	<b>30 June 2018</b>	<b>31 December 2017</b>
Current assets	29.908.377	32.330.973
Non-current assets	18.946.137	15.731.038
Short term liabilities	8.767.641	9.256.976
Long term liabilities	812.403	888.245
Net assets	39.274.470	37.916.790
Share of the Group in net assets	3.927.447	3.791.679

	<b>1 January 2018- 30 June 2018</b>	<b>1 January 2017- 30 June 2017</b>
Net profit	1.901.939	760.212
Other comprehensive (expenses)	(544.259)	(49.391)
Total comprehensive income	1.357.680	710.821
Share of the Group in total comprehensive income	135.768	71.082

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

	<b>2018</b>	<b>2017</b>
As of 1 January	6.155.424	5.121.827
Share from the (loss)/profit of the period	135.768	71.082
Currency translation reserves	664.170	(10.187)
As of 30 June	<b>6.955.362</b>	<b>5.182.722</b>



## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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#### 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 June 2018</b>	<b>Enterprise</b>	<b>Public</b>	<b>International</b>	<b>Technology</b>	<b>BDH</b>	<b>Unallocated (*)</b>	<b>Total</b>
Revenue	176.216.594	133.093.116	30.807.873	40.575.761	27.207.419	-	407.900.763
Cost of sales (-)	(159.135.769)	(112.302.461)	(23.980.398)	(38.138.370)	(31.751.314)	(5.795.338)	(371.103.650)
<b>Gross margin</b>	<b>17.080.825</b>	<b>20.790.655</b>	<b>6.827.475</b>	<b>2.437.391</b>	<b>(4.543.895)</b>	<b>(5.795.338)</b>	<b>36.797.113</b>
Sales,marketing and distribution expenses (-)	(11.363.123)	(11.162.347)	(5.723.592)	-	-	-	(28.249.062)
General administrative expenses (-)	-	-	-	-	-	(17.838.557)	(17.838.557)
Research and development expenses (-)	-	-	-	(4.878.328)	-	-	(4.878.328)
<b>Operating profit / (loss) of segment</b>	<b>5.717.702</b>	<b>9.628.308</b>	<b>1.103.883</b>	<b>(2.440.937)</b>	<b>(4.543.895)</b>	<b>(23.633.895)</b>	<b>(14.168.834)</b>

**For the period ended**

<b>30 June 2017</b>	<b>Enterprise</b>	<b>Public</b>	<b>International</b>	<b>Technology</b>	<b>BDH</b>	<b>Unallocated (*)</b>	<b>Total</b>
Revenue	162.987.536	132.010.691	143.220.914	33.163.639	21.919.988	-	493.302.768
Cost of sales (-)	(148.734.554)	(116.443.543)	(120.707.792)	(28.772.962)	(20.209.038)	(5.941.748)	(440.809.637)
<b>Gross margin</b>	<b>14.252.982</b>	<b>15.567.148</b>	<b>22.513.122</b>	<b>4.390.677</b>	<b>1.710.950</b>	<b>(5.941.748)</b>	<b>52.493.131</b>
Sales,marketing and distribution expenses (-)	(10.403.571)	(10.859.375)	(5.049.443)	-	-	-	(26.312.389)
General administrative expenses (-)	-	-	-	-	-	(15.514.549)	(15.514.549)
Research and development expenses (-)	-	-	-	-	-	-	-
<b>Operating profit / (loss) of segment</b>	<b>3.849.411</b>	<b>4.707.773</b>	<b>17.463.679</b>	<b>4.390.677</b>	<b>1.710.950</b>	<b>(21.456.297)</b>	<b>10.666.193</b>

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

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

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise stated the amounts are in TL).

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

<b>30 June 2018</b>	<b>Enterprise</b>	<b>Public</b>	<b>International</b>	<b>Technology</b>	<b>BDH</b>	<b>Unallocated(*)</b>	<b>Total</b>
Trade receivables	160.589.236	520.950.544	130.974.267	30.174.058	13.927.385	43.311.066	899.926.556
Due from related parties	17.559	-	-	-	-	-	17.559
Inventories	21.431.476	65.988.478	5.702.734	518.851	265.207	336.316	94.243.062
Deferred costs	57.034.821	133.778.040	29.890.390	9.434.200	41.174.931	18.001.745	289.314.127
<b>Segments assets</b>	<b>239.073.092</b>	<b>720.717.062</b>	<b>166.567.391</b>	<b>40.127.109</b>	<b>55.367.523</b>	<b>61.649.127</b>	<b>1.283.501.304</b>
Trade payables (*)	102.259.910	51.282.776	20.869.128	532.601	21.103.664	15.089.403	211.137.482
Due to related parties	1.849.026	-	-	-	-	-	1.849.026
Deferred revenues	53.334.541	20.928.123	25.801.623	-	1.607.778	38.989	101.711.054
Advances received	6.445.504	48.645.565	1.104.080	25.798	130	12.733	56.233.810
<b>Segment liabilities</b>	<b>163.888.981</b>	<b>120.856.464</b>	<b>47.774.831</b>	<b>558.399</b>	<b>22.711.572</b>	<b>15.141.125</b>	<b>370.931.372</b>
<b>31 December 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	160.689.280	521.839.489	122.086.455	25.973.499	5.346.753	54.194.597	890.130.073
Due from related parties	-	-	-	-	-	-	-
Inventories	8.414.972	56.874.568	4.928.180	343.871	1.708	238.503	70.801.802
Deferred costs	22.874.870	108.419.484	2.373.914	14.049.910	9.238.440	8.540.928	165.497.546
<b>Segments assets</b>	<b>191.979.122</b>	<b>687.133.541</b>	<b>129.388.549</b>	<b>40.367.280</b>	<b>14.586.901</b>	<b>62.974.028</b>	<b>1.126.429.421</b>
Trade payables (*)	128.421.191	139.449.963	81.093.860	1.126.294	14.458.759	16.358.768	380.908.835
Due to related parties	1.715.824	-	-	-	-	-	1.715.824
Deferred revenues	32.335.840	20.591.842	1.099.784	-	1.113.596	41.462	55.182.524
Advances received	2.553.394	49.268.440	845.650	-	130	8.740	52.676.354
<b>Segment liabilities</b>	<b>165.026.249</b>	<b>209.310.245</b>	<b>83.039.294</b>	<b>1.126.294</b>	<b>15.572.485</b>	<b>16.408.970</b>	<b>490.483.537</b>

(\*)Unallocated trade payables are shown as rent, insurance, consultancy and etc. The uncollated amount of trade receivable and trade payables are related to Nortel companies under bankruptcy protection as of 30 June 2018 and 31 December 2017.

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

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

(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 June 2018</b>	<b>For the Period Ended 30 June 2017</b>
Operating (loss)/profit of segment	(14.168.834)	10.666.193
Other (expenses)/income from operating activities (net)	(38.294.172)	(48.222)
Other (expenses)/income from investments (net)	(3.470)	249.857
(Loss)/ Income from associates	135.768	71.082
Finance (expenses)/income (net)	34.090.259	(16.642.300)
<b>(Loss) before tax</b>	<b>(18.240.449)</b>	<b>(5.703.390)</b>
<b>Assets</b>	<b>30 June 2018</b>	<b>31 December 2017</b>
Segment assets	1.283.501.304	1.126.429.421
Other assets	516.472.975	423.423.086
<b>Total assets</b>	<b>1.799.974.279</b>	<b>1.549.852.507</b>
<b>Liabilities</b>	<b>30 June 2018</b>	<b>31 December 2017</b>
Segment liabilities	370.931.372	490.483.537
Other liabilities	728.835.104	414.762.346
<b>Total liabilities</b>	<b>1.099.766.476</b>	<b>905.245.883</b>

### 5. CASH AND CASH EQUIVALENTS

	<b>30 June 2018</b>	<b>31 December 2017</b>
Bank- demand deposits	39.475.939	72.023.775
Bank- time deposits	191.854.034	114.553.052
Other cash and cash equivalents(*)	23.444	635.243
	<b>231.353.417</b>	<b>187.212.070</b>

<b>Currency</b>	<b>Original Currency</b>			<b>Maturity</b>	<b>30 June 2018</b>
	<b>Amount</b>	<b>Interest Rate %</b>			
USD	3.937.515	0,001-2,50		July 18-September 19	17.957.825
TL	172.532.971	14,65-18,80		July 18	172.532.971
EURO	256.769	0,001		July 18	1.363.238
					<b>191.854.034</b>

<b>Currency</b>	<b>Original Currency Amount</b>	<b>Interest Rate %</b>	<b>Maturity</b>	<b>31 December 2017</b>
USD	25.202.584	1,90-2,50	January 18-September 18	95.061.627
EURO	2.022.000	0,60	January 18	9.130.341
TL	10.361.084	12,0	January 18	10.361.084
				<b>114.553.052</b>

The credit risk, foreign currency and sensitivity risks of financial assets and liabilities are disclosed in Note 21. As of 30 June 2018 and 31 December 2017, 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 JUNE 2018**

(Unless otherwise stated the amounts are in TL).

**6. FINANCIAL LIABILITIES**

<b>Short term financial liabilities</b>	<b>30 June 2018</b>	<b>31 December 2017</b>
Short term unsecured loans	636.895.775	302.073.436
Non interest bearing unsecured spot loans	-	111
	<b>636.895.775</b>	<b>302.073.547</b>

As of 30 June 2018, effective interest rate for TL loans is 16,28 % .(31 December 2017: effective interest rate for TL loans is 15,33 % and effective interest rate for USD loans is 4,44 %). The details of short term 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 June 2018</b>
TL	636.895.775	15,10-18,25	July 18-May 19	636.895.775
				<b>636.895.775</b>

<b>Currency</b>	<b>Original Currency Amount</b>	<b>Effective Interest Rate (%)</b>	<b>Maturity</b>	<b>31 December 2017</b>
USD	25.102.209	4,30-4,60	April 18-June 18	94.683.023
TL	207.390.413	13,35-15,70	February 18- October 18	207.390.413
				<b>302.073.436</b>

<b>Long term financial liabilities</b>	<b>30 June 2018</b>	<b>31 December 2017</b>
Long term unsecured loans	-	24.044.293

The detail of long term loans of the Group is given below;

<b>Currency</b>	<b>Original Currency Amount</b>	<b>Effective Interest Rate %</b>	<b>Maturity</b>	<b>31 December 2017</b>
TL	24.044.293	16,51-16,75	January 19	24.044.293

The Group has no collaterals given for bank loans as of 30 June 2018 and 31 December 2017.

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's condensed consolidated statement of cash flows as cash flows from financing activities.

	<b>2018</b>	<b>2017</b>
1 January	326.117.840	354.859.452
Financing cash flows	303.510.412	(47.763.238)
Fair value adjustment	(25.362.062)	(13.508.370)
Currency translations	32.629.585	17.547.695
30 June	<b>636.895.775</b>	<b>311.135.539</b>

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018**

(Unless otherwise stated the amounts are in TL).

**7. TRADE RECEIVABLES AND PAYABLES**

<b>Trade Receivables from Third Parties</b>	<b>30 June 2018</b>	<b>31 December 2017</b>
Trade receivables	554.359.871	528.318.398
Unbilled receivables	307.220.496	314.170.034
Discount on trade receivables (*)	(361.043)	(599.276)
Allowance for doubtful receivables	(63.014.410)	(35.662.918)
	<b>798.204.914</b>	<b>806.226.238</b>

The schedule for the calculation of impairment of trade receivables is as follows:

	<b>2018</b>	<b>2017</b>
1 January -Calculated according to TFRS 39	(35.662.918)	(29.733.577)
Impact due to the changes in accounting policies TFRS 9	(13.480.037)	-
<b>Reported as of 1 January</b>	<b>(49.142.955)</b>	<b>(29.733.577)</b>
Provision at current period (*)	(2.659.344)	(1.077.019)
Provision no longer required	-	2.613
Foreign currency exchange differences	(11.212.111)	(19.057)
<b>As of 30 June</b>	<b>(63.014.410)</b>	<b>(30.827.040)</b>

(\*)Explanations on the accounting policy change are included in Note 2.4.

Doubtful receivables, for which no possibility of collection is foreseen and no further cash inflow are expected, are written off from the records along with the related provisions.

No guarantee has been obtained for trade receivables.

<b>Long Term Trade Receivables from Third Parties</b>	<b>30 June 2018</b>	<b>31 December 2017</b>
Receivables from Nortel companies	60.252.405	51.685.143
Other trade receivables	79.989.745	66.083.917
Provision amount for Nortel companies	(30.126.202)	(25.842.571)
Discount on trade receivables(*)	(8.394.306)	(8.022.654)
	<b>101.721.642</b>	<b>83.903.835</b>

(\*) As of 30 June 2018, Group will collect its trade receivable in every year by equal payment; total amount is USD 19.097.290 based on the agreement, and its maturity date spreads 4 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>Movement of allowance for Nortel receivables</b>	<b>2018</b>	<b>2017</b>
As of 1 January	(25.842.571)	(21.700.114)
Charge for the period	-	-
Provision no longer required	1.004.082	-
Currency translation differences	(5.287.713)	74.613
<b>As of 30 June</b>	<b>(30.126.202)</b>	<b>(21.625.501)</b>

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise stated the amounts are in TL).

#### 7. TRADE RECEIVABLES AND PAYABLES (Cont'd)

	<b>30 June 2018</b>	<b>31 December 2017</b>
<b>Trade Payables to Third Parties</b>		
Trade payables	210.782.335	380.164.376
Other trade payables	303.153	698.102
	<b>211.085.488</b>	<b>380.862.478</b>
<b>Long Term Trade Payables to Third Parties</b>		
Trade payables to Nortel companies	22.389	18.517
Other trade payables	29.605	27.840
	<b>51.994</b>	<b>46.357</b>

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 14 January 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. The Group Management decided to finalize uncertainty of collections, and book a provision of 45% against for Nortel receivables on a net basis as of 31 December 2016. As of 31 December 2017, considering the changing conditions 5% additional provision is booked for the receivables due from Nortel companies. Total amount of provision 50% reflected into the condensed consolidated financial statements. The Group filed a lawsuit against Nortel for its receivables on 10 March 2017 amounting to USD 14.261.663 regarding to the invoices issued. Based on the lawyer letter obtained from 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 12 September 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 13 November 2017. As of report date, after the production and review of documents, the parties may schedule the examination of witnesses. Lawyers have not given opinion regarding with ongoing cases yet.

Pursuant to the "Terms of Settlement of Netas Claims" dated July 25, 2018 (the "Settlement Term Sheet") that was executed at the mediation session held on July 25, 2018, in New York, it is resolved to approve an aggregate total distribution in the amount of USD 4.400.000 from Nortel Networks Inc. ("NNI") and its U.S. debtor-affiliates (collectively, the "US Debtors") on account of the claims asserted by Netas Telekomunikasyon, A.S. (the "Netas Claims") against NNI, and a general release of claims between Netas and US Debtors, and to authorise the Company Management to sign a settlement agreement with the US Debtors containing terms consistent with those contained in the Settlement Term Sheet.

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise stated the amounts are in TL).

### 7. TRADE RECEIVABLES AND PAYABLES (cont'd)

The details of trade receivables and payables of the Company to and from Nortel companies under bankruptcy protection as of 30 June 2018 and the bankruptcy protection filing date of 14 January 2009 are given below:

Country	Company	14 January 2009			30 June 2018				31 December 2017			
		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.	65.042.756	(11.399.239)	53.643.517	74.684.898	(15.245.800)	(29.719.549)	29.719.549	61.767.705	(12.613.295)	(24.577.204)	24.577.206
Ireland	Nortel Networks (Ireland) Limited	2.216.199	-	2.216.199	221.621	-	(110.810)	110.811	1.832.895	-	(916.448)	916.447
Canada	Nortel Networks Technology Corporation	519.463	(70.346)	449.117	-	-	-	-	-	-	-	-
Egypt	Nortel Networks Inc. (Egypt Branch)	394.960	-	394.960	400.249	-	(200.124)	200.125	331.024	-	(165.512)	165.512
Europe	Nortel Networks N.V.	204.252	-	204.252	-	-	-	-	168.925	-	(84.463)	84.462
India	Nortel Networks (India) Private Limited	62.650	-	62.650	38.990	-	(19.495)	19.495	32.247	-	(16.123)	16.124
Holland	Nortel Networks BV.	123.706	-	123.706	-	-	-	-	-	-	-	-
Italy	Nortel Networks S.p.A.	30.632	-	30.632	1.531	-	(766)	765	25.334	-	(12.667)	12.667
		<b>68.594.618</b>	<b>(11.469.585)</b>	<b>57.125.033</b>	<b>75.347.289</b>	<b>(15.245.800)</b>	<b>(30.050.744)</b>	<b>30.050.745</b>	<b>64.158.130</b>	<b>(12.613.295)</b>	<b>(25.772.417)</b>	<b>25.772.418</b>
Mexico	Nortel de México, S. de R.L. de C.V.	-	(22.387)	(22.387)	-	(22.389)	-	(22.389)	-	(18.517)	-	(18.517)
Germany	Nortel GmbH	-	(318.594)	(318.594)	-	-	-	-	-	-	-	-
France	Nortel Networks S.A.	46.975	(135.874)	(88.899)	280.363	(129.447)	(75.458)	75.458	231.872	(91.564)	(70.154)	70.154
Canada	Nortel Networks Limited	746.207	(1.873.850)	(1.127.643)	-	-	-	-	-	-	-	-
England	Nortel Networks UK Limited	7.984.623	(8.841.310)	(856.687)	-	-	-	-	-	-	-	-
Canada	Nortel Networks Limited - EMEA Sales	-	(21.864.044)	(21.864.044)	-	-	-	-	-	-	-	-
		<b>77.372.423</b>	<b>(44.525.644)</b>	<b>32.846.779</b>	<b>75.627.652</b>	<b>(15.397.636)</b>	<b>(30.126.202)</b>	<b>30.103.814</b>	<b>64.390.002</b>	<b>(12.723.376)</b>	<b>(25.842.571)</b>	<b>25.824.055</b>

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

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

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE**  
**PERIOD ENDED 30 JUNE 2018**  
(Unless otherwise stated the amounts are in TL).

**8. INVENTORIES**

	<u>30 June 2018</u>	<u>31 December 2017</u>
Raw materials	34.923.500	26.466.826
Finished goods	52.236.691	37.841.366
Trade goods	19.930.941	17.120.022
Other inventories	2.058.977	1.702.373
Allowance for inventory impairment(-)	<u>(14.907.047)</u>	<u>(12.328.785)</u>
	<b><u>94.243.062</u></b>	<b><u>70.801.802</u></b>

Inventories are stated at their cost values and allocated the provision for impairment on inventories.

<u>Movement for allowance</u>	<u>2018</u>	<u>2017</u>
As of 1 January	(12.328.785)	(11.499.151)
(Provision) / charge for the period	-	(3.784)
Foreign currency exchange differences	(2.578.262)	39.672
As of 30 June	<b><u>(14.907.047)</u></b>	<b><u>(11.463.263)</u></b>

**9. PREPAID EXPENSES**

**Short Term Prepaid Expenses**

	<u>30 June 2018</u>	<u>31 December 2017</u>
Advances given for inventories	8.434.503	1.602.356
Short term prepaid expenses	10.043.852	6.576.443
Goods in transit	513.672	3.279.091
	<b><u>18.992.027</u></b>	<b><u>11.457.890</u></b>

**Long Term Prepaid Expenses**

	<u>30 June 2018</u>	<u>31 December 2017</u>
Long term prepaid expenses	589.373	416.766
	<b><u>589.373</u></b>	<b><u>416.766</u></b>



**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018**

(Unless otherwise stated the amounts are in TL).

**10. PROPERTY, PLANT AND EQUIPMENT**

	<u>Buildings, Machinery and Equipment</u>	<u>Vehicles</u>	<u>Furniture and fixtures</u>	<u>Leasehold Improvement</u>	<u>Construction in progress</u>	<u>Total</u>
<b>Cost</b>						
1 January 2018	<b>157.159.078</b>	<b>201.200</b>	<b>14.286.158</b>	<b>38.072.808</b>	<b>875.293</b>	<b>210.594.537</b>
Translation difference	33.384.717	42.076	3.091.864	8.113.390	187.211	44.819.258
Purchases	3.931.915	-	897.703	1.303.490	35.856	6.168.964
Disposals	(24.936)	-	-	-	-	(24.936)
<b>30 June 2018</b>	<b>194.450.774</b>	<b>243.276</b>	<b>18.275.725</b>	<b>47.489.688</b>	<b>1.098.360</b>	<b>261.557.823</b>
<b>Accumulated Depreciation</b>						
1 January 2018	<b>(143.815.845)</b>	<b>(190.936)</b>	<b>(11.042.782)</b>	<b>(18.946.346)</b>	-	<b>(173.995.909)</b>
Translation difference	(30.493.625)	(40.342)	(2.406.252)	(4.213.967)	-	(37.154.186)
Period charge	(3.219.575)	(3.547)	(831.456)	(2.167.950)	-	(6.222.528)
Disposals	9.086	-	-	-	-	9.086
<b>30 June 2018</b>	<b>(177.519.959)</b>	<b>(234.825)</b>	<b>(14.280.490)</b>	<b>(25.328.263)</b>	-	<b>(217.363.537)</b>
<b>Net book value at 30 June 2018</b>	<b>16.930.815</b>	<b>8.451</b>	<b>3.995.235</b>	<b>22.161.425</b>	<b>1.098.360</b>	<b>44.194.286</b>

As of 30 June 2018 depreciation charge is TL 6.222.528 TL 3.792.344 is accounted in cost of sales, TL 2.218.013 in general administrative expenses, TL 212.171 in sales, marketing and distribution expenses.

As of 30 June 2018, there are not any mortgage and financial leasing on property, plant and equipment.

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**10. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

	<u>Buildings, Machinery and Equipment</u>	<u>Vehicles</u>	<u>Furniture and fixtures</u>	<u>Leasehold Improvement</u>	<u>Construction in progress</u>	<u>Total</u>
<u>Cost</u>						
1 January 2017	<b>142.766.848</b>	<b>187.721</b>	<b>12.797.524</b>	<b>35.314.290</b>	-	<b>191.066.383</b>
Translation difference	(619.164)	(645)	(50.763)	(124.304)	(23.952)	(818.828)
Purchases	2.050.099	-	213.343	80.930	672.123	3.016.495
Disposals	(6.168)	-	(23.582)	-	-	(29.750)
<b>30 June 2017</b>	<b>144.191.615</b>	<b>187.076</b>	<b>12.936.522</b>	<b>35.270.916</b>	<b>648.171</b>	<b>193.234.300</b>
<u>Accumulated Depreciation</u>						
1 January 2017	<b>(127.865.712)</b>	<b>(172.038)</b>	<b>(8.866.312)</b>	<b>(13.995.166)</b>	-	<b>(150.899.228)</b>
Translation difference	584.478	704	57.063	116.183	-	758.428
Period charge	(3.588.618)	(3.157)	(759.666)	(1.909.933)	-	(6.261.374)
Disposals	4.498	-	12.859	-	-	17.357
<b>30 June 2017</b>	<b>(130.865.354)</b>	<b>(174.491)</b>	<b>(9.556.056)</b>	<b>(15.788.916)</b>	-	<b>(156.384.817)</b>
<b>Net book value at 30 June 2017</b>	<b>13.326.261</b>	<b>12.585</b>	<b>3.380.466</b>	<b>19.482.000</b>	<b>648.171</b>	<b>36.849.483</b>

As of 30 June 2017 depreciation charge is TL 6.261.374. TL 3.892.786 is accounted in cost of sales, TL 2.113.816 in general administrative expenses, TL 254.772 in sales, marketing and distribution expenses.

As of 30 June 2017, there are not any mortgage and financial leasing on property, plant and equipment.

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**10. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

Tangible fixed assets are depreciated principally on a straight-line basis using the following rates, which amortize the assets over their expected useful lives:

	<u>Depreciation rate (%)</u>
Machinery and Equipment	10
Vehicles	5-10
Leasehold Improvement	5-10
Furniture and fixtures	5-15

**11. INTANGIBLE ASSETS**

**Goodwill**

The shares transfer of Netaş Bilişim and its subsidiary BDH to the Company was completed on 11 October 2011.

During the acquisition, fair value of the customer relations has 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:

<b>Cost Value</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
As of 1 January	69.131.791	64.500.278
Currency Translation Reserves	14.457.211	(221.770)
As of 30 June	<b><u>83.589.002</u></b>	<b><u>64.278.508</u></b>

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

**Goodwill (Cont'd)**

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

Netas has engaged an independent assessment report to perform a valuation analysis of Netaş Bilişim as of 31 December 2017. An independent assessment has been prepared a valuation of 100% of the share capital of Netaş Bilişim, based on its financial statements on a condensed consolidated basis by applying adjusted Discounted Cash Flow (“DCF”) valuation. The present value of cash flows expected to be generated by the Company in the future is calculated by discounting cash flows today using a discount rate appropriate to the Company's risk profile. In the valuation study, weighted average capital cost ratio was 10,7% and asset beta value was 0,75. During the projection year, the debt / equity ratio of the Company will be realized at 20% and the borrowing cost will be realized as approximately 5,6%.

The DCF model is based on a cash flow forecast provided by management over the year of 1 January 2018-31 December 2022.

It is estimated that the standard profit margin will be 12% during the projection year.

Starting from year 2018, EBITDA margin is expected to be around 9%, with the assumption that the corporate segment and BDH's standard profit margins will continue at 11% and 20%, respectively.

It is predicted that the company's net working capital needs will continue to normalize to around 32% during the projection year as of 2018.

The Company does not plan to invest a large amount during the projection year. Investment expenditures are expected to be approximately 0,6% of net sales during the projection year.

The result of DCF analysis concluded indicative firm value of Netaş Bilişim is between USD 82,5 million and USD 107,3 million. As of the valuation date, the value of the company calculated by considering the net debt of USD 37,3 million was estimated between USD 45 million and USD 70 million.

As conclusion, impairment provision for goodwill is not foreseen as of 30 June 2018, focusing on the future cashflows predictions of the Group's management.

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

**Other Intangible Assets**

	<b>1 January- 30 June 2018</b>		
	<b>Customer Relations</b>	<b>Other Intangible Assets</b>	<b>Total</b>
<u>Cost</u>			
1 January 2018	<b>40.237.278</b>	<b>77.354.124</b>	<b>117.591.402</b>
Purchases	-	688.485	688.485
Translation difference	8.414.636	16.255.136	24.669.772
<b>30 June 2018</b>	<b>48.651.914</b>	<b>94.297.745</b>	<b>142.949.659</b>
<u>Accumulated amortization</u>			
1 January 2018	<b>(25.147.682)</b>	<b>(58.248.326)</b>	<b>(83.396.008)</b>
Translation difference	(5.512.291)	(12.672.878)	(18.185.169)
Period charge	(2.179.479)	(4.240.398)	(6.419.877)
<b>30 June 2018</b>	<b>(32.839.452)</b>	<b>(75.161.602)</b>	<b>(108.001.054)</b>
<b>Net book value</b>	<b>15.812.462</b>	<b>19.136.143</b>	<b>34.948.605</b>

As of 30 June 2018 amortization charge is TL 6.419.877. TL 3.938.016 is accounted in cost of sales, TL 2.334.009 in general administrative expenses and TL 147.851 in sales, marketing and distribution expenses.

	<b>1 January- 30 June 2017</b>		
	<b>Customer Relations</b>	<b>Other Intangible Assets</b>	<b>Total</b>
<u>Cost</u>			
1 January 2017	<b>37.541.565</b>	<b>70.824.796</b>	<b>108.366.361</b>
Purchases	-	402.519	402.519
Translation difference	(129.078)	(257.829)	(386.907)
<b>30 June 2017</b>	<b>37.412.487</b>	<b>70.969.486</b>	<b>108.381.973</b>
<u>Accumulated amortization</u>			
1 January 2016	<b>(19.708.705)</b>	<b>(47.240.209)</b>	<b>(66.948.914)</b>
Translation difference	136.886	294.151	431.037
Period charge	(1.939.751)	(3.696.720)	(5.636.471)
<b>30 June 2017</b>	<b>(21.511.570)</b>	<b>(50.642.778)</b>	<b>(72.154.348)</b>
<b>Net book value</b>	<b>15.900.917</b>	<b>20.326.708</b>	<b>36.227.625</b>

As of 30 June 2017 amortization charge is TL 5.636.471. TL 3.501.964 is accounted in cost of sales, TL 2.111.706 in general administrative expenses and TL 22.801 in sales, marketing and distribution expenses.

Intangible fixed assets are amortized principally on a straight-line basis using the following rates, which amortize the assets over their expected useful lives:

	<u>Amortization rate (%)</u>
Software Licences	20
Customer Portfolio	10
Licenses	3-15
Rights	20

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#### 12. GOVERNMENT GRANTS

For the period ended 30 June 2018 the Group has received approved and accrued incentive from TÜBİTAK, TL 11.851.401 (For the year ended 31 December 2017 the Group has received approved and accrued incentive from TÜBİTAK, TL 21.648.681).

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

As of 30 June 2018, the Group has a corporate tax benefit of TL 269.678.721 due to research and development disbursement and TL 54.473.484 of this amount is utilized by the period end. (As of 31 December 2017, the Group has a corporate tax benefit of TL 268.583.663 due to research and development disbursement and TL 61.227.387 of this amount is utilized by the period end). The Group has booked deferred tax assets for unused R&D tax benefit (Note 18).

For the period ended 30 June 2018, the amount of income tax incentive within the scope of Act numbered 5746 is TL 6.523.009 (For the period ended 30 June 2017: TL 5.899.296) 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 5.687.088 (For the period ended 30 June 2017: TL 4.856.915).

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**13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

<b>Other Short Term Provisions</b>	<b>30 June 2018</b>	<b>31 December 2017</b>
Provision for legal cases	5.364.943	5.123.207
Other provisions	1.004.480	441.411
	<b>6.369.423</b>	<b>5.564.618</b>

For the period ended 30 June 2018, the Group has cash outflows of TL 1.357.423 for legal cases during the period (30 June 2017: TL 363.376).

	<b>Provision for Legal Cases</b>	<b>Other Provisions</b>	<b>Total</b>
As of 1 January 2018	5.123.207	441.411	5.564.618
Provision booked	1.599.159	421.773	2.020.932
Payment within the period	(1.357.423)	-	(1.357.423)
Foreign currency exchange differences	-	141.296	141.296
As of 30 June 2018	<b>5.364.943</b>	<b>1.004.480</b>	<b>6.369.423</b>

	<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	846.170	(380.835)	465.335
Payment within the period	(725.408)	-	(725.408)
Foreign currency exchange differences	-	11.273	11.273
As of 30 June 2017	<b>3.779.254</b>	<b>299.227</b>	<b>4.078.481</b>

**14. COMMITMENTS**

The Group's off-balance sheet commitments and contingencies as of 30 June 2018 and 31 December 2017 are as follows:

	<b>30 June 2018</b>	<b>31 December 2017</b>
Guarantee letters given(*)	521.601.953	405.511.901

(\*) The Group has no off-balance sheet commitments and contingencies in favor of subsidiaries which are fully consolidated as of 30 June 2018.

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**14. COMMITMENTS (cont'd)**

The off-balance sheet commitments and contingencies as of 30 June 2018 and 31 December 2017 are as follows:

<b>30 June 2018</b>	<b>TL Equivalent</b>	<b>Original Currency</b>		
		<b>TL</b>	<b>USD</b>	<b>EUR</b>
Maturity				
2018	60.205.047	9.036.578	9.133.026	1.792.262
2019	83.060.088	2.683.765	14.776.991	2.445.359
2020	14.000.039	10.127.051	474.811	321.615
2021	39.874.302	1.652.240	8.380.745	-
2022	17.583.171	15.879.540	373.546	-
2023	11.098.338	9.531.450	343.563	-
2025	210.000	210.000	-	-
2026	547.284	-	120.000	-
2027	221.468	-	48.560	-
Indefinite	294.802.215	66.289.984	47.179.768	2.512.519
	<b>521.601.953</b>	<b>115.410.608</b>	<b>80.831.009</b>	<b>7.071.755</b>

<b>31 December 2017</b>	<b>TL Equivalent</b>	<b>Original Currency</b>			
		<b>TL</b>	<b>USD</b>	<b>EUR</b>	<b>DZD</b>
Maturity					
2017	160.155	-	42.460	-	-
2018	70.675.401	19.033.528	11.023.989	2.182.801	6.255.408
2019	51.507.843	1.079.765	13.301.367	56.838	-
2020	14.402.510	10.104.547	756.246	320.115	-
2021	2.531.798	1.631.000	238.818	-	-
2022	4.401.728	2.351.700	543.500	-	-
2023	649.004	-	172.063	-	-
2025	210.000	210.000	-	-	-
Indefinite	260.973.462	69.959.222	47.287.992	2.801.166	-
	<b>405.511.901</b>	<b>104.369.762</b>	<b>73.366.434</b>	<b>5.360.920</b>	<b>6.255.408</b>

The off-balance sheet commitments and contingencies as of 30 June 2018 and 31 December 2017 are as follows:

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

	<b>30 June 2018</b>	<b>31 December 2017</b>
A. Total amount of CPM is given on behalf of own legal personality	521.601.953	405.511.901
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>521.601.953</b>	<b>405.511.901</b>

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

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#### 14. COMMITMENTS (cont'd)

##### Rent Agreements

As of 7 June 2012, the Company signed an agreement with ESAS Real Estate Group EAG Turizm İnşaat Sanayi ve Ticaret A.Ş. to rent the real estate ("Esas Aeropark") addressed in İstanbul city, Pendik district, Kurtköy Mahallesi with 15.744 square meters area. The rental period is 5 years beginning from 1 May 2013. The rent for the five years was USD 6.339.816 + VAT at the beginning of the rental period and the agreement 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 of 3 October 2012, Netaş Bilişim, the subsidiary of the Company, signed a lease agreement with Ahmet Bülent Koyuncuoğlu for the real estate addressed Orhanlı District, İrfan St. No. 28, Tuzla, İstanbul. The rental period is 5 years beginning from 1 October 2012. It has been agreed that the monthly rent for the period of 5 years starting from October 1, 2017 will be fixed as USD 52.788 + withholding.

Company signed a rent contract with Yudo Leon Mizrahi (Renter) and Salvo Özserfati (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 will be paid for the rented place starting on 1 January 2016 for 15th floor is USD 17.705. 3% increase will be applied next year rental. The amount of rent between 1 February 2016 and 31 January 2017 is agreed as USD 18.236 and between 1 February 2017 and 31 January 2018, net USD 18.784 which will be paid. According to the second rent agreement, the amount of rent is agreed as USD 18.167 + Stoppages, which will be paid from February 2018 for 5 years.

##### Unrevokable Operational Lease

Commitments	30 June 2018	31 December 2017
Within 1 year	4.659.904	4.711.622
Between 1-5 years	15.542.390	11.468.797
	<b>20.202.294</b>	<b>16.180.419</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 fully-consolidated subsidiary, Netaş Bilişim and Cisco System International B.V., the Company agrees that all financial obligations will be jointly performed by the Company and Netaş Bilişim.

According to the contract between Netaş Telekomünikasyon A.Ş. and İGA Havalimanları İnşaatı Adi Ortaklığı Ticari İşletmesi, fully-consolidated subsidiary and subcontractor, BDH Bilişim Destek Hizmetleri San. ve Tic. A.Ş., and its whole commitments are guaranteed by Netaş Telekomünikasyon A.Ş.

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**15. REVENUE**

**a) Geographical Revenue:**

	For the Period Ended 30 June 2018	For the Period Between 1 April and 30 June 2018	For the Period Ended 30 June 2017	For the Period Between 1 April and 30 June 2017
<b>Total domestic</b>	<b>334.880.856</b>	<b>183.408.737</b>	<b>311.225.154</b>	<b>186.693.962</b>
United States	39.250.878	21.499.130	32.203.172	14.163.391
Asia	541.592	83.936	741.811	19.730
Africa	22.966.232	7.731.327	142.246.079	120.840.217
Europe	10.261.205	5.968.851	6.886.552	3.707.231
<b>Total export</b>	<b>73.019.907</b>	<b>35.283.244</b>	<b>182.077.614</b>	<b>138.730.569</b>
<b>Total sales</b>	<b>407.900.763</b>	<b>218.691.981</b>	<b>493.302.768</b>	<b>325.424.531</b>

**b) Disaggregation of Revenue:**

	Enterprise	Public	International	Technology	BDH	Total
<b>Performance Obligations</b>						
Design performance obligation	-	14.839.948	3.891.379	40.575.761	-	59.307.088
Hardware performance obligation	39.626.596	56.630.544	8.759.784	-	-	105.016.924
Installation performance obligation	7.344.482	26.242.699	4.082.593	-	-	37.669.773
Maintenance performance obligation	39.579.756	12.523.265	7.607.788	-	27.207.419	86.918.228
Licence performance obligation	76.658.861	20.001.334	5.737.328	-	-	102.397.523
Other performance obligations	13.006.899	2.855.326	729.001	-	-	16.591.226
	<b>176.216.594</b>	<b>133.093.116</b>	<b>30.807.873</b>	<b>40.575.761</b>	<b>27.207.419</b>	<b>407.900.763</b>
<b>Satisfaction of performance obligations:</b>						
Overtime	20.030.408	76.606.865	19.342.929	40.575.761	27.207.419	183.763.382
A point of time	156.186.186	56.486.251	11.464.944	-	-	224.137.381
	<b>176.216.594</b>	<b>133.093.116</b>	<b>30.807.873</b>	<b>40.575.761</b>	<b>27.207.419</b>	<b>407.900.763</b>

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

	For the Period Ended 30 June 2018	For the Period Between 1 April and 30 June 2018	For the Period Ended 30 June 2017	For the Period Between 1 April and 30 June 2017
<b>Other Income from Operating Activities</b>				
Foreign exchange gains	-	-	144.464	-
Reversals of provisions (Note 7)	1.004.082	67.135	-	853.579
Discount income on receivables (*)	1.495.897	1.185.540	1.154.313	2.861.301
Service Income	33.708	9.415	234.038	173.626
R&D Incentives	-	(659.794)	-	(990.446)
Other income and gains	1.121.534	828.048	261.370	-
	<b>3.655.221</b>	<b>1.430.344</b>	<b>1.794.185</b>	<b>2.898.060</b>

	For the Period Ended 30 June 2018	For the Period Between 1 April and 30 June 2018	For the Period Ended 30 June 2017	For the Period Between 1 April and 30 June 2017
<b>Other Expenses from Operating Activities</b>				
Foreign exchange loss	33.974.890	32.518.432	-	-
Provision for doubtful receivables expenses (Note 7)	2.659.344	698.792	-	-
R&D Incentives Expenses	1.952.805	1.952.805	-	-
Legal case expenses	2.069.643	1.331.535	630.589	353.377
Other tax expenses	383.711	298.039	576.715	171.614
Other expenses and losses	909.000	577.645	635.103	512.414
	<b>41.949.393</b>	<b>37.377.248</b>	<b>1.842.407</b>	<b>1.037.405</b>

(\*) Discount (expenses)/income related to trade receivables are accounted under Other (Expenses)/Income from Operating Activities.

### 17. FINANCE INCOME / (EXPENSES)

#### Finance Income:

	For the Period Ended 30 June 2018	For the Period Between 1 April and 30 June 2018	For the Period Ended 30 June 2017	For the Period Between 1 April and 30 June 2017
Foreign exchange gain (*)□	66.333.098	54.002.172	2.166.199	-
Interest income	3.263.473	2.987.186	526.452	229.345
Gains on derivative instruments	-	-	2.316.159	1.650.940
	<b>69.596.571</b>	<b>56.989.358</b>	<b>5.008.810</b>	<b>1.880.285</b>

#### Finance Expenses:

	For the Period Ended 30 June 2018	For the Period Between 1 April and 30 June 2018	For the Period Ended 30 June 2017	For the Period Between 1 April and 30 June 2017
Bank interest expenses	32.629.585	20.074.446	19.713.894	9.024.635
Foreign exchange loss (*)□	-	-	-	5.924.650
Guarantee letter commissions	2.058.961	1.073.092	1.281.336	664.921
Other financial expenses	817.766	179.476	655.880	277.390
	<b>35.506.312</b>	<b>21.327.014</b>	<b>21.651.110</b>	<b>15.891.596</b>

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

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise stated the amounts are in TL).

### 18 TAX ASSETS AND LIABILITIES

	For the Period Ended 30 June 2018	For the Period Between 1 April and 30 June 2018	For the Period Ended 30 June 2017	For the Period Between 1 April and 30 June 2017
Current tax expenses	(77.410)	(77.410)	-	-
Deferred tax expenses	(4.701.577)	(13.444.225)	13.094.621	5.293.275
	<u>(4.778.987)</u>	<u>(13.521.635)</u>	<u>13.094.621</u>	<u>5.293.275</u>

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their statement of financial position accounts prepared in accordance with TAS/IFRS promulgated by POA Financial Reporting Standards and their statutory financial statements. These temporary differences usually result from the recognition of revenue and expenses in different reporting periods for TAS/IFRS and Tax Laws.

In accordance with the regulation numbered 7061, published in Official Gazette, number 30261 on 5 December 2017 "Bazı Vergi Kanunları İle Diğer Bazı Kanunlarda Değişiklik Yapılmasına Dair Kanun", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

Movement of deferred tax assets / (liabilities) for the period ended 30 June 2018 and 2017 is as follows:

	2018	2017
<b>Balance as of January, 1- reported</b>	<u>253.841</u>	<u>(15.231.761)</u>
Impact due to the changes in accounting policies TFRS 15 and TFRS 9	10.894.667	-
<b>Balance as of January, 1- restated</b>	<b>11.148.508</b>	<b>(15.231.761)</b>
Deferred tax income recognized in statement of profit or loss	(4.701.577)	13.094.621
Currency translation differences	(1.592.490)	(387.874)
<b>Balance as of June, 30</b>	<u><b>4.854.441</b></u>	<u><b>(2.525.014)</b></u>

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**  
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**18. TAX ASSETS AND LIABILITIES (cont'd)**

Movement for deferred taxes as of 30 June 2018 and 2017 are as follows;

	<b>1 January 2018</b>	<b>Charge to (Loss)/Profit</b>	<b>Translation Difference</b>	<b>30 June 2018</b>
Tangible and intangible assets	(10.581.353)	1.718.884	(3.243.689)	(12.106.158)
Trade receivables	(63.950.025)	17.327.108	(11.361.032)	(57.983.949)
Trade payables and cost provisions	1.178.940	281.530	279.246	1.739.716
Inventory	(3.375.324)	(1.580.016)	(889.384)	(5.844.724)
Deferred costs	6.647.794	(12.657.345)	(79.927)	(6.089.478)
Advances received	2.124.862	(211.137)	419.839	2.333.564
Provisions for employee premiums	3.794.273	(2.069.949)	553.054	2.277.378
Provision for unused vacation	1.553.766	844.402	423.009	2.821.177
Severance indemnity and retirement provisions	4.480.239	(744.875)	850.415	4.585.779
Deferred revenues	12.141.644	(1.673.094)	2.344.796	12.813.346
Unused R&D tax exemption	42.695.803	(6.714.207)	8.148.921	44.130.517
Carryforward tax losses	2.431.458	999.534	624.575	4.055.567
Impact of TFRS 9	2.930.367	-	35.241	2.965.608
Impact of TFRS 15	7.964.300	-	95.780	8.060.080
Other	1.111.764	(222.412)	206.666	1.096.018
	<b>11.148.508</b>	<b>(4.701.577)</b>	<b>(1.592.490)</b>	<b>4.854.441</b>

	<b>1 January 2017</b>	<b>Charge to (Loss)/Profit</b>	<b>Translation Difference</b>	<b>30 June 2017</b>
Tangible and intangible assets	(11.361.781)	1.428.775	14.552	(9.918.454)
Trade receivables	(64.660.327)	11.632.122	(192.210)	(53.220.415)
Trade payables and cost provisions	1.299.169	250.428	(13.391)	1.536.206
Inventory	(5.261.431)	(6.263.356)	241.296	(11.283.491)
Deferred costs	6.798.438	(5.565.738)	174.970	1.407.670
Advances received	2.490.727	(485.669)	8.744	2.013.802
Provisions for employee premiums	2.512.033	(895.787)	23.284	1.639.530
Provision for unused vacation	1.177.554	263.935	(13.454)	1.428.035
Severance indemnity and retirement provisions	4.122.207	(137.754)	(9.264)	3.975.189
Deferred revenues	12.125.739	(2.239.068)	38.102	9.924.773
Unused R&D tax exemption	32.995.943	10.008.043	(470.103)	42.533.883
Carryforward tax losses	1.829.948	5.040.544	(185.920)	6.684.572
Other	700.020	58.146	(4.480)	753.686
	<b>(15.231.761)</b>	<b>13.094.621</b>	<b>(387.874)</b>	<b>(2.525.014)</b>

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**  
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**19. (LOSS)/ EARNINGS PER SHARE**

	For the Period Ended 30 June 2018	For the Period Between 1 April and 30 June 2018	For the Period Ended 30 June 2017	For the Period Between 1 April and 30 June 2017
Number of shares	64.864.800	64.864.800	64.864.800	64.864.800
Net (loss)/ profit for the period	(23.019.436)	(20.308.743)	7.391.231	6.613.353
(Loss)/Earnings per share	(0,3549)	(0,3131)	0,1139	0,1020
(Loss)/Earnings per common share	(0,3549)	(0,3131)	0,1139	0,1020

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 and due to related parties as of 30 June 2018 and 31 December 2017 is as follows:

Due from Related Parties	30 June 2018	31 December 2017
Kron Telekomunikasyon A.Ş.	17.559	-
	<b>17.559</b>	<b>-</b>

**Due to Related Parties**

	30 June 2018	31 December 2017
Kron Telekomunikasyon A.Ş.	1.849.026	1.715.824
	<b>1.849.026</b>	<b>1.715.824</b>

Main transactions with related parties are as follows for the period ended 30 June 2018 and 2017:

	For the Period Ended 30 June 2018	For the Period Between 1 April and 30 June 2018	For the Period Ended 30 June 2017	For the Period Between 1 April and 30 June 2017
<b>Sales</b>				
Genband US LLC	-	-	31.681.127	16.468.662
Genband Ireland Ltd.	-	-	1.451.574	731.116
Kron Telekomunikasyon A.Ş.	25.362	17.340	75.098	(1.127)
	<b>25.362</b>	<b>17.340</b>	<b>33.207.799</b>	<b>17.198.651</b>

	For the Period Ended 30 June 2018	For the Period Between 1 April and 30 June 2018	For the Period Ended 30 June 2017	For the Period Between 1 April and 30 June 2017
<b>Purchases</b>				
Genband Ireland Ltd. (*)	-	-	2.274.149	2.165.046
Kron Telekomunikasyon A.Ş.	448.407	448.407	1.447.838	1.437.384
Genband US LLC (*)	-	-	25.457	(382)
	<b>448.407</b>	<b>448.407</b>	<b>3.747.444</b>	<b>3.602.048</b>

(\*) Genband US LLC and its associates are not accounted as related parties effective from 28 July 2017, after the shares of OEP (48,04 %) was transferred to ZTE Cooperatief. Amount of purchases, sales, due from and due to Genband companies are not disclosed from 1 January to 30 June 2018.

For the period ended 30 June 2018, total remuneration for the directors and management board of the Group is TL 8.103.529 (for the period ended 30 June 2017 total remuneration for the directors and management board of the Group is TL 6.810.645). As of 30 June 2018 and 31 December 2017 there is no credit granted to the Group's Management.

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

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise stated the amounts are in TL).

#### 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

##### *Credit risk*

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

<u>30 June 2018</u>	<u>Trade Receivables</u>		<u>Other</u>	<u>Deposits at Banks</u>
	<u>Related Parties</u>	<u>Other</u>	<u>Receivables</u> <u>Other (*)</u>	
<b>Maximum credit risks as of balance sheet date(A+B+C+D)</b>	17.559	<b>899.926.556</b>	<b>1.612.843</b>	<b>231.329.973</b>
Maximum risk guaranteed by collateral	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	17.559	761.487.555	1.612.843	231.329.973
(B) Net book value of overdue but not impaired financial assets (**)	-	138.439.001	-	-
Guaranteed by collateral	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-
Overdue (gross book value)	-	93.140.612	-	-
Impairment (-)	-	(93.140.612)	-	-
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 30.126.202 receivables from Nortel companies.

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(Unless otherwise stated the amounts are in TL).

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

**Credit risk (cont'd)**

<b>31 December 2017</b>	<b>Trade Receivables</b>		<b>Other</b>	<b>Deposits at Banks</b>
	<b>Related Parties</b>	<b>Other</b>	<b>Receivables</b>	
			<b>Other (*)</b>	
<b>Maximum credit risks as of balance sheet date (A+B+C+D)</b>	-	<b>890.130.073</b>	<b>1.479.485</b>	<b>186.576.827</b>
Maximum risk guaranteed by collateral	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	-	774.149.759	1.479.485	186.576.827
(B) Net book value of overdue but not impaired financial assets (**)	-	115.980.314	-	-
Guaranteed by collateral	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-
Overdue (gross book value)	-	61.505.489	-	-
Impairment (-)	-	(61.505.489)	-	-
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 25.842.572 receivables from Nortel companies. As a result of net-off Nortel companies' receivables and payables, 5 % provision amount is adjusted.



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

***Credit risk (cont'd)***

The Group has applied the simplified approach stated in TFRS 9 to calculate the expected credit loss provision for trade receivables. This approach allows for a lifetime expected loan loss provision for all commercial receivables. In order to measure the expected credit loss, the Group first classifies its trade receivables by taking into account the characteristics of credit risk and credit risk. Expected credit loss ratios for each class of commercial receivables grouped using past credit loss experience and forward macroeconomic indicators were calculated and the expected credit loss provision was calculated by multiplying the determined ratio by the trade receivable totals.

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

<b>30 June 2018</b>	<b>Period End Balance</b>	<b>Expected Credit Loss Ratio</b>	<b>Expected Credit Loss</b>
Un due	756.854.840	0,32%	(11.489.107)
1-30 days overdue	28.591.886	1,06%	(60.118)
1-3 months overdue	25.753.621	1,99%	(211.562)
3-6 months overdue	2.815.348	3,28%	(1.197.567)
6-12 months overdue	26.134.521	7,48%	(470.697)
1-5 years overdue	29.667.697	21,63%	(2.710.330)
Overdue more than 5 years (*)	30.126.202	0,00%	-
<b>Trade Receivables</b>	<b>899.944.115</b>		<b>(16.139.381)</b>

(\*)The receivables from Nortel Group companies are not calculated in the expected credit loss model and the Group is separately evaluating them for the assessments they have made in previous years.

	<b>Receivables</b>	
	<b>Trade Receivables</b>	<b>Other Receivables</b>
<b>31 December 2017</b>		
1-30 days overdue	51.302.959	-
1-3 months overdue	7.531.226	-
3-12 months overdue	18.473.277	-
1-5 years overdue	12.830.280	-
Overdue more than 5 years	25.842.572	-
<b>Total</b>	<b>115.980.314</b>	<b>-</b>

***Liquidity risk***

The Group holds adequate sources to be able to fulfill its current and future liabilities. As of 30 June 2018 and 31 December 2017 liquidity risk table are as follows;

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(Unless otherwise stated the amounts are in TL).

**21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)****Liquidity risk (cont'd)****30 June 2018**

<b><u>Maturities due to agreements</u></b>	Carrying amount	Cash outflows			
		due to agreements	Up to 3 months	3-12 months	1-5 years
<b><u>Non- derivative financial liabilities</u></b>	<b>849.882.283</b>	<b>907.231.885</b>	<b>419.673.973</b>	<b>487.505.918</b>	<b>51.994</b>
Financial liabilities	636.895.775	694.245.377	206.739.459	487.505.918	-
Due to related parties	1.849.026	1.849.026	1.849.026	-	-
Other trade payables to third parties	211.137.482	211.137.482	211.085.488	-	51.994
<b><u>Expected maturities</u></b>	Carrying amount	Cash outflows			
		due to agreements	Up to 3 months	3-12 months	1-5 years
<b><u>Non- derivative financial liabilities</u></b>	<b>28.541.075</b>	<b>28.541.075</b>	<b>23.176.132</b>	<b>5.364.943</b>	<b>-</b>
Other short term provisions	6.369.423	6.369.423	1.004.480	5.364.943	-
Payables related to employee benefits	12.715.111	12.715.111	12.715.111	-	-
Other payables to third parties (*)	9.456.541	9.456.541	9.456.541	-	-

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

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

(Unless otherwise stated the amounts are in TL).

**21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)****Liquidity risk (cont'd)****31 December 2017**

<b><u>Maturities due to agreements</u></b>	Carrying amount	Cash outflows			
		due to agreements	Up to 3 months	3-12 months	1-5 years
<b><u>Non- derivative financial liabilities</u></b>	<b>708.742.499</b>	<b>733.604.238</b>	<b>388.816.693</b>	<b>316.266.842</b>	<b>28.520.703</b>
Financial liabilities	326.117.840	350.979.579	6.238.391	316.266.842	28.474.346
Due to related parties	1.715.824	1.715.824	1.715.824	-	-
Other trade payables to third parties	380.908.835	380.908.835	380.862.478	-	46.357
<b><u>Expected maturities</u></b>	Carrying amount	Cash outflows			
		due to agreements	Up to 3 months	3-12 months	1-5 years
<b><u>Non- derivative financial liabilities</u></b>	<b>27.899.020</b>	<b>27.899.020</b>	<b>22.775.813</b>	<b>5.123.207</b>	-
Other short term provisions	5.564.618	5.564.618	441.411	5.123.207	-
Payables related to employee benefits	11.623.440	11.623.440	11.623.440	-	-
Other payables to third parties (*)	10.710.962	10.710.962	10.710.962	-	-

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

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

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

**Liquidity risk (cont'd)**

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1      The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Level 2      The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3:      The fair value of the financial assets and financial liabilities where there is no observable market data. The fair value of derivative instruments, are calculated using quoted prices.

In accordance with fair value hierarchy; while cash and cash equivalent are categorized as of Level 1, other financial asset and liabilities in the table are categorized as Level 2.

**Interest rate risk**

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

	<u>30 June 2018</u>	<u>31 December 2017</u>
<b>Fixed interest rate financial instruments</b>	<b>828.749.809</b>	<b>440.670.781</b>
Financial assets (*)	191.854.034	114.553.052
Financial liabilities	636.895.775	326.117.729
<b>Variable interest rate financial instruments</b>	-	-
Financial assets	-	-
Financial liabilities	-	-
<b>Interest-free financial instruments</b>	-	<b>111</b>
Financial liabilities	-	111

(\*) As of 30 June 2018 and 31 December 2017, includes bank time deposits.

**Foreign currency risk**

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

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

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

As of 30 June 2018 and 31 December 2017, the Group's foreign currency position table is given below:

30 June 2018	TL Equivalent (*)	Original Currency				
		TL	EURO	GBP	BDT	Other
<b>Current Assets</b>	<b>493.032.392</b>	<b>446.156.208</b>	<b>6.700.271</b>	<b>3.801</b>	<b>2.500.000</b>	<b>651.671.348</b>
Cash and cash equivalents	190.356.760	178.369.021	876.734	3.801	2.500.000	523.801.505
Trade receivables, third parties	243.340.472	210.017.594	5.589.579	-	-	110.992.944
Other receivables, third parties	1.525.691	1.455.378	-	-	-	1.815.480
Prepaid expenses	10.994.380	9.690.748	225.064	-	-	5.254.065
Other current assets	46.815.090	46.623.467	8.893	-	-	9.807.355
<b>TOTAL ASSETS (A)</b>	<b>493.032.392</b>	<b>446.156.208</b>	<b>6.700.271</b>	<b>3.801</b>	<b>2.500.000</b>	<b>651.671.348</b>
<b>Short Term Liabilities</b>	<b>747.144.080</b>	<b>726.279.997</b>	<b>3.875.623</b>	<b>35.895</b>	<b>-</b>	<b>257.909</b>
Financial liabilities	636.895.775	636.895.775	-	-	-	-
Trade payables, third parties	63.719.685	42.919.791	3.870.686	35.895	-	709.825
Other payables, third parties	9.462.660	9.433.726	-	-	-	2.159.277
Employee benefit obligations	12.674.226	12.638.972	4.937	-	-	438.627
Provision for employee benefit	18.022.311	18.022.311	-	-	-	-
Other short term provisions	6.369.423	6.369.423	-	-	-	-
<b>Long Term Liabilities</b>	<b>28.081.825</b>	<b>28.081.825</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Provision for employee benefit	28.081.825	28.081.825	-	-	-	-
<b>TOTAL LIABILITIES (B)</b>	<b>775.225.905</b>	<b>754.361.822</b>	<b>3.875.623</b>	<b>35.895</b>	<b>-</b>	<b>257.909</b>
<b>Net Foreign Currency Asset / (Liability) Position</b>						
<b>(A-B)</b>	<b>(282.193.512)</b>	<b>(308.205.614)</b>	<b>2.824.647</b>	<b>(32.094)</b>	<b>2.500.000</b>	<b>651.413.439</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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**21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)**

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

<b>31 December 2017</b>	<b>TL Equivalent (*)</b>	<b>TL</b>	<b>EURO</b>	<b>GBP</b>	<b>BDT</b>	<b>Other</b>
<b>Current Assets</b>	<b>325.425.541</b>	<b>271.834.289</b>	<b>9.295.550</b>	<b>33.441</b>	<b>12.601.173</b>	<b>699.565.437</b>
Cash and cash equivalents	35.754.805	17.233.160	2.216.912	33.441	12.601.173	574.000.091
Trade receivables, third parties	226.455.899	192.238.163	6.925.262	-	-	115.837.736
Other receivables, third parties	1.405.605	1.345.215	-	-	-	1.851.296
Prepaid expenses	7.590.503	6.886.781	153.376	-	-	983.379
Other current assets	54.218.729	54.130.970	-	-	-	6.892.935
<b>TOTAL ASSETS (A)</b>	<b>325.425.541</b>	<b>271.834.289</b>	<b>9.295.550</b>	<b>33.441</b>	<b>12.601.173</b>	<b>699.565.437</b>
<b>Short Term Liabilities</b>	<b>322.118.735</b>	<b>317.450.319</b>	<b>369.833</b>	<b>4.347</b>	<b>450.000</b>	<b>107.929.607</b>
Financial liabilities	207.390.413	207.390.413	-	-	-	-
Trade payables, third parties	67.031.853	62.369.948	369.833	4.347	450.000	105.911.965
Other payables, third parties	10.720.561	10.699.965	-	-	-	1.816.166
Employee benefit obligations	11.561.147	11.575.231	-	-	-	201.476
Provision for employee benefit	19.850.144	19.850.144	-	-	-	-
Other short term provisions	5.564.618	5.564.618	-	-	-	-
<b>Long Term Liabilities</b>	<b>49.018.655</b>	<b>49.018.655</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Provision for employee benefit	24.974.362	24.974.362	-	-	-	-
Long Term Financial Liabilities	24.044.293	24.044.293	-	-	-	-
<b>TOTAL LIABILITIES (B)</b>	<b>371.137.390</b>	<b>366.468.974</b>	<b>369.833</b>	<b>4.347</b>	<b>450.000</b>	<b>107.929.607</b>
<b>Net Foreign Currency Asset / (Liability) Position (A-B)</b>	<b>(45.711.849)</b>	<b>(94.634.685)</b>	<b>8.925.717</b>	<b>29.094</b>	<b>12.151.173</b>	<b>591.635.830</b>

(\*) Since the functional currency of Group is USD, the currencies other than USD are shown in the table. Foreign currencies are denominated in their original currency amount and TL equivalents are calculated by using year end rates.

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR**  
**THE PERIOD ENDED 30 JUNE 2018**

(Unless otherwise stated the amounts are in TL).

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

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

**Exchange Rate Sensitivity Table**

**30 June 2018**

	<b><u>Profit / (Loss)</u></b>	
	<b><u>Appreciation</u></b>	<b><u>Devaluation</u></b>
<i>Effect of 10 % appreciation/devaluation in TL -USD exchange rate :</i>		
Net asset / (liability) in TL	(30.820.561)	30.820.561
Not subjected to TL risk (-)	-	-
<b>(1) Net effect of TL</b>	<b>(30.820.561)</b>	<b>30.820.561</b>
<i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i>		
Net asset / (liability) in EUR	1.499.662	(1.499.662)
Not subjected to EUR risk (-)	-	-
<b>(2) Net effect of EUR</b>	<b>1.499.662</b>	<b>(1.499.662)</b>
<i>Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:</i>		
Net asset / (liability) in other currencies	1.101.548	(1.101.548)
Not subjected to other currency risk (-)	-	-
<b>(3) Net effect of other currencies</b>	<b>1.101.548</b>	<b>(1.101.548)</b>
<b>TOTAL (1+2+3)</b>	<b>(28.219.351)</b>	<b>28.219.351</b>

**31 December 2017**

	<b><u>Profit / (Loss)</u></b>	
	<b><u>Appreciation</u></b>	<b><u>Devaluation</u></b>
<i>Effect of 10 % appreciation/devaluation in TL -USD exchange rate :</i>		
Net asset / (liability) in TL	(9.463.468)	9.463.468
Not subjected to TL risk (-)	-	-
<b>(1) Net effect of TL</b>	<b>(9.463.468)</b>	<b>9.463.468</b>
<i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i>		
Net asset / (liability) in EUR	4.030.408	(4.030.408)
Not subjected to EUR risk (-)	-	-
<b>(2) Net effect of EUR</b>	<b>4.030.408</b>	<b>(4.030.408)</b>
<i>Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:</i>		
Net asset / (liability) in other currencies	861.875	(861.875)
Not subjected to other currency risk (-)	-	-
<b>(3) Net effect of other currencies</b>	<b>861.875</b>	<b>(861.875)</b>
<b>TOTAL (1+2+3)</b>	<b>(4.571.185)</b>	<b>4.571.185</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**  
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(Unless otherwise stated the amounts are in TL).

**22. FAIR VALUE OF FINANCIAL INSTRUMENTS**

<b>30 June 2018</b>	Loans and Receivables (including cash and cash equivalents)	Amortized value of financial liabilities	Note
<u>Financial assets</u>			
Cash and cash equivalents	231.353.417	-	5
Trade receivables	899.926.556	-	7
Financial investments	3.814.951	-	
Other receivables	1.612.843	-	
<u>Financial liabilities</u>			
Borrowings	-	636.895.775	6
Trade payables	-	211.137.482	7
Due to related parties	-	1.849.026	20
Other liabilities	-	9.456.541	
Employee Benefit Obligations	-	12.715.111	
<b>31 December 2017</b>	(including cash and cash equivalents)	Amortized value of financial liabilities	Note
<u>Financial assets</u>			
Cash and cash equivalents	187.212.070	-	5
Trade receivables	890.130.073	-	7
Financial investments	2.928.818	-	
Other receivables	1.479.485	-	
<u>Financial liabilities</u>			
Borrowings	-	326.117.840	6
Trade payables	-	380.908.835	7
Due to related parties	-	1.715.824	20
Other liabilities	-	10.710.962	
Employee Benefit Obligations	-	11.623.440	

**23. SUBSEQUENT EVENTS**

The U.S. Department of Commerce issued an order, against both Zhongxing Telecommunications Equipment Corporation (“ZTE Corporation”) and ZTE Kangxun (“Kangxun”), prohibiting these entities, from participating in any transactions involving any item subject to Export Administration Regulations (EAR) and from involving any actions related to items subject to EAR for a period of 7 years. The decision to enforce sanctions has been abolished as of 13 July 2018.

Between 30 June 2018 and the date of approval of the financial statements as of 15 August 2018, the Turkish lira has suffered considerable depreciation against major foreign currencies. The depreciation was 44% against the USD and 41% against Euro.

**24. 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.