

NETAS

Architect of the Digital Future

Investor Presentation

**Vienna- Budapest Roadshow
September 27-28, 2017**

netas.com.tr

f NetasTR **NetasTR** **NetasTR**

in company/netas **blog.netas.com.tr**

Company Overview

Netas at a glance

50
years

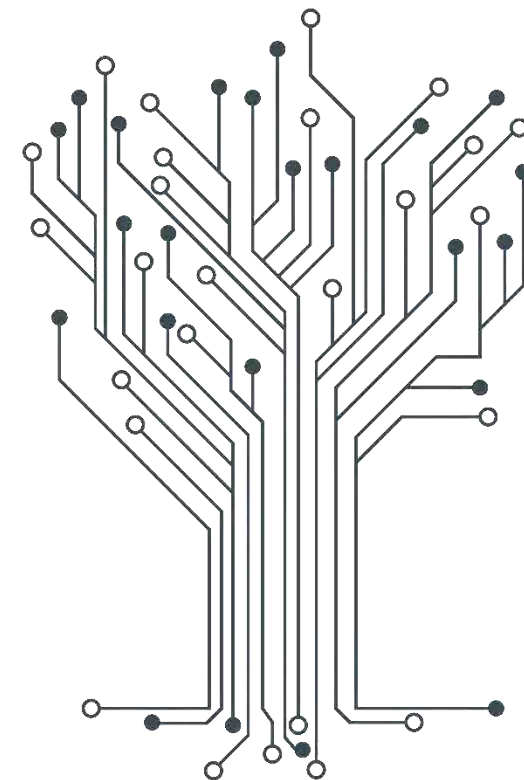
Turkey's #1 System Integrator

2015 & 2016 Top 500 ICT Companies Survey – “Systems Integrator Of The Year”



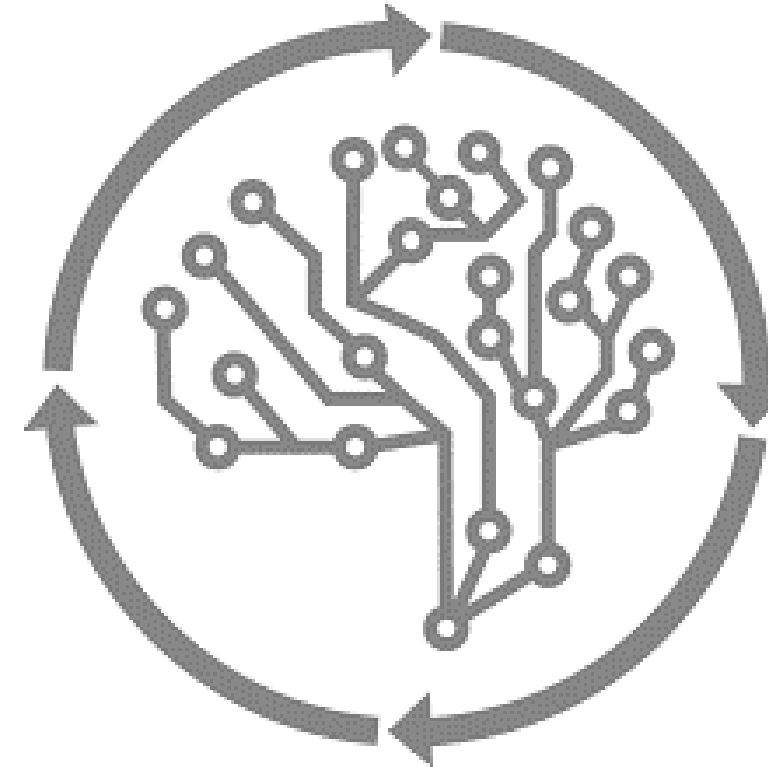
Solid R&D experience in IT sector

\$500M software exports within last 10 years
Turkey's 1st private R&D center (1973)



Strong service capacity

Ability to deliver services to all locations in 81 cities nationwide and beyond national



Regional Hub

Poised to act as «Regional Hub» for ICT markets across North Africa, Middle East and the CIS



Accelerating Footprint

International markets including Technology segment constitute 20% of our total sales revenue

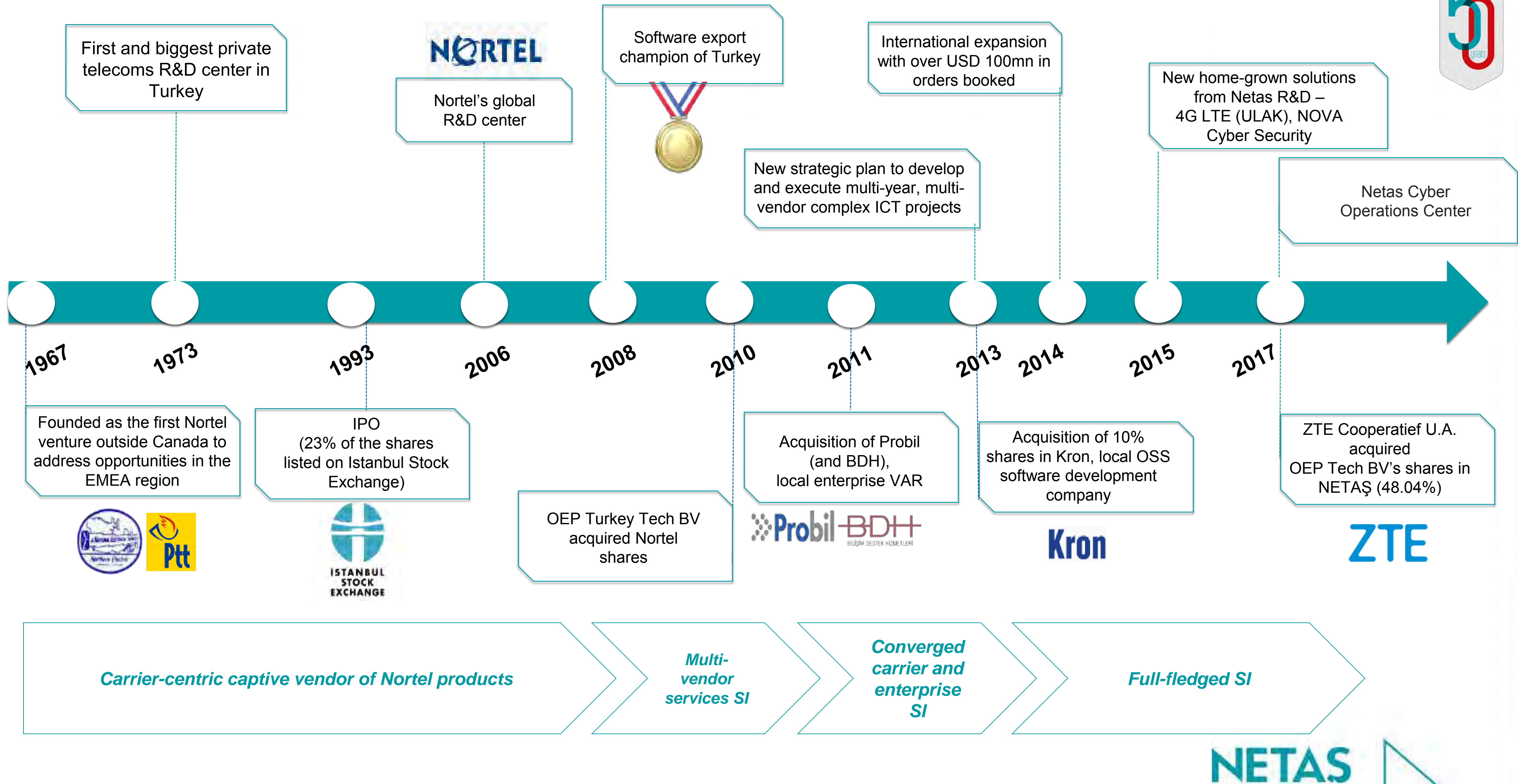


NETAS

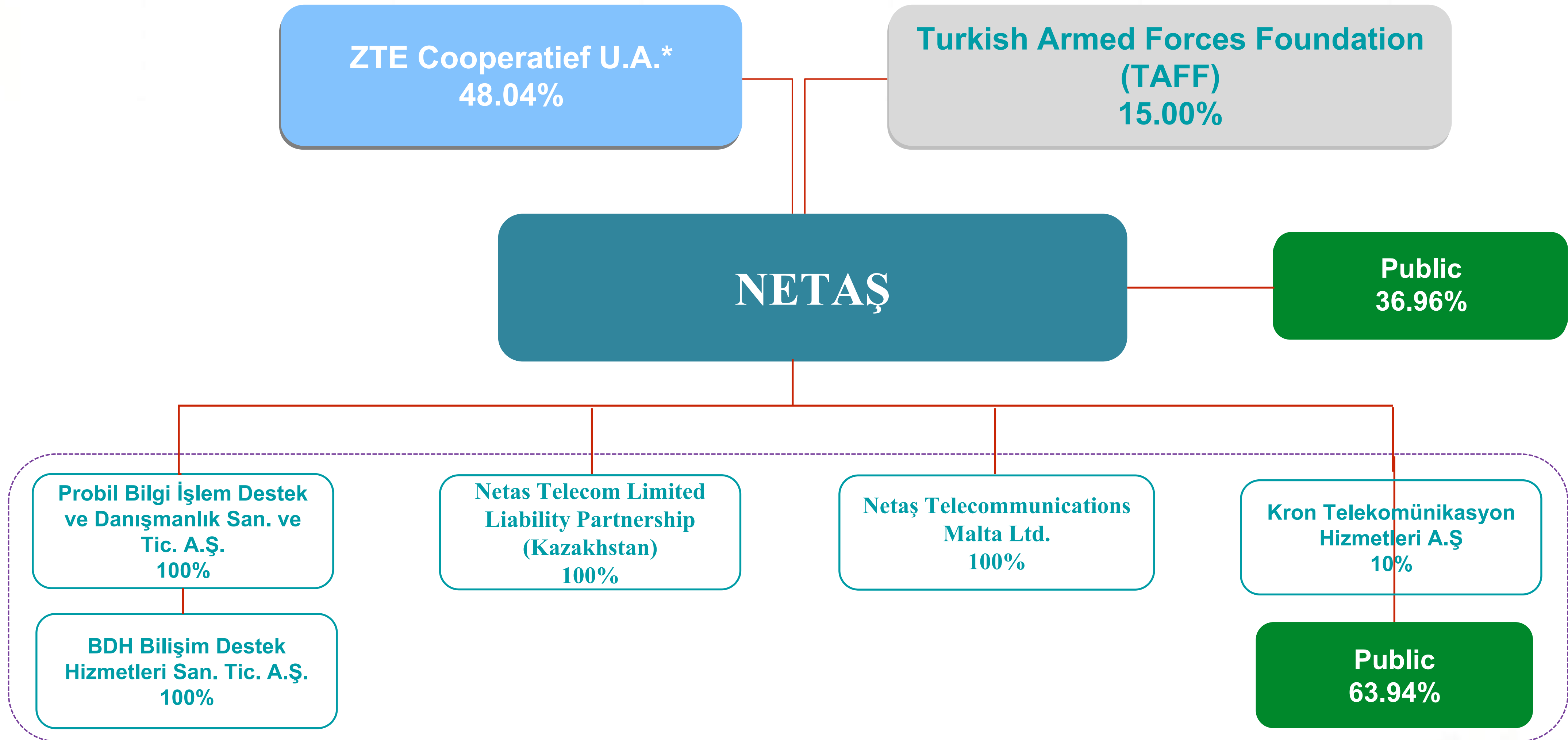
History

Operational

Corporate



Ownership Structure



About ZTE

ZTE Provides Products and Services in 160+ Countries

- 81K total resources- c. 30K in R&D.
- 107 global branches
- 8+1 global logistics centers, 15 global training centers
- 1 global customer center, 6 regional customer centers, 46 local customer centers
- More than 10K+ post sales resources, 3K+ local contracted partners
- Collaboration with **500+ Operators globally**
- China's first A to H listed company: **Shenzhen as an A-Share** Stock in 1997, **Hong Kong as an H-Share** Stock in 2004.
- ZTE's full-year revenue rose to **RMB 101.2 billion (USD 16.2 billion) in 2016**, bolstered by growth in the company's Carrier Networks and Consumer Businesses.
- ZTE has filed more than **1,500 5G-related patent applications** and **20K terminal-related patents globally**.
- As a **global leader in Pre5G** commercialization and 5G technology, ZTE released full range of 5G pre-commercial base stations, accelerating 5G industrialization.
- ZTE signed **strategic partnerships on 5G development** with the world's top telecommunications carriers including SoftBank, Korea Telecom, Telefonica, Deutsche Telekom, U Mobile, China Mobile, China Unicom and China Telecom.

Commitment to Employees, Environment and Society



Bringing
You Closer



Fair Business
Practices



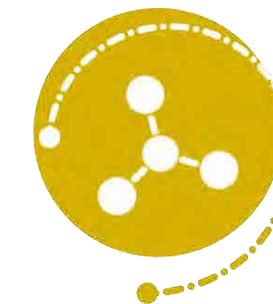
Environmental
Protection



Societal Good



Caring Employer



Socially Responsible
Supply Chain

NETAS

ZTE as NETAŞ' Shareholder

✓ One of the biggest technology development investments in Turkey

This transaction will;

- strengthen Netas' product and service capabilities and support growth in Turkey and in international markets
- enhance ZTE's service capabilities to customers in Turkey as well as several key overseas market
- further strengthen Netaş' global software solutions business
- leverage ZTE global footprints
- give ZTE a regional hub to support operations in Turkey and neighboring countries

R&D collaborations with Netaş;

- ZTE's vision, knowhow and patent portfolio, along with Netaş' expertise in VoIP, IT, GSM-R, cyber security and other technologies, will bring more exciting solutions and breakthroughs to the ICT industry
- ZTE will assist Netaş to strengthen its R&D capabilities and support Netaş' current 4.5G solutions to make ULAK more competitive globally
- Netaş will not only have access to ZTE's solutions developed for telecom service providers, public sector institutions and consumers, it will also carry its innovative solutions such as IoT platform to ZTE's global customer base
- Netaş and its customers will also benefit from ZTE's existing project financing agreements

✓ Netaş will remain committed to its corporate values, to delivering the best value and service levels to clients, to working closely with existing suppliers and to nurturing developed-in-Turkey innovations

✓ ZTE has a long-term strategy in Netaş and Turkish ICT market

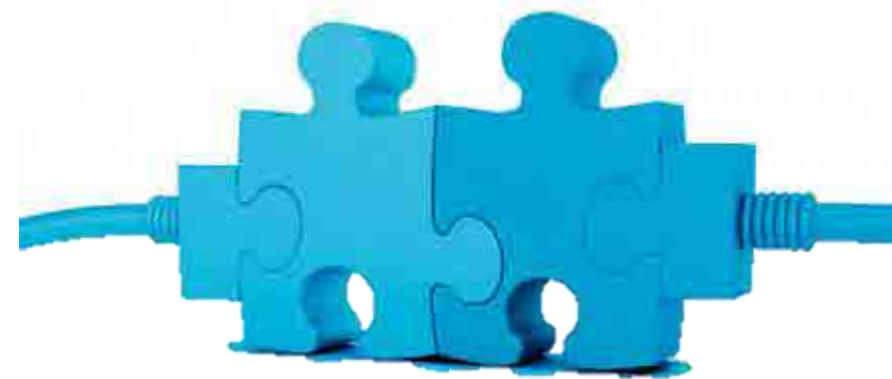
NETAS

Business Overview

Business Focus Area

End to end SI

- ✓ Full solution sales with services attached
- ✓ Technology consultancy



Complex multi-year multi-million dollar transformation projects delivered

Tailored for customers

Services

- ✓ Managed Services
- ✓ Deployment and I&C
- ✓ Support/Maintenance
- ✓ Warranty, repair



Servicing customers across Turkey and the Region as per SLA's and high quality standards

Widespread & Reliable

Innovation

- ✓ Own Products & Solutions
- ✓ Custom Software & Application
- ✓ Homegrown 4G LTE solution

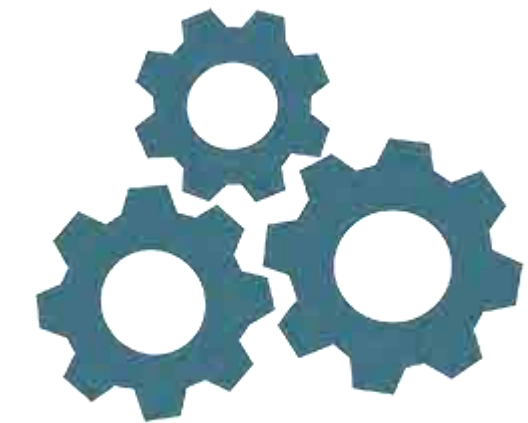


Constant innovation & championship in patent applications – applied for 220 patents in the last 3 years

700+ R&D engineers

Manufacturing

- ✓ Telco hardware – firmware – software production in niche verticals
- ✓ Repair center



Development of Hardware & software and customized products in 10K sqm facility

As per global standards

50
years

NETAS

Strong R&D Technology Know-how



Commercial and Academic R&D Output



220

patent
applications
in the last
3 years



\$500M

software exports
in the last
10 years

Technology Know-how

Cyber Security

Internet of Things

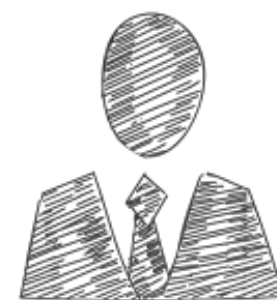
Multimedia

Mobile Broadband (4.5/5G)

**Defense Communication
Solutions**

Application Development

Competent Workforce



700 +
R&D
engineers

Age
Average
33

National and International Partnerships

Vice Chairman of the Board of Celtic Plus

European Union Networld 2020 Board Member

ETSI membership / oneM2M studies

5GIA Membership

4 Celtic Plus, 4 ITEA3, H2020 ongoing projects

4.5G Base Station "ULAK" Consortium

**90 collaborations with 18 Different European
Countries within the scope of European Union
Cooperation (62 institutions - 28 universities)**

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Strong R&D Technology Know-how

50
years

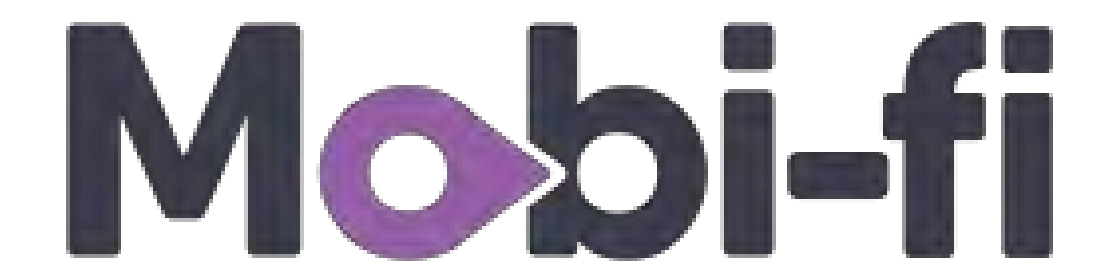
Recently Commercialized R&D Products



Video Communications Platform



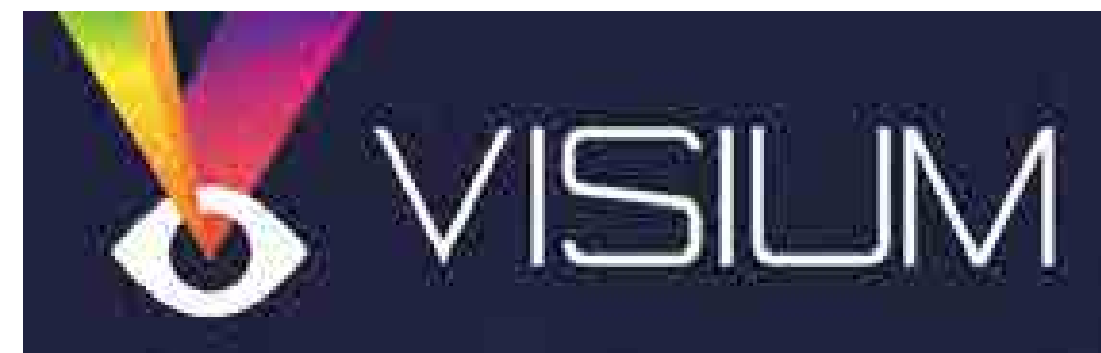
Smart Grid Solutions



Field Management Solutions



Cyber Security Solutions



Mobile Test Automation



Next Generation IoT Solutions

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Technology Ecosystem and Strategic Partnerships

50
years



SAMSUNG

AVAYA

ARBOR
NETWORKS



vmware[®]

FORTINET[®]

THALES



HITACHI

ORACLE[®]



100 +
partnerships with marquee vendors...

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International Markets

Technology Exports to 50 customers in 70 cities

50
years

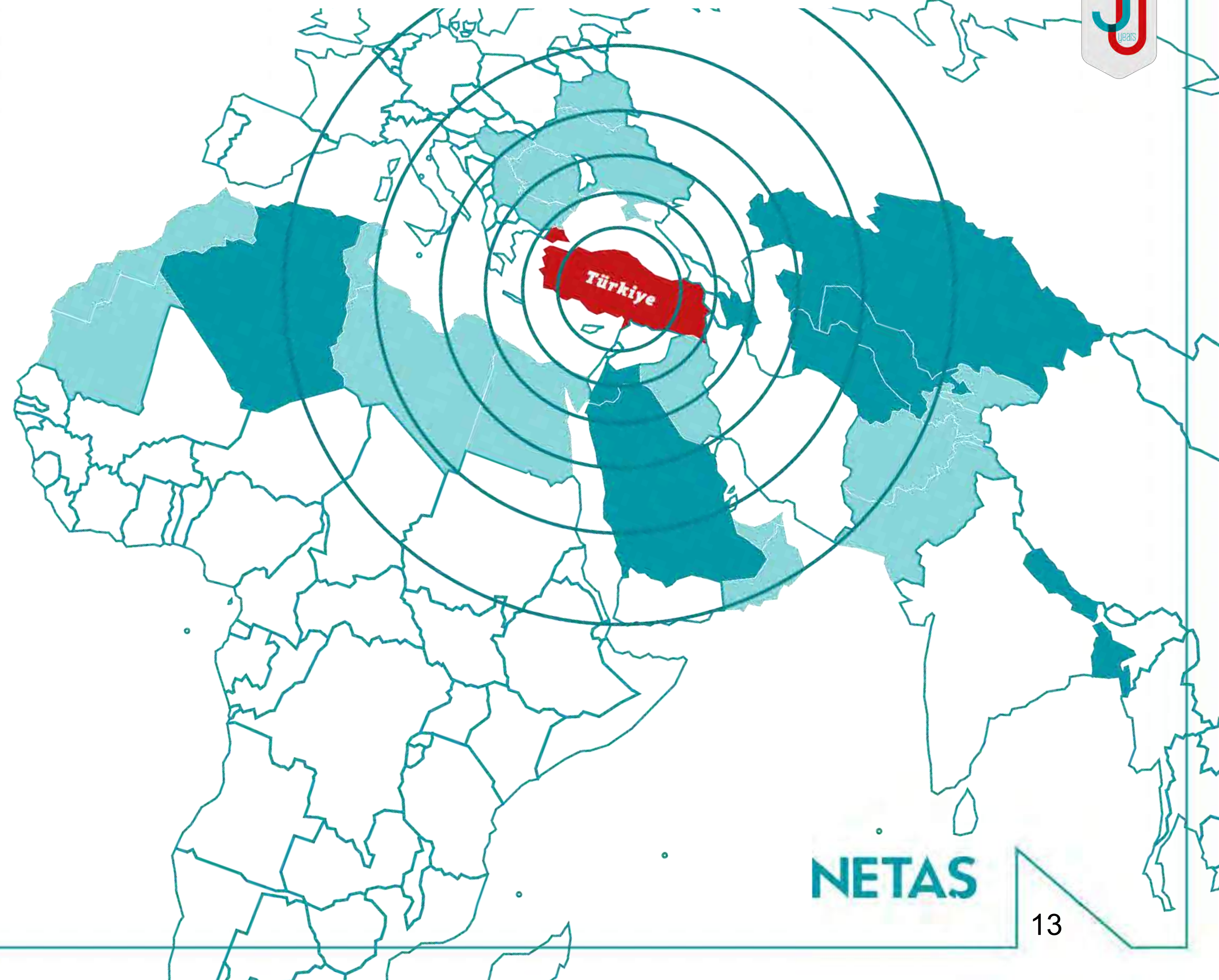
**Reputable and trusted
brand in the region**

Main Territories

North Africa,
Turkic Republics
and Asia Pacific

Major Projects

- Significant projects with government entities, mobile operators and enterprises in Algeria
- Optic infrastructure deployment in Bangladesh
- IP infrastructure solutions provided to telecom operators in Kazakhstan, Uzbekistan, ...
- Data center and next generation technology solutions & services project at Africa's #1 oil and gas company



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Selected Smart Projects

Vertical Sector Focus

50
years

Telco



Providing services to major **telecom service providers in Turkey**. Also serving major operators in the **CIS, North Africa and Bangladesh**

Public



Preferred ICT provider to the Turkish **government & public safety ecosystem**; large share of wallet in major public ICT projects. Strong footprint outside **Turkey**, including contracts with the **Algerian Ministry of National Defense**

Finance



Addressing majority of the IT infrastructure within major **banks & financial institutions in Turkey**; 5.000 bank branches being served nationwide

Sports and Entertainment



Executed the first **smart stadium** project for Turkish Football Federation in 44 football stadiums

Energy



Designing and delivering ICT solutions for the top **energy companies**

Retail & FMCG



70% share within the ICT infrastructure of Turkey's top **conglomerates**

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Sector Focused Smart Solutions

Public Sector

Disaster and Emergency Management

Managing multiple decision support mechanisms of the government from a single interface during disaster and emergency situations



Audio - Visual Unified Solutions

Increasing the effectiveness and efficiency of the Turkish judicial system with unified communications



Digital Transformation in the Educational System

Empowering the Ministry of Education within the scope of FATİH Project by providing best-of-breed ICT infrastructure and solutions



Sector Focused Smart Solutions



Finance

Unified Communication Solutions

Turkey's biggest cloud based unified communications project deployed at one of Turkey's leading banks



Aviation and Transportation

ICT Infrastructure at Istanbul New Airport

Establishment and operation of all information and communication infrastructure of Istanbul New Airport



Energy & Utilities

Energy Solutions

Automatic counter reading systems, smart grid solutions and IT infrastructure systems



Sector Focused Smart Solutions



Sports & Entertainment

Smart Stadiums

Smart stadium projects covering WiFi systems, stadium operation center, camera integrations, e-ticket solutions for 44 stadiums in 26 cities



Telecommunications

Network Optimization Services

Network optimization project with the leading mobile operator in Algeria



Energy

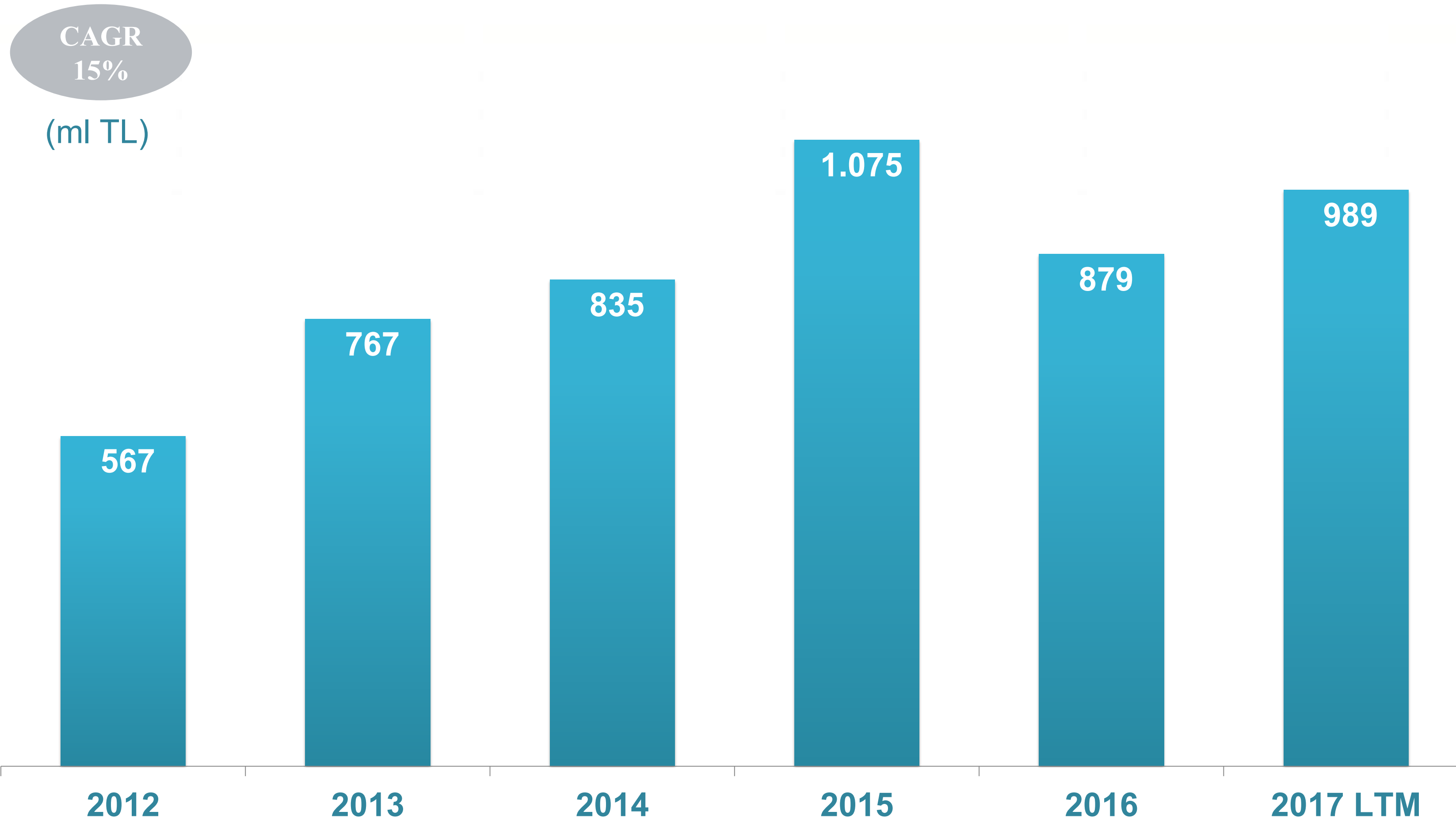
Cloud Technologies and Services Project

Next-generation data center solutions and related technology services to Africa's 1st, World's 11th biggest oil and gas company



Financial Review

Continued Order Booking Momentum

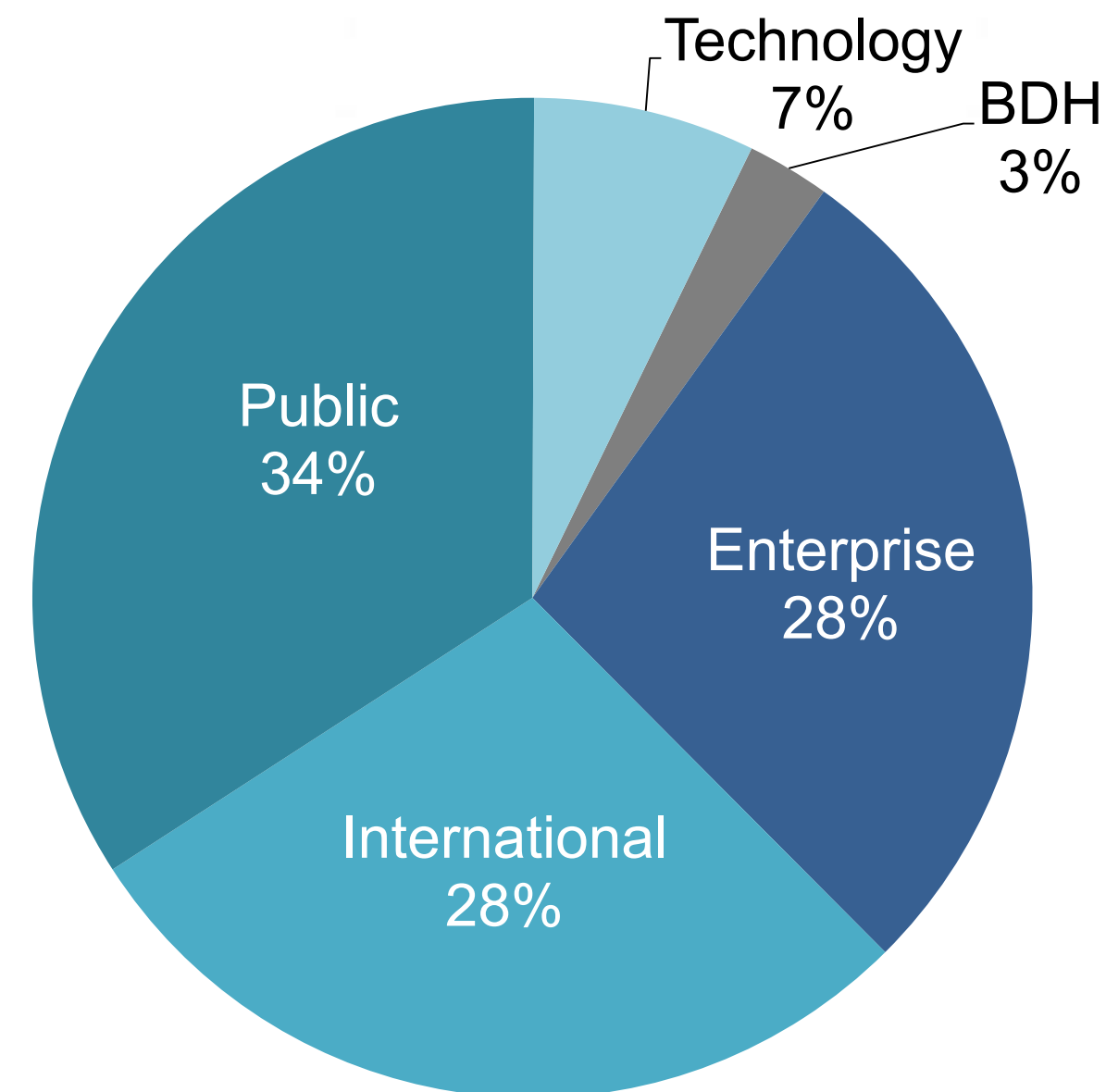


✓ Well diversified customer portfolio enabling order booking momentum

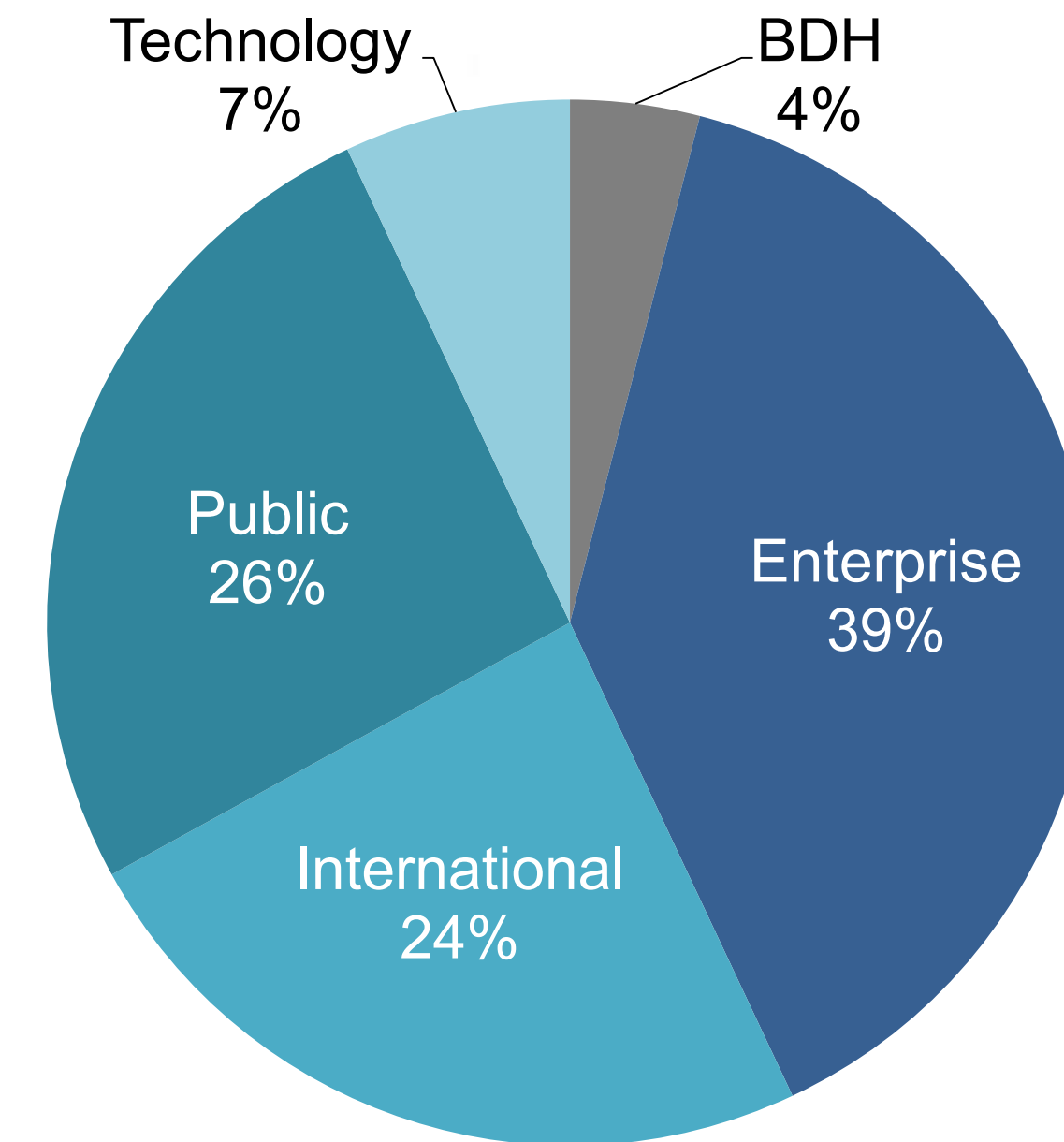
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Order Booking Breakdown (ml TL)

LTM 2017

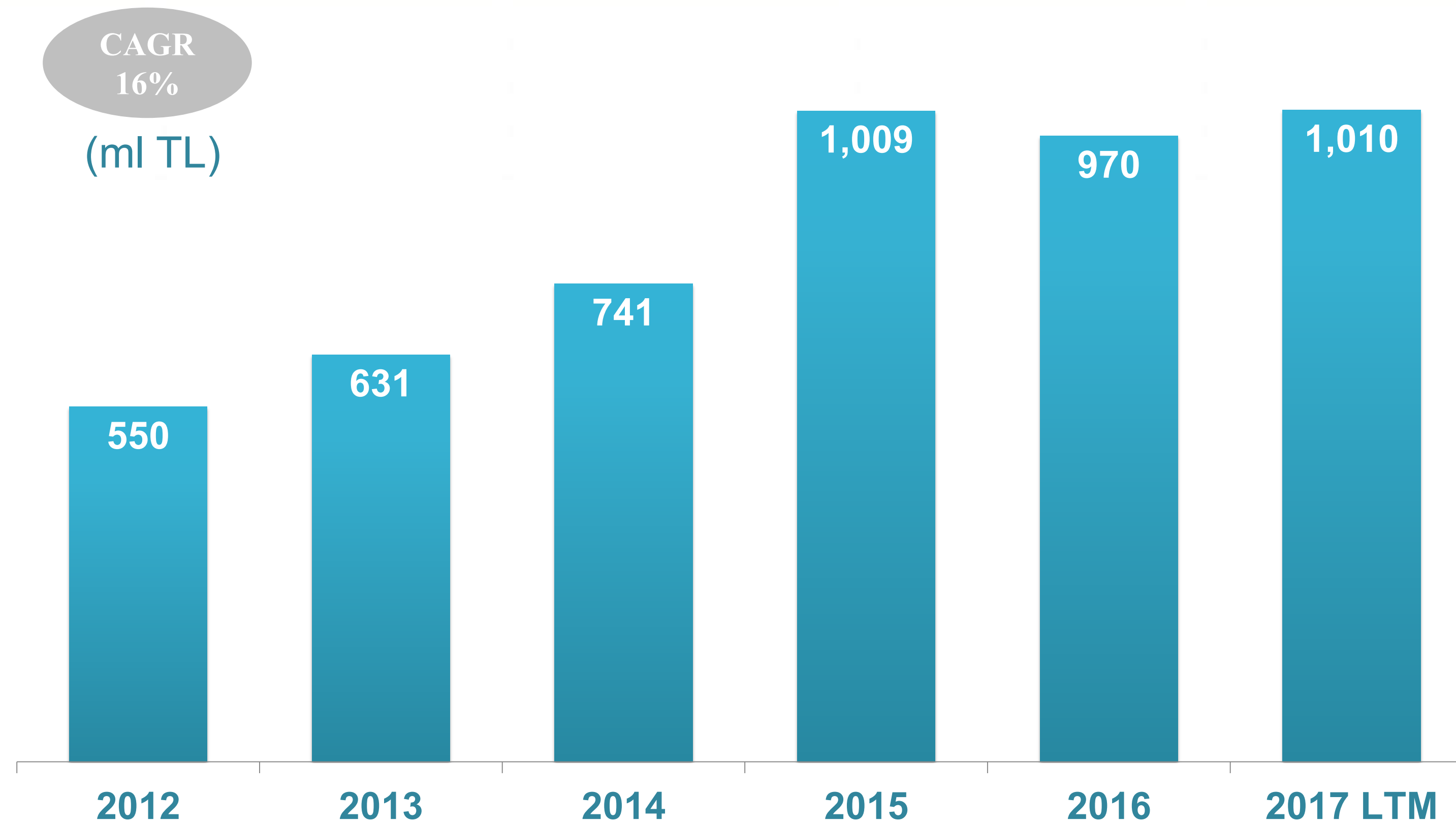


YE2016



- ✓ Consolidated order booking grew by 11% in 1H2017 vs YE2016 with the support of;
- IGA Project (€10.8 million) - installation and operation of the wired and wireless area networks
 - Project for Algerian Ministry of Defense (USD 19.5 million) - Phase 2

Strong Revenue Growth

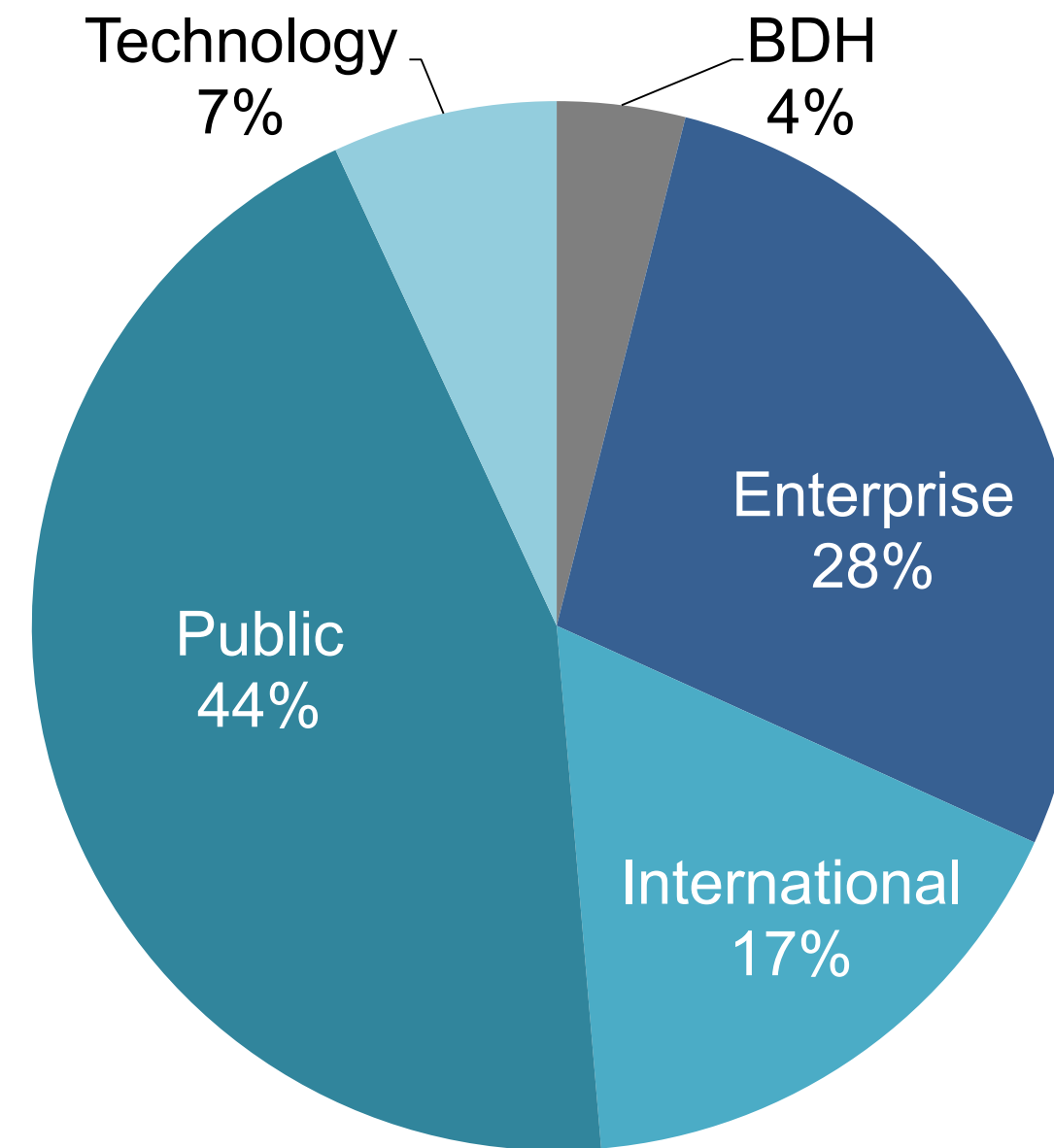


- ✓ Strong brand recognition
- ✓ Diversified business structure
- ✓ Strong backlog

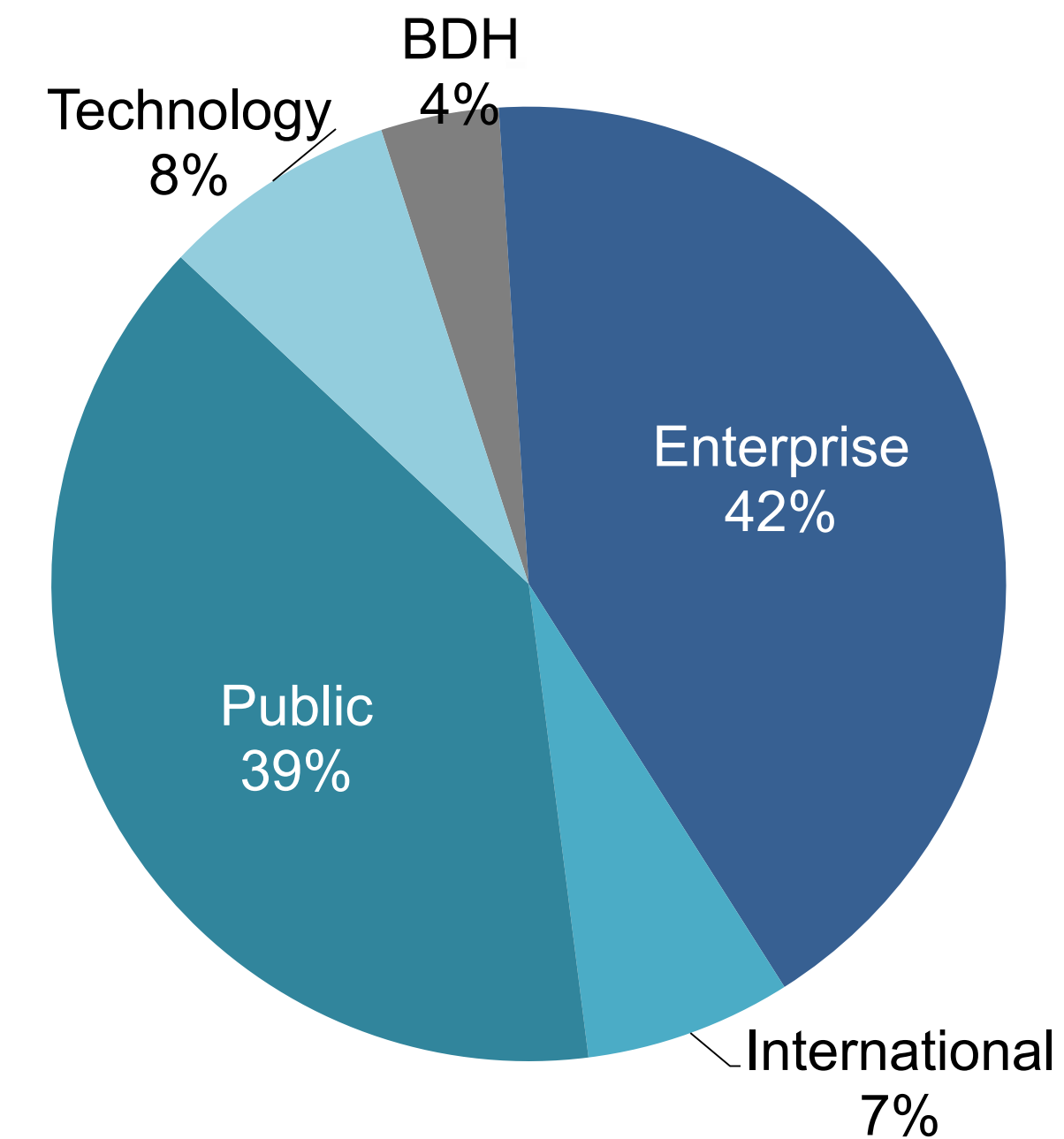


Revenue Breakdown (ml TL)

LTM 2017



YE2016



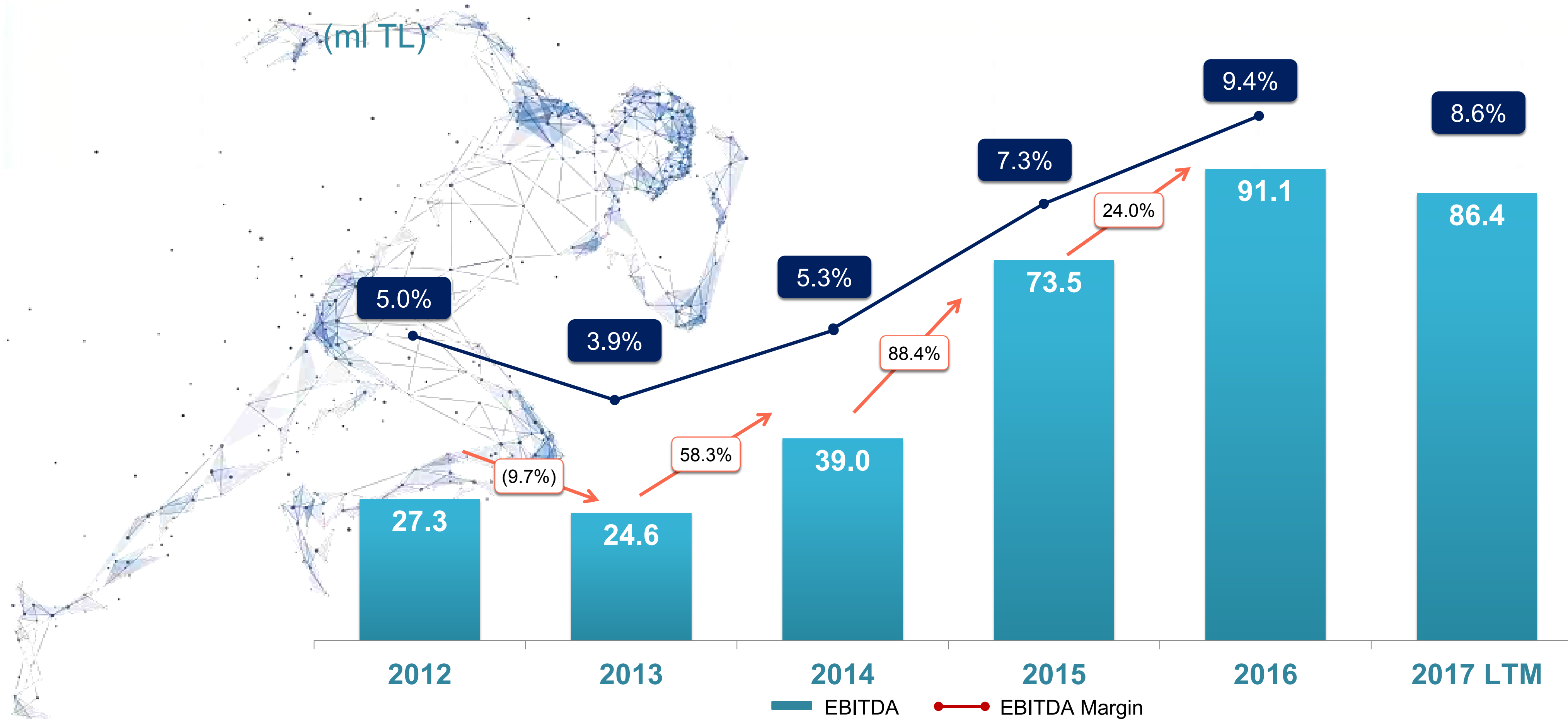
Major projects



- ✓ Increasing revenue performance in Enterprise and International segments
- ✓ Improvement in International's revenue by 342.6% in 1H2017
- ✓ Almost 15% of total revenue generated from International operations

Sustainable EBITDA Growth

50
years



✓ Substantial EBITDA margin increase by 211 bps as of YE2016

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Strong Balance Sheet

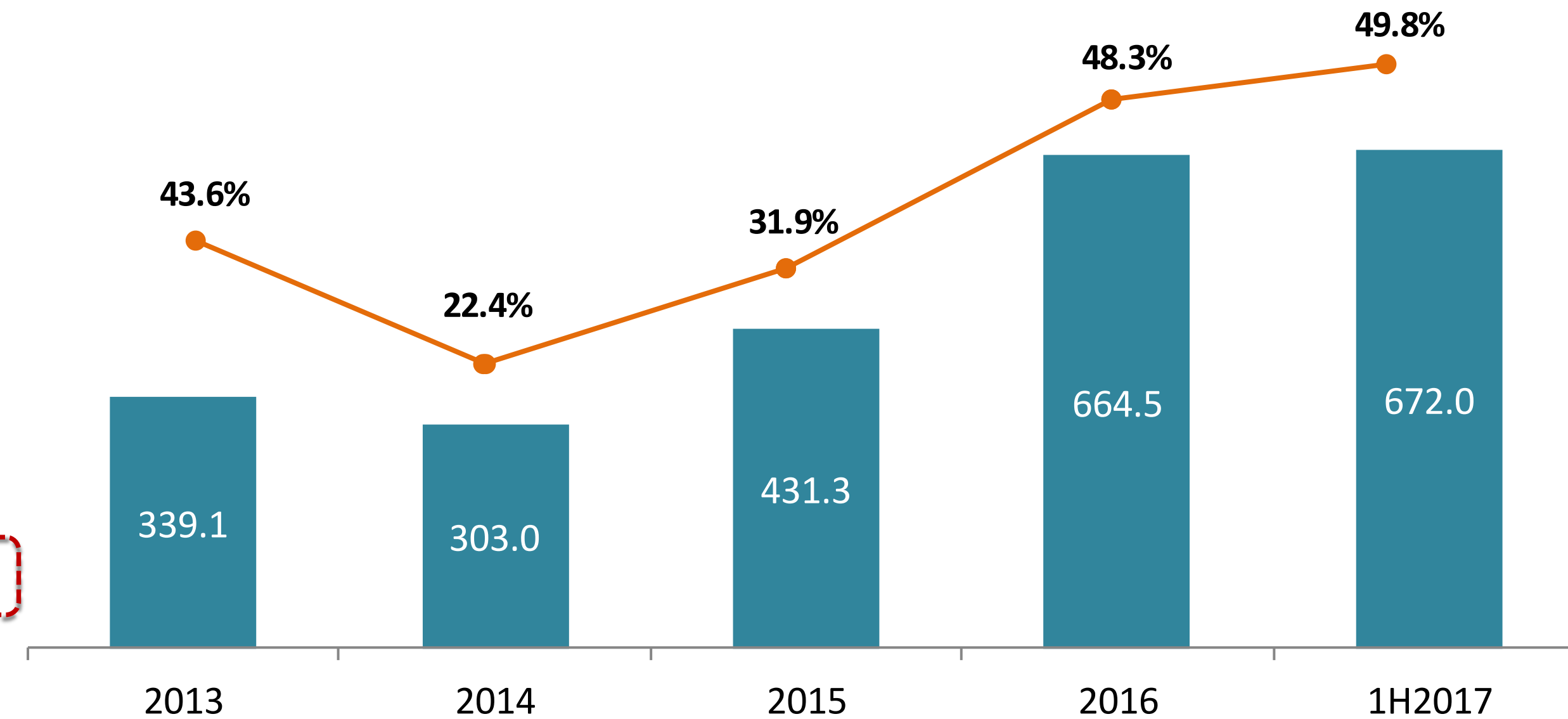
50
years

Balance Sheet (ml TL)

	1H2017	2016	2015
Cash & Cash Equivalents	63.9	115.6	200.0
Trade Receivables	791.5	786.3	700.0
Property, Plant and Equipment	36.8	40.2	40.0
Financial Investments	2.2	1.9	2.0
Intangible Assets	100.5	105.9	100.0
Total Assets	1349.9	1,375.5	1,042.0
Trade Payables	290.8	242.4	300.0
Total Equity	556.1	549.7	400.0
Total Liabilities and Shareholders' Equity	1,349.9	1,375.5	1,042.0
Current Ratio	1.4	1.4	1.4
Earnings per Share*	0.3453	0.2878	0.2500

* Earnings per share is calculated for last twelve months

Net Working Capital (ml TL)

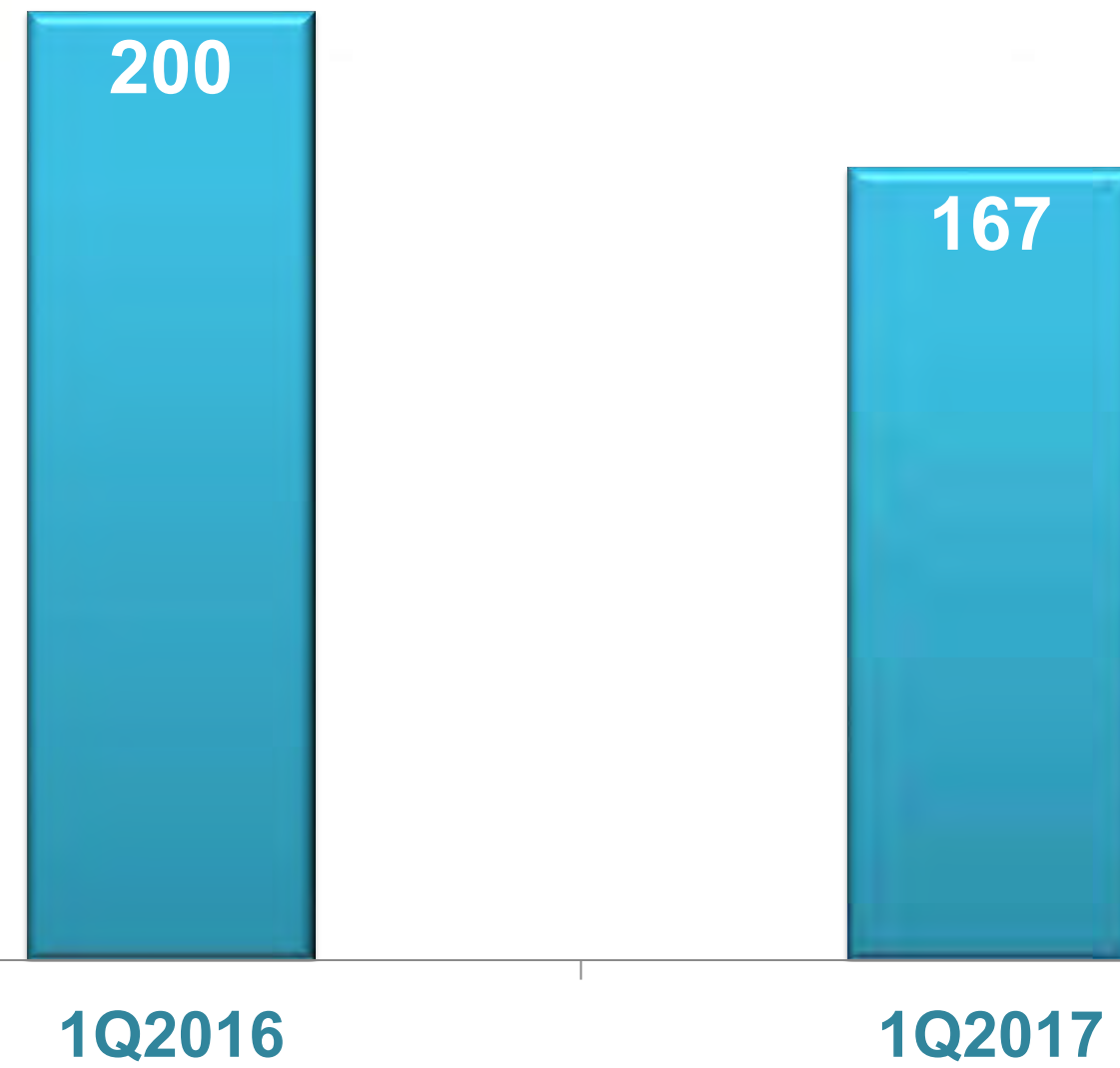


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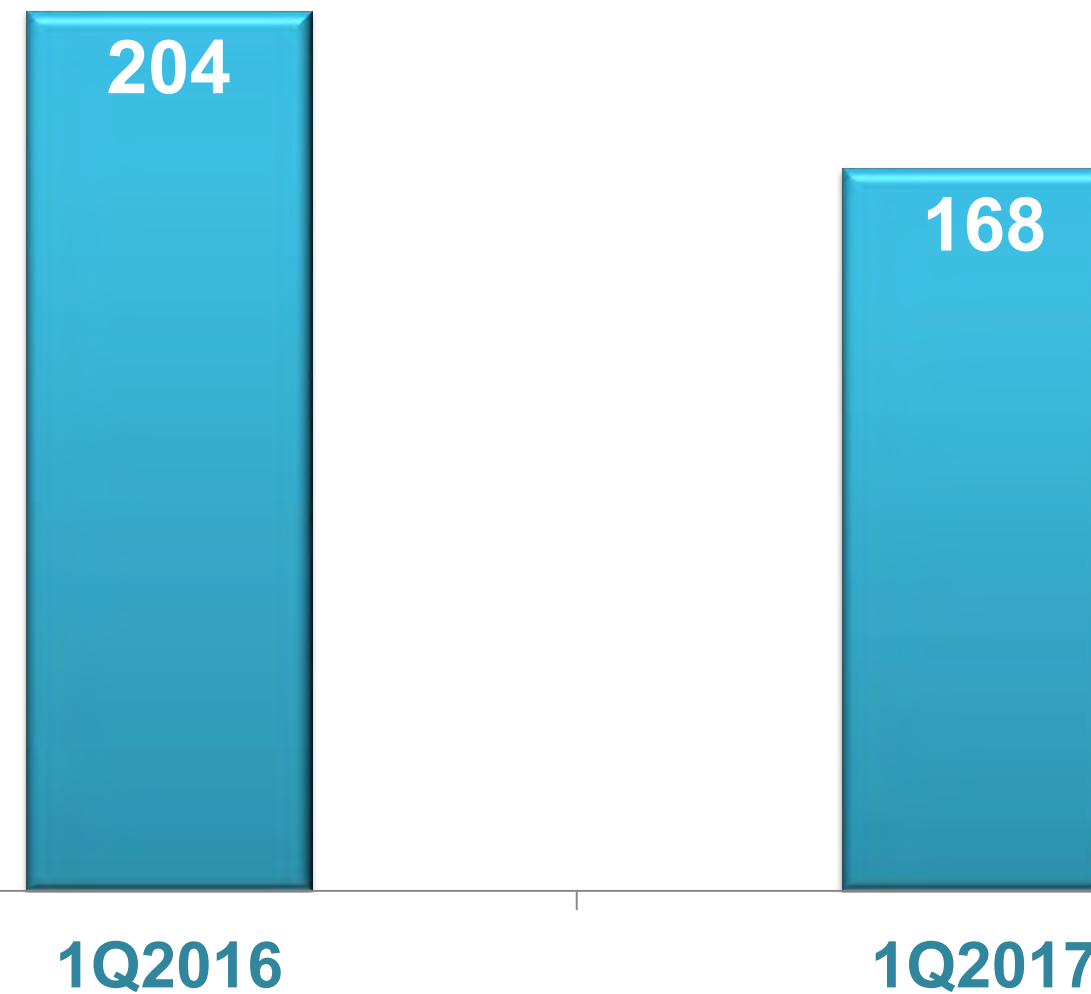
1Q2017 Results



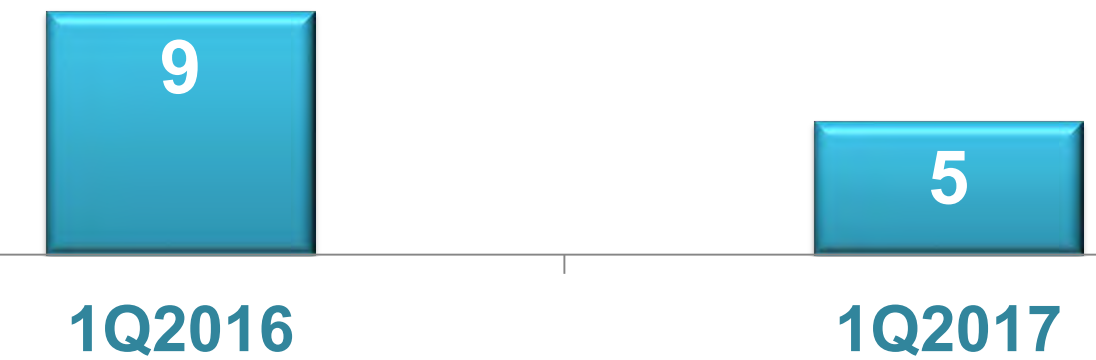
Order Booking Performance (ml TL)



Sales Revenue (ml TL)



EBITDA (ml TL)

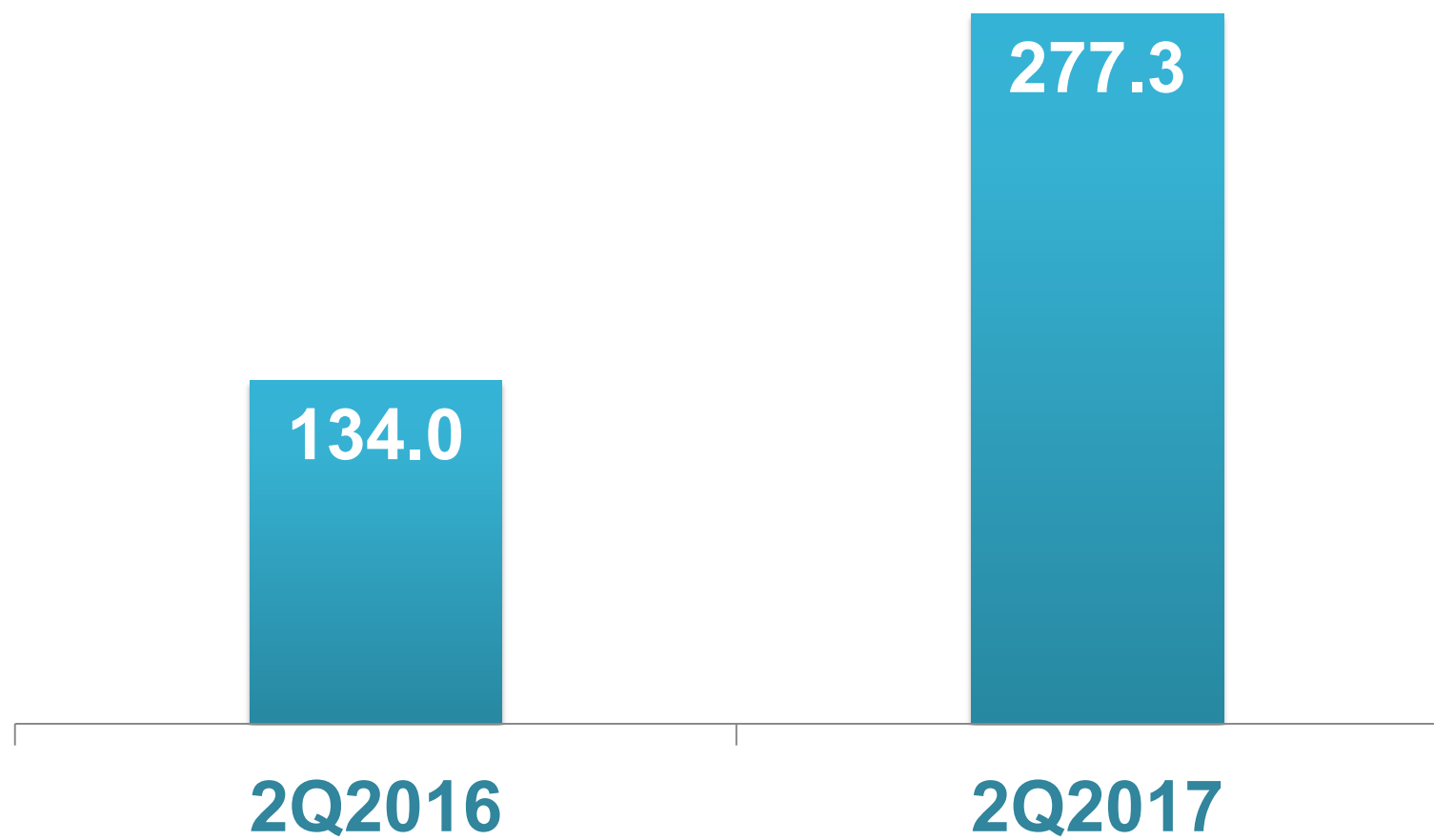


- ✓ Orders booked TL167.3 million (USD 45 million)
- ✓ Order booking performance of international segment up by 79.7%, enterprise segment up by 49.0%

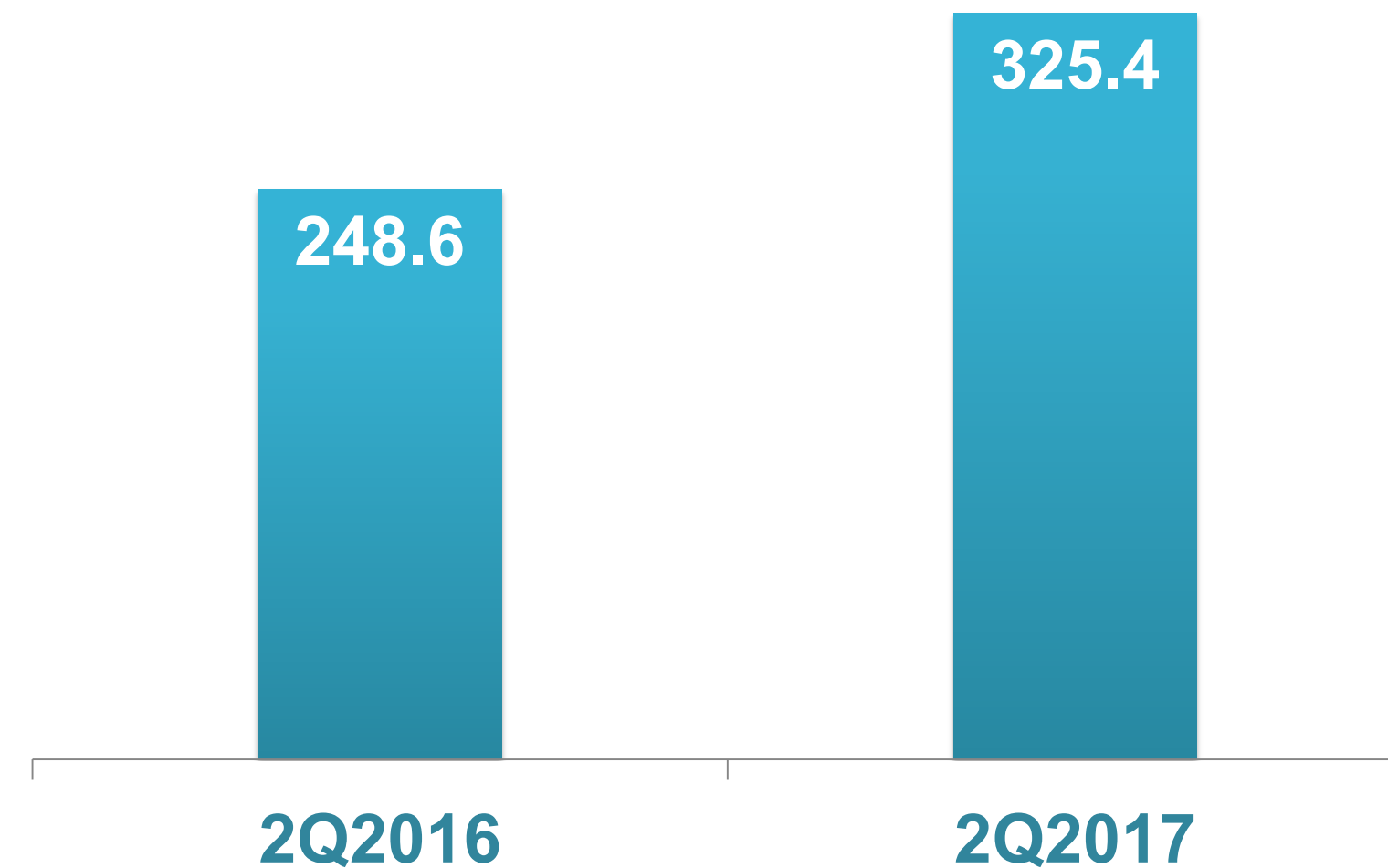
2Q2017 Results



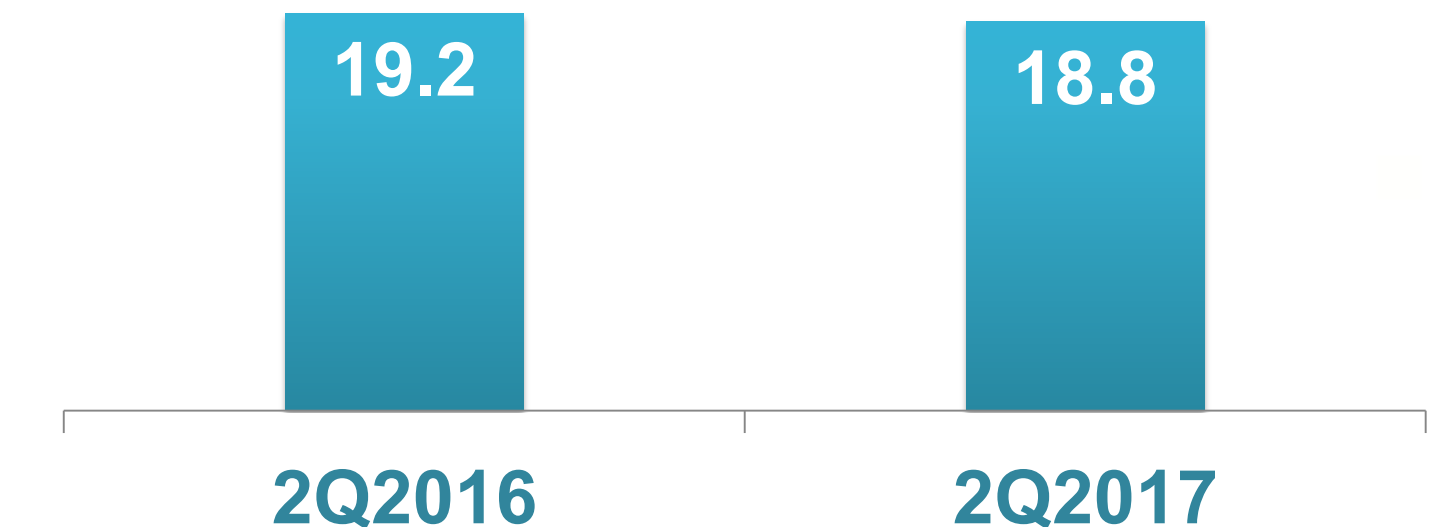
Order Booking Performance (ml TL)



Sales Revenue (ml TL)



EBITDA (ml TL)

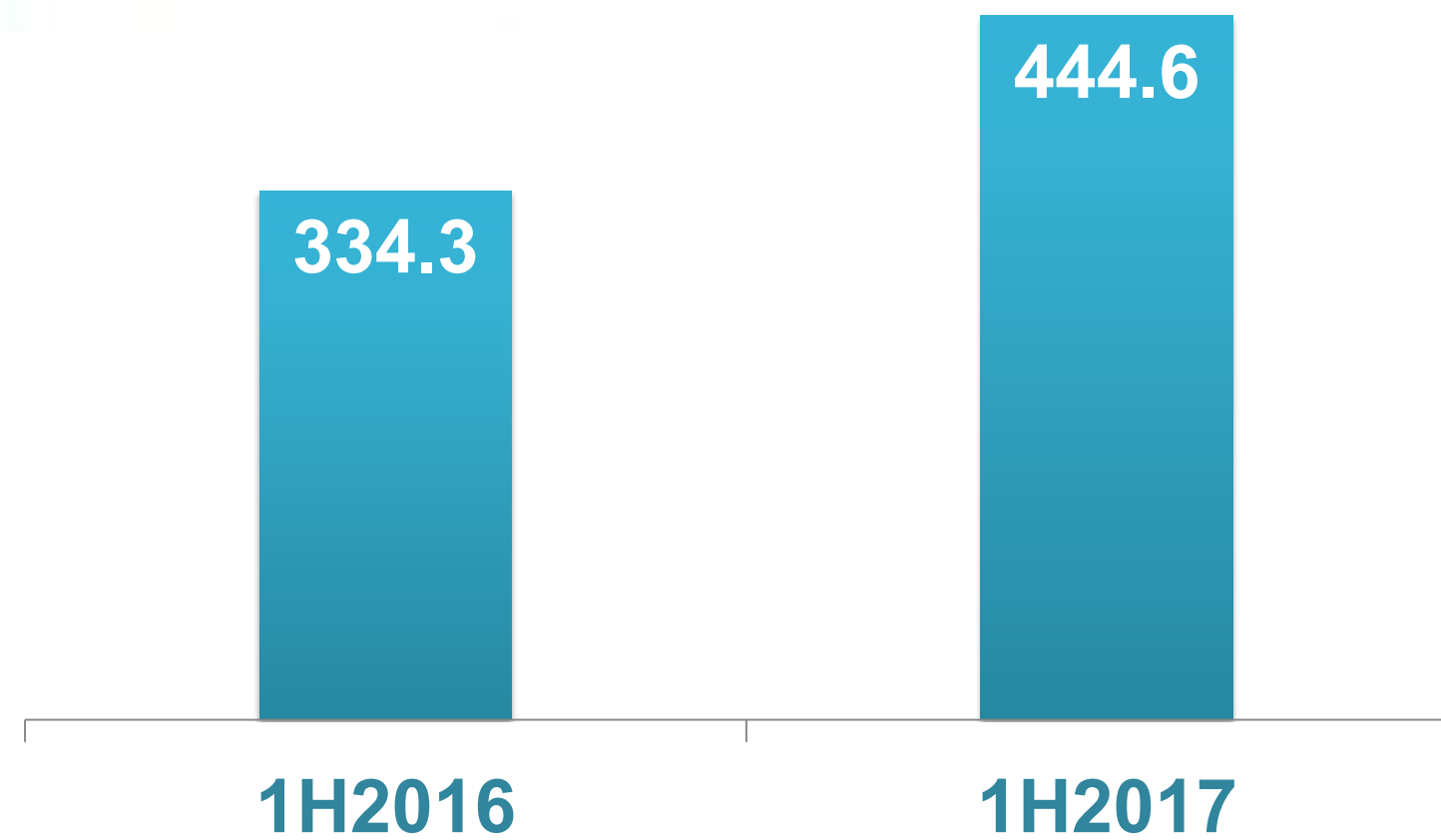


- ✓ Orders booked doubled and reached TL 277 million
- ✓ Revenue grew by 31% due to;
 - the project for Algerian Ministry of Defense,
 - Sonatrach project and
 - other continuing national and international projects

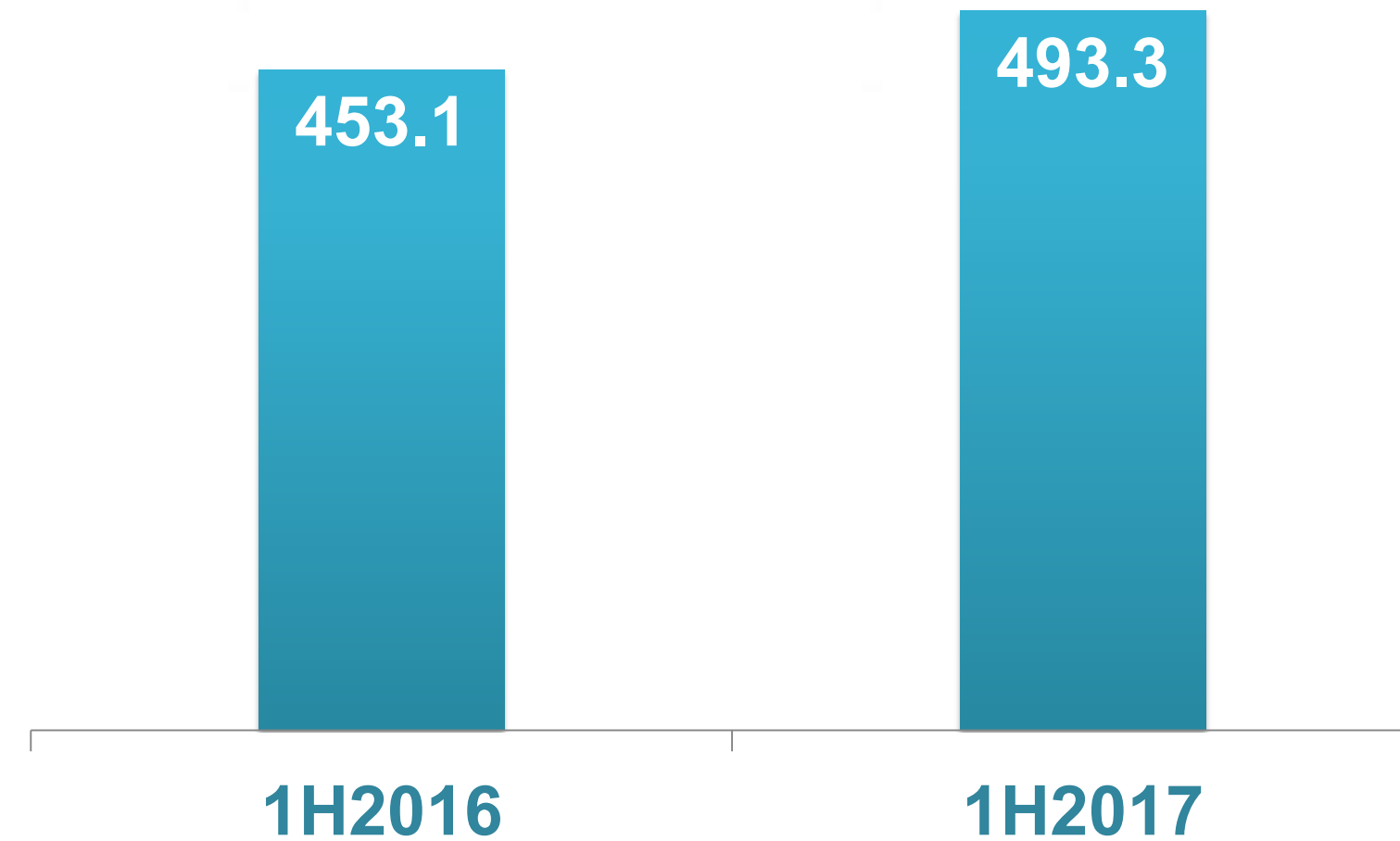
1H2017 Results



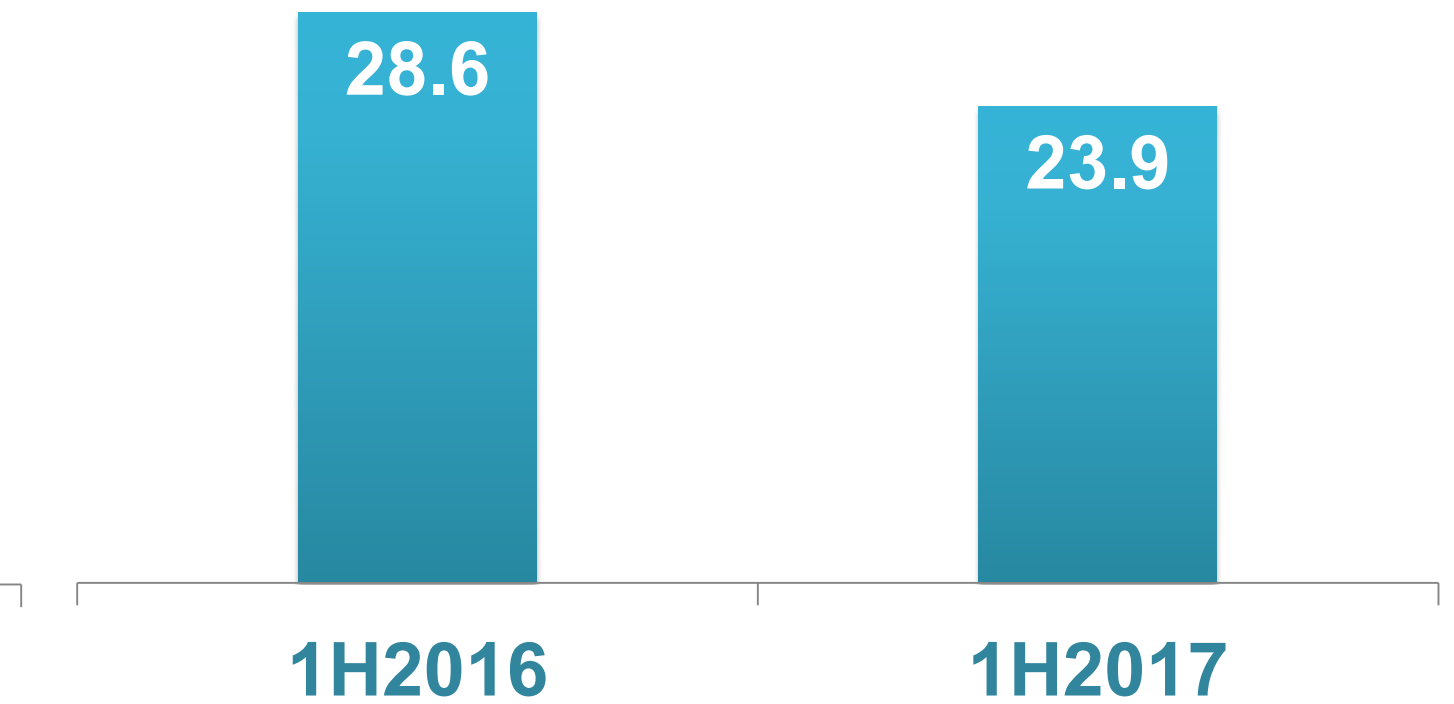
Order Booking Performance (ml TL)



Sales Revenue (ml TL)



EBITDA (ml TL)



- ✓ Orders booked TL 445 million in 1H2017, y-o-y increase by 33%
- ✓ Consolidated sales revenue reached TL 493 million with 9% increase over 1H2016 with the help of international markets and Enterprise segment.

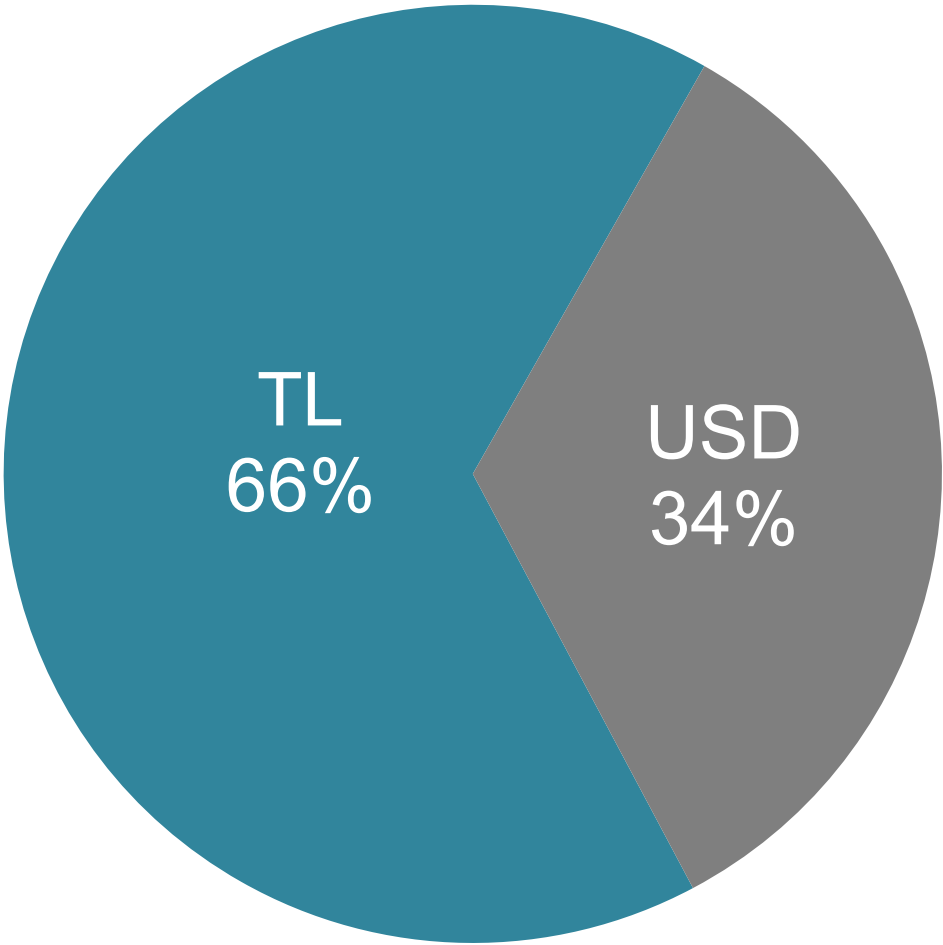
Net Debt



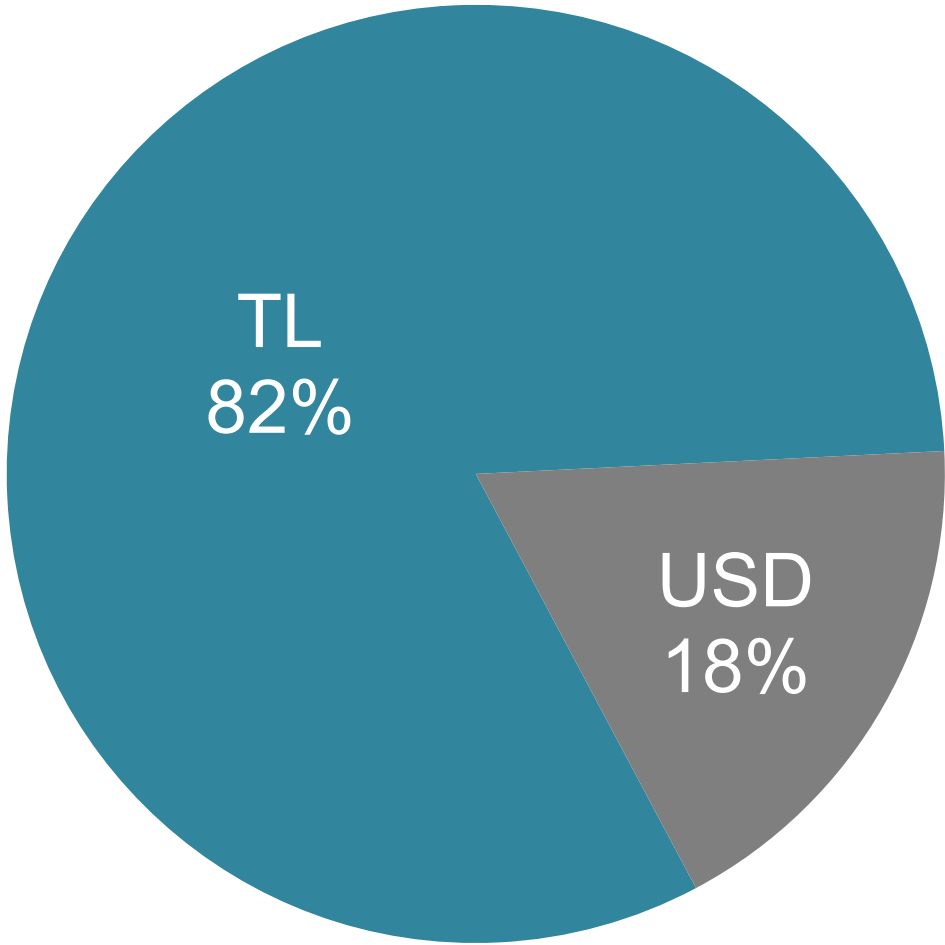
(TL million)	Gross Debt	Cash & Cash Eq.	Net Debt
2017/6	311.1	63.9	247.2
2016/12	354.9	115.6	239.2

1H2017	TL	USD
Short Term Debt	305.6	87.2
Interest Expense Accruals for Borrowings	5.5	1.6
Total Debt	311.1	88.7

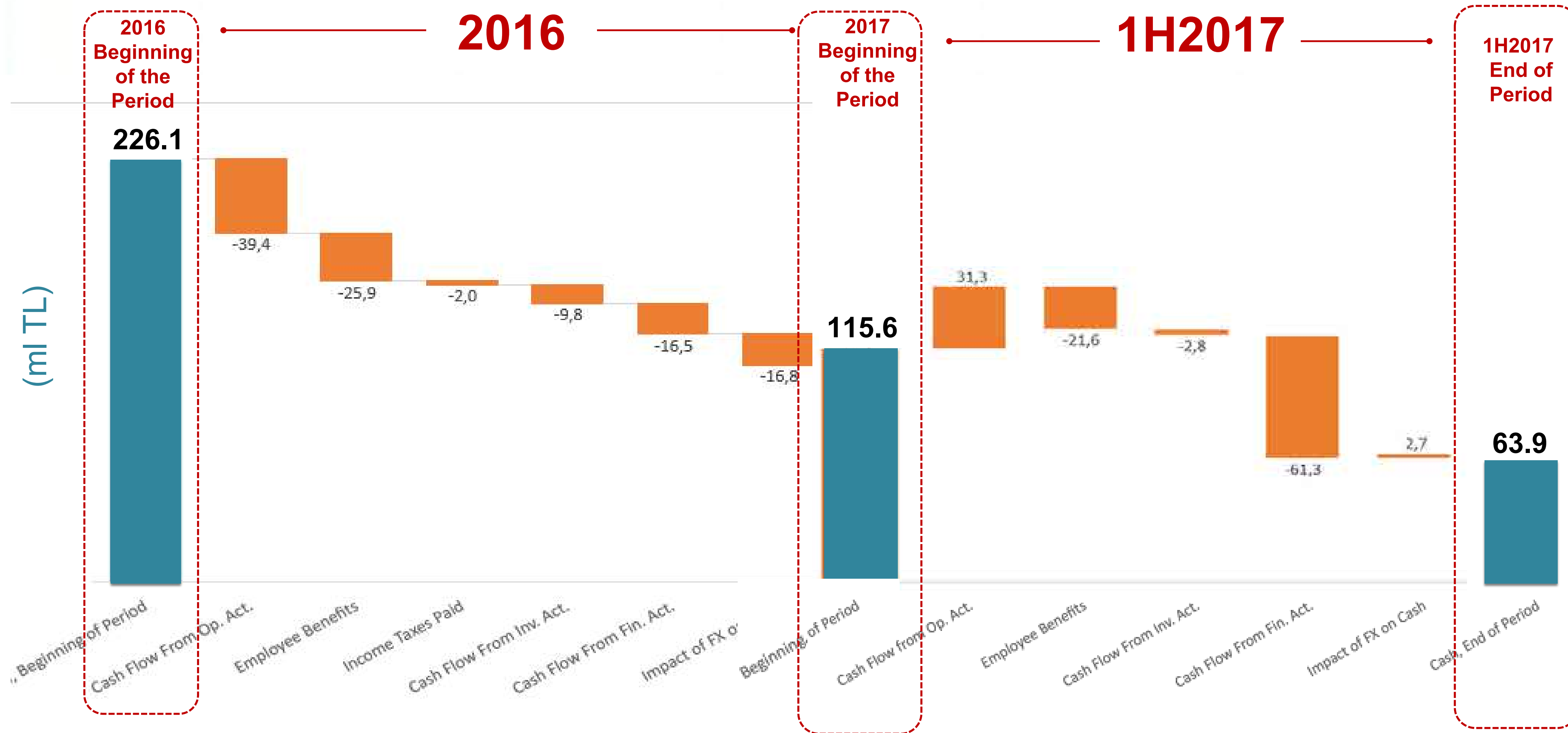
Total Debt Breakdown
1H2017



Total Debt Breakdown
YE2016



Cash Flow Statement



Main Focus Areas

- **Expand vertically in services offerings, homegrown products & software development and realize higher efficiency through optimal resource utilization**
 - Managed and cloud based services through Netas Cyber Operations Center
 - Technology Consultancy and/or solutions delivery in digitalization
 - Local hardware and software development in 4.5/5G mobile broadband
- **Continue to penetrate deeper into existing customers**
- **Increase footprint in existing international markets while penetrating new territories**

Market Expectations*

- **Overall ICT spending in the Turkish market \$18.3B**
- **Digital transformation projects within the Enterprise and Public segments**

Key Assumptions

Average TL / USD: \$1 / TL 3.65

Inflation Rate : c.12%

Key Company Metrics

Order Booking	: TL basis- Significant order booking growth - low-to-mid double digit growth
Revenue	: TL basis- Revenue growth - low double digit growth
EBITDA	: TL basis- EBITDA growth – low double digit growth
Cash	: Positive cash flow generation



Appendix

1H2017- Income Statement



TL Million	2017/1H	2016/1H	y/y %
Revenue	493.3	453.1	8.9%
Cost of Sales	(440.8)	(401.2)	9.9%
Gross Profit	52.5	51.9	1.2%
<i>Gross margin %</i>	<i>10.6%</i>	<i>11.5%</i>	<i>-81</i>
Sales, Marketing & Distribution Expenses	(26.3)	(24.8)	6.1%
General Administrative Expenses	(15.5)	(10.4)	48.6%
Other Income from Operating Activities	1.8	8.4	n/a
Other Expenses from Operating Activities (-)	(1.8)	(4.0)	-54.4%
EBIT	10.7	17.5	168.4%
<i>EBIT margin %</i>	<i>2.2%</i>	<i>3.9%</i>	<i>-171</i>
Net Income	7.4	3.7	101.8%
EBITDA	23.9	28.6	-16.5%
<i>EBITDA margin %</i>	<i>4.8%</i>	<i>6.3%</i>	<i>-147</i>

1H2017- Balance Sheet



TL Million	2017/1H	2016/12		2017/1H	2016/12
Cash & Cash Equivalents	63.9	115.6	Financial Liabilities	311.1	354.9
Trade Receivables	698.6	697.7	Derivative Instruments	0.4	2.7
Other Receivables	0.6	0.5	Trade Payables	290.8	240.5
Derivative Instruments	0.0	0.0	Other Payables	9.4	8.7
Inventories	95.9	84.0	Employee Benefit Obligations	16.0	17.8
Deferred Costs	162.9	148.7	Deferred Revenues	49.6	59.9
Other Current Assets	75.8	76.2	Provisions	19.4	21.2
			Advances Received	68.4	78.2
			Current Tax Liabilities	0.0	0.3
Total Current Assets	1,097.7	1,122.8	Total Current Liabilities	765.1	784.1
Trade Receivables	92.3	88.6			
Property, Plant and Equipment	36.8	40.2	Trade Payables	0.0	1.9
Financial Investments	2.2	1.9	Provisions	19.9	22.2
Intangible Assets	100.5	105.9	Deferred Tax Liabilities	8.8	17.5
<i>Goodwill</i>	64.3	64.5			
<i>Other intangible assets</i>	36.2	41.4			
Associates	5.2	5.1			
Deferred Tax Assets	6.3	2.3			
Other Non-Current Assets	8.9	8.7			
			Total Non-Current Liabilities	28.8	41.7
Total Non-Current Assets	252.2	252.7	Total Equity	556.1	549.7
Total Assets	1,349.9	1,375.5	Total Lia. and Shar.s' Equity	1,349.9	1.375.5

NETAS

1H2017- Cash Flow



	2017/1H	2016/1H
Profit for the year	7.4	3.7
Adjustments to reconcile income for the period	32.1	41.6
Changes in Working Capital	(8.2)	(66.1)
Cash Flows (Used in) Generated From Operations	31.3	(20.9)
Cash flow from investing activities	(2.8)	(4.1)
Cash flow from financing activities	(61.3)	(14.4)
Cash and Cash Equivalents at The End of The Period	63.9	166.3

YE2016- Income Statement



TL Million	2016/12	2015/12	y/y %
Revenue	969.8	1009.0	(3.9%)
Cost of Sales	(835.4)	(895.1)	(6.7%)
Gross Profit	134.4	113.9	18.0%
<i>Gross margin %</i>	<i>13.9%</i>	<i>11.3%</i>	<i>257</i>
Sales, Marketing & Distribution Expenses	(44.4)	(42.6)	4.3%
General Administrative Expenses	(24.4)	(23.8)	2.3%
Research & Development Expenses	-	(4.0)	n/a
Other Income from Operating Activities	4.8	11.1	n/a
Other Expenses from Operating Activities (-)	(50.7)	(30.2)	67.7%
EBIT	68.7	53.2	168.4%
<i>EBIT margin %</i>	<i>7.1%</i>	<i>5.3%</i>	<i>181</i>
EBITDA	91.1	73.5	72.2%
<i>EBITDA margin %</i>	<i>9.4%</i>	<i>7.3%</i>	<i>211</i>

YE2016- Balance Sheet



(ml TL)	2016/12	2015/12	(ml TL)	2016/12	2015/12
Cash & Cash Equivalents	115.6	226.1	Financial Liabilities	354.9	333.1
Trade Receivables	697.7	596.2	Derivative Instruments	2.7	0.0
Other Receivables	0.5	0.3	Trade Payables	240.5	350.1
Derivative Instruments	0.0	0.1	Other Payables	8.7	12.7
Inventories	84.0	103.0	Employee Benefit Obligations	17.8	13.0
Deferred Costs	148.7	99.1	Deferred Revenues	59.9	67.3
Other Current Assets	76.2	69.2	Provisions	21.2	21.4
			Advances Received	78.2	66.8
			Current Tax Liabilities	0.3	2.0
Total Current Assets	1,122.8	1,094.0	Total Current Liabilities	784.1	866.4
Trade Receivables	88.6	109.5			
	40.2	40.2			
Property, Plant and Equipment			Trade Payables	1.9	12.8
Financial Investments	1.9	0.9	Provisions	22.2	20.5
Intangible Assets	105.9	90.0	Deferred Tax Liabilities	17.5	15.7
<i>Goodwill</i>	64.5	53.3			
<i>Other intangible assets</i>	41.4	36.7			
Associates	5.1	2.6			
Deferred Tax Assets	2.3	7.3			
Other Non-Current Assets	8.7	8.1			
			Total Non-Current Liabilities	41.7	49.0
Total Non-Current Assets	252.7	258.7	Total Equity	549.7	437.2
Total Assets	1,375.5	1,352.6	Total Lia. and Shar.s' Equity	1,375.5	1,352.6

YE2016- Cash Flow



(ml TL)	2016/12	2015/12
Profit for the year	18.7	34.3
Adjustments to reconcile income for the period	92.4	60.2
Changes in Working Capital	(150.4)	(5.2)
Cash Flows (Used in) Generated From Operations	(39.4)	89.4
Income Taxes Paid	(2.0)	(2.4)
Payments Related with Provisions for Employee Benefits	(25.9)	(21.1)
Cash flow from investing activities	(9.8)	(5.7)
Cash flow from financing activities	(16.5)	87.1
Cash and Cash Equivalents at The End of The Period	115.6	226.1

Market Overview- System Integrators



	Revenue 2016 (TL)
Netas	969,843,424
Koç Sistem	812,343,157
Sentim Bilisim	537,406,600
Innova	458,651,645
Havelsan	424,611,609
Data Market	344,819,908
Destek Bilgisayar	195,171,400
Eks-Pa Bilgisayar	144,830,893
Artı ve Artı Teknoloji	142,735,305
Bimsa	136,034,418
Total Market Size (TRY): 6,213,081,032 (*)	

(*) «Total Market Size» includes top 100 companies' revenues in Systems Integrators segment
Source: M2S's «Turkey's Top 500 ICT Companies» research

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Thank you

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