

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

As at and for the period ended 30 September 2023
Condensed consolidated financial statements

**(Convenience translation of the report and
The consolidated financial statements originally
Issued in Turkish)**

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2023
(Unless otherwise stated the amounts are in TL)

	Notes	Unreviewed 30 September 2023	Audited 31 December 2022
ASSETS			
Current Assets		3.671.389.861	3.196.676.305
Cash and Cash Equivalents	5	409.513.669	220.130.315
Trade Receivables		2.161.989.084	1.950.953.880
<i>Due from related parties</i>	22	59.393.171	70.128.043
<i>Trade receivables, third parties</i>	7	2.102.595.913	1.880.825.837
Other Receivables		4.440.866	3.125.482
<i>Other receivables, third parties</i>		4.440.866	3.125.482
Inventories	8	466.318.599	425.556.194
Contract Assets related to Goods and Services Provided		453.358.086	440.623.216
<i>Contract Assets related to Goods and Services Provided</i>	4	453.358.086	440.623.216
Prepaid Expenses		48.017.570	69.508.094
Current Income Tax Assets	20	60.423.832	39.417.852
Other Current Assets		67.328.155	47.361.272
Non-Current Assets		1.444.495.300	983.142.061
Property, Plant and Equipment	9	94.070.902	104.419.220
Right of Use Assets	11	149.886.753	88.396.034
Financial Investments	3	37.131.433	25.360.788
Intangible Assets		645.440.383	458.907.627
<i>Goodwill</i>	10	501.763.114	342.704.462
<i>Other intangible assets</i>	10	143.677.269	116.203.165
Deferred Tax Assets	20	517.965.829	306.058.392
TOTAL ASSETS		5.115.885.161	4.179.818.366

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2023
(Unless otherwise stated the amounts are in TL)

	Notes	Unreviewed 30 September 2023	Audited 31 December 2022
LIABILITIES			
Short Term Liabilities		4.902.997.104	4.012.878.974
Short Term Borrowings		1.537.469.097	1.131.510.175
<i>Short Term Bank Loans</i>	6	1.537.469.097	1.131.510.175
Short-Term Portion of Long-Term Borrowings		123.910.352	157.312.811
<i>Short-Term Portion of Long-Term Bank Loans</i>	6	-	61.218.489
<i>Short-Term Portion of Long-Term Lease Liabilities</i>	6	123.910.352	96.094.322
Trade Payables		2.288.549.361	1.980.523.062
<i>Due to related parties</i>	22	1.439.299.805	757.233.720
<i>Trade payables, third parties</i>	7	849.249.556	1.223.289.342
Other Payables		91.029.668	93.396.310
<i>Other payables, third parties</i>		91.029.668	93.396.310
Employee Benefit Obligations	15	71.351.727	43.250.541
Contract Liabilities		642.063.744	451.692.035
<i>Contract Liabilities</i>	4	642.063.744	451.692.035
Provisions		143.685.394	150.506.216
<i>Provisions for Employee Benefits</i>	15	61.043.524	50.090.562
<i>Other Short Term Provisions</i>	13	82.641.870	100.415.654
Current Income Tax Liabilities	20	4.937.761	4.687.824
Long Term Liabilities		212.767.317	149.247.633
Long Term Financial Liabilities			
Long Term Borrowings		138.946.369	65.409.415
<i>Lease Liabilities</i>	6	138.946.369	65.409.415
Provisions		73.820.948	83.838.218
<i>Provisions for Employee Benefits</i>	15	73.820.948	83.838.218
SHAREHOLDERS' EQUITY			
Equity Attributable to Equity Holders of the Parent		(5.559.454)	13.401.817
Share Capital	16	64.864.800	64.864.800
Share Capital Adjustments		41.612.160	41.612.160
Other comprehensive income to be reclassified in profit and loss		8.611.364	9.570.710
<i>Currency Translation Differences</i>		8.611.364	9.570.710
Other comprehensive income not to be reclassified in profit and loss		535.076.388	538.278.161
<i>Remeasurement gain/ (loss) on defined benefit plans</i>		(41.158.337)	(41.158.337)
<i>Currency Translation Differences</i>		576.234.725	579.436.498
Restricted Reserves	16	34.897.360	34.897.360
Retained Earnings		(675.821.374)	(645.253.804)
Net Loss for the Period		(14.800.152)	(30.567.570)
Non-controlling interests		5.680.194	4.289.942
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		5.115.885.161	4.179.818.366

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2023
(Unless otherwise stated the amounts are in TL)

		Unreviewed		Unreviewed	
		1 January- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2022	1 July- 30 September 2022
INCOME OR LOSS FROM OPERATIONS	Notes				
Revenue	17	4.630.663.953	2.630.065.236	1.927.947.797	1.050.597.339
Cost of Sales (-)	4	(4.283.779.228)	(2.387.312.145)	(1.772.044.088)	(969.163.609)
GROSS PROFIT		346.884.725	242.753.091	155.903.709	81.433.730
Sales, Marketing and Distribution Expenses (-)	4	(144.134.932)	(109.533.476)	(52.911.118)	(38.338.546)
General Administrative Expenses (-)	4	(156.223.399)	(110.092.288)	(58.012.433)	(39.336.018)
Research and Development Expenses (-)	4	(3.480.704)	(4.368.679)	(1.374.833)	(1.236.710)
Other Income from Operating Activities	18	642.196	634.377	70.583	263.210
Other Expenses from Operating Activities (-)	18	(97.003.454)	(107.910.776)	(28.748.586)	(36.732.746)
OPERATING LOSS		(53.315.568)	(88.517.751)	14.927.322	(33.947.080)
Income from Investment Activities		544.563	31.259.458	256.441	48.575
Expenses from Investment Activities (-)		(822.688)	(756.165)	(74.370)	(68.191)
Income from Investments Accounted Using the Equity Method	3	-	304.063	-	19.417
OPERATING LOSS BEFORE FINANCE INCOME AND (EXPENSES)		(53.593.693)	(57.710.395)	15.109.393	(33.947.279)
Financial Income	19	225.896.048	143.547.556	46.069.248	47.263.572
Financial Expenses (-)	19	(244.663.824)	(166.251.275)	(98.912.325)	(62.043.352)
LOSS BEFORE TAX		(72.361.469)	(80.414.114)	(37.733.684)	(48.727.059)
Tax (Expenses)/ Income		58.951.569	29.926.291	22.802.193	17.931.834
Current Tax Expenses	20	(3.311.183)	(12.993.356)	3.560.534	(3.648.540)
Deferred Tax Income	20	62.262.752	42.919.647	19.241.659	21.580.374
NET LOSS FOR THE YEAR		(13.409.900)	(50.487.823)	(14.931.491)	(30.795.225)
Attributable to:					
Non-controlling Interest		1.390.252	199.529	(522.592)	721.745
Equity Holders of the Parent		(14.800.152)	(50.687.352)	(14.408.899)	(31.516.970)
Earn/(Loss) per share	21	(0,2282)	(0,7784)	(0,2221)	(0,4748)
OTHER COMPREHENSIVE INCOME/ (EXPENSES)					
Other comprehensive income or (expenses) that will not be reclassified subsequently to profit of loss		(3.201.773)	4.822.739	(3.183.950)	(983.591)
Foreign currency translation differences, excluding the translation of subsidiaries abroad		(3.201.773)	4.822.739	(3.183.950)	(983.591)
Actuarial gain/ (loss) arising from investment accounted using the equity method	3	-	-	-	-
Other comprehensive income or expenses that will be reclassified subsequently to profit of (loss)		(959.346)	13.550.406	4.232.293	3.641.750
Foreign currency translation differences, the translation of subsidiaries abroad		(959.346)	13.550.406	4.232.293	3.641.750
Currency translation differences from investments accounted using the equity method	3	-	-	-	-
OTHER COMPREHENSIVE INCOME/ (LOSS)		(4.161.119)	18.373.145	1.048.343	2.658.159
TOTAL COMPREHENSIVE LOSS		(17.571.019)	(32.114.678)	(13.883.148)	(28.137.066)
Attributable to:					
Non-controlling Interest		2.780.504	399.058	(1.045.184)	1.443.490
Equity Holders of the Parent		(20.351.523)	(32.513.736)	(12.837.964)	(29.580.556)
Earn/(Loss) per share		-	-	-	-

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2023

(Unless otherwise stated the amounts are in TL)

			Other comprehensive income or expenses will be reclassified subsequently to profit or loss	Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss			Retained Earnings				
	Share Capital	Share Capital Adjustments	Currency Translation Differences	Currency Translation Differences	Remeasurement loss on defined benefit plans	Restricted Reserves	Retained Earnings	Net (Loss) for the Period	Equity Holders of the Parent	Non-controlling Interest	TOTAL
Balance as at 1 January 2022	64.864.800	41.612.160	(4.850.226)	562.915.944	(17.262.824)	34.897.360	22.958.336	(668.212.140)	36.923.410	(1.515.134)	35.408.276
Transfer	-	-	-	-	-	-	(668.212.140)	668.212.140	-	-	-
Total comprehensive expense	-	-	13.550.406	4.822.739	-	-	-	(50.687.352)	(32.314.207)	199.529	(32.114.678)
<i>Selling of Associates</i>	-	-	12.999.534	-	-	-	-	30.469.943	43.469.477	-	43.469.477
<i>Other Comprehensive expense</i>	-	-	550.872	4.822.739	-	-	-	(81.157.295)	(75.783.684)	199.529	(75.584.155)
Balance as at 30 September 2022	64.864.800	41.612.160	8.700.180	567.738.683	(17.262.824)	34.897.360	(645.253.804)	(50.687.352)	4.609.203	(1.315.605)	3.293.598
Balance as at 1 January 2023	64.864.800	41.612.160	9.570.710	579.436.498	(41.158.337)	34.897.360	(645.253.804)	(30.567.570)	13.401.817	4.289.942	17.691.759
Transfer	-	-	-	-	-	-	(30.567.570)	30.567.570	-	-	-
Total comprehensive Expense	-	-	(959.346)	(3.201.773)	-	-	-	(14.800.152)	(18.961.271)	1.390.252	(17.571.019)
<i>Net Loss for Period</i>	-	-	-	-	-	-	-	(14.800.152)	(14.800.152)	1.390.252	(13.409.900)
<i>Other Comprehensive Income</i>	-	-	(959.346)	(3.201.773)	-	-	-	-	(4.161.119)	-	(4.161.119)
Balance as at 30 September 2023	64.864.800	41.612.160	8.611.364	576.234.725	(41.158.337)	34.897.360	(675.821.374)	(14.800.152)	(5.559.454)	5.680.194	120.740

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023

(Unless otherwise stated the amounts are in TL.)

		Current Period 1 January- 30 September 2023	Previous Period 1 January- 30 September 2022
Notes			
A. CASH FLOWS FROM			
OPERATING ACTIVITIES			
Net (Loss) for the Period		(13.409.900)	(50.487.823)
<i>Profit/(Loss) from Continuing Operations</i>		<i>(13.409.900)</i>	<i>(50.487.823)</i>
Adjustments to Reconcile Profit/Loss		(4.170.621)	(15.454.768)
Adjustments for Depreciation and Amortisation Expenses	9-10-11	74.829.052	73.968.401
Adjustments for (Reversal of) Impairment Loss Recognised in Profit or Loss		(366.805)	(6.961.192)
<i>Adjustments for (Reversal of) Provision of Receivables</i>	7	<i>(642.197)</i>	<i>(634.377)</i>
<i>Adjustment for Reversal of Provision of Inventory</i>	8	<i>275.392</i>	<i>(6.326.815)</i>
Adjustments For Provisions		47.530.698	(25.656.161)
<i>Adjustments for Provisions Related with Employee Benefits</i>		<i>95.573.001</i>	<i>45.080.340</i>
<i>Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions</i>		<i>4.538.651</i>	<i>4.474.708</i>
<i>Adjustments for (Reversal of) Other Provisions</i>		<i>(52.580.954)</i>	<i>(75.211.209)</i>
Adjustments for Interest (Income) and Expenses		153.741.131	125.777.722
<i>Adjustments for Interest Income</i>	19	<i>(7.785.871)</i>	<i>(3.325.350)</i>
<i>Adjustments for Interest Expense</i>	19	<i>172.644.705</i>	<i>140.318.990</i>
<i>Unearned Financial Loss/Income from Credit Sales</i>	18	<i>(11.117.703)</i>	<i>(11.215.918)</i>
Adjustments For Unrealised Foreign Exchange Losses (Gains)	19	(218.110.177)	(140.222.206)
Adjustments for Losses Tax Expense	20	(62.262.752)	(42.919.647)
Adjustments for (Gains)/Losses disposal of non-current assets		468.232	558.315
<i>Adjustments for (Gains)/Losses Arising From Sale of Property, Plant and Equipment</i>		<i>468.232</i>	<i>558.315</i>
(Income) Expense Caused by Sale or Changes in Share of Associates, Joint Ventures and Financial Investments	3	-	(30.469.944)
Changes in Working Capital		442.215.399	102.364.528
Adjustments for Decrease / (Increase) in Trade Receivables		706.216.540	498.933.281
<i>Decrease (Increase) in Trade Receivables from Related Parties</i>		<i>43.283.243</i>	<i>18.485.202</i>
<i>Decrease (Increase) in Trade Receivables from Third Parties</i>		<i>662.933.297</i>	<i>480.448.079</i>
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		2.150.037	22.336.768
<i>Adjustments for Decrease (Increase) in Other Receivables Related with Operations from Third Parties</i>		<i>2.150.037</i>	<i>22.336.768</i>
Adjustments for Decrease / (Increase) in Inventories		156.474.644	103.267.999
Decrease / (Increase) in Prepaid Expenses		53.751.160	(26.157.614)
Adjustments for (Decrease) in Trade Payables		(611.189.423)	(604.265.549)
Increase (Decrease) in Trade Payables to Related Parties		330.612.899	(186.701.668)
(Decrease)/Increase in Trade Payables to Third Parties		(941.802.322)	(417.563.881)
Increase (Decrease) in Payables due to Employee Benefits		8.027.410	832.535
(Decrease)/Increase in Contract Assets		191.770.594	207.170.302
Adjustments for Decrease in Other Operating Payables		(45.714.462)	(91.142.862)
<i>(Decrease) in Other Operating Payables to Unrelated Parties</i>		<i>(45.714.462)</i>	<i>(91.142.862)</i>
(Decrease)/ Increase in Contract Liabilities		(19.271.101)	(8.610.332)
Cash Flows (Used in) Generated From Operations		424.634.878	5.951.993
Payments Related with Provisions for Employee Benefits		(94.637.309)	(39.221.321)
Income Taxes Paid	20	(20.756.043)	10.228.944
Payments Related with Lawsuits		(1.952.535)	(841.737)
		307.288.991	(23.882.121)

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023

(Unless otherwise stated the amounts are in TL.)

		Current Period	Previous Period
		1 January-	1 January-
		30 September 2023	30 September 2022
Notes			
B.CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES			
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		568.575	1.057.207
<i>Proceeds from Sales of Property, Plant, Equipment</i>		572.201	756.354
<i>Proceeds from Intangible Assets</i>		(3.626)	300.853
Purchase of Property, Plant, Equipment and Intangible Assets		(4.737.769)	(7.135.906)
<i>Purchase of Property, Plant, Equipment</i>	9	(3.322.633)	(6.807.709)
<i>Purchase of Intangible Assets</i>	10	(1.415.136)	(328.197)
Cash Inflows Due to Share Sale or Capital Reduction of Associates and/or Joint Ventures		-	52.080.098
Interest Received	19	7.785.871	3.325.350
Other Outflows of Cash		(11.770.645)	(6.979.654)
		(8.153.968)	42.347.095
C.CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES			
Inflows from Borrowings	6	1.638.590.401	1.231.742.901
Outflows from Borrowings	6	(1.565.018.494)	(1.357.861.107)
Interest Paid		(150.369.153)	(128.669.173)
Payments of lease liabilities		(37.638.182)	(27.351.611)
		(114.435.428)	(282.138.990)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)		184.699.595	(263.674.016)
D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
		4.683.759	(23.377.676)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		189.383.354	(287.051.692)
E.CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5	220.130.315	541.970.727
CASH AND CASH EQUIVALENTS AT END OF YEAR (A+B+C+D+E)	5	409.513.669	254.919.035

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 SEPTEMBER 2023
(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 former headquarter which is registered at Yenişehir Mah. Osmanlı Bulvarı No: 11 34912 Kurtköy-Pendik/İstanbul.

The Group works with major clients such as Aselsan Elektronik Sanayi ve Ticaret A.Ş., Türk Telekomünikasyon A.Ş., Vodafone İletişim Hizmetleri A.Ş., TT Mobil İletişim Hizmetler A.Ş., Turkcell İletişim Hizmetleri A.Ş., 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.

Netaş Bilişim Teknolojileri A.Ş. (“Netaş Bilişim”) which is the %100 subsidiary of the Group offers industrial solutions, system integration, outsourcing, support services, network solutions and consultancy services to its domestic customers. Netaş Bilişim founded in 1989, also provides value added solutions to international customers in Kazakhstan, Azerbaijan, Algeria with strategic business partnerships.

BDH Bilişim Destek Hizmetleri San. Tic. A.Ş. (“BDH”) founded in April 2006 to provide consultancy, strategic outsourcing, hardware, technical and support services and service solutions in the field of information technologies.

The Company established Netas Telecom Limited Liability Partnership as a "Limited Liability Partnership" on 25 June 2012 in Almaty, Kazakhstan, with a founding capital of 161,800 Tenge (approximately US\$ 1,100), fully owned by the Company.

An agreement was reached between Lütfi Yenel, one of the partners of the company and Kron Telekomünikasyon A.Ş., for the purchase of 10% of Group A shares representing the company capital for a price of 1.700.000 TL, and %10 share transfer was realized.

In the decision of the Board of Directors dated 29 April 2022, it was decided to sign the Share Purchase and Sale Agreement to sell all of 10% A Group shares in Kron Telekomünikasyon A.Ş. with a total nominal value of TL 1.426.852 to Zeynep Yenel Onursal for a share value of TL 36.5 and a total value of TL 52.080.098. Within the framework of the aforementioned Share Purchase and Sale Agreement, the share transfer was realized as of 29 April 2022, and the Group obtained a sales profit of TL 30.469.944 from the transaction and reflected it in the profit or loss statements.

It was established in Malta through the establishment of a capital of 1,200 EUR (Netaş Telecommunications Malta Ltd.), fully owned by the Company, and its registration was completed on 4 November 2014.

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 SEPTEMBER 2023
(Unless otherwise stated the amounts are in TL)

1 ORGANIZATION AND OPERATIONS OF THE GROUP(Cont'd)

The establishment of the Netas Telecommunications Algeria Sarl LLC, a joint venture company with 23.800.000 Algerian Dinars of share capital, has been registered and completed between the Company and Mohamed Karim Faraoun on 31 March 2019. The control of the management of this company, in which the Company owned 49% of the shares, belongs to Netas Telekomünikasyon A.Ş. in accordance with the agreement between the parties and therefore, Netas Telecommunications Algeria Sarl LLC is accounted with full consolidated method.

The Group's largest shareholder and the controlling shareholder is ZTE Cooperatief U.A. The capital structure of the Group is presented in Note 16.

As of 30 September 2023, the Group has no blue-collar employees (31 December 2022: None). The average number of white-collar personnel employed in the Group as of 30 September 2023 is 1.731 (31 December 2022: 1.885).

Approval of Condensed Consolidated Financial Statements

The financial statements were approved by the Board of Directors on 3 November 2023. The General Assembly has the right to change the interim condensed consolidated financial statements.

2 BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

a) Statement of Compliance

The accompanying financial statements are prepared in accordance with Turkish Financial Reporting Standards Accounting Standards ("TFRS") published by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") together with the provisions of the communique of "Principles of Financial Reporting in Capital Market" issued by Capital Markets Board of Turkey ("CMB")'s dated 13 September 2013 and published in the Official Gazette numbered 28676 Series II. No.14.1. TFRSs consist of standards and interpretations which are published as Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards, TAS interpretations and TFRS interpretations. TFRS are updated in harmony with the changes and updates in International Financial Reporting Standards ("IFRS") by the communiqués announced by the POA.

The condensed consolidated financial statements are presented in accordance with the formats provided in Examples of Financial Statements and User guide issued by CMB and the TAS Taxonomy issued by POA.

The condensed consolidated financial statements and explanatory notes of the Group are presented in accordance with the formats provided in Examples of Financial Statements and User guide published on 4 June 2022 by POA.

For the period ended 30 September 2023, the Group prepared its condensed consolidated financial statements in accordance with the Turkish Accounting Standard No.34 Interim Financial Reporting. 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 of 31 December 2022.

b) Basis of presentation of condensed consolidated financial statements

The details of the Company's subsidiaries as of 30 September 2023 and 31 December 2022 are as follows:

	Place and establishment of operation	Group's shares in capital and voting rights	Main operating activities
Netaş Bilişim Teknolojileri A.Ş.	Turkey	% 100	Consultancy of project installments and network solutions
BDH Bilişim Destek Hizmetleri Sanayi ve Ticaret A.Ş.	Turkey	% 100	Technical supports and maintenance services
Netaş Telecom Limited Liability Partnership	Republic of Kazakhstan	% 100	Consultancy of project installment, design and technical support services
Netaş Telecommunications Malta Ltd	Malta	% 100	Supply of telecommunication equipment
Netas Telecommunications Algeria Sarl LLC (*)	Algeria	%49	Manufacture of small installation and electric lighting equipment

(*) The control of the management of this Company, in which the Company owned 49% of the shares, belongs to Netas Telekomünikasyon A.Ş. in accordance with the agreement between the parties and therefore, Netas Telecommunications Algeria Sarl LLC is accounted with full

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

(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 invested company/asset;
- is exposed, or has rights, to variable returns from its involvement with the invested company/asset; and
- could use its power that can have an impact on returns.

The Company reassesses whether it controls an invested company/asset if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

In cases where the company does not have majority voting right over the invested company/ asset, it has sufficient voting rights to direct/manage the activities of the investment concerned and in case of control, there is control power over the invested company/asset. The Company considers all relevant facts and circumstances in assessing whether 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 and 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.

As of 30 September 2023 and 31 December 2022, the Group has no associates.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
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(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 company uses the hierarchical consolidation method. In other words, the subsidiaries are first converted into the functional currency of the 'direct investing company' and consolidated in the functional currency of the Company, and then the conversion to the presentation currency is made as explained in item c) below. Translation differences from the functional currency of the subsidiaries to the functional currency of the Company, to the US Dollar, are presented under "other comprehensive income to be reclassified to profit or loss". Conversion differences that occur during the conversion of the consolidated financial statements prepared in US Dollars to TL, which is the presentation currency, are presented under "other comprehensive income that will not be reclassified in profit or loss". In the event of the sale of a subsidiary or associate, if there is a translation difference carried under "other comprehensive income to be reclassified to profit or loss", this amount is reclassified to the statement of profit or loss as part of sales profit or loss.

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 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

The Company maintains its books of account in accordance with accounting principles set by Turkish Commercial Code ("TCC") and tax legislation. The subsidiary in foreign countries prepares their accounting and financial tables in their currency and according to the laws and regulations of their countries.

Nevertheless, 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.

The effect of the US dollar in reflecting the basic economic environment in which BDH is located in terms of market and operating elements has decreased, therefore, the change of the Company's functional currency from US Dollars to Turkish Lira has been taken into consideration on a Group basis. In line with the decision to make actual sales collections predominantly in Turkish Lira in 2022, the functional currency of BDH was permanently changed to Turkish Lira.

In line with the developments mentioned above, the Company Management has decided to change the functional currency of the Company, which is currently US Dollar, to Turkish Lira within the scope of TAS 21 "Effects of Exchange Rate Changes".

Consolidated financial statements are presented in TL, which is Netaş' presentation currency.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

(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

If the legal records are kept in a currency other than the functional currency, the financial statements are initially translated into the functional currency and then translated to the Group's presentation currency, Turkish Lira ("TL"). For the companies in Turkey that book legal records in TL, currency translation from TL to the functional currency USD is made under the framework described below:

- Monetary assets and liabilities have been converted to the functional currency with the The Central Bank of Turkish Republic (CBRT) foreign exchange buying rate.
- Non-monetary items have been converted into the functional currency at the exchange rates prevailing at the transaction date.
- Profit or loss accounts have been converted into the functional currency using the exchange rates at the transaction date, except for depreciation expenses.
- The capital is followed according to historical costs.

The translation differences resulting from the above cycles are recorded in the financial income /expenses account group in the statement of profit or loss.

For the preparation of the condensed consolidated financial statements and the notes in accordance with TAS 21, condensed consolidated financial statements are translated into US \$ by using rates as of the balance sheet date:

- Assets and liabilities have been translated to TL by using USD rate as of 30 September 2023 1 USD: 27,3767 TL (31 December 2022; 1 USD 18,6983 TL)
- Statements of profit or loss and statements of cash flows have been translated to TL by using nine months average exchange rate (1 USD: 22,1412 TL) for the period ended 30 September 2023 (for the period ended 30 September 2022 1 USD: 15,8594 TL).

Gains and losses of translation differences mentioned above are accounted under Equity as currency translation differences. The amount of capital and legal reserves is shown on their legal amounts, all other equity items are kept at their historic TL values, and all the differences are accounted in the currency translation differences account.

The functional currency of Netaş Telecom Limited Liability Partnership, a subsidiary of the Company operating in Kazakhstan is Kazakhstan Tenge and included in the consolidated financial statements by converting into TL, the presentation currency of the consolidated financial statements. The functional currency of the Netaş Telecommunications Algeria Sarl LLC, a subsidiary of the Company operating in Algeria, is Algerian Dinar and included in the consolidated financial statements by converting into TL, the presentation currency of the consolidated financial statements. The functional currency of Netaş Telecommunication Malta Ltd., one of the subsidiaries of the Company operating in Malta, is European Euro, and it has been included in the accompanying consolidated financial statements by converting to TL, which is the presentation currency.

d) Adjustment of Financial Statements in High Inflation Periods

In the statement made by the Public Oversight Accounting and Standards Authority (KGK) on January 20, 2022, it was stated that businesses do not need to make any adjustments to their 2021 financial statements within the scope of TAS 29. On the other hand, no explanation has been made regarding the financial statements for the accounting period ending on 30 September 2023, whether adjustments will be made in the financial statements within the scope of TAS 29.

In this context, the application of inflation accounting is valid only for BDH and TAS 29 Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of a hyperinflationary economy to prepare their financial statements in terms of the measuring unit current at the end of the reporting period. TAS 29 describes characteristics that may indicate that an economy is hyperinflationary, and it requires all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. of the application required by TAS 29 throughout the country.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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2 BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS(Cont'd)

2.1 Basis of Presentation(Cont'd)

e) Adjustment of Financial Statements in High Inflation Periods(Cont'd)

Therefore, it is expected that TAS 29 will start to be applied simultaneously by all entities with the announcement of Public Oversight Accounting and Auditing Standards Authority to ensure consistency. However, the Authority has not published any announcement that determines entities would restate their financial statements for the accounting period ending on 30 September 2023 in accordance with TAS 29. In this context, TMS 29 is not applied and inflation adjustment has not been reflected in the financial statements as of September 30, 2023.

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 to enable readers to determine financial position and performance trends. For the purposes of effective comparison, comparative financial statements can be reclassified when deemed necessary by the Group, where descriptions on significant differences are disclosed.

2.3 Change in Accounting Policies

If the changes in accounting estimates are for only one period, they are applied prospectively both in the current period when the change is made and in the future periods if the change is made. There has been no significant change in the accounting estimates of the Group in the current year.

The Group has applied consistent accounting policies in the condensed consolidated financial statements for the periods presented, and there are no significant changes in the accounting policies and estimates during the current period.

2.4 The New Standards, Amendments, and Interpretations

The accounting policies adopted in preparation of the condensed consolidated financial statements as at September 30, 2023 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of 1 January 2023. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2023 are as follows:

Classification of Liabilities as Current or Non-current (Amendments to TAS 1)

On 23 January 2020, IASB issued "Classification of Liabilities as Current or Non-Current" which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position which are issued by POA on 12 March 2020 as amendments to TAS 1.

The amendments clarify one of the criteria in TAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

After reconsidering certain aspects of the 2020 amendments; IASB has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. Related amendment was published by POA as "TFRS 2023" on 3 January 2023.

This right may be subject to a company complying with conditions (covenants) specified in a loan arrangement. Additional disclosure is also required for non-current liabilities subject to future covenants. The amendments also clarify how an entity classifies a liability that can be settled in its own shares.

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2024 with earlier application permitted. It also specifies the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TAS 1.

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2 BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS(Cont'd)

2.4 The New Standards, Amendments, and Interpretations(Cont't)

i) The new standards, amendments and interpretations which are effective as at 1 January 2023 are as follows(Cont'd)

Lease Liability in a Sale and Leaseback – Amendments to TFRS 16 Leases

In September 2022, IASB issued Lease Liability in a Sale and Leaseback, which amends IFRS 16 Leases. Related amendment was published by POA as “TFRS 2023” on 3 January 2023. Amendments to TFRS 16 Leases impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.

The amendments confirm the following:

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted.

Under TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of TFRS 16. This means that it will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of TFRS 16 in 2019, and potentially restate those that included variable lease payments.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to Amendments to TFRS 16 Leases.

Amendments to TAS 7 Statement of Cash Flows and TFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements

On 25 May 2023, IASB has amended IAS 7 Statement of Cash Flows and TFRS 7 Financial Instruments: Disclosures. Related amendment was published by POA on 19 September 2023. The amendments introduce additional disclosure requirements for companies that enter into supplier finance arrangements (referred to as supply chain finance, payables finance or reverse factoring arrangements). However, they do not address the classification and presentation of the related liabilities and cash flows.

The IASB’s amendments apply to supplier finance arrangements¹ that have all of the following characteristics.

- A finance provider pays amounts a company (the buyer) owes its suppliers.
- A company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid.
- The company is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date.

The amendments do not apply to arrangements for financing receivables or inventory.

The amendments introduce two new disclosure objectives – one in TAS 7 and another in TFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company’s liabilities and cash flows, and the company’s exposure to liquidity risk. The amendments are effective for periods beginning on or after 1 January 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to TAS 7 Statement of Cash Flows and TFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements.

2 BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS(Cont'd)

2.4 The New Standards, Amendments, and Interpretations(Cont't)

i) The new standards, amendments and interpretations which are effective as at 1 January 2023 are as follows(Cont'd)

Amendments to TAS 12 – International Tax Reform – Pillar Two Model Rules

IASB has amended TAS 12 to:

- provide a temporary mandatory relief from deferred tax accounting for top-up tax; and
- require companies to provide new disclosures to compensate for the potential loss of information resulting from the relief.

IASB has amended TAS 12 to introduce a temporary mandatory relief from accounting for deferred tax that arises from legislation implementing the GloBE model rules . Related amendment was published by POA on 19 September 2023. Under the relief, companies are effectively exempt from providing for and disclosing deferred tax related to top-up tax. However, they need to disclose that they have applied the relief.

The relief is effective immediately and applies retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. It will apply until the IASB decides either to remove it or to make it permanent.

IASB has introduced new disclosures, that companies are required to provide in their financial statements from 31 December 2023. No disclosures are required in interim periods ending on or before 31 December 2023.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the Amendments to TAS 12.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the condensed consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the condensed consolidated financial statements and disclosures, when the new standards and interpretations become effective.

2 BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS(Cont'd)

2.4 The New Standards, Amendments, and Interpretations(Cont't)

iii) The new standards, amendments and interpretations that are issued by the IASB/ISSB but not issued by POA

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures

On 26 June 2023, The International Sustainability Standards Board (ISSB) has issued IFRS® Sustainability Disclosure Standards (IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures to create a global baseline of investor-focused sustainability reporting that local jurisdictions can build on.

The ISSB's first two standards are designed to be applied together, supporting companies to identify and report information that investors need for informed decision making – in other words, information that is expected to affect the assessments that investors make about companies' future cash flows.

To achieve this, the general standard provides a framework for companies to report on all relevant sustainability-related topics across the areas of governance, strategy, risk management, and metrics and targets.

The standards are effective from 1 January 2024, but it will be for individual jurisdictions to decide whether and when to adopt.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures.

2 BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS(Cont'd)

2.4 The New Standards, Amendments, and Interpretations(Cont't)

iii) The new standards, amendments and interpretations that are issued by the IASB/ISSB but not issued by POA(Cont't)

Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates

In August 2023, the International Accounting Standards Board (IASB) amended IAS 21 to clarify:

- when a currency is exchangeable into another currency; and
- how a company estimates a spot rate when a currency lacks exchangeability.

A currency is exchangeable into another currency when a company is able to exchange that currency for the other currency at the measurement date and for a specified purpose. When a currency is not exchangeable, a company needs to estimate a spot rate.

A company's objective when estimating a spot rate is only that it reflects the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments contain no specific requirements for estimating a spot rate.

Therefore, when estimating a spot rate a company can use:

- an observable exchange rate without adjustment; or
- another estimation technique.

Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. These disclosures might include:

- the nature and financial impacts of the currency not being exchangeable;
- the spot exchange rate used;
- the estimation process; and
- risks to the company because the currency is not exchangeable.

The amendments apply for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the Amendments to IAS 12.

iv) Amendments are effective on 1 January 2023

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2023:

- 1- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to TAS 12 Income Taxes
- 2- Definition of Accounting Estimates (Amendments to TAS 8)
- 3- Disclosure of Accounting Policies (Amendments to TAS 1)

These newly adopted amendments to standards have not been a significant impact on the consolidated financial statements of the Group.

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(Unless otherwise stated the amounts are in TL)

2 BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS(Cont'd)

2.5 Summary of Significant Accounting Policies

The condensed consolidated financial statements for the interim period ending on 30 September 2023 have been prepared in accordance with the TAS 34 standard for the preparation of the interim financial statements. Summary consolidated significant accounting used in the preparation of financial statements. The policies are consistent with the accounting policies explained in detail in the consolidated financial statements dated December 31, 2022. Therefore, the condensed consolidated financial statements should be evaluated together with the financial statements for the year ending on December 31, 2022.

2.6 Going Concern

As of 30 September 2023, the financial statements have been prepared on the basis of going concern. As of 30 September 2023, current assets of the Group are amounting to TL 3.671.389.861 and short term liabilities of the Company are amounting to TL 4.902.997.104, short term liabilities exceeded current assets TL 1.231.607.243. The plans and measures of the Group management regarding this situation are given below;

The Group has implemented many measures in order to increase its operational profitability and reduce its financial expenses throughout 2022, some of these measures are focusing on new technology products and solutions with higher profit margins in 5 technology areas determined as target areas in system integration, Defense determined as strategic sectors. Focusing on domestic and national R&D solutions in the field of Telecommunication and Transportation, not taking projects with high financial and operational risks, not taking projects with high financing needs and currency risk, and saving on operational expenses. Relevant measures are continued in 2023 as well.

The Group's newly received orders continued to grow in 2023, and the total amount of orders received in 2023 increased by 61% compared to the same period of the previous year and reached TL 4.5 billion. As of the end of 2023, the Group's registered orders for future periods grew by 19% to reach TL 2.8 billion.

Actions were taken to reduce operational expenses, and the operating expenses for 2022 shrank in USD terms. The downsizing target continues in 2023 as well.

On the other hand, the Group has not had any problems in the payment of its loans in the past, anticipates that it will not face any payment problems in 2023 and the following years, and thinks that existing bank loans can be renewed in line with its cash needs. On the other hand, the Company management aims to reduce the total indebtedness in the next 12 months.

The financial statements do not contain any adjustments regarding the realizable values of the assets and the classification of their carrying values, or the amounts or classification of the liabilities that may arise if the Group cannot continue on a going concern basis. The Group does not foresee any disruption in meeting these short-term liabilities. It is planned to close the mentioned difference from the incomes that the Group will obtain within the year following the reporting period and with various financing methods in case of need.

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(Unless otherwise stated the amounts are in TL)

2 BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS(Cont'd)

2.6 Going Concern(Cont'd)

With the Communiqué of Ministry of Commerce regarding the regulation on loss of capital and excess of liabilities over assets in relation to Article 376 of Turkish Commercial Code numbered 6102, it has been decided that, unrealized foreign exchange losses incurred from the foreign exchange based financial liabilities which are not yet fulfilled can be excluded on the calculation of loss of capital and excess of liabilities over assets. With the amendment made dated on 26 December 2020 in the provisional article 1 of the Communiqué on the Procedures and Principles regarding the implementation of Article 376 of the Turkish Commercial Code, until 1 January 2023, in calculations regarding capital loss or being insolvent, all of the exchange difference losses arising from foreign currency liabilities that have not yet been performed. With the change made on 8 November 2022, the date of 30 September 2023 was changed to 1 January 2024. It has been arranged that half of the total of the expenses, depreciation and personnel expenses incurred 2020 and 2021 from leases may not be taken into account. In relation to this regulation, it is calculated that, unrealized foreign exchange losses recognised under retained earnings/(losses) amounting to TL 810.775.934 (TL 85.835.365: Depreciation Expenses, TL 481.966.125: Personnel Expenses, TL 242.974.445: Unrealized Foreign Exchange Losses) and recognised under consolidated statement of profit or loss amounting to TL 25.339.274, in total amounting to TL 836.115.208 will be excluded on the calculation of loss of capital and excess of liabilities over assets by adding back to the total equity. Accordingly, there is no existence of either issue of loss of capital or excess of liabilities over assets for the Group. The Group has been taking the necessary actions maintain its operations in a healthy financial structure within the framework of proactive approach.

3 FINANCIAL INVESTMENTS

Financial Investment Funds

The fair values of the investments in private equity ventures are determined over the net equity values determined on the basis of the fair value of the underlying asset determined by independent valuation experts.

The movement table of the Group's investments as of 30 September 2023 and 30 September 2022 is as follows:

	2023	2022
As of 1 January	25.360.788	17.926.217
Fair value increases	-	-
Foreign currency conversion differences	11.770.645	6.979.654
As of 30 September	37.131.433	24.905.871

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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3 SEGMENT REPORTING

Within the framework of the strategy of providing an integrated information and technology service and products, the Group divides its main business segments into four operating segments, namely "Telecom", "System Integration", "Technology" and "BDH", in order to ensure economic integrity. Activities are segmented so that Group Management can evaluate performance and decide on resource allocation, and each section is reviewed regularly. The decisionmaking authority regarding the activities of the Group is the Board of Directors.

The main activities of the Telecom segment are proving services and selling product to mobile operator companies.

The line of business followed in the system integration segment is system integration services to public and private sector organizations. In addition to these services, software licenses and hardware that the Group distributes are sold.

In the activities of the technology segment, services are provided for technological development and improvements for digital transformation of corporate and public institutions.

In the BDH segment, it provides consultancy, strategic outsourcing, hardware and support services to small-scale companies, large corporations and publicinstitutions in the field of information technologies.

There are six business segments containing information that Group Management evaluates performance and uses to decide on resource allocation. Thefollowing table shows the information about each segment. The operational profit and breakdowns below are regularly considered in evaluating theperformance of segments. To reach the operating profit/ loss amount used to evaluate the performance of the segment, other income and expenses fromoperating activities are deducted from the consolidated operating profit/ loss amount presented in the consolidated financial statements. Operating profit/loss is not a measure of financial performance defined in TFRS and may not be comparable to similar indicators defined by other companies. Since the company management does not monitor the company's performance according to geographical segments, reporting is not given according to geographical segments.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
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4 SEGMENT REPORTING(Cont'd)**30 September 2023****For the period ended**

	Telecom	System Integration	Technology	BDH	Unallocated	Total
Revenue	1.550.373.056	2.677.809.658	-	402.481.239	-	4.630.663.953
Cost of sales (-)	(1.461.662.386)	(2.446.090.294)	-	(376.026.548)	-	(4.283.779.228)
Gross margin	88.710.670	231.719.364	-	26.454.691	-	346.884.725
Sales,marketing and distribution expenses (-)	(33.885.172)	(81.314.487)	-	(28.935.273)	-	(144.134.932)
General administrative expenses (-)	-	-	-	-	(156.223.399)	(156.223.399)
Research and development expenses (-)	-	-	(3.480.704)	-	-	(3.480.704)
Operating profit / (loss) of segment	54.825.498	150.404.877	(3.480.704)	(2.480.582)	(156.223.399)	43.045.690

30 September 2022**For the period ended**

	Telecom	System Integration	Technology	BDH	Unallocated	Total
Revenue	753.210.577	1.597.267.794	-	279.586.865	-	2.630.065.236
Cost of sales (-)	(710.205.299)	(1.437.487.370)	-	(239.619.476)	-	(2,387,312,145)
Gross margin	43.005.278	159.780.424	-	39.967.389	-	242.753.091
Sales,marketing and distribution expenses (-)	(31.146.575)	(51.140.828)	-	(27.246.073)	-	(109.533.476)
General administrative expenses (-)	-	-	-	-	(110.092.288)	(110.092.288)
Research and development expenses (-)	-	-	(4.368.679)	-	-	(4,368,679)
Operating profit / (loss) of segment	11.858.703	108.639.596	(4,368,679)	12,721,316	(110,092,288)	18,758,648

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4 SEGMENT REPORTING(Cont'd)

30 September 2023	Telecom	System Integration	Technology	BDH	Unallocated (*)	Total
Trade receivables	1.071.461.976	937.695.336	-	93.438.601	-	2.102.595.913
Due from related parties	59.393.171	-	-	-	-	59.393.171
Inventories	183.086.042	261.412.492	-	22.341.309	(521.244)	466.318.599
Contract assets	39.774.360	406.078.358	-	7.505.368	-	453.358.086
Segments assets	1.353.715.549	1.605.186.186	-	123.285.278	(521.244)	3.081.665.769
Trade payables (*)	73.153.082	635.889.879	-	138.074.047	2.132.548	849.249.556
Due to related parties	1.439.299.805	-	-	-	-	1.439.299.805
Contract liabilities	236.999.529	405.046.515	-	17.700	-	642.063.744
Other short term provision	-	63.356.195	-	-	19.285.675	82.641.870
Segment liabilities	1.749.452.416	1.104.292.589	-	138.091.747	21.418.223	3.013.254.975
31 December 2022	Telecom	System Integration	Technology	BDH	Unallocated (*)	Total
Trade receivables	719.243.945	1.086.626.248	-	73.863.692	1.091.952	1.880.825.837
Due from related parties	70.128.043	-	-	-	-	70.128.043
Inventories	169.610.229	237.223.842	-	18.437.072	285.051	425.556.194
Contract assets	385.366.586	55.256.630	-	-	-	440.623.216
Segments assets	1.344.348.803	1.379.106.720	-	92.300.764	1.377.003	2.817.133.290
Trade payables (*)	59.664.328	1.015.383.009	-	83.211.992	65.030.013	1.223.289.342
Due to related parties	757.233.720	-	-	-	-	757.233.720
Contract liabilities	127.679.378	323.861.236	-	151.421	-	451.692.035
Other short term provision	7.399.544	80.277.520	-	-	12.738.590	100.415.654
Segment liabilities	951.976.970	1.419.521.765	-	83.363.413	77.768.603	2.532.630.751

(*) Unallocated trade payables are comprised of as rent, trade payable, inventory insurance, consultancy etc.

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4 SEGMENT REPORTING(Cont'd)

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

	For the period ended 30 September 2023	For the period ended 30 September 2022
Operating (loss) of segment	43.045.690	18.758.648
Other (expenses)/income from operating activities (net)	(96.361.258)	(107.276.399)
Other (expenses)/income from investments (net)	(278.125)	30.503.293
Income from investments accounted using the equity method	-	304.063
Finance (expenses)/income (net)	(18.767.776)	(22.703.719)
(Loss) before tax	(72.361.469)	(80.414.114)

	30 September 2023	31 December 2022
Assets		
Segment assets	3.081.665.769	2.817.133.290
Other assets (*)	2.034.219.392	1.362.685.076
Total assets	5.115.885.161	4.179.818.366

	30 September 2023	31 December 2022
Liabilities		
Segment liabilities	3.013.254.975	2.532.630.751
Other liabilities (*)	2.102.509.446	1.629.495.856
Total liabilities	5.115.764.421	4.162.126.607

(*) Other assets consist of items such as unallocated cash, tax assets and prepaid expenses, as well as items such as tangible and intangible assets, right-of-use assets and goodwill that are benefited equally by all segments. Other liabilities consist of items such as unallocated bank loans, tax liabilities, payables from lease transactions, personnel payables and provisions.

5 CASH AND CASH EQUIVALENTS

	30 September 2023	31 December 2022
Bank- demand deposits	391.513.669	143.830.315
Bank- time deposits	18.000.000	76.300.000
	409.513.669	220.130.315

Currency	Original Currency Amount	Interest Rate %	Maturity	30 September 2023
TL	18.000.000	24,00-29,00	October 2023	18.000.000
				18.000.000
Currency	Original Currency Amount	Interest Rate %	Maturity	31 December 2022
TL	76.300.000	12,00	January 2023	76.300.000
				76.300.000

As of 30 September 2023, and 31 December 2022 there are no restriction / blockage on bank accounts.

The exchange rate risk carried by cash and cash equivalents are presented in Note 23.

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6 BORROWINGS

	30 September 2023	31 December 2022
Short term financial liabilities		
Short term unsecured loans	1.372.949.949	1.093.165.025
Financial borrowing from factoring transactions	164.519.148	38.345.150
	1.537.469.097	1.131.510.175

(*) Non-interest-bearing unsecured spot loans consist of loans related to import taxes and SSP and their original currencies are TL.

As of the details of short-term unsecured loans of the Group are given below:

Original Currency		Interest Rate(%) (*)	Maturity	30 September 2023
Currency	Amount			
TL	500.122.841	15,5-45,5	October 2023-September 2024	500.122.841
USD	31.882.115	9,00-12,35	July 2023-June 2024	872.827.108
				1.372.949.949

Original Currency		Interest Rate(%) (*)	Maturity	31 December 2022
Currency	Amount			
TL	618.204.570	14,75-25,30	January 2023-December 2023	618.204.570
USD	25.401.264	4,90-13,25	January 2023-July 2023	474.960.455
				1.093.165.025

(*) Presents the lower and upper rates.

The detail of financial borrowing from factoring transactions of the Group is given below:

Original Currency		Interest Rate(%) (*)	Maturity	30 September 2023
Currency	Amount			
TRY	164.519.148	40,00-52,95	November 2023-December 2023	164.519.148
				164.519.148

Original Currency		Interest Rate(%) (*)	Maturity	31 December 2022
Currency	Amount			
TL	34.881.064	28,00-35,50	January 2023-May 2023	34.881.064
USD	185.262	13,50	January 2023	3.464.086
				38.345.150

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6 BORROWINGS(Cont'd)

	30 September 2023	31 December 2022
Short-Term Portion of Long-Term Financial Liabilities		
Short-Term Portion of Long-Term Unsecured Bank Loans	-	61.218.489
Short-Term Portion of Long-Term Lease Liabilities	123.910.352	96.094.322
	123.910.352	157.312.811

The detail of short-term portion of long-term unsecured bank loans of the Group is given below:

Original Currency				
Currency	Amount	Interest Rate(%) (*)	Maturity	31 December 2022
TL	61.218.489	9,00-14,75	February 2023-April 2023	61.218.489
				61.218.489

The Group has no collaterals given for bank loans as of 30 September 2023 and 2022.

The movement of banks loans and financial borrowing from factoring transactions of the Group is given in the table below. Cash flows arising from the borrowings of the Group are classified under the cash inflows/ outflows arising from financing activities in the condensed consolidated statement of cash flows.

	2023	2022
Opening-1 January	1.192.728.664	1.142.699.339
Cash inflow under within borrowings received	1.638.590.401	1.231.742.901
Cash pouflow under within borrowings received	(1.709.317.955)	(1.487.099.883)
Interest accruals changes	(6.069.692)	569.603
Currency translations changes	421.537.679	237.764.032
Closing-30 September	1.537.469.097	1.125.675.992

The reconciliation of the Group's debts from lease transactions for the nine-month accounting periods ending on September 30, 2023 and 2022 is as follows:

	2023	2022
Opening-1 January	161.503.737	115.041.653
Additions	65.590.679	18.606.304
Interest expenses and foreign exchange loss on lease liabilities	22.275.552	11.649.817
Lease payments	(37.638.182)	(27.351.611)
Foreign Currency Translation Difference	51.124.935	43.403.993
Closing-30 September	262.856.721	161.350.156

As of September 30, 2023, liabilities arising from leasing transactions are in TL and consist of liabilities accounted with fixed rate borrowing interest rates, which vary between 14,81% and 31%. The maturity structure of debts arising from financial borrowings and leasing transactions and the exchange rate risk carried over are presented in Note 23.

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7 TRADE RECEIVABLES AND PAYABLES

Trade Receivables from Third Parties	30 September 2023	31 December 2022
Trade receivables	2.538.327.119	2.107.866.896
Discount on trade receivables (*)	(141.452.839)	(26.288.669)
Allowances for doubtful receivables (-)	(294.278.367)	(200.752.390)
	2.102.595.913	1.880.825.837

(*) Trade receivables as of reporting date are accounted at amortized cost using the effective interest rate method.

Movement of Allowance for Doubtful Receivables	2023	2022
Reported as of 1 January	(200.752.390)	(143.495.538)
Charge for the period	-	-
Provision no longer required	642.197	634.377
Currency translation differences	(94.168.174)	(55.417.951)
As of 30 September	(294.278.367)	(198.279.112)

The provision for doubtful receivables allocated for trade receivables is determined based on the experience of non-collection of receivables and expected credit loss model.

Trade Payables to Third Parties	30 September 2023	31 December 2022
Trade payables	849.249.556	1.223.289.342
	849.249.556	1.223.289.342

8 INVENTORIES

	30 September 2023	31 December 2022
Raw materials	128.456.558	101.289.497
Finished goods	86.674.852	39.537.456
Trade goods	252.896.881	271.994.517
Right of return assets	1.041.546	13.874.351
Allowance for inventory impairment (-)	(2.751.238)	(1.139.627)
	466.318.599	425.556.194
Movement for allowance:	2023	2022
Opening-1 January	(1.139.627)	(68.436.157)
Released for the year	1.580.891	7.950.272
Provision	(1.856.283)	(1.623.457)
Foreign currency translation difference	(1.336.219)	(25.081.095)
Closing-30 September	(2.751.238)	(87.190.437)

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9 PROPERTY, PLANT AND EQUIPMENT

	Machinery and Equipment	Vehicles	Furniture and fixtures	Leasehold Improvements	Total
<u>Cost</u>					
1 January 2023	629.136.116	448.729	53.156.764	177.748.923	860.490.532
Translation difference	241.111.629	75.281	18.945.951	72.753.225	332.886.086
Purchases	2.356.032	-	134.469	832.132	3.322.633
Disposals	(70.122.677)	(4.183)	(2.028.184)	(1.424.563)	(73.579.607)
30 September 2023	802.481.100	519.827	70.209.000	249.909.717	1.123.119.644
<u>Accumulated Depreciation</u>					
1 January 2023	(552.512.405)	(359.331)	(45.305.835)	(157.893.741)	(756.071.312)
Translation difference	(231.486.900)	(75.281)	(17.277.495)	(71.342.772)	(320.182.448)
Period charge	(14.007.250)	(42.360)	(2.031.697)	(9.252.849)	(25.334.156)
Disposals	69.490.000	4.183	1.809.361	1.235.630	72.539.174
30 September 2023	(728.516.555)	(472.789)	(62.805.666)	(237.253.732)	(1.029.048.742)
Net book value at 30 September 2023	73.964.545	47.038	7.403.334	12.655.985	94.070.902

As of 30 September 2023, depreciation charge is TL 25.334.156. TL 8.280.872 is accounted in cost of sales, TL 15.553.701 in general administrative expenses, TL 1.499.583 in sales, marketing, and distribution expenses.

As of 30 September 2023, there are not any mortgage and financial leasing on property, plant and equipment.

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9 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Machinery and Equipment	Vehicles	Furniture and fixtures	Leasehold Improvements	Total
<u>Cost</u>					
1 January 2022	484.272.315	402.153	44.441.552	132.463.853	661.579.873
Translation difference	184.868.880	156.580	16.745.046	51.595.051	253.365.557
Purchases	6.494.464	-	171.290	141.955	6.807.709
Disposals	(45.576.391)	-	(3.501.783)	(24.376)	(49.102.550)
30 September 2022	630.059.268	558.733	57.856.105	184.176.483	872.650.589
<u>Accumulated Depreciation</u>					
1 January 2022	(417.507.487)	(256.280)	(35.259.297)	(101.176.957)	(554.200.021)
Translation difference	(155.770.934)	(108.236)	(13.583.582)	(41.428.487)	(210.891.239)
Period charge	(18.855.835)	(50.401)	(2.106.313)	(12.140.096)	(33.152.645)
Disposals	44.813.407	-	2.969.684	4.790	47.787.881
30 September 2022	(547.320.849)	(414.917)	(47.979.508)	(154.740.750)	(750.456.024)
Net book value at 30 September 2022	82.738.419	143.816	9.876.597	29.435.733	122.194.565

As of 30 September 2022, depreciation charge is TL 33.152.645. TL 6.749.733 is accounted in cost of sales, TL 24.967.615 in general administrative expenses, TL 1.435.297 in sales, marketing, and distribution expenses.

As of 30 September 2022, there are not any mortgage and financial leasing on property, plant and equipment.

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9 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Tangible fixed assets are depreciated principally on a straight-line basis using the following rates:

	<u>Useful Lives</u>
Machinery and Equipment	10
Vehicles	5-10
Leasehold Improvements	5-10
Furniture and fixtures	5-15

10 INTANGIBLE ASSETS

Goodwill

The shares transfer of "Netaş Bilişim Teknolojileri A.Ş." ("Netaş Bilişim") and its subsidiary BDH Bilişim Destek Hizmetleri Sanayi ve Ticaret A.Ş. ("BDH") was completed on 11 October 2011. With the acquisition of these shares, the Group has acquired Enterprise and BDH operating segments.

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:

Cost	2023	2022
Opening-1 January	342.704.462	244.295.352
Translation difference	159.058.652	95.117.382
Closing-30 September	501.763.114	339.412.734

With the estimated statement of profit or loss and potential projects of the future and revenue streams of Enterprise and BDH segments covering the period between 1 January 2023 and 31 December 2027, a valuation report has been prepared.

A valuation report has been prepared for the determination of the value to be used in the testing of impairment of goodwill as of 31 December 2022. The valuation report has been prepared by an independent valuation company. Income approach has been applied in the valuation study of Enterprise and BDH segments. 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.

The result of income approach and sensitivity analysis indicates that, the firm value of Enterprise and BDH segments is between USD 45 million and USD 57 million. Considering the Company's adjusted net debt level of USD 3.3 million as of the valuation date, the share value is estimated to be between USD 42 million and USD 54 million.

Considering the future cash flows of the Group, the Company Management concluded that there is no impairment in the goodwill amount as of 30 September 2023.

Significant assumptions used in discounted cash flow projections

The significant assumptions used in the calculation of recoverable amounts are discount rates and final growth rates. The after-tax discount rate was used in the valuation studies. The Weighted Average Cost of Capital rate used in the study is variable and 0,86 over the years since the tax rate will be changed during the projection period. Throughout the projection period, the company's debt / capital ratio is predicted to be 25% and a business risk premium of 18% has been considered in the WACC calculation.

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10 INTANGIBLE ASSETS(Cont'd)**Other Intangible Assets**

	1 January- 30 September 2023			
	Customer Relations (*)	Other Intangible Assets (**)	Construction in Progress	Total
<u>Cost</u>				
Opening balance	199.466.771	671.726.282	-	871.193.053
Translation difference	92.578.065	299.124.579	326.712	392.029.356
Additions	-	33.454	1.381.682	1.415.136
Transfers	-	-	-	-
Disposals	-	(24.144.730)	-	(24.144.730)
Closing balance	292.044.836	946.739.585	1.708.394	1.240.492.815
<u>Accumulated amortization</u>				
Opening balance	(199.466.771)	(555.523.117)	-	(754.989.888)
Translation difference	(92.578.065)	(250.907.055)	-	(343.485.120)
Period charge	-	(22.488.894)	-	(22.488.894)
Disposals	-	24.148.356	-	24.148.356
Closing balance	(292.044.836)	(804.770.710)	-	(1.096.815.546)
Net book value	-	141.968.875	1.708.394	143.677.269

(*) The purchase of shares of Netaş Bilişim Teknolojileri Anonim Şirketi ("Netaş Bilişim") and its subsidiary The contractual customer portfolio amount is related to this purchase.

(**) Other intangible assets are included rights, computer software and licenses.

As of 30 September 2023, amortization charge is TL 22.488.894. TL 13.535.630 is accounted in cost of sales, TL 8.931.344 in general administrative expenses and TL 21.920 in sales, marketing and distribution expenses.

	1 January- 30 September 2022			
	Customer Relations (*)	Other Intangible Assets(**)	Construction in Progress	Total
<u>Cost</u>				
Opening balance	142.189.000	504.348.507	10.140.787	656.678.294
Translation difference	19.813.012	183.584.347	1.925.158	205.322.517
Additions	-	328.197	-	328.197
Transfers	-	12.065.945	(12.065.945)	-
Disposals	-	(28.954.219)	-	(28.954.219)
Closing balance	162.002.012	671.372.777	-	833.374.789
<u>Accumulated amortization</u>				
Opening balance	(142.189.000)	(412.222.899)	-	(554.411.899)
Translation difference	(19.813.012)	(148.541.069)	-	(168.354.081)
Period charge	-	(17.020.572)	-	(17.020.572)
Disposals	-	28.653.366	-	28.653.366
Closing balance	(162.002.012)	(549.131.174)	-	(711.133.186)
Net book value	-	122.241.603	-	122.241.603

(*) The purchase of shares of Netaş Bilişim Teknolojileri Anonim Şirketi ("Netaş Bilişim") and its subsidiary The contractual customer portfolio amount is related to this purchase.

(**) Other intangible assets are included rights, computer software and licenses.

As of 30 September 2022, amortization charge is TL 17.020.572. TL 10.104.445 is accounted in cost of sales, TL 6.910.830 in general administrative expenses and TL 5.297 in sales, marketing and distribution expenses.

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10 INTANGIBLE ASSETS(Cont'd)**Other Intangible Assets(Cont'd)**

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>Depreciation Ratio (%)</u>
Softwares	20
Customer Portfolio	10
Licenses	3-15
Rights	20

11 RIGHT OF USE ASSETS

According to TFRS 16, the Group includes the right to use and the lease obligation in its financial statements at the date when the lease begins. The right to use asset is initially measured at its cost and then measures at accumulated depreciation and accumulated impairment losses at the cost adjusted for re-measurement of the lease liability. The right of use asset was initially measured at its cost value and is measured at its fair value in accordance with the Group's accounting policies after the lease started.

As of 30 September 2023, and 2022 the movement table of the right of use assets is as follows:

	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
<u>Cost</u>			
1 January 2023	157.616.557	104.840.101	262.456.658
Translation difference	57.703.148	26.759.345	84.462.493
Additions	29.180.140	36.410.539	65.590.679
30 September 2023	244.499.845	168.009.985	412.509.830
1 January 2023	(99.314.255)	(74.746.369)	(174.060.624)
Translation difference	(40.823.544)	(20.732.907)	(61.556.451)
Additions	(15.096.116)	(11.909.886)	(27.006.002)
30 September 2023	(155.233.915)	(107.389.162)	(262.623.077)
Net book value at 30 September 2023	89.265.930	60.620.823	149.886.753
	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
<u>Cost</u>			
1 January 2022	97.577.941	81.400.088	178.978.029
Translation difference	37.992.367	31.693.455	69.685.822
Additions	10.293.556	8.312.748	18.606.304
30 September 2022	145.863.864	121.406.291	267.270.155
1 January 2022	(59.626.294)	(51.420.486)	(111.046.780)
Translation difference	(25.629.093)	(21.597.467)	(47.226.560)
Additions	(14.392.750)	(9.402.434)	(23.795.184)
30 September 2022	(99.648.137)	(82.420.387)	(182.068.524)
Net book value at 30 September 2022	46.215.727	38.985.904	85.201.631

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12 GOVERNMENT GRANTS

For the period ended 30 September 2023 the Group has received approved, well deserved and accrued incentive from TÜBİTAK TL 992.958 (31 December 2022: TL1.566.840)

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

As of 30 September 2023, the Group has a corporate tax benefit of TL 2.813.791.665 due to research and development disbursement and this amount has been transferred (As of 31 December 2022, the Group has a corporate tax benefit of TL 1.743.342.214 due to research and development disbursement and amount is not utilized by the year end). The Group has booked deferred tax assets for unused R&D tax benefit amounting to TL 2.139.405.965 (Note 20). The partially and entirely recoverable deferred tax assets have been estimated under the current conditions. The future profit projections, the last dates when other tax assets can be used, and the potential tax planning strategies have been considered in the estimation exercise. The following assumptions have been made in the estimation of the recoverable deferred tax assets as of 30 September 2023.

- The lifespan of accrued but unused R&D incentives is unlimited.
- It has been done based on tax profit projections prepared by the management.
- In the prepared profit projections, a long-term inflation expectation of an average of 19% has been used. The year-end 2023 long-term exchange rate increase expectation has been taken as an average of 21% (in terms of US Dollars).

Based on the evaluations conducted according to the current analyses, it has been concluded that the deferred tax asset calculated under the R&D incentive is recoverable. It is anticipated that the relevant deferred tax assets will be recovered within 5 years starting from the year 2024.

For the period ended 30 September 2023, the amount of income tax incentive within the scope of Act numbered 5746 is TL 11.365.235 (31 December 2022: TL 10.937.438) 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 15.605.494 (31 December 2022: TL 14.434.715).

13 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions	30 September 2023	31 December 2022
Executory Contracts (*)	62.314.649	73.802.713
Provisions for return	1.041.546	13.874.351
Provision for legal cases	19.285.675	12.738.590
	82.641.870	100.415.654

(*) The compulsory reasons created by the pandemic caused the Group's basic assumptions about the projects taken in the past to change. These changes, on the other hand, necessitated the expense of additional costs and similar provisions in previous projects. It has been evaluated within the scope of TAS 37 and a provision has been made for possible expenses.

14 COMMITMENTS

Guarantee Letters Given

The Group's off-balance sheet commitments as of 30 September 2023 and 31 December 2022 are as follows:

	30 September 2023	31 December 2022
Guarantee letters given (*)	1.504.242.716	1.993.110.781
	1.504.242.716	1.993.110.781

(*) The Group has no off-balance sheet commitments and contingencies in favor of subsidiaries which are fully consolidated as of 30 September 2023 and 31 December 2022.

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14 COMMITMENTS(Cont'd)

Guarantee Letters Given (Cont'd)

The currencies of the letters of guarantees given are given below:

30 September 2023	TL Equivalent	Original Currency		
		TL	USD	EURO
	1.504.242.716	167.050.786	42.413.306	6.064.504

31 December 2022	TL Equivalent	Original Currency		
		TL	USD	EURO
	1.993.110.781	221.973.009	81.564.029	5.916.317

The off-balance sheet commitments and contingencies as of 30 September 2023 and 31 December 2022 are as follows:

Commitments, Pledges, Mortgages ("CPM") are given by the Company	30 September 2023	31 December 2022
A. Total amount of CPM is given on behalf of own legal personality	136.883.500	1.899.619.281
B. Total amount of CPM is given in favor of subsidiaries which are fully consolidated	1.367.359.216	93.491.500
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	-	-
	1.504.242.716	1.993.110.781

Guarantee Letters Received

30 September 2023	TL Equivalent	Original Currency		
		TL	USD	EURO
	94.678.682	6.505.539	2.902.614	300.000

31 December 2022	TL Equivalent	Original Currency		
		TL	USD	EURO
	20.459.829	2.368.513	967.538	-

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 the Company and İGA Havalimanları İnşaatı Adi Ortaklığı Ticari İşletmesi, fully consolidated subsidiary and subcontracter named BDH, and its whole commitments are guaranteed by Netaş.

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15 EMPLOYEE BENEFITS

Employee Benefit Obligations:

	30 September 2023	31 December 2022
Social security payables	71.010.641	42.670.140
Payables to employees	341.086	580.401
	71.351.727	43.250.541

Short Term and Long-Term Provisions for Employee Benefits:

Short Term	30 September 2023	31 December 2022
Provision for employee premiums	61.043.524	50.090.562
	61.043.524	50.090.562
Long Term		
Unused vacation provision	16.734.678	17.083.671
Provision for severance indemnity	56.532.821	66.376.541
Provision for retirement benefits	553.449	378.006
	73.820.948	83.838.218
Total		
Provision for employee premiums	61.043.524	50.090.562
Unused vacation provision	16.734.678	17.083.671
Provision for severance indemnity	56.532.821	66.376.541
Provision for retirement benefits	553.449	378.006
	134.864.472	133.928.780

An actuarial valuation was performed by an independent and authorized company for the Company's total liability for severance indemnity and retirement benefit as of 31 December 2022. Expected interest and service charges for 2023 have also been calculated by the actuarial firm. Expected service and interest charges will be amortized on a periodic basis during the year.

Severance Indemnity

Under Turkish Law, the Group is required to pay employment termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires.

In accordance with Turkish Labor Code, employment termination benefit is the present value of the total estimated provision for the liabilities of the personnel who may retire in the future. The provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial gains and losses are accounted in equity as other comprehensive income.

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16 SHAREHOLDERS' EQUITY**Paid in Capital**

Shareholding structure of Company as of 30 September 2023 and 31 December 2022 are as follows:

Name	Share Class	Capital Nominal Value (TL)	Capital Amount (Number)	Shareholding Ratio (%)
ZTE Cooperatief U.A.	A	23.351.328	23.351.328	36,00%
ZTE Cooperatief U.A.	B	7.817.023	7.817.023	12,05%
ZTE Cooperatief U.A. (Total)		31.168.351	31.168.351	48,05%
Türk Silahlı Kuvvetlerini Güçlendirme Vakfı	A	9.729.720	9.729.720	15,00%
Other Shareholders	B	23.966.729	23.966.729	36,95%
Total		64.864.800	64.864.800	100%

The capital of the company is TL 64.864.800 which is divided into 64.864.800 shares with a nominal value of TL 1 each. The share capital of the Company is fully paid

In accordance with the Capital Market Board Communiqué No. II-18.1 numbered Registered Capital System, the registered capital system of the Company has been expired due to the expiry date of the authorized capital ceiling (TL 300.000.000).

The shares of the company are divided into two groups, consisting of (A) and (B) group registered shares. 33.081.048 (thirty-three million eighty-one thousand and forty-eight) of these shares constitute the registered (A) group of shares, and 31.783.752 (Thirty-one million seven hundred and eighty-three thousand seven hundred and fifty-two) shares constitute the (B) group registered shares. The differentiation of the shares in (A) and (B) groups, does not give the owners any rights or privileges, except as provided in Articles 9 and 15.

The proportion of (A) group registered shares within the issued capital shall be maintained in capital increases. Pre-emptive rights of shareholders shall be exercised within the respective share groups.

(B) group registered shares can be freely transferred without being subject to any limitation or condition within the framework of Turkish Commercial Code ("TCC") and Capital Markets Legislation. However, concerning the transfer of (A) group registered shares the existing shareholders in Group (A) are entitled to preemptive rights which are required to be exercised within 30 days from the date of the offer for sale. Therefore, a shareholder wishing to transfer its shares, in full or in part, must first offer, in writing, to transfer its shares to the other shareholders in Group A in proportion to their respective shares, stating the price and other conditions for sale. If any shareholder, to whom the offer was made, declines to purchase the offered shares, such shares shall be offered to the other shareholders in proportion to their share ownership and this method will be pursued in the same manner until all shares are sold or rejected. Following the application of the above procedures, the transferor will be free to offer any rejected shares to third parties without restrictions provided that the price and other conditions of sale are no more favorable to the third party than the price and other conditions contained in the initial offer.

The required quorum for meetings and the required majority for resolutions of the shareholders at ordinary and extraordinary meetings shall be subject to the provisions of the TCC and Capital Markets legislation. However, resolution of the shareholders concerning amendments to the Articles of Association shall require the affirmative votes of the shareholders representing at least one half of the total number of shares within Group A.

Share Capital Adjustments

According to CMB Decree No: XI-26 "Changes to CMB Decree No: XI-20 Accounting Principles in Hyperinflationary Periods", shareholders' equity is shown at their normal values in the financial statements and the account differences occurred in correction of shareholders' equity are shown under the "Foreign Currency Translation Adjustments" account.

According to Board of Directors decision on 5 April 2004 referring to the Annual General Meeting decision and related CMB Decrees, conversion differences within the meaning of the law, occurred in prior periods were net-off with accumulated losses. Equity Foreign Currency Translation Adjustments are shown in the condensed consolidated statement of financial position under "Share Capital Adjustments" in the Shareholders' Equity.

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16 SHAREHOLDERS' EQUITY(Cont'd)

Legal Reserves

Legal reserves are reserves appropriated from the profit of prior periods for certain purposes other than profit distribution or due to legal or contractual requirements. These reserves are shown in the amounts in the legal records of the Company, and the differences in the preparation of the condensed consolidated financial statements in accordance with TFRS are associated with retained earnings.

The details of restricted reserves are as follows as of 30 September 2023 and 31 December 2022:

	30 September 2023	31 December 2022
Primary legal reserves	11.997.507	11.997.507
Secondary legal reserves	22.899.853	22.899.853
Total	34.897.360	34.897.360

According to Turkish Commercial Code, legal reserves consist of primary and secondary legal reserves. The primary legal reserves, appropriated out of historical statutory profit at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid in share capital. The secondary legal reserve is appropriated after the first legal reserves and dividends, at the rate of 10% per annum of all cash distribution.

As of 30 September 2023, the primary legal reserve amount of the group is 18% of the paid-in capital and there is no limit to the secondary legal reserve amount. These reserves can only be used to cover losses, to maintain the company in times when things are not going well, or to prevent unemployment and to mitigate the effects of such losses, unless they exceed half of the paid-in capital of the company.

Retained Earnings (Losses)

Retained earnings other than net period profit are presented in this item. The extraordinary reserves that are retained by the nature of their accumulated profit and are therefore not restricted, are also recognized as retained earnings.

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17 REVENUE

	1 January- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2023	1 July- 30 September 2022
Net domestic sales	4.450.734.252	2.500.862.540	1.817.082.609	995.784.289
Net export	179.929.701	129.202.696	110.865.188	54.813.050
Asia	163.446.890	81.951.414	105.176.010	40.808.343
Europe	4.743.071	24.872.515	772.542	8.756.545
Africa	253.815	14.037.505	163.015	4.981.815
United States	11.485.925	8.341.262	4.753.621	266.347
Total net sales	4.630.663.953	2.630.065.236	1.927.947.797	1.050.597.339

	1 January-30 September 2023				
Performance Obligations:	Telecom	System Integration	Technology	BDH	Total
Hardware performance obligation	1.471.889.910	884.247.113	-	-	2.356.137.023
Licence performance obligation	-	1.044.867.793	-	-	1.044.867.793
Maintenance performance obligation	21.345.678	280.325.909	-	402.481.239	704.152.826
Design performance obligation	13.686.876	78.340.429	-	-	92.027.305
Installation performance obligation	29.861.461	84.994.052	-	-	114.855.513
Other performance obligations	13.589.131	305.034.362	-	-	318.623.493
	1.550.373.056	2.677.809.658	-	402.481.239	4.630.663.953

Satisfaction of Performance Obligations:

At a point in time	1.529.334.238	2.569.058.074	-	402.481.239	4.500.873.551
Overtime	21.038.818	108.751.584	-	-	129.790.402
	1.550.373.056	2.677.809.658	-	402.481.239	4.630.663.953

	1 January-30 September 2022				
Performance Obligations:	Telecom	System Integration	Technology	BDH	Total
Hardware performance obligation	650.810.966	403.627.872	-	-	1.054.438.838
Licence performance obligation	-	700.454.221	-	-	700.454.221
Maintenance performance obligation	37.786.693	210.715.435	-	279.586.865	528.088.993
Design performance obligation	30.618.376	74.117.703	-	-	104.736.079
Installation performance obligation	21.625.494	38.633.223	-	-	60.258.717
Other performance obligations	12.369.048	169.719.340	-	-	182.088.388
	753.210.577	1.597.267.794	-	279.586.865	2.630.065.236

Satisfaction of Performance Obligations:

At a point in time	715.907.812	1.520.557.045	-	279.586.865	2.516.051.722
Overtime	37.302.765	76.710.749	-	-	114.013.514
	753.210.577	1.597.267.794	-	279.586.865	2.630.065.236

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18 INCOME AND EXPENSES FROM OTHER OPERATING ACTIVITIES

	1 January- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2023	1 July- 30 September 2022
Income from Other Operating Activities				
Reversal for doubtful receivables expenses	642.196	634.377	70.583	263.210
	642.196	634.377	70.583	263.210
Expenses from Other Operating Activities				
Foreign exchange expenses, net	44.667.741	79.757.627	8.412.160	26.658.715
Discount loss on receivables, net (*)	11.117.703	11.215.918	4.995.352	4.678.593
Legal case expenses	8.989.540	4.372.925	1.674.814	937.248
Other tax expenses	525.886	2.773.529	217.017	1.381.254
Other expenses and losses	31.702.584	9.790.777	13.449.243	3.076.936
	97.003.454	107.910.776	28.748.586	36.732.746

(*) Rediscount incomes/ (expenses) from trade receivables (representing the interest component calculated using the effective interest method) are accounted for in Other Operating Income/ (Expenses).

19 FINANCE INCOME / EXPENSES

	1 January- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2023	1 July- 30 September 2022
Financial Income				
Foreign exchange gains, net (*)	218.110.177	140.222.206	43.338.109	46.272.598
Interest income	7.785.871	3.325.350	2.731.139	990.974
	225.896.048	143.547.556	46.069.248	47.263.572

(*) Foreign exchange gains and losses related to cash and cash equivalents, borrowings, and other financial liabilities and currency translation difference.

	1 January- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2023	1 July- 30 September 2022
Financial Expenses				
Bank interest expenses	150.369.153	128.669.173	63.420.654	48.675.852
Guarantee letter commissions	16.808.122	14.838.390	5.417.268	5.529.831
Interest and foreign exchange loss on leases	22.275.544	11.649.820	5.491.581	3.516.280
Bank loan commissions and expenses	-	6.080.259	-	1.494.429
Other financial expenses	55.211.005	5.013.633	24.582.822	2.826.960
	244.663.824	166.251.275	98.912.325	62.043.352

20 TAX ASSETS AND LIABILITIES**Corporate Tax**

The Company and its subsidiaries in Turkey is subject to Turkish corporate taxes. Provision is made in the accompanying condensed consolidated financial statements for the estimated charge based on the Company's results for the year.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

20 TAX ASSETS AND LIABILITIES(Cont'd)

Corporate Tax(Cont'd)

The Company and its subsidiaries located in Turkey are subject to the tax legislation and practices in force in Turkey. The corporate tax rate applied to the legal tax base to be found by adding the expenses that are not accepted as deductible in accordance with tax laws to the commercial income of corporations in Turkey and by deducting the exemptions in the tax laws was applied as 20% after 1 January 2021. However, with the Provisional Article 13 added to the Corporate Tax Law No. The rate is set to be 23% for corporate earnings for the 2022 taxation period. Therefore, the Company and its subsidiaries located in Turkey used the 20% tax rate in the calculation of the period tax for 2023.

The corporate tax rate is applied to the net corporate income by adding the expenses that are not accepted as deductible in accordance with the tax laws to the commercial income of the corporations, and by deducting the exceptions and deductions in the tax laws. In Turkey, provisional tax is calculated and accrued on a quarterly basis.

Accumulated losses can be carried 5 years maximum to be deducted from the taxable profit of the following years. However, accumulated losses cannot be deducted from the profit occurred in the prior years retroactively.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the fiscal year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years. Tax legislation in Turkey does not allow to fill condensed consolidated tax returns of the Company and its subsidiaries. Therefore, provisions for taxes, as included in the condensed consolidated financial statements, it has been calculated based on individual companies.

Corporate tax rate in Malta is 35% (2022: 35%). Corporate tax rate in Kazakhstan is 20% (2022: 20%). Corporate tax rate in Algeria is 26%.

Withholding tax

In addition to corporate taxes, companies should also calculate withholding taxes surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15 % with the code numbered 5520 article 15 commencing from 23 July 2006. Transfer from retained earnings to share capital is not subject to withholding taxes.

Deferred Taxes

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising from its financial statements prepared in accordance with TFRS and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and are set out below.

Subsidiaries with deferred tax assets are not netted off with subsidiaries with deferred tax liabilities and are shown separately, as businesses in Turkey cannot declare consolidated tax returns.

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20 TAX ASSETS AND LIABILITIES(Cont'd)

Deferred Taxes(Cont'd)

Deferred tax assets

	<u>30 September 2023</u>	<u>31 December 2022</u>
Trade and unbilled receivables	(17.932.909)	(28.412.906)
Tangible and intangible assets	(54.560.841)	(51.994.926)
Trade payables and cost provisions	23.697.033	24.282.550
Carryforward tax losses and unused R&D tax exemption (Note 12)	553.642.707	350.850.912
Provision for unused vacation	2.342.332	2.377.074
Inventory and contract assets	(61.550.514)	(50.554.743)
Provisions for employee premiums	10.559.994	8.369.401
Contract liabilities	33.650.810	27.473.281
Legal provision	2.886.271	1.801.488
Severance indemnity and retirement provisions	23.379.547	21.010.220
Other	1.851.399	856.041
	<u>517.965.829</u>	<u>306.058.392</u>

	<u>30 September 2023</u>	<u>31 December 2022</u>
Deferred Tax Assets	<u>517.965.829</u>	<u>306.058.392</u>
Net Amount	<u>517.965.829</u>	<u>306.058.392</u>

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20 TAX ASSETS AND LIABILITIES(Cont'd)

Deferred Taxes(Cont'd)

The movement of deferred tax assets/ (liabilities) is as follows:

Movement for deferred taxes is as follows:

	30 September 2023	30 September 2022
Balance as of January, 1	306.058.392	154.617.696
Current charge deferred tax income	62.262.752	42.919.647
Translation difference	149.644.685	67.459.744
Closing	517.965.829	264.997.087

	1 January- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2023	1 July- 30 September 2022
Current tax loss	(3.311.183)	(12.993.356)	3.560.534	(3.648.540)
Deferred tax income	62.262.752	42.919.647	19.241.659	21.580.374
Tax Income (Loss)/Income	58.951.569	29.926.291	22.802.193	17.931.834

	30 September 2023	31 December 2022
Corporate tax	3.311.183	-
Prepaid taxes	(58.797.254)	(34.730.028)
Current tax (liabilities) / Current income tax assets	(55.486.071)	(34.730.028)

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20 TAX ASSETS AND LIABILITIES(Cont'd)

Deferred Taxes(Cont'd)

Movement for deferred taxes as of 30 September 2023 and 2022 are as follows;

	1 January 2023	Charge to Period	Translation Difference	30 September 2023
Tangible and intangible assets	(51.994.926)	20.423.864	(22.989.779)	(54.560.841)
Trade receivables	(28.412.906)	19.217.175	(8.737.178)	(17.932.909)
Trade payables and cost provisions	24.282.550	(9.399.598)	8.814.081	23.697.033
Inventory and contract assets	(50.554.744)	9.754.303	(20.750.073)	(61.550.514)
Provisions for employee bonuses	8.369.401	(1.429.383)	3.619.976	10.559.994
Provision for unused vacation	2.377.074	(1.023.271)	988.529	2.342.332
Severance indemnity and retirement provisions	21.010.220	(4.072.133)	6.441.460	23.379.547
Contract liabilities	27.473.281	(5.315.781)	11.493.310	33.650.810
Carryforward tax losses and unused R&D tax exemption (Note 12)	350.850.911	33.130.963	169.660.833	553.642.707
Legal Provision	1.801.487	201.109	883.675	2.886.271
Other	856.044	775.504	219.851	1.851.399
	306.058.392	62.262.752	149.644.685	517.965.829

	1 January 2022	Charge to Period	Translation Difference	30 September 2022
Tangible and intangible assets	(43.352.596)	(1.478.826)	(17.353.882)	(62.185.304)
Trade receivables	(88.452.339)	42.926.180	(27.241.425)	(72.767.584)
Trade payables and cost provisions	58.310.103	(28.654.905)	17.898.427	47.553.625
Inventory and contract assets	5.303.215	(47.070.389)	(5.827.922)	(47.595.096)
Deferred revenue	438.431	(453.833)	94.606	79.204
Provisions for employee bonuses	4.463.247	(1.594.472)	2.112.350	4.981.125
Provision for unused vacation	1.488.037	(826.576)	875.005	1.536.466
Severance indemnity and retirement provisions	8.918.415	(3.190.372)	2.937.460	8.665.503
Contract liabilities	28.002.883	(6.656.745)	9.786.834	31.132.972
Carryforward tax losses and unused R&D tax exemption (Note 12)	177.666.653	89.800.982	83.383.278	350.850.913
Legal Provision	2.539.641	(1.448.312)	745.967	1.837.296
Other	(707.994)	1.566.915	49.046	907.967
	154.617.696	42.919.647	67.459.744	264.997.087

The Group has a total of TL 617.895.077 of carryforward tax losses that can be deducted against future profits, and deferred tax assets amounting to TL 123.579.027 have been recognized over this amount.

The Group's carryforward tax losses subject to recognition of deferred tax asset as of 30 September 2023 is as follows:

Related Year	Using Year	30 September 2023
2019	2024	77.148.938
2021	2026	290.896.416
2022	2027	249.849.723
		617.895.077

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21 EARNING / LOSS PER SHARE

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.

	1 January- 30 September 2023	1 January- 30 September 2022
Number of shares	64.864.800	64.864.800
Net profit/ (loss) for the period	(14.800.152)	(50.487.823)
Earning / (Loss) per share (kurus)	(0,2282)	(0,7784)

22 RELATED PARTY DISCLOSURES

Due from related parties as of 30 September 2023 and 31 December 2022 are as follows:

Due from Related Parties	30 September 2023	31 December 2022
ZTE İstanbul Telekomünikasyon(1)	59.275.636	69.276.530
ZTE Corporation(2)	117.535	851.513
	59.393.171	70.128.043

Due to Related Parties	30 September 2023	31 December 2022
ZTE İstanbul Telekomünikasyon(1)	1.233.886.270	538.866.535
ZTE Corporation(2)	205.413.535	218.367.185
	1.439.299.805	757.233.720

According to “IAS 24 Related Party Disclosures”, providers of finance, trade unions, public utilities, departments, and agencies of a government that does not control, jointly control or significantly influence the reporting entity, and a customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business, simply by virtue of the resulting economic dependence are not evaluated as related parties.

(1) The company which controlled by main partner

(2) Main partner

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22 RELATED PARTY DISCLOSURES(Cont'd)

Main transactions with related parties are as follows for the period ended 30 September 2023 and 2022.

	1 January- 30 September 2023	1 January- 30 September 2022
Sales		
ZTE İstanbul Telekomünikasyon(1)	41.383.285	54.818.069
ZTE Corporation(2)	9.424.349	15.622.164
	50.807.635	70.440.233
Purchases		
ZTE İstanbul Telekomünikasyon(1)	608.446.865	254.217.281
ZTE Corporation(2)	-	176.515.527
Kron Telekomünikasyon A.Ş.(3) (*)	-	824.104
	608.446.865	177.339.631

(*) As explained in note 1, the transfer of the shares owned in Kron Telekomünikasyon Hizmetleri A.Ş. was carried out on 29 April 2022.

(1) The company which controlled by main partner

(2) Main partner

(3) Associate

Benefits to Top Management:

Top management of the Group comprised of, the members of the management and executive committee, General Managers and Deputy General Managers. For the period ended 30 September 2023, total remuneration for the directors and management board of the Group is TL 31.197.369 (30 September 2022: TL 16.853.308). As of 30 September 2023, and 31 December 2022 there is no credit granted to the Group's Management.

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

As of 30 September 2023, and 31 December 2022 the Group's net debt / total equity ratios are as follows:

	30 September 2023	31 December 2022
Short-term and long-term borrowings (*)	1.537.469.097	1.192.728.664
Cash and cash equivalents	(409.513.669)	(220.130.315)
Net financial debt	1.127.955.428	972.598.349
Equity	(5.559.454)	13.401.817
Net financial debt/ Equity Ratio	(%20.289)	%7.257

(*) The mentioned amount does not include lease payables and includes bank borrowings

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(Cont'd)

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:

30 September 2023	Trade Receivables		Contract Assets related to Goods and Services	Other Receivables	Deposits at Banks
	Related Parties	Other	Provided	Other	
			Other		
Maximum credit risks as of balance sheet date (A+B+C+D)	59.393.171	2.102.595.913	453.358.086	4.440.866	409.513.669
Maximum risk guaranteed by collateral	-	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	59.393.171	1.696.738.034	453.358.086	4.440.866	409.513.669
(B) Net book value of overdue but not impaired financial assets	-	405.857.879	-	-	-
Guaranteed by collateral	-	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-	-
Overdue (gross book value)	-	294.278.367	-	-	-
Impairment (-)	-	(294.278.367)	-	-	-
Guaranteed by collateral	-	-	-	-	-
Unexpired (gross book value)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
Guaranteed by collateral	-	-	-	-	-
(D) Off balance sheet risks	-	-	-	-	-

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(Cont'd)**Credit risk (Cont'd)**

31 December 2022	Trade Receivables		Contract Assets related to Goods and Services Provided	Other Receivables	Deposits at Banks
	Related Parties	Other	Other	Other	
Maximum credit risks as of balance sheet date (A+B+C+D)	70.128.043	1.880.825.837	440.623.216	3.125.482	220.130.315
Maximum risk guaranteed by collateral	-	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	70.128.043	1.540.812.796	440.623.216	3.125.482	220.130.315
(B) Net book value of overdue but not impaired financial assets	-	340.013.041	-	-	-
Guaranteed by collateral	-	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-	-
Overdue (gross book value)	-	143.495.538	-	-	-
Impairment (-)	-	(143.495.538)	-	-	-
Guaranteed by collateral	-	-	-	-	-
Unexpired (gross book value)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
Guaranteed by collateral	-	-	-	-	-
(D) Off balance sheet risks	-	-	-	-	-

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23 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:

30 September 2023	Undue	1-30 days overdue	1-3 months overdue	3-6 months overdue	6-12 months overdue	1-5 years overdue
Credit loss ratio (%)	0,6%	1,8%	2,8%	4,8%	8,8%	21,4%
As of period	2.150.096.120	126.920.537	36.440.525	29.094.739	60.968.950	188.801.120
Expected credit loss	-	742.586	786.459	1.654.140	8.696.600	24.488.207
31 December 2022	Undue	1-30 days overdue	1-3 months overdue	3-6 months overdue	6-12 months overdue	1-5 years overdue
Credit loss ratio (%)	0,6%	1,8%	2,8%	4,8%	8,8%	21,4%
As of period	1.981.436.012	72.854.149	76.497.522	36.248.459	39.794.323	126.160.425
Expected credit loss	-	232.428	1.191.030	2.591.373	917.865	6.609.141

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(Cont'd)**Liquidity risk**

The Group manages its liquidity risk by having sufficient cash and similar resources to fulfill its current and potential obligations on time. The table showing the liquidity risk of the Group as of 30 September 2023 and 31 December 2022 is presented:

30 September 2023

<u>Maturities due to agreements</u>	Cash outflows					
	Carrying amount	due to agreements	Up to 3 months	3-12 months	1-5 years	More than 5 years
<u>Non- derivative financial liabilities</u>	4.179.904.847	4.128.576.801	2.842.811.863	1.116.145.155	164.561.919	5.057.864
Financial liabilities	1.537.469.097	1.478.017.666	429.362.541	1.048.655.125	-	-
Lease Liabilities	262.856.721	270.980.106	33.870.293	67.490.030	164.561.919	5.057.864
Due to related parties	1.439.299.805	1.439.299.805	1.439.299.805	-	-	-
Other trade payables to third parties	849.249.556	849.249.556	849.249.556	-	-	-
Other payables to third parties	91.029.668	91.029.668	91.029.668	-	-	-

31 December 2022

<u>Maturities due to agreements</u>	Cash outflows					
	Carrying amount	due to agreements	Up to 3 months	3-12 months	1-5 years	More than 5 years
<u>Non- derivative financial liabilities</u>	3.428.151.773	3.502.996.849	2.621.398.558	768.675.638	108.227.740	4.694.913
Financial liabilities	1.192.728.664	1.248.511.461	525.029.647	723.481.814	-	-
Lease Liabilities	161.503.737	180.566.016	22.449.539	45.193.824	108.227.740	4.694.913
Due to related parties	757.233.720	757.233.720	757.233.720	-	-	-
Other trade payables to third parties	1.223.289.342	1.223.289.342	1.223.289.342	-	-	-
Other payables to third parties	93.396.310	93.396.310	93.396.310	-	-	-

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(Cont'd)

Interest rate risk

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

	30 September 2023	31 December 2022
Fixed interest rate financial instruments	2.184.429.950	2.030.379.362
Cash and Cash Equivalents (*)	18.000.000	76.300.000
Trade Receivables	2.161.989.084	1.950.953.880
Other Receivables	4.440.866	3.125.482
Variable interest rate financial instruments	-	-
Fixed interest rate financial liabilities	4.179.904.847	3.366.933.284
Short and Long Term Unsecured Loans	1.537.469.097	1.131.510.175
Lease Liabilities	262.856.721	161.503.737
Trade Payables	2.288.549.361	1.980.523.062
Other Payables	91.029.668	93.396.310
Variable interest rate financial liabilities	-	-
Short and Long Term Unsecured Loans	-	-
Interest-free financial liabilities	-	-
Non Interest bearing unsecured spot loans	-	-

(*) As of 30 September 2023, and 31 December 2022 includes bank time deposits.

Foreign currency risk

The functional currency of the Group is US Dollars. Currency risk generally arises from the change in the value of the US Dollar against TL and other currencies. In order not to be affected by the appreciation or depreciation of the US Dollar against other currencies, the Group evaluates its assets in line with its liabilities to the extent possible and loads its contractual expenses in the contract currency to the extent possible.

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)**Foreign currency risk(Cont'd)**

As of 30 September 2023, and 31 December 2022 the Group's foreign currency position table is given below:

30 September 2023	TL Equivalent (*)	Original Currency			
		TL	Euro	USD	Other
Current Assets	1.067.505.152	352.315.849	1.501.565	2.422.641	1.332.535.910
Cash and cash equivalents	277.181.802	29.879.634	63.785	-	1.236.027.022
Trade receivables, third parties	785.882.485	317.995.349	1.437.781	2.422.641	96.508.888
Other receivables, third parties	4.440.866	4.440.866	-	-	-
TOTAL ASSETS (A)	1.067.505.152	352.315.849	1.501.565	2.422.641	1.332.535.910
Short Term Liabilities	1.137.669.455	985.160.211	983.756	807.871	87.502.460
Financial liabilities	500.122.841	500.122.841	-	-	-
Short term portion of long term financial liabilities	-	-	-	-	-
Lease liabilities	123.910.352	123.910.352	-	-	-
Trade payables, third parties	422.606.594	270.097.350	983.756	807.871	87.502.460
Other payables, third parties	91.029.668	91.029.668	-	-	-
Long Term Liabilities	138.946.369	138.946.369	-	-	-
Long term financial liabilities	-	-	-	-	-
Lease liabilities	138.946.369	138.946.369	-	-	-
TOTAL LIABILITIES (B)	1.276.615.824	1.124.106.580	983.756	807.871	87.502.460
Net Foreign Currency Asset / (Liability) Position (A-B)	(209.110.671)	(771.790.731)	517.809	1.614.770	1.245.033.450

(*) The functional currency of the Group is USD. The USD risk of those whose functional currency is other than USD is explained in the relevant column. In the table above, foreign currencies are shown with their original currency amounts, and their TL equivalents are calculated using period-end exchange rates.

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk(Cont'd)

31 December 2022	TL Equivalent (*)	Original Currency			
		TL	Euro	USD	Other
Current Assets	701.859.080	453.370.239	1.722.268	2.737.785	154.586.570
Cash and cash equivalents	98.961.560	93.988.991	38.466	-	7.925.202
Trade receivables, third parties	599.772.038	356.255.766	1.683.802	2.737.785	146.661.368
Other receivables, third parties	3.125.482	3.125.482	-	-	-
TOTAL ASSETS (A)	701.859.080	453.370.239	1.722.268	2.737.785	154.586.570
Short Term Liabilities	1.573.116.071	1.476.023.372	1.710.277	1.064.576	33.286.629
Financial liabilities	714.304.123	714.304.123	-	-	-
Lease liabilities	96.094.322	96.094.322	-	-	-
Trade payables, third parties	669.321.316	572.228.617	1.710.277	1.064.576	33.286.629
Other payables, third parties	93.396.310	93.396.310	-	-	-
Long Term Liabilities	65.409.415	65.409.415	-	-	-
Lease liabilities	65.409.415	65.409.415	-	-	-
TOTAL LIABILITIES (B)	1.638.525.486	1.541.432.787	1.710.277	1.064.576	33.286.629
Net Foreign Currency Asset / (Liability) Position (A-B)	(936.666.406)	(1.088.062.548)	11.991	1.673.209	121.299.941

(*) The functional currency of the Group is USD. The USD risk of those whose functional currency is other than USD is explained in the relevant column. In the table above, foreign currencies are shown with their original currency amounts, and their TL equivalents are calculated using period-end exchange rates.

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk(Cont'd)

Exchange Rate Sensitivity Table
30 September 2023

	<u>Profit / (Loss)</u>	
	<u>Appreciation</u>	<u>Devaluation</u>
<i>Effect of 10 % appreciation/devaluation in TL -USD exchange rate :</i>		
Net asset / (liability) in TL	(77.179.073)	77.179.073
Hedged portion from TL risk (-)	-	-
(1) Net effect of TL	(77.179.073)	77.179.073
<i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i>		
Net asset / (liability) in EUR	1.503.226	(1.503.226)
Hedged portion from EUR risk (-)	-	-
(2) Net effect of EUR	1.503.226	(1.503.226)
<i>Effect of 10 % appreciation/devaluation in USD – TL exchange rate :</i>		
Net asset / (liability) in USD	242.264	(242.264)
Hedged portion from USD risk (-)	-	-
(3) Net effect of USD	242.264	(242.264)
<i>Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:</i>		
Net asset / (liability) in other currencies	7.113.595	(7.113.595)
Hedged portion from other currencies risk (-)	-	-
(4) Net effect of other currencies	7.113.595	(7.113.595)
TOTAL (1+2+3+4)	(68.319.988)	68.319.988

31 December 2022

	<u>Profit / (Loss)</u>	
	<u>Appreciation</u>	<u>Devaluation</u>
<i>Effect of 10 % appreciation/devaluation in TL -USD exchange rate :</i>		
Net asset / (liability) in TL	(108.806.255)	108.806.255
Hedged portion from TL risk (-)	-	-
(1) Net effect of TL	(108.806.255)	108.806.255
<i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i>		
Net asset / (liability) in EUR	23.902	(23.902)
Hedged portion from EUR risk (-)	-	-
(2) Net effect of EUR	23.902	(23.902)
<i>Effect of 10 % appreciation/devaluation in USD – TL exchange rate :</i>		
Net asset / (liability) in USD	167.321	(167.321)
Hedged portion from USD risk (-)	-	-
(3) Net effect of USD	167.321	(167.321)
<i>Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:</i>		
Net asset / (liability) in other currencies	2.941.228	(2.941.228)
Hedged portion from other currencies risk (-)	-	-
(4) Net effect of other currencies	2.941.228	(2.941.228)
TOTAL (1+2+3+4)	(105.673.804)	105.673.804

24 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price to be obtained from the sale of an asset or to be paid in the transfer of a debt in the usual transaction between market participants on the measurement date.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methods. However, estimates are required in the interpretation of market data to determine fair value. Accordingly, the estimations presented here may not show the amounts that the Group can obtain in a current market transaction.

The following methods and assumptions are used to estimate the fair value of financial instruments and these valuations are considered level 1

Financial Investments:

Currency-protected deposit accounts are a financial asset with cash flows that include principal and interest or dividends, but they also show a derivative product feature as these cash flows may change depending on the change in the exchange rate. Therefore, currency protected deposit accounts are treated as hybrid contracts and accounted for as financial assets whose fair value is recognized in profit or loss in line with the provisions of TFRS 9 regarding mixed contracts. Changes in the fair value of currency-protected deposit accounts are accounted for under the “Income/Expenses from Investing Activities” in the Statement of Profit or Loss and Other Comprehensive Income.

The following methods and assumptions are used to estimate the fair value of financial instruments and these valuations are considered level 2

Financial Assets:

It is anticipated that the recorded values of financial assets, which are shown at cost including cash and cash equivalents and short term financial investments, are equal to their fair values because they are short term.

It is foreseen that the registered values of trade receivables reflect the fair value together with the relevant impairment provisions.

Financial Liabilities:

The fair values of variable interest and short-term bank loans and other monetary debts are expected to be close to their book values.

The Fair Value Measurement Hierarchy

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.

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

25 SUBSEQUENT EVENTS

None.