



**NETAŞ TELEKOMÜNİKASYON A.Ş**

**1H 2021**

**EARNINGS RELEASE**

GENEL- PUBLIC

## 1Q 2021 SUMMARY

- ❑ Sales revenues increased by 35% and reached to 979 million TL,
- ❑ Consolidated orders booked was 936 million TL with a 51% increase,
- ❑ Orders on hand was 1.3 billion TL with 55% growth.

In 1H21, the Company's orders, orders on hand and sales revenues increased significantly. While sales revenues grew by 35% and reached 979 million TL; due to intense competition in the sector, the depreciation of TL against foreign currencies and its negative impact on costs caused the Group's profit margins to remain under pressure. The Group's gross profit in 1H21 was 40 million TL, while EBITDA was negative 23 million TL in the same period.

## FINANCIAL HIGHLIGHTS

TL Million	1H2021	1H2020	y/y %
<b>Revenue</b>	<b>979</b>	<b>727</b>	<b>35%</b>
Cost of Sales	(939)	(653)	44%
<b>Gross Profit</b>	<b>40</b>	<b>75</b>	<b>(46%)</b>
<i>Gross margin %</i>	<i>4%</i>	<i>10%</i>	<i>(612)</i>
<b>Operating Expenses</b>	<b>(111)</b>	<b>(79)</b>	<b>41%</b>
General Administrative Expenses	(50)	(31)	61%
Sales, Marketing & Distribution Expense	(50)	(46)	8%
Research & Development Expenses	(11)	(1)	702%
Incentives	0	2	-
<b>EBIT</b>	<b>(70)</b>	<b>(3)</b>	<b>2.483%</b>
<i>EBIT margin %</i>	<i>-7,2%</i>	<i>0%</i>	<i>(682)</i>
Depreciation	48	35	37%
<b>EBITDA</b>	<b>(23)</b>	<b>32</b>	<b>(170%)</b>
<i>EBITDA margin %</i>	<i>-2,3%</i>	<i>4,4%</i>	<i>(674)</i>

*EBIT = Gross Profit – Sales, Marketing and Distribution Expenses - General Administrative Expenses – Research and Development Expenses + R&D Incentives*

*R&D Incentives: Disclosed under Other Income from Operating Activities in the financial statements prepared in accordance with the Capital Markets Board requirements.*

*EBITDA= EBIT + Depreciation and Amortization*

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**CONSOLIDATED  
OPERATIONAL & FINANCIAL  
PERFORMANCE**

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## OPERATIONAL PERFORMANCE

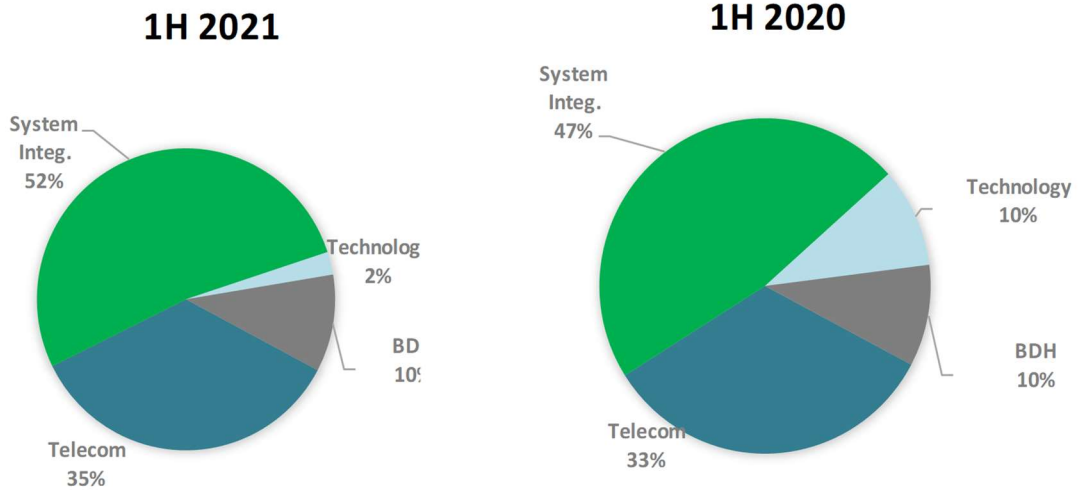


### Orders & Sales Revenue

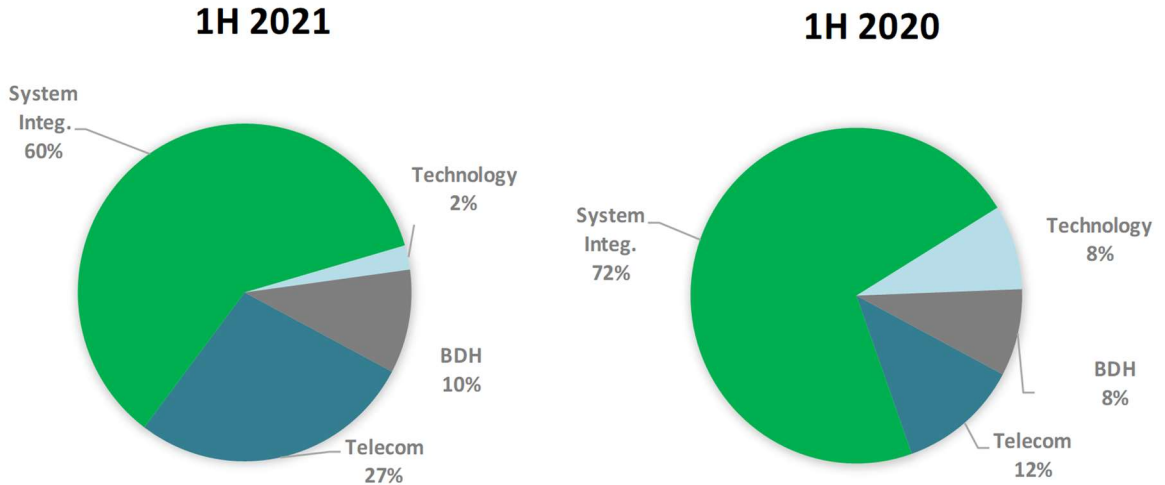
**Orders:** Orders booked in the first half of 2021 increased 51% year over year and recorded as 936 million TL (119,10 million USD). Orders on hand were realized as 1.3 billion TL (169 million USD) in 1H21, with a 55% growth.

**Sales Revenue:** In 1H21 Consolidated Group revenues was recorded at 979 million TL with a sharp 35% increase, y-o-y.

### Orders Breakdown



### Revenues Breakdown



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## CONSOLIDATED FINANCIAL PERFORMANCE

In the current period, the Group changed the way of its segment reporting and started to follow the order and sales breakdowns in the following segments;

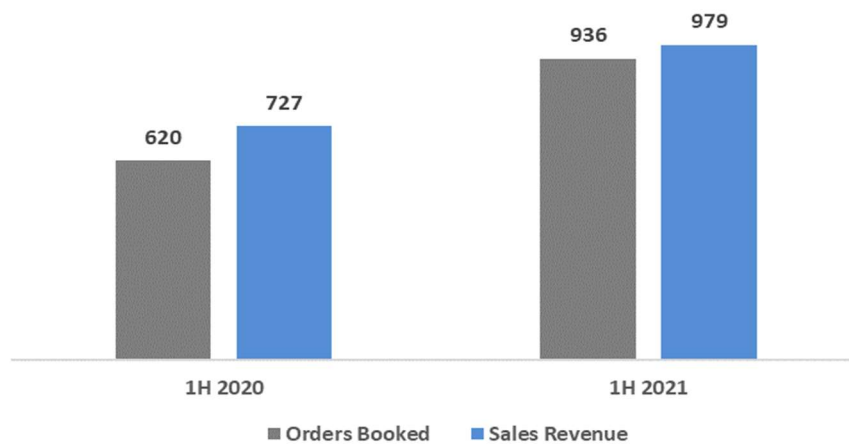
- Telecom
- System integration (SI)
- Technology
- BDH

Group's consolidated order booking performance was reported as 936 million TL in 1H 2021 with a sound 51% increase from 620 million TL in the same period of the previous year. SI was the main contributor to booked orders with its 52% share.

While SI has the largest share with 52% in the total orders received, it also stands out as the segment with highest y-o-y growth. Orders received from SI segment increased by 67% y-o-y in the first half of 2021. In 1H21, system integration was followed by telecom segment with a share of 35% in orders.

SI and telecom segments made up 87% of the Group's consolidated orders.

The consolidated sales revenues of the Group increased by 35% on an annual basis in 1H21 and rose from TL 727 million to TL 979 million. System integration was the main contributor among all segments with its 60% share in total sales revenues and it was followed by the telecom segment with its 27% share. In 1H21, BDH and technology segments' contribution to sales revenues were realized as 10% and 2%, respectively.



Despite sound growth in orders and sales revenues, recent conditions created by the pandemic, increasing competitive pressure and cost hikes in parallel with the increases in exchange rates resulted a pressure on the company's profits margins. In 1H21, the Group's gross profits were realized as 40 million TL with a declining margin to 4% from 10%, comparatively.

In 1H21, due to 82 million TL of other expenses from operating activities mainly attributable to fx losses, the Group had a negative operating line.

The Group had a net financial income of 10.7 million TL and income from investment activities of 40.747.242 TL arising from the sale of NetRD shares in March 2021.

As announced on March 5, 2021, the Group management decided to sign Share Purchase Agreement and all related transaction documents regarding the sales of 100% shares of NetRD, which is a 100% subsidiary of Netaş Bilişim Teknolojileri A.Ş. Accordingly, **total shares of NetRD with a nominal value of 50,000 TL was transferred to Swiss origin MERA Switzerland A.G., which is a 100% subsidiary of Orion Parent LLC, for a total value of 11,607,277 USD.** Total gains of 4.802.776 USD from this transaction was reflected in the Group's 1Q21 financial statements. As a result of this transaction, income from investment activities of 35,455,653 TL was reflected in 1Q21 financial statements.

In 1H21, the Group announced a net loss of 89.555.996 million TL.

## DEBT STRUCTURE & NET WORKING CAPITAL

Group's cash and cash equivalents was 217.7 million TL in 1H21.

Net debt of the Group was at 609 million TL (70 mn USD) as of end 1H21. In 2020 year-end, net debt was standing at 219.3 million TL (30 mn USD).

(million TL)	Consolidated Total Financial Debt	Cash and Cash Equivalents	Net Debt
1H 2021	827,2	217,7	609,4
YE2020	526,5	307,2	219,3

In 1H21, the Group's total financial debt stood at 827 million TL, 52% of which is in TL, 39% is in US Dollars and the remaining 10% is in Euro. **As of June 30, 2021, almost all of the Group's total consolidated financial debt has a maturity less than one year.**

1H21	TL mn.	USD mn.
Short Term Financial Debt (Bank Loans)	815,8	93,7
Long Term Financial Debt (Bank Loans)	11,4	1,3
<b>Total Debt</b>	<b>827,2</b>	<b>95,0</b>

Group's net working capital\* (incl. non-current trade receivables and trade payables) requirement for the financing of continuing projects was realized as 672 million TL as of 1H21 (2020 YE: 341 million TL).

\*Net Working Capital = (Total Current Assets - Cash & Cash Eq. + Non-current Trade Receivables) - (Total Short Term Liabilities - Financial Liabilities + Long Term Trade Payables)



**SEGMENT BASED  
FINANCIAL  
PERFORMANCE**

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## SEGMENT BASED FINANCIAL PERFORMANCE

1H2021 (Million TL)	System					Total
	Telecom	Integration	Technology	BDH	Unallocated	
Orders Booked	327,0	489,0	22,8	97,5	-	936,3
Sales Revenue	269,3	590,0	22,8	97,4	-	979,5
Cost of Sales	(252,7)	(580,7)	(24,4)	(82,2)	0,7	(939,3)
<b>Gross Profit</b>	<b>16,6</b>	<b>9,3</b>	<b>(1,6)</b>	<b>15,2</b>	<b>0,7</b>	<b>40,1</b>
Sales, marketing and distribution	(15,5)	(22,0)	-	(12,6)	-	(50,2)
General administrative expenses	-	-	-	-	(49,9)	(49,9)
Research and development expenses	-	-	(11,3)	-	-	(11,3)
<b>Operating profit/ (loss) of segment</b>	<b>1,0</b>	<b>(12,7)</b>	<b>(13,0)</b>	<b>2,6</b>	<b>(49,2)</b>	<b>(71,3)</b>
<b>Operating profit margin</b>	<b>0%</b>	<b>-2%</b>	<b>-57%</b>	<b>3%</b>		<b>-7%</b>

1H2020 (Million TL)	System					Total
	Telecom	Integration	Technology	BDH	Unallocated	
Orders Booked	206,1	293,3	59,4	60,7	-	619,6
Sales Revenue	85,8	520,9	59,4	61,0	-	727,2
Cost of Sales	(80,3)	(473,4)	(47,9)	(51,1)	-	(652,7)
<b>Gross Profit</b>	<b>5,5</b>	<b>47,5</b>	<b>11,6</b>	<b>10,0</b>	<b>-</b>	<b>74,6</b>
Sales, marketing and distribution	(9,0)	(28,0)	-	(9,3)	-	(46,4)
General administrative expenses	-	-	-	-	(31,1)	(31,1)
Research and development expenses	-	-	(1,4)	-	-	(1,4)
<b>Operating profit/ (loss) of segment</b>	<b>(3,5)</b>	<b>19,5</b>	<b>10,2</b>	<b>0,6</b>	<b>(31,1)</b>	<b>(4,2)</b>
<b>Operating profit margin</b>	<b>-4%</b>	<b>4%</b>	<b>17%</b>	<b>1%</b>		<b>-1%</b>

### System Integration (SI)



In 1H21, received orders and sales revenues for the system integration segment increased by 67% and 13%, respectively. While the order amount of the relevant segment was realized as 489 million TL, the system integration segment made up the biggest part of the consolidated sales with its sales revenues of 590 million TL and had a share of 60% in total sales. The gross profitability of the relevant segment was realized as TL 9.3 million in 1H21.



## OPERASYONEL PERFORMANS

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### Telecom Segment

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**Volume of the telecom segment is growing with the contribution of projects received with ZTE products.** Orders booked of telecom segment increased 59% y-o-y in 1H21 and reached 327 million TL. Sales revenue of the segment was up by 214% y-o-y and realized as 269 million TL.



**The share of the telecom segment in total sales was realized as 27%, and the telecom segment took the second largest share in sales after system integration.** In current period, the gross profit of the segment was realized as 16.6 million TL.

### Technology Segment

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**In the technology segment, the amount of orders received and sales revenues decreased by 62%** in the first half of 2021 to TL 22.8 million.

**Drop in the related segment has occurred due to the sale of NetRD in the first quarter of 2021.**

### BDH

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**The amount of orders received and sales revenues of BDH increased by 60% y-o-y and realized as 97 million TL.** The segment made the biggest contribution to the gross profitability of the Group with a gross profit of 15.2 million TL. **The relevant segment also stood out as the segment with the highest operating profit margin with an operating profit margin of 3%.**



**NETAŞ TELEKOMÜNİKASYON A.Ş.**  
**Consolidated Balance Sheet**  
Prepared In Accordance with IFRS as per CMB Regulations  
(TL)

(TL)	6M 2020	2020 YE
Cash & Cash Equivalents	216.572.015	305.858.010
Trade Receivables	1.143.777.558	1.068.508.482
Other Receivables	1.146.241	571.632
Inventories	175.842.339	183.412.626
Contract Assets Rel. to Goods and Services Pro.	267.002.502	173.169.862
Other Current Assets	116.441.058	75.159.780
<b>Total Current Assets</b>	<b>1.920.781.713</b>	<b>1.806.680.392</b>
Trade Receivables	32.756.756	26.953.350
Property, Plant and Equipment	85.298.979	106.867.551
Right of Use Assets	48.096.613	48.320.124
Financial Investments	11.707.652	6.837.555
Intangible Assets	326.655.282	254.299.756
<i>Goodwill</i>	159.549.846	134.537.477
<i>Other intangible assets</i>	167.105.436	119.762.279
Associates	6.616.507	11.507.883
Deferred Tax Assets	0	0
Other Non-Current Assets	189.267.431	149.627.468
<b>Total Non-Current Assets</b>	<b>700.399.220</b>	<b>604.413.687</b>
<b>Total Assets</b>	<b>2.621.180.933</b>	<b>2.411.094.079</b>
(TL)	6M 2020	2020 YE
Short Term Financial Liabilities	866.312.584	520.299.949
Bank Loans	815.763.707	505.122.861
Lease Liabilities	50.548.877	15.177.088
Trade Payables	815.609.260	886.418.679
Other Payables	14.506.667	40.309.890
Employee Benefit Obligations	36.412.197	31.526.502
Liabilities Arising From Customer Contracts	86.886.145	114.103.140
Short Term Provisions	33.350.519	40.210.587
Deferred Revenues	76.595.363	70.607.087
Current Tax Liabilities	-	2.616.637
<b>Total Short Term Liabilities</b>	<b>1.929.672.735</b>	<b>1.706.092.471</b>
Long-Term Financial Liabilities	32.858.442	65.608.465
Bank Loans	11.421.269	21.376.420
Lease Liabilities	21.437.173	44.232.045
Trade Payables	0	0
Provisions	36.591.142	34.913.181
Deferred Tax Liabilities	38.645.349	18.708.917
<b>Total Long Term Liabilities</b>	<b>108.094.933</b>	<b>119.230.563</b>
<b>Total Equity</b>	<b>585.512.385</b>	<b>585.075.637</b>
<b>Non-Controlling Interest</b>	<b>(2.099.120)</b>	<b>695.408</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>2.621.180.933</b>	<b>2.411.094.079</b>

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**NETAŞ TELEKOMÜNİKASYON A.Ş.**  
**Consolidated Income Statements**  
Prepared in accordance with IFRS as per CMB Regulations  
(TL)

(TL)	6M 2021	6M 2020
<b>SALES REVENUE</b>	<b>979.462.027</b>	<b>727.237.275</b>
Cost of Sales (-)	(939.335.371)	(652.652.902)
<b>GROSS PROFIT FROM OPERATIONS</b>	<b>40.126.656</b>	<b>74.584.373</b>
Sales and Marketing Expenses (-)	(50.197.490)	(46.366.457)
General Administrative Expenses (-)	(49.889.570)	(31.057.033)
Research and Development Expenses (-)	(11.321.128)	(1.411.618)
Other Income from Operating Activities	7.287.230	7.591.331
Other Expenses from Operating Activities (-)	(82.460.505)	(29.593.588)
<b>OPERATING PROFIT / (LOSS)</b>	<b>(146.454.807)</b>	<b>(26.252.992)</b>
Income From Investment Activities	40.747.242	30.736
Expenses From Investment Activities (-)	(1.458.841)	(176.374)
Income From Inv. Acc. Using The Equity Method	162.681	(4.783)
<b>OPERATING PROFIT / (LOSS) BEFORE FINANCE INCOME/(EXP.)</b>	<b>(107.003.725)</b>	<b>(26.403.413)</b>
Financial Income	74.404.686	49.118.193
Financial Expenses (-)	(63.709.699)	(53.129.595)
<b>PROFIT / (LOSS) BEFORE TAX</b>	<b>(96.308.738)</b>	<b>(30.414.815)</b>
Tax Income / (Expense)	6.752.742	47.095.767
- Current Tax (Expense) / Income	-	-
- Deferred Tax Income / (Expense)	6.752.742	47.095.767
<b>NET PROFIT / (LOSS)</b>	<b>(89.555.996)</b>	<b>16.680.952</b>
<b>EBITDA</b>	<b>(22.909.364)</b>	<b>32.264.265</b>

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## ABOUT NETAS

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Netaş Telekomünikasyon A.Ş. («Netaş» or «Company») **provides innovative end-to-end value added systems integration and technology services in the fields of information and communications technologies (ICT)**. Its customers range from telco providers to public and private enterprises in domestic and international markets. Netas' constant increase in productivity is based on its next generation competencies around technology skillset and expertise. **The company holds a track-record of 51 years** and continues its foray in the field of information technologies, supported by with its experienced, best of breed research and development department. Netas also plays an important role in the modernization of the Turkish Armed Forces defense communication networks.

Netas provides extensive and goal oriented services, ranging from technology consultancy to post-sale assistance for government entities, companies and defense contractors in the Asia-Pacific, CIS and North African territories.

As of June 30, 20201, Netas' majority shareholders were **ZTE Cooperatief U.A.** ("ZTE Cooperatief") with 48,05% and The **Turkish Armed Forces Foundation** with 15%. The remaining shares of 36,95% are traded on Borsa Istanbul (BIST).

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## ACCOUNTING PRINCIPLES

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The Company maintains its books of account in accordance with accounting principles set by Turkish Commercial Code ("TCC") and tax legislation.

The subsidiaries in foreign countries prepares their accounting and financial tables in their currency and according to the laws and regulations of their countries.

The consolidated financial statements and disclosures have been prepared in accordance with the communique numbered II-14.1 "Communique on the Principles of Financial Reporting in Capital Markets" ("the Communique") announced by the Capital Markets Board (CMB) (hereinafter will be referred to as "the CMB Accounting Standards"). on 13 June 2013 which is published on Official Gazette numbered 28676.

The attached financial statements in this announcement comprise the profit and loss statement for the period ended 30.06.2021 and 30.06.2020 and balance sheet for the period ended 30.06.2021 and 31.12.2020.

## ENQUIRIES

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For financial reports and further information regarding Netas, please visit our website at [www.netas.com.tr](http://www.netas.com.tr) or you may contact;

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