



**NETAŞ TELEKOMÜNİKASYON A.Ş**

**1Q 2021**

**EARNINGS RELEASE**

GENEL- PUBLIC

## 1Q 2021 SUMMARY

### 1Q 2021 Summary;

- ❑ Consolidated orders booked was 390 million TL with a 49% increase,
- ❑ Sales Revenues increased by 62% and reached to 492 million TL,
- ❑ Order on Hand was 1.2 billion TL with 30% growth.

In 1Q21, the Company's orders, orders on hand and sales revenues increased significantly. While sales revenues grew by 62% and reached 492 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 1Q21 was 17 million TL, while EBITDA was negative 15 million TL in the same period.

## FINANCIAL HIGHLIGHTS

TL Million	Q1 2021	Q1 2020	y/y %
<b>Revenue</b>	<b>492</b>	<b>304</b>	<b>62%</b>
Cost of Sales	(475)	(274)	73%
<b>Gross Profit</b>	<b>17</b>	<b>30</b>	<b>(43%)</b>
<i>Gross margin %</i>	<i>3%</i>	<i>10%</i>	<i>(643)</i>
<b>Operating Expenses</b>	<b>(57)</b>	<b>(41)</b>	<b>38%</b>
General Administrative Expenses	(28)	(17)	63%
Sales, Marketing & Distribution Expenses	(24)	(24)	-
Research & Development Expenses	(6)	(1)	520%
Incentives	0	1	-
<b>EBIT</b>	<b>(40)</b>	<b>(10)</b>	<b>302%</b>
<i>EBIT margin %</i>	<i>-8%</i>	<i>-3%</i>	<i>(483)</i>
Depreciation	24	17	43%
<b>EBITDA</b>	<b>(15)</b>	<b>7</b>	<b>(314%)</b>
<i>EBITDA margin %</i>	<i>-3,1%</i>	<i>2%</i>	<i>(547)</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

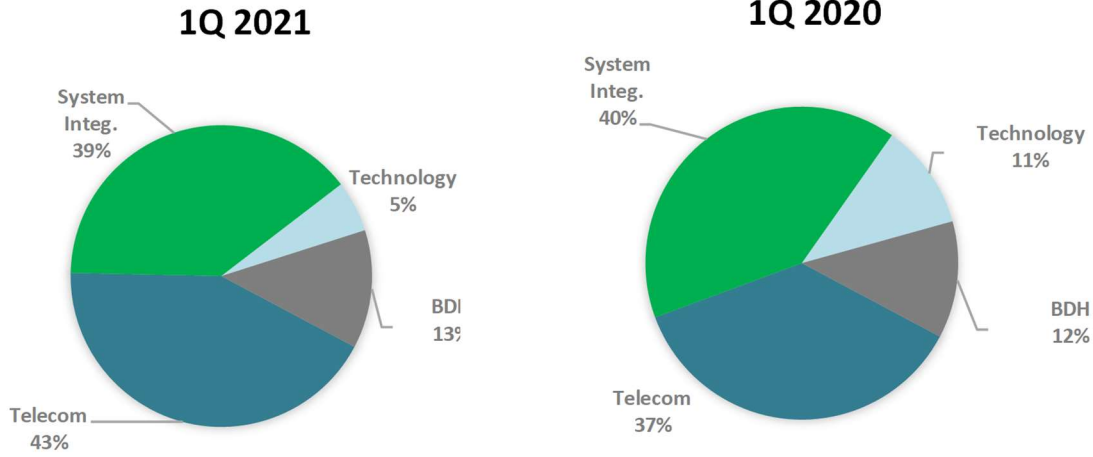


### Orders & Sales Revenue

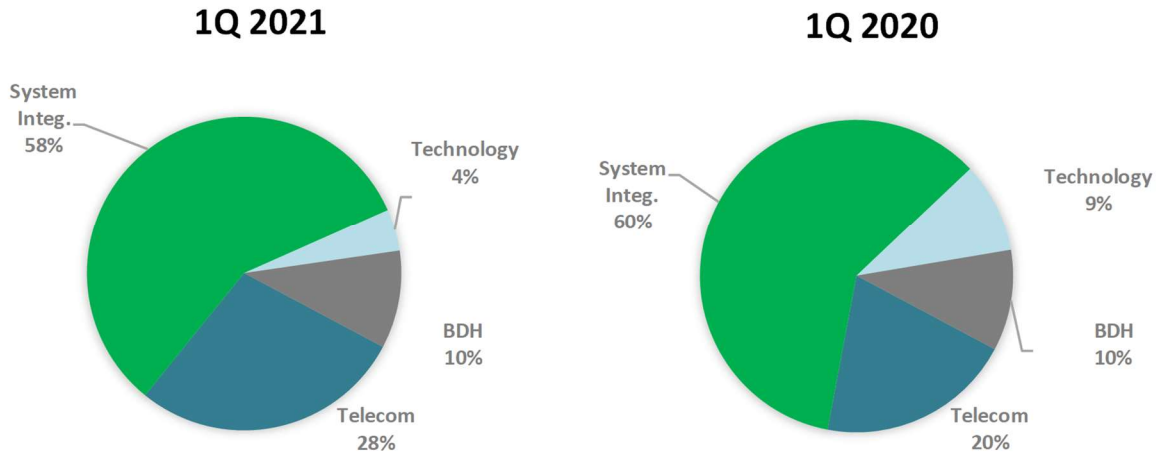
**Orders:** Orders booked in the first quarter of 2021 increased 49% year over year and recorded as 390 million TL (53 million USD). Orders on hand were realized as 1.2 billion TL (162 million USD) in 1Q21, with a 30% growth.

**Sales Revenue:** In 1Q21 Consolidated Group revenues was recorded at 492 million TL with a sharp 62% increase, y-o-y.

### Orders Breakdown



### Revenues Breakdown



## 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;

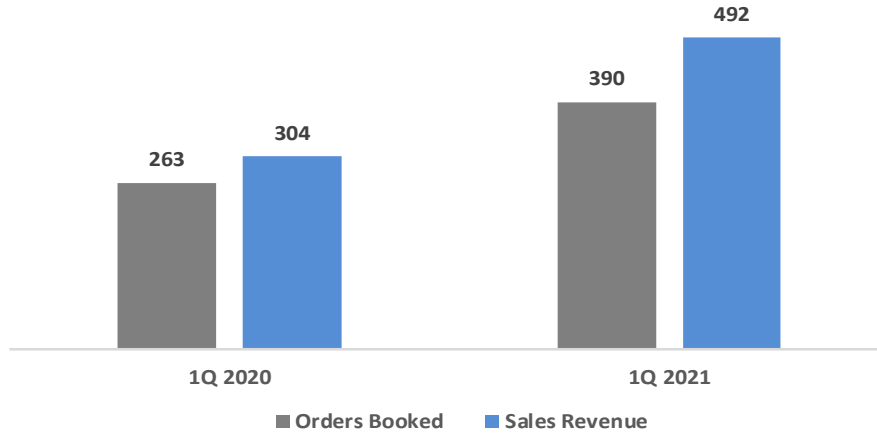
- Telecom
- System integration
- Technology
- BDH

Group's consolidated order booking performance was reported as 390 million TL in 1Q 2021 with a sound 49% increase from 263 million TL in the same period of the previous year. Telecom segment was the main contributor to booked orders.

While the telecom segment has the largest share with 43% in the total orders received, it also stands out as the segment with highest y-o-y growth. Orders received from the telecom segment increased by 43% in the first quarter of 2021. System integration followed telecom segment with a share of 39% in orders. Telecom and system integration segments made up 82% of the Group's consolidated orders.

The consolidated sales revenues of the Group increased by 62% on an annual basis in 1Q21 and rose from TL 304 million to TL 492 million.

System integration was the main contributor among all segments with its 58% share in total sales revenues and it was followed by the telecom segment with its 28% share.



Group's gross profit margin which was 10% in the first quarter of the previous year was realized at 3% in 1Q21. Recent conditions created by the pandemic, the increasing competitive pressure and the cost hikes in parallel with the increases in exchange rates were effective in the decline in the gross profit margin.

Having achieved a net financial income of 4.9 million TL in 1Q20, the Group recorded a net financial income of 23.7 million TL in 1Q21. The main reason for higher financial income was foreign exchange gains of 51 million TL with a 55% y-o-y increase.

In its meeting dated 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.

With the contribution of income from investment activities and net financing income, the Group's pre-tax loss for the current period decreased by 28% compared to the same period of the previous year and realized at the level of 17 million TL, and the Group announced a net loss of 5 million TL in the first quarter of 2021.

## DEBT STRUCTURE & NET WORKING CAPITAL

Group's cash and cash equivalents was 246.8 million TL in 1Q21.

Net debt of the Group was at 424 million TL (51 mn USD) as of end 1Q21. In 2020 year-end, net debt was standing at 219 million TL (30 mn USD).

(million TL)	Consolidated Total Financial Debt	Cash and Cash Equivalents	Net Debt
1Q 2021	670,7	246,8	423,9
YE2020	526,5	307,2	219,3

In 1Q21, the Group's total financial debt stood at 670.7 million TL, 58% of which is in TL, 34% is in US Dollars and the remaining 8% is in Euro. As of March 31, 2021, 97% of the Group's total consolidated financial debt has a maturity less than one year.

1Q21	TL mn.	USD mn.
Short Term Financial Debt (Bank Loans)	649,6	78,0
Long Term Financial Debt (Bank Loans)	21,0	2,5
<b>Total Debt</b>	<b>670,7</b>	<b>80,6</b>

Group's net working capital\* (incl. non-current trade receivables and trade payables) requirement for the financing of continuing projects was realized as 568 million TL as of 1Q21 (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

1Q 2021 (Million TL)	System					Total
	Telecom	Integration	Technology	BDH	Unallocated	
Orders Booked	166,1	153,4	21,4	49,6	-	390,5
Sales Revenue	138,0	282,8	21,4	49,6	-	491,8
Cost of Sales	(132,0)	(278,9)	(22,7)	(41,1)	-	(474,6)
Gross Profit	6,1	3,9	(1,3)	8,5	-	17,2
Sales, marketing and distribution expenses	(7,5)	(10,1)	-	(6,0)	-	(23,7)
General administrative expenses	-	-	-	-	(27,7)	(27,7)
Research and development expenses	-	-	(5,6)	-	-	(5,6)
<b>Operating profit/ (loss) of segment</b>	<b>(1,4)</b>	<b>(6,2)</b>	<b>(6,9)</b>	<b>2,5</b>	<b>(27,7)</b>	<b>(39,8)</b>
<b>Operating profit margin</b>	<b>-1%</b>	<b>-2%</b>	<b>-32%</b>	<b>5%</b>		<b>-8%</b>

1Q 2020 (Million TL)	System					Total
	Telecom	Integration	Technology	BDH	Unallocated	
Orders Booked	96,0	106,1	28,6	31,7	-	262,5
Sales Revenue	61,4	182,5	28,6	31,7	-	304,3
Cost of Sales	(58,4)	(170,5)	(25,6)	(19,6)	-	(274,1)
Gross Profit	3,0	12,0	3,0	12,2	-	30,2
Sales, marketing and distribution expenses	(5,0)	(13,7)	-	(4,8)	-	(23,5)
General administrative expenses	-	-	-	-	(17,0)	(17,0)
Research and development expenses	-	-	(0,9)	-	-	(0,9)
<b>Operating profit/ (loss) of segment</b>	<b>(2,0)</b>	<b>(1,7)</b>	<b>2,1</b>	<b>7,4</b>	<b>(17,0)</b>	<b>(11,2)</b>
<b>Operating profit margin</b>	<b>-3%</b>	<b>-1%</b>	<b>7%</b>	<b>23%</b>		<b>-4%</b>

### Telecom Segment

Volume of the telecom segment is growing with the contribution of projects received with ZTE products. Orders booked of telecom segment increased 73% y-o-y in 1Q21 and reached 166 million TL. Sales revenue of the segment was up by 125% y-o-y and realized as 138 million TL. The share of the telecom segment in total sales was realized as 28%, 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 6.1 million TL.



### System Integration

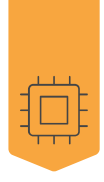


In 1Q21, received orders and sales revenues for the system integration segment increased by 45% and 55%, respectively. While the order amount of the relevant segment was realized as 153 million TL, the system integration segment made up the biggest part of the consolidated sales with its sales revenues of 283 million TL and had a share of 58% in total sales. The gross profitability of the relevant segment was TL 3.9 million in 1Q21.



## Technology Segment

In the technology segment, the amount of orders received and sales revenues decreased by 25% in the first quarter of 2021 to TL 21.4 million. Drop in the related segment has occurred due to the sale of NetRD in the first quarter of 2021.



## BDH



The amount of orders received and sales revenues of BDH increased by 56% y-oy- and realized as 49.6 million TL. The segment made the biggest contribution to the gross profitability of the Group with a gross profit of 8.5 million TL. The relevant segment also stood out as the segment with the highest operating profit margin with an operating profit margin of 5%.

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

(TL)	1Q 2021	2020 YE
Cash & Cash Equivalents	246.831.667	307.221.733
Trade Receivables	1.087.458.481	1.067.144.759
Other Receivables	30.628.446	571.632
Inventories	180.640.639	183.412.626
Contract Assets Rel. to Goods and Services Pro.	246.835.739	173.169.862
Other Current Assets	157.404.075	75.159.780
<b>Total Current Assets</b>	<b>1.949.799.047</b>	<b>1.806.680.392</b>
Trade Receivables	30.946.353	26.953.350
Property, Plant and Equipment	84.123.891	106.867.551
Right of Use Assets	46.747.093	48.320.124
Financial Investments	8.066.196	6.837.555
Intangible Assets	314.217.436	254.299.756
<i>Goodwill</i>	152.599.827	134.537.477
<i>Other intangible assets</i>	161.617.609	119.762.279
Associates	12.191.952	11.507.883
Deferred Tax Assets	0	0
Other Non-Current Assets	195.243.547	149.627.468
<b>Total Non-Current Assets</b>	<b>691.536.468</b>	<b>604.413.687</b>
<b>Total Assets</b>	<b>2.641.335.515</b>	<b>2.411.094.079</b>
(TL)	1Q 2021	2020 YE
Short Term Financial Liabilities	668.267.962	520.299.949
Bank Loans	649.639.195	505.122.861
Lease Liabilities	18.628.767	15.177.088
Trade Payables	887.610.740	886.418.679
Other Payables	4.804.860	40.309.890
Employee Benefit Obligations	54.750.798	31.526.502
Liabilities Arising From Customer Contracts	98.220.819	114.103.140
Short Term Provisions	29.063.625	40.210.587
Deferred Revenues	91.754.120	70.607.087
Current Tax Liabilities	-	2.616.637
<b>Total Short Term Liabilities</b>	<b>1.834.472.924</b>	<b>1.706.092.471</b>
Long-Term Financial Liabilities	69.396.537	65.608.465
Bank Loans	21.049.578	21.376.420
Lease Liabilities	48.346.959	44.232.045
Trade Payables	0	-
Provisions	36.083.659	34.913.181
Deferred Tax Liabilities	37.406.047	18.708.917
<b>Total Long Term Liabilities</b>	<b>142.886.243</b>	<b>119.230.563</b>
<b>Total Equity</b>	<b>660.574.819</b>	<b>585.075.637</b>
<b>Non-Controlling Interest</b>	<b>3.401.529</b>	<b>695.408</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>2.641.335.515</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)	1Q 2021	1Q 2020
<b>SALES REVENUE</b>	<b>491.776.619</b>	<b>304.329.367</b>
Cost of Sales (-)	(474.575.426)	(274.105.830)
<b>GROSS PROFIT FROM OPERATIONS</b>	<b>17.201.193</b>	<b>30.223.537</b>
Sales and Marketing Expenses (-)	(23.658.573)	(23.528.519)
General Administrative Expenses (-)	(27.698.744)	(16.990.302)
Research and Development Expenses (-)	(5.642.110)	(910.199)
Other Income from Operating Activities	7.138.481	5.675.613
Other Expenses from Operating Activities (-)	(44.063.109)	(23.622.992)
<b>OPERATING PROFIT / (LOSS)</b>	<b>(76.722.862)</b>	<b>(29.152.862)</b>
Income/(Expenses) from Investment Activities (net)	35.373.061	6.939
Income from Associates	248.410	15.582
<b>OPERATING PROFIT / (LOSS) BEFORE FINANCE INCOME/(E)</b>	<b>(41.101.391)</b>	<b>(29.130.341)</b>
Financial Income	51.497.108	33.022.727
Financial Expenses (-)	(27.829.142)	(28.108.520)
<b>PROFIT / (LOSS) BEFORE TAX</b>	<b>(17.433.425)</b>	<b>(24.216.134)</b>
Tax Income / (Expense)	11.985.598	21.146.216
- Current Tax (Expense) / Income	-	-
- Deferred Tax Income / (Expense)	11.985.598	21.146.216
<b>NET PROFIT / (LOSS)</b>	<b>(5.447.827)</b>	<b>(3.069.918)</b>
<b>EBITDA</b>	<b>(15.334.951)</b>	<b>7.164.517</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 March 31, 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 31.03.2020 and 31.03.2021 and balance sheet for the period ended 31.03.2021 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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