

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

As at and for the period ended 31 March 2024
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 31 MARCH 2024

(Unless otherwise stated the amounts are in TL)

	Notes	Unreviewed 31 March 2024	Audited 31 December 2023
ASSETS			
Current Assets		3.616.416.272	3.967.423.520
Cash and Cash Equivalents	5	318.365.652	90.112.867
Trade Receivables		2.129.496.931	2.875.092.744
<i>Due from related parties</i>	22	20.738.341	9.686.111
<i>Trade receivables, third parties</i>	7	2.108.758.590	2.865.406.633
Other Receivables		5.212.761	4.944.536
<i>Other receivables, third parties</i>		5.212.761	4.944.536
Inventories	8	427.627.551	384.359.746
Contract Assets related to Goods and Services Provided		460.662.431	403.011.780
<i>Contract Assets related to Goods and Services Provided</i>	4	460.662.431	403.011.780
Prepaid Expenses		123.519.780	72.210.779
Current Income Tax Assets	20	69.664.064	66.385.058
Other Current Assets		81.867.102	71.306.010
Non-Current Assets		1.922.873.478	1.764.475.865
Property, Plant and Equipment	9	132.597.197	127.684.364
Right of Use Assets	11	235.321.202	213.423.126
Financial Investments	3	43.143.469	39.338.713
Intangible Assets		741.469.493	683.313.128
<i>Goodwill</i>	10	591.730.298	539.546.509
<i>Other intangible assets</i>	10	149.739.195	143.766.619
Deferred Tax Assets	20	770.342.117	700.716.534
TOTAL ASSETS		5.539.289.750	5.731.899.385

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 31 MARCH 2024

(Unless otherwise stated the amounts are in TL)

	Notes	Unreviewed 31 March 2024	Audited 31 December 2023
LIABILITIES			
Short Term Liabilities		5.085.472.347	5.231.635.187
Short Term Borrowings		1.399.161.325	1.297.908.289
<i>Short Term Bank Loans</i>	6	1.399.161.325	1.297.908.289
Short-Term Portion of Long-Term Borrowings		138.145.369	128.271.232
<i>Short-Term Portion of Long-Term Lease Liabilities</i>	6	138.145.369	128.271.232
Trade Payables		2.572.661.620	2.655.598.301
<i>Due to related parties</i>	22	1.386.004.178	1.346.153.623
<i>Trade payables, third parties</i>	7	1.186.657.442	1.309.444.678
Other Payables		63.888.322	152.960.779
<i>Other payables, third parties</i>		63.888.322	152.960.779
Employee Benefit Obligations	15	110.151.149	125.514.331
Contract Liabilities		595.955.447	648.265.146
<i>Contract Liabilities</i>	4	595.955.447	648.265.146
Provisions		180.955.110	200.654.943
<i>Provisions for Employee Benefits</i>	15	77.720.842	88.422.594
<i>Other Short Term Provisions</i>	13	103.234.268	112.232.349
Current Income Tax Liabilities	20	24.554.005	22.462.166
Long Term Liabilities		279.089.584	277.501.101
Long Term Financial Liabilities			
Long Term Borrowings		165.825.914	156.295.182
<i>Lease Liabilities</i>	6	165.825.914	156.295.182
Provisions		113.263.670	121.205.919
<i>Provisions for Employee Benefits</i>	15	113.263.670	121.205.919
SHAREHOLDERS' EQUITY			
Equity Attributable to Equity Holders of the Parent		168.032.784	217.693.183
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	87.378.230
<i>Currency Translation Differences</i>		8.611.364	87.378.230
Other comprehensive income not to be reclassified in profit and loss		679.491.778	565.091.392
<i>Remeasurement gain/ (loss) on defined benefit plans</i>		(59.553.558)	(59.553.558)
<i>Currency Translation Differences</i>		739.045.336	624.644.950
Restricted Reserves	16	34.897.360	34.897.360
Retained Earnings		(576.150.759)	(675.821.374)
Net Loss for the Period		(85.293.919)	99.670.615
Non-controlling interests		6.695.035	5.069.914
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		5.539.289.750	5.731.899.385

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 PROFIT AND LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2024

(Unless otherwise stated the amounts are in TL)

	Notes	Unreviewed	
		1 January- 31 March 2024	1 January- 31 March 2023
INCOME OR LOSS FROM OPERATIONS			
Revenue	17	1.719.059.796	1.077.902.614
Cost of Sales (-)	4	(1.593.903.663)	(1.008.332.206)
GROSS PROFIT		125.156.133	69.570.408
Sales, Marketing and Distribution Expenses (-)	4	(78.322.725)	(41.787.813)
General Administrative Expenses (-)	4	(62.762.409)	(46.516.052)
Research and Development Expenses (-)	4	(11.789.850)	(553.648)
Other Income from Operating Activities	18	27.932.538	282.860
Other Expenses from Operating Activities (-)	18	(7.136.662)	(9.801.092)
OPERATING LOSS		(6.922.975)	(28.805.337)
Income from Investment Activities		47.981	150.604
Expenses from Investment Activities (-)		(165.187)	(907.513)
OPERATING LOSS BEFORE FINANCE INCOME AND (EXPENSES)		(7.040.181)	(29.562.246)
Financial Income	19	25.478.414	18.630.892
Financial Expenses (-)	19	(107.300.847)	(69.034.286)
LOSS BEFORE TAX		(86.107.744)	(79.965.640)
Tax (Expenses)/ Income		2.438.946	(7.136.026)
<i>Current Tax Expenses</i>	20	-	(1.091.323)
<i>Deferred Tax Income</i>	20	2.438.946	(6.044.703)
NET LOSS FOR THE YEAR		(83.668.798)	(87.101.666)
Attributable to:			
<i>Non-controlling Interest</i>		1.625.121	(1.480.902)
<i>Equity Holders of the Parent</i>		(85.293.919)	(85.620.764)
<i>Earn/(Loss) per share</i>	21	(1,3149)	(1,3200)
OTHER COMPREHENSIVE INCOME/ (EXPENSES)			
Other comprehensive income or (expenses) that will not be reclassified subsequently to profit of loss			
Foreign currency translation differences, excluding the translation of subsidiaries abroad		114.400.386	(3.827.785)
Other comprehensive income or expenses that will be reclassified subsequently to profit of (loss)			
Foreign currency translation differences, the translation of subsidiaries abroad		(78.766.866)	2.420.423
OTHER COMPREHENSIVE INCOME/ (LOSS)		35.633.520	(1.407.362)
TOTAL COMPREHENSIVE LOSS		(48.035.278)	(88.509.028)
Attributable to:			
Non-controlling Interest		3.250.242	(2.961.804)
Equity Holders of the Parent		(51.285.520)	(85.547.224)

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2024

(Unless otherwise stated the amounts are in TL)

	Share Capital	Share Capital Adjustments	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		Equity Holders of the Parent	Non-controlling Interest	TOTAL
			Currency Translation Differences	Currency Translation Differences	Remeasurement loss on defined benefit plans	Restricted Reserves	Retained Earnings	Net (Loss) for the Period			
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	-	-	2.420.423	(3.827.785)	-	-	-	(85.620.764)	(87.028.126)	(1.480.902)	(88.509.028)
<i>Net Loss for Period</i>	-	-	-	-	-	-	-	(85.620.764)	(85.620.764)	(1.480.902)	(87.101.666)
<i>Other Comprehensive expense</i>	-	-	2.420.423	(3.827.785)	-	-	-	-	(1.407.362)	-	(1.407.362)
Balance as at 31 March 2023	64.864.800	41.612.160	11.991.133	575.608.713	(41.158.337)	34.897.360	(675.821.374)	(85.620.764)	(73.626.309)	2.809.040	(70.817.269)
Balance as at 1 January 2024	64.864.800	41.612.160	87.378.230	624.644.950	(59.553.558)	34.897.360	(675.821.374)	99.670.615	217.693.183	5.069.914	222.763.097
Transfer	-	-	-	-	-	-	99.670.615	(99.670.615)	-	-	-
Total comprehensive Expense	-	-	(78.766.866)	114.400.386	-	-	-	(85.293.919)	(49.660.399)	1.625.121	(48.035.278)
<i>Net Loss for Period</i>	-	-	-	-	-	-	-	(85.293.919)	(85.293.919)	1.625.121	(83.668.798)
<i>Other Comprehensive Income</i>	-	-	(78.766.866)	114.400.386	-	-	-	-	35.633.520	-	35.633.520
Balance as at 31 March 2024	64.864.800	41.612.160	8.611.364	739.045.336	(59.553.558)	34.897.360	(576.150.759)	(85.293.919)	168.032.784	6.695.035	174.727.819

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2024

(Unless otherwise stated the amounts are in TL.)

	Notes	Current Period 1 January- 31 March 2024	Previous Period 1 January- 31 March 2023
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Net (Loss) for the Period		(83.668.798)	(87.101.666)
<i>Profit/(Loss) from Continuing Operations</i>		<i>(83.668.798)</i>	<i>(87.101.666)</i>
Adjustments to Reconcile Profit/Loss		131.970.237	58.483.012
Adjustments for Depreciation and Amortisation Expenses	9-10-11	31.443.131	23.950.495
Adjustments for (Reversal of) Impairment Loss Recognised in Profit or Loss		376.687	331.843
<i>Adjustments for (Reversal of) Provision of Receivables</i>	7	<i>218.754</i>	<i>(282.860)</i>
<i>Adjustment for Reversal of Provision of Inventory</i>	8	<i>157.933</i>	<i>614.703</i>
Adjustments For Provisions		36.155.945	(5.252.223)
<i>Adjustments for Provisions Related with Employee Benefits</i>		<i>54.101.108</i>	<i>21.838.810</i>
<i>Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions</i>		<i>1.544.290</i>	<i>-</i>
<i>Adjustments for (Reversal of) Other Provisions</i>		<i>(19.489.453)</i>	<i>(27.091.033)</i>
Adjustments for Interest (Income) and Expenses		86.066.065	49.094.109
<i>Adjustments for Interest Income</i>	19	<i>(5.682.054)</i>	<i>(2.078.358)</i>
<i>Adjustments for Interest Expense</i>	19	<i>92.451.521</i>	<i>53.049.511</i>
<i>Unearned Financial Loss/Income from Credit Sales</i>	18	<i>(703.402)</i>	<i>(1.877.044)</i>
Adjustments For Unrealised Foreign Exchange Losses (Gains)	19	(19.796.360)	(16.552.534)
Adjustments for Losses Tax Expense	20	(2.438.946)	6.044.703
Adjustments for (Gains)/Losses disposal of non-current assets		163.715	866.619
<i>Adjustments for (Gains)/Losses Arising From Sale of Property, Plant and Equipment</i>		<i>163.715</i>	<i>866.619</i>
Changes in Working Capital		509.286.266	197.052.527
Adjustments for Decrease / (Increase) in Trade Receivables		2.835.263.575	522.023.475
<i>Decrease (Increase) in Trade Receivables from Related Parties</i>		<i>(4.013.828)</i>	<i>(6.565.501)</i>
<i>Decrease (Increase) in Trade Receivables from Third Parties</i>		<i>2.839.277.403</i>	<i>528.588.976</i>
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		44.578.062	25.728.576
<i>Adjustments for Decrease (Increase) in Other Receivables Related with Operations from Third Parties</i>		<i>44.578.062</i>	<i>25.728.576</i>
Adjustments for Decrease / (Increase) in Inventories		235.868.867	39.334.528
Decrease / (Increase) in Prepaid Expenses		1.162.886	14.005.639
Adjustments for (Decrease) in Trade Payables		(2.012.624.389)	(373.410.179)
Increase (Decrease) in Trade Payables to Related Parties		(938.330.557)	21.579.705
(Decrease)/Increase in Trade Payables to Third Parties		(1.074.293.832)	(394.989.884)
Increase (Decrease) in Payables due to Employee Benefits		(106.568.038)	3.467.958
(Decrease)/Increase in Contract Assets		235.197.434	95.621.989
Adjustments for Decrease in Other Operating Payables		(200.221.246)	(90.772.341)
<i>(Decrease) in Other Operating Payables to Unrelated Parties</i>		<i>(200.221.246)</i>	<i>(90.772.341)</i>
(Decrease)/ Increase in Contract Liabilities		(523.370.885)	(38.947.118)
Cash Flows (Used in) Generated From Operations		557.587.705	168.433.873
Payments Related with Provisions for Employee Benefits		(72.745.109)	(66.088.186)
Income Taxes Paid	20	(1.187.167)	(718.109)
		483.655.429	101.627.578

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2024

(Unless otherwise stated the amounts are in TL.)

	Current Period	Previous Period
Notes	1 January- 31 March 2024	1 January- 31 March 2023
B.CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES		
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets	(163.715)	41.111
<i>Proceeds from Sales of Property, Plant, Equipment</i>	(163.715)	41.111
<i>Proceeds from Intangible Assets</i>	-	-
Purchase of Property, Plant, Equipment and Intangible Assets	(4.461.952)	(993.305)
<i>Purchase of Property, Plant, Equipment</i>	9 (2.100.869)	(961.858)
<i>Purchase of Intangible Assets</i>	10 (2.361.083)	(31.447)
Interest Received	19 5.682.054	2.078.358
Other Outflows of Cash	(3.804.756)	(616.987)
	<u>(2.748.369)</u>	<u>509.177</u>
C.CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES		
Inflows from Borrowings	6 482.317.482	641.859.764
Outflows from Borrowings	6 (520.018.419)	(515.072.820)
Interest Paid	(90.052.491)	(48.778.769)
Payments of lease liabilities	(6.124.084)	(11.512.403)
	<u>(133.877.512)</u>	<u>66.495.772</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)	<u>347.029.548</u>	<u>168.632.527</u>
D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(118.776.763)	(26.644.923)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)	<u>228.252.785</u>	<u>141.987.604</u>
E.CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5 90.112.867	220.130.315
CASH AND CASH EQUIVALENTS AT END OF YEAR (A+B+C+D+E)	5 <u>318.365.652</u>	<u>362.117.919</u>

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2024

(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 Hizmetleri 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.

It was established in Malta through the establishment of a capital of EUR 1.200 (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 31 MARCH 2024

(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 31 March 2024, the Group has no blue-collar employees (31 December 2023: None). The average number of white-collar personnel employed in the Group as of 31 March 2024 is 1.559 (31 December 2023: 1.682).

Approval of Condensed Consolidated Financial Statements

The financial statements were approved by the Board of Directors on 30 May 2024. 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 31 March 2024, 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 2023.

b) Basis of presentation of condensed consolidated financial statements

The details of the Company's subsidiaries as of 31 March 2024 and 31 December 2023 are as follows:

	<u>Place and establishment of operation</u>	<u>Group's shares in capital and voting rights</u>	<u>Main operating activities</u>
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 installation, 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 31 MARCH 2024

(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 31 March 2024 and 31 December 2023, the Group has no associates.

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.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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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

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.

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 31 March 2024 1 USD: 32,2854 TL (31 December 2023; 1 USD 29,4382 TL)
- Statements of profit or loss and statements of cash flows have been translated to TL by using three months average exchange rate (1 USD: 30,8858 TL) for the period ended 31 March 2024 (for the period ended 31 March 2023 1 USD: 18,8573 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.

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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

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 Netas 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 Netas 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

With the "Announcement on the implementation of TAS 29 Financial Reporting in Economies with High Inflation and FRS for LMSE Chapter 25 Financial Reporting in Economies with High Inflation" made on 23 November 2023 by POA, the financial statements of the enterprises applying TFRS for the reporting periods ending on or after 31 December 2023 will be subject to "Turkish Accounting Standard 29 Financial Reporting in High Inflation Economies" standard. POA explained that it should be presented in accordance with the principles of inflation and adjusted for the effect of inflation. In accordance with the CMB's decision dated 28 December 2023 and numbered 81/1820, CMB decided that issuers and capital market institutions subject to financial reporting regulations applying Turkish Accounting/Financial Reporting Standards will apply inflation accounting comply with the provisions of TAS 29. The implementation will start with the annual financial reports for the accounting periods ending as of 31 December 2023. As a result, the financial statements of enterprises whose functional currency is TL ("BDH") are adjusted in accordance with TAS 29 according to the changes in the general purchasing power of the Turkish Lira as of 31 March 2024 and 31 December 2023. The correction is calculated with the consumer price index correction coefficients published by Turkish Statistical Institute, derived from Turkey in general. The indices and adjustment coefficients for the related periods used in the restatement of consolidated financial statements are as follows:

Date	Index	Conversion Factor
31 March 2024	2.139,47	1,000
31 December 2023	1.859,38	1,151

TFRS requires that the financial statements of an entity whose functional currency is hyperinflationary, whether prepared according to the historical cost or current cost approach, be restated in accordance with the requirements of IAS 29 and applied retrospectively, assuming that there has always been high inflation in the economy in which the currency is located. The basic principle in IAS 29 is that the financial statements of an entity reporting in the currency of a hyperinflationary economy must be reported in the measurement unit current at the reporting date. Comparative figures for the previous period are rearranged to the same current unit of measurement. The main procedures applied for the restatements mentioned above are as follows:

- Monetary assets and liabilities that are carried at amounts current at the reporting date are not restated because they are already expressed in terms of the monetary unit current at the reporting date.
- Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date, and components of shareholders' equity are restated by applying the relevant conversion factors from the date of the transaction or, if applicable, from the date of their most recent revaluation to the reporting date.
- Property, plant and equipment are restated by applying the change in the index from the date of the transaction or, if applicable, from the date of their most recent revaluation to the reporting date. Depreciation is based on the restated amounts.
- All items in the income statement except for the depreciation charges explained above and deferred tax charges, are restated by applying the monthly conversion factors of the transactions to the reporting date.
- The effects of inflation on the net monetary positions of BDH, is included in the profit or loss statement as "monetary gain / (loss)".
- All items in the cash flow statement are expressed in terms of the measuring unit current at the reporting date; and all items in the statement of cash flows are, therefore, restated by applying the relevant conversion factors from the date on which the transaction originated.

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

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 March 31, 2024 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 2024. 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 that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Accounting and Auditing Standards Authority (POA)

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

In August 2023, 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 21.

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(Unless otherwise stated the amounts are in TL)

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

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

i) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Accounting and Auditing Standards Authority (POA) (Cont'd)

IFRS 18 Presentation and Disclosure in Financial Statements

On 9 April 2024, IASB has issued IFRS 18 Presentation and Disclosure in Financial Statements that will replace IAS 1 Presentation of Financial Statements. It carries forward many requirements from IAS 1 unchanged.

The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

IFRS 18 introduces three defined categories for income and expenses—operating, investing and financing—to improve the structure of the income statement, and requires all companies to provide new defined subtotals, including operating profit.

IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and applies retrospectively. Early adoption is permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 18.

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.

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(Unless otherwise stated the amounts are in TL)

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

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

iii) Amendments are effective on 1 January 2024

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2024:

1. Classification of Liabilities as Current or Non-current (Amendments to IAS 1) for SMEs Accounting Standard – International Tax Reform – Pillar Two Model Rules
2. Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 Leases
3. Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements
4. IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures

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

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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 31 March 2024 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, 2023. Therefore, the condensed consolidated financial statements should be evaluated together with the financial statements for the year ending on December 31, 2023.

2.6 Going Concern

As of 31 March 2024, the financial statements have been prepared on the basis of going concern. As of 31 March 2024, current assets of the Group are amounting to TL 3.616.416.272 and short term liabilities of the Company are amounting to TL 5.085.472.347. The Group's short term liabilities exceeded current assets TL 1.469.056.075 and a significant part of short-term liabilities consists of trade payables to related parties (TL 1.386.004.178).

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 2024 and the following years.

The Group management evaluates that there is no issue that may affect going concern in the foreseeable future in terms of the Group's cash flows and ability to fulfill its obligations.

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3 FINANCIAL INVESTMENTS

Financial Investment Funds

As of 31 March 2024 and 31 December 2023, the details of financial investments and investments accounted for using the equity method are as follows:

	<u>31 March 2024</u>	<u>31 December 2023</u>
Private Investment Capital Fund	43.143.469	39.338.713
Total	43.143.469	39.338.713

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 31 March 2024 and 31 March 2023 is as follows:

	<u>2024</u>	<u>2023</u>
As of 1 January	39.338.713	25.360.788
Fair value increases	-	-
Foreign currency conversion differences	3.804.756	616.987
As of 31 March	43.143.469	25.977.775

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
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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 providing 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 public institutions 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. The following table shows the information about each segment. The operational profit and breakdowns below are regularly considered in evaluating the performance of segments. To reach the operating profit/ loss amount used to evaluate the performance of the segment, other income and expenses from operating 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.

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4 SEGMENT REPORTING(Cont'd)

31 March 2024

For the period ended	Telecom	System Integration	Technology	BDH	Unallocated	Total
Revenue	692.122.847	813.834.380	-	213.102.569	-	1.719.059.796
Cost of sales (-)	(633.859.823)	(744.508.866)	-	(215.534.974)	-	(1.593.903.663)
Gross margin	58.263.024	69.325.514	-	(2.432.405)	-	125.156.133
Sales,marketing and distribution expenses (-)	(19.818.118)	(39.983.337)	-	(18.521.270)	-	(78.322.725)
General administrative expenses (-)	-	-	-	-	(62.762.409)	(62.762.409)
Research and development expenses (-)	-	-	(11.789.850)	-	-	(11.789.850)
Operating profit / (loss) of segment	38.444.906	29.342.177	(11.789.850)	(20.953.675)	(62.762.409)	(27.718.851)

31 March 2023

For the period ended	Telecom	System Integration	Technology	BDH	Unallocated	Total
Revenue	315.976.884	644.414.276	-	117.511.454	-	1.077.902.614
Cost of sales (-)	(305.903.127)	(589.973.421)	-	(112.455.658)	-	(1.008.332.206)
Gross margin	10.073.757	54.440.855	-	5.055.796	-	69.570.408
Sales,marketing and distribution expenses (-)	(8.451.616)	(23.484.113)	-	(9.852.084)	-	(41.787.813)
General administrative expenses (-)	-	-	-	-	(46.516.052)	(46.516.052)
Research and development expenses (-)	-	-	(553.648)	-	-	(553.648)
Operating profit / (loss) of segment	1.622.141	30.956.742	(553.648)	(4.796.288)	(46.516.052)	(19.287.105)

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4 SEGMENT REPORTING(Cont'd)

31 March 2024	Telecom	System Integration	Technology	BDH	Unallocated (*)	Total
Trade receivables	1.173.782.158	803.454.110	-	106.231.725	25.290.597	2.108.758.590
Due from related parties	20.738.341	-	-	-	-	20.738.341
Inventories	120.931.824	282.106.364	-	25.537.883	(948.520)	427.627.551
Contract assets	114.397.813	323.310.092	-	22.954.526	-	460.662.431
Segments assets	1.429.850.136	1.408.870.566	-	154.724.134	24.342.077	3.017.786.913
Trade payables (*)	133.679.034	895.859.864	-	136.301.333	20.817.211	1.186.657.442
Due to related parties	1.386.004.178	-	-	-	-	1.386.004.178
Contract liabilities	291.862.973	301.792.637	-	53.100	2.246.737	595.955.447
Other short term provision	2.531.955	75.213.451	-	-	25.488.862	103.234.268
Segment liabilities	1.814.078.140	1.272.865.952	-	136.354.433	48.552.810	3.271.851.335
31 December 2023	Telecom	System Integration	Technology	BDH	Unallocated (*)	Total
Trade receivables	1.303.352.510	1.459.827.811	-	99.795.417	2.430.895	2.865.406.633
Due from related parties	9.686.111	-	-	-	-	9.686.111
Inventories	112.616.423	247.855.374	-	23.887.949	-	384.359.746
Contract assets	53.944.800	339.553.302	-	9.513.678	-	403.011.780
Segments assets	1.479.599.844	2.047.236.487	-	133.197.044	2.430.895	3.662.464.270
Trade payables (*)	92.900.946	1.032.597.411	-	148.447.403	35.498.918	1.309.444.678
Due to related parties	1.346.153.623	-	-	-	-	1.346.153.623
Contract liabilities	334.474.247	313.773.199	-	17.700	-	648.265.146
Other short term provision	16.672.143	72.880.639	-	-	22.679.567	112.232.349
Segment liabilities	1.790.200.959	1.419.251.249	-	148.465.103	58.178.485	3.416.095.796

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2024**

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4 SEGMENT REPORTING(Cont'd)

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

	For the period ended 31 March 2024	For the period ended 31 March 2023
Operating (loss) of segment	(27.718.851)	(19.287.105)
Other (expenses)/income from operating activities (net)	20.795.876	(9.518.232)
Other (expenses)/income from investments (net)	(117.206)	(756.909)
Finance (expenses)/income (net)	(79.067.563)	(50.403.394)
(Loss) before tax	(86.107.744)	(79.965.640)

Assets	31 March 2024	31 December 2023
Segment assets	3.017.786.913	3.662.464.270
Other assets (*)	2.521.502.837	2.069.435.115
Total assets	5.539.289.750	5.731.899.385

Liabilities	31 March 2024	31 December 2023
Segment liabilities	3.271.851.335	3.416.095.796
Other liabilities (*)	2.092.710.596	2.093.040.492
Total liabilities	5.364.561.931	5.509.136.288

(*) 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

	31 March 2024	31 December 2023
Bank- demand deposits	212.865.652	83.612.867
Bank- time deposits	105.500.000	6.500.000
	318.365.652	90.112.867

Currency	Original Currency Amount	Interest Rate %	Maturity	31 March 2024
TL	105.500.000	43,00-45,00	April 2024	105.500.000
				105.500.000

Currency	Original Currency Amount	Interest Rate %	Maturity	31 December 2023
TL	6.500.000	32,98 - 38,00	January 2024	6.500.000
				6.500.000

As of 31 March 2024, and 31 December 2023 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

	<u>31 March 2024</u>	<u>31 December 2023</u>
Short term financial liabilities		
Short term unsecured loans	1.280.074.377	1.031.302.122
Financial borrowing from factoring transactions	119.086.948	266.606.167
	<u>1.399.161.325</u>	<u>1.297.908.289</u>

(*) 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				
Currency	Amount	Interest Rate(%) (*)	Maturity	31 March 2024
TL	301.554.173	32,00-60,00	April 2024-February 2025	301.554.173
USD	29.958.951	8,20-12,75	April 2024-March 2025	967.236.714
EURO	324.217	8,20-10,56	September 2024-March 2025	11.283.490
				<u>1.280.074.377</u>

Original Currency				
Currency	Amount	Interest Rate(%) (*)	Maturity	31 December 2023
TL	311.593.683	32,00-50,30	January 2024-November 2024	311.593.683
USD	24.079.939	9,00-12,35	January 2024-December 2024	708.870.060
EURO	332.732	10,56	September 2024	10.838.379
				<u>1.031.302.122</u>

(*) Presents the lower and upper rates.

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

Original Currency				
Currency	Amount	Interest Rate(%) (*)	Maturity	31 March 2024
TL	119.086.948	40,00-50,00	May 2024-June 2024	119.086.948
				<u>119.086.948</u>

Original Currency				
Currency	Amount	Interest Rate(%) (*)	Maturity	31 December 2023
TL	266.606.167	40,00-50,00	January 2024-June 2024	266.606.167
				<u>266.606.167</u>

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6 BORROWINGS(Cont'd)

	<u>31 March 2024</u>	<u>31 December 2023</u>
Short-Term Portion of Long-Term Financial Liabilities		
Short-Term Portion of Long-Term Lease Liabilities	138.145.369	128.271.232
	<u>138.145.369</u>	<u>128.271.232</u>
	<u>31 March 2024</u>	<u>31 December 2023</u>
Long term financial liabilities		
Long term lease liabilities	165.825.914	156.295.182
	<u>165.825.914</u>	<u>156.295.182</u>

The Group has no collaterals given for bank loans as of 31 March 2024 and 31 December 2023.

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.

	<u>2024</u>	<u>2023</u>
Opening-1 January	1.297.908.289	1.192.728.664
Cash inflow under within borrowings received	482.317.482	641.859.764
Cash pouflow under within borrowings received	(616.261.916)	(566.130.815)
Interest accruals changes	6.191.006	2.279.226
Currency translations changes	229.006.464	32.018.931
Closing-31 March	<u>1.399.161.325</u>	<u>1.302.755.770</u>

The reconciliation of the Group's debts from lease transactions for the three-month accounting periods ending on March 31, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Opening-1 January	284.566.414	161.503.737
Additions	10.362.241	3.322.097
Interest expenses and foreign exchange loss on lease liabilities	2.399.030	4.270.742
Lease payments	(6.124.084)	(11.512.403)
Foreign Currency Translation Difference	12.767.682	2.705.572
Closing-31 March	<u>303.971.283</u>	<u>160.289.745</u>

As of March 31, 2024, 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	31 March 2024	31 December 2023
Trade receivables	2.464.584.030	3.202.873.225
Discount on trade receivables (*)	(28.075.456)	(38.643.054)
Allowances for doubtful receivables (-)	(327.749.984)	(298.823.538)
	2.108.758.590	2.865.406.633

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

Movement of Allowance for Doubtful Receivables	2024	2023
Reported as of 1 January	(298.823.538)	(200.752.390)
Charge for the period	(218.754)	-
Provision no longer required	-	282.860
Currency translation differences	(28.707.692)	(5.149.785)
As of 31 March	(327.749.984)	(205.619.315)

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	31 March 2024	31 December 2023
Trade payables	1.186.657.442	1.309.444.678
	1.186.657.442	1.309.444.678

8 INVENTORIES

	31 March 2024	31 December 2023
Raw materials	179.686.428	131.414.493
Finished goods	69.391.794	74.676.366
Trade goods	165.352.279	151.615.849
Right of return assets	14.075.079	27.303.104
Allowance for inventory impairment (-)	(878.029)	(650.066)
	427.627.551	384.359.746

Movement for allowance:	2024	2023
Opening-1 January	(600.937)	(1.139.627)
Released for the year	1.105.141	1.325.317
Provision	(1.263.074)	(1.940.020)
Foreign currency translation difference	(119.159)	(37.372)
Closing-31 March	(878.029)	(1.791.702)

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9 PROPERTY, PLANT AND EQUIPMENT

	Machinery and Equipment	Vehicles	Furniture and fixtures	Leasehold Improvements	Total
<u>Cost</u>					
1 January 2024	904.979.105	943.217	90.126.637	298.817.717	1.294.866.676
Adjustments due to change in accounting policy	10.091.824	103.616	3.944.855	7.534.022	21.674.317
Recalculated 1 January 2024 balance	915.070.929	1.046.833	94.071.492	306.351.739	1.316.540.993
Translation difference	77.364.428	24.698	6.183.590	24.063.701	107.636.417
Purchases	2.071.881	-	28.988	-	2.100.869
Disposals	(147.676)	-	(38.315)	-	(185.991)
31 March 2024	994.359.562	1.071.531	100.245.755	330.415.440	1.426.092.288
<u>Accumulated Depreciation</u>					
1 January 2024	(818.348.215)	(863.011)	(79.431.579)	(268.539.507)	(1.167.182.312)
Adjustments due to change in accounting policy	(8.826.379)	(91.534)	(3.022.592)	(3.384.908)	(15.325.413)
Recalculated 1 January 2024 balance	(827.174.594)	(954.545)	(82.454.171)	(271.924.415)	(1.182.507.725)
Translation difference	(73.203.489)	(24.699)	(5.764.603)	(23.806.555)	(102.799.346)
Period charge	(5.791.922)	(39.605)	(976.347)	(1.566.137)	(8.374.011)
Disposals	147.676	-	38.315	-	185.991
31 March 2024	(906.022.329)	(1.018.849)	(89.156.806)	(297.297.107)	(1.293.495.091)
Net book value at 31 March 2024	88.337.233	52.682	11.088.949	33.118.333	132.597.197

As of 31 March 2024, depreciation charge is TL 8.374.011. TL 3.260.179 is accounted in cost of sales, TL 4.631.149 in general administrative expenses, TL 482.683 in sales, marketing, and distribution expenses.

As of 31 March 2024, 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 2023	629.136.116	448.729	53.156.764	177.748.923	860.490.532
Translation difference	13.398.970	3.946	999.984	3.820.753	18.223.653
Purchases	651.021	-	4.156	306.681	961.858
Disposals	(59.633.808)	(4.183)	(1.398.139)	(748.525)	(61.784.655)
31 March 2023	583.552.299	448.492	52.762.765	181.127.832	817.891.388
<u>Accumulated Depreciation</u>					
1 January 2023	(552.512.405)	(359.331)	(45.305.835)	(157.893.741)	(756.071.312)
Translation difference	(12.251.873)	(3.947)	(903.167)	(3.714.190)	(16.873.177)
Period charge	(4.299.493)	(14.129)	(653.157)	(4.546.306)	(9.513.085)
Disposals	59.096.909	4.183	1.179.317	596.516	60.876.925
31 March 2023	(509.966.862)	(373.224)	(45.682.842)	(165.557.721)	(721.580.649)
Net book value at 31 March 2023	73.585.437	75.268	7.079.923	15.570.111	96.310.739

As of 31 March 2023, depreciation charge is TL 9.513.085 TL. TL 2.575.062 is accounted in cost of sales, TL 6.477.053 in general administrative expenses, TL 460.970 in sales, marketing, and distribution expenses.

As of 31 March 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)

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. The Enterprise business unit consists of financial sector, general sector and telecom sector customers under the Systems Integration business segment.

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	<u>2024</u>	<u>2023</u>
Opening-1 January	539.546.509	342.704.462
Translation difference	52.183.789	8.337.456
Closing-31 March	<u>591.730.298</u>	<u>351.041.918</u>

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 2023. 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 related segments is between USD 40 million and USD 47 million. Considering the Company's adjusted net debt level of USD 8.9 million as of the valuation date, the share value is estimated to be between USD 31 million and USD 38 million.

Considering the future cash flows of the Group, the Company Management concluded that there is no impairment in the goodwill amount as of 31 March 2024.

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 12,7% over the years since the tax rate will be changed during the projection period. In the WACC calculation, 0.82 was used as asset beta. Throughout the projection period, the company's debt / capital ratio is predicted to be 19,4% and a business risk premium of 1% has been considered in the WACC calculation.

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10 INTANGIBLE ASSETS(Cont'd)

Other Intangible Assets

	1 January- 31 March 2024			
	Customer Relations (*)	Other Intangible Assets (**)	Construction in Progress	Total
Cost				
Opening balance	314.036.181	717.393.163	174.644	1.031.603.988
Adjustments due to change in accounting policy	-	5.630.506	-	5.630.506
Recalculated 1 January 2024 balance	314.036.181	723.023.669	174.644	1.037.234.494
Translation difference	30.372.911	65.824.271	69.216	96.266.398
Additions	-	1.206.426	1.154.657	2.361.083
Closing balance	344.409.092	790.054.366	1.398.517	1.135.861.975
Accumulated amortization				
Opening balance	(314.036.181)	(573.801.188)	-	(887.837.369)
Adjustments due to change in accounting policy	-	(5.393.301)	-	(5.393.301)
Recalculated 1 January 2024 balance	(314.036.181)	(579.194.489)	-	(893.230.670)
Translation difference	(30.372.911)	(52.483.421)	-	(82.856.332)
Period charge	-	(10.035.778)	-	(10.035.778)
Closing balance	(658.445.273)	(1.220.908.177)	-	(986.122.780)
Net book value	(314.036.181)	(430.853.811)	1.398.517	149.739.195

(*) 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 31 March 2024, amortization charge is TL 10.035.778. TL 5.948.384 is accounted in cost of sales, TL 4.080.661 in general administrative expenses and TL 6.733 in sales, marketing and distribution expenses.

	1 January- 31 March 2023			
	Customer Relations (*)	Other Intangible Assets(**)	Construction in Progress	Total
Cost				
Opening balance	199.466.771	671.726.282	-	871.193.053
Translation difference	4.852.710	15.646.218	46	20.498.974
Additions	-	28.492	2.955	31.447
Disposals	-	(20.563.674)	-	(20.563.674)
Closing balance	204.319.481	666.837.318	3.001	871.159.800
Accumulated amortization				
Opening balance	(199.466.771)	(555.523.117)	-	(754.989.888)
Translation difference	(4.852.710)	(12.948.545)	-	(17.801.255)
Period charge	-	(6.432.295)	-	(6.432.295)
Disposals	-	20.563.674	-	20.563.674
Closing balance	(204.319.481)	(554.340.283)	-	(758.659.764)
Net book value	-	112.497.035	3.001	112.500.036

(*) 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 31 March 2023, amortization charge is TL 6.432.295. TL 3.884.066 is accounted in cost of sales, TL 2.537.593 in general administrative expenses and TL 10.636 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 31 March 2024, and 2023 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 2024	318.903.180	243.137.090	562.040.270
Adjustments due to change in accounting policy	10.349.085	16.427.702	26.776.787
Recalculated 1 January 2024 balance	329.252.265	259.564.792	588.817.057
Translation difference	25.190.388	9.608.081	34.798.469
Additions	4.249.935	6.112.306	10.362.241
31 March 2024	358.692.588	275.285.179	633.977.767
1 January 2024	(190.418.509)	(158.198.635)	(348.617.144)
Adjustments due to change in accounting policy	(4.834.426)	(10.116.025)	(14.950.451)
Recalculated 1 January 2024 balance	(195.252.935)	(168.314.660)	(363.567.595)
Translation difference	(14.529.347)	(7.526.281)	(22.055.628)
Additions	(6.454.303)	(6.579.039)	(13.033.342)
31 March 2024	(216.236.585)	(182.419.980)	(398.656.565)
Net book value at 31 March 2024	142.456.003	92.865.199	235.321.202
	<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	3.034.205	1.392.363	4.426.568
Additions	2.324.090	998.007	3.322.097
31 March 2023	162.974.852	107.230.471	270.205.323
1 January 2023	(99.314.255)	(74.746.369)	(174.060.624)
Translation difference	(2.066.504)	(1.035.437)	(3.101.941)
Additions	(4.521.954)	(3.483.161)	(8.005.115)
31 March 2023	(105.902.713)	(79.264.967)	(185.167.680)
Net book value at 31 March 2023	57.072.139	27.965.504	85.037.643

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12 GOVERNMENT GRANTS

For the period ended 31 March 2024 the Group has no received approved, well deserved and accrued incentive from TÜBİTAK (31 December 2023: TL 1.128.515)

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 31 March 2024, the Group has a corporate tax benefit of TL 3.616.752.034 due to research and development disbursement and this amount has been transferred (As of 31 December 2023, the Group has a corporate tax benefit of TL 3.318.722.438 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 2.243.935.587 (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 31 March 2024.

- The lifespan of accrued but unused R&D incentives is unlimited.
- It has been done based on tax profit projections prepared by the management.

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 31 March 2024, the amount of income tax incentive within the scope of Act numbered 5746 is TL 6.352.710 (31 December 2023: TL 17.131.516) 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 8.392.707 (31 December 2023: TL 21.893.875).

13 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions	31 March 2024	31 December 2023
Executory Contracts (*)	63.763.414	62.246.925
Provisions for return	14.075.079	27.303.104
Provision for legal cases	25.395.775	22.682.320
	103.234.268	112.232.349

(*) 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.

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14 COMMITMENTS

The Group's off-balance sheet commitments as of 31 March 2024 and 31 December 2023 are as follows:

Guarantee Letters Given

The off-balance sheet commitments and contingencies as of 31 March 2024 and 31 December 2023 are as follows:

Commitments, Pledges, Mortgages, Sureties ("CPMS") are given by the Company

	<u>31 March 2024</u>	<u>31 December 2023</u>
A. Total amount of CPMS is given on behalf of own legal personality	-	-
B. Total amount of CPMS is given in favor of subsidiaries which are fully consolidated	-	-
C. Total amount of CPMS is given for assurance of third party's debts in order to conduct of usual business activities	-	-
D. Total Amount of other CPMS	-	-
i. Total amount of CPMS is given in favor of parent company	-	-
ii. Total amount of CPMS is given in favor of other group companies, which B and C doesn't include	-	-
iii. The amount of CPMS is given in favor of third party which C doesn't include	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Guarantee Letters Received

	<u>TL Equivalent</u>	<u>Original Currency</u>		
		<u>TL</u>	<u>USD</u>	<u>EURO</u>
<u>31 March 2024</u>	<u>3.179.801</u>	900.000	70.614	-

	<u>TL Equivalent</u>	<u>Original Currency</u>		
		<u>TL</u>	<u>USD</u>	<u>EURO</u>
<u>31 December 2023</u>	<u>4.250.306</u>	300.000	23.538	100.000

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 subcontractor named BDH, and its whole commitments are guaranteed by Netaş.

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15 EMPLOYEE BENEFITS

Employee Benefit Obligations:

	31 March 2024	31 December 2023
Social security payables	109.709.230	81.776.759
Payables to employees	441.919	43.737.572
	110.151.149	125.514.331

Short Term and Long-Term Provisions for Employee Benefits:

	31 March 2024	31 December 2023
Short Term		
Provision for employee premiums	68.692.487	88.422.594
	77.720.842	88.422.594
Long Term		
Unused vacation provision	19.541.678	26.673.944
Provision for severance indemnity	93.069.310	93.936.851
Provision for retirement benefits	652.682	595.124
	113.263.670	121.205.919
Total		
Provision for employee premiums	68.692.487	88.422.594
Unused vacation provision	28.570.033	26.673.944
Provision for severance indemnity	93.069.310	93.936.851
Provision for retirement benefits	652.682	595.124
	190.984.512	209.628.513

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 2023. Expected interest and service charges for 2024 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 31 March 2024 and 31 December 2023 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 31 March 2024 and 31 December 2023:

	<u>31 March 2024</u>	<u>31 December 2023</u>
Primary legal reserves	11.997.507	11.997.507
Secondary legal reserves	22.899.853	22.899.853
Total	<u>34.897.360</u>	<u>34.897.360</u>

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 31 March 2024, 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- 31 March 2024	1 January- 31 March 2023
Net domestic sales	1.672.586.374	1.033.317.711
Net export	46.473.422	44.584.903
Asia	36.502.256	39.397.324
Europe	3.389.458	1.908.127
Africa	236.552	86.882
United States	6.345.156	3.192.570
Total net sales	1.719.059.796	1.077.902.614

1 January-31 March 2024

Performance Obligations:	Telecom	System Integration	Technology	BDH	Total
Hardware performance obligation	667.790.795	128.574.912	-	-	796.365.707
Licence performance obligation	-	429.020.730	-	-	429.020.730
Maintenance performance obligation	11.638.720	102.040.073	-	213.102.569	326.781.362
Design performance obligation	3.682.484	17.129.031	-	-	20.811.515
Installation performance obligation	3.554.665	23.879.008	-	-	27.433.673
Other performance obligations	5.456.183	113.190.626	-	-	118.646.809
	692.122.847	813.834.380	-	213.102.569	1.719.059.796

Satisfaction of Performance Obligations:

At a point in time	683.080.390	753.102.776	-	213.102.569	1.649.285.735
Overtime	9.042.457	60.731.604	-	-	69.774.061
	692.122.847	813.834.380	-	213.102.569	1.719.059.796

1 January-31 March 2023

Performance Obligations:	Telecom	System Integration	Technology	BDH	Total
Hardware performance obligation	287.430.386	206.737.078	-	-	494.167.464
Licence performance obligation	-	262.327.444	-	-	262.327.444
Maintenance performance obligation	6.097.332	63.700.579	-	117.511.454	187.309.365
Design performance obligation	3.254.664	19.733.937	-	-	22.988.601
Installation performance obligation	14.583.577	7.201.309	-	-	21.784.886
Other performance obligations	4.610.925	84.713.929	-	-	89.324.854
	315.976.884	644.414.276	-	117.511.454	1.077.902.614

Satisfaction of Performance Obligations:

At a point in time	309.879.552	579.847.134	-	117.511.454	1.007.238.140
Overtime	6.097.332	64.567.142	-	-	70.664.474
	315.976.884	644.414.276	-	117.511.454	1.077.902.614

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18 INCOME AND EXPENSES FROM OTHER OPERATING ACTIVITIES

	1 January- 31 March 2024	1 January- 31 March 2023
Income from Other Operating Activities		
Foreign exchange gains, net	25.972.854	-
Other income and gains	1.959.684	-
Reversal for doubtful receivables expenses	-	282.860
	27.932.538	282.860
Expenses from Other Operating Activities		
Other tax expenses	4.008.749	55.401
Legal case expenses	2.205.757	103.276
Discount loss on receivables, net (*)	703.402	1.877.044
Expenses for doubtful receivables provision	218.754	-
Foreign exchange expenses, net	-	7.528.636
Other expenses and losses	-	236.735
	7.136.662	9.801.092

(*) 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- 31 March 2024	1 January- 31 March 2023
Financial Income		
Foreign exchange gains, net (*)	19.796.360	16.552.534
Interest income	5.682.054	2.078.358
	25.478.414	18.630.892

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

	1 January- 31 March 2024	1 January- 31 March 2023
Financial Expenses		
Bank interest expenses	90.052.491	48.778.769
Guarantee letter commissions	6.686.948	6.121.690
Interest and foreign exchange loss on leases	9.147.565	4.271.491
Other financial expenses	1.413.843	9.862.336
	107.300.847	69.034.286

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.

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20 TAX ASSETS AND LIABILITIES(Cont'd)

Corporate Tax(Cont'd)

The Company and its subsidiaries in Turkey is subject to Turkish corporate taxes. Provision is made in the accompanying 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.

As of 31 December 2022, the general corporate tax rate applied to the legal tax base, which is calculated by adding non-deductible expenses and deducting exemptions in accordance with tax laws to the commercial income of corporations in Turkey, was 20%. However, according to the Article 21 of the "Law on the Amendment of Certain Laws and the Decree Law No. 375 on the Amendment of Certain Laws and the Decree Law No. 375 on Additional Motor Vehicles Tax for the Compensation of the Economic Losses Caused by the Earthquakes Occurring on 6/2/2023" published in the Official Gazette dated 15 July 2023 and numbered 32249. In accordance with the amendments made in Article 32 of the Corporate Tax Law No. 5520 regulating the corporate tax rate, the general rate applied in corporate tax has been increased from 20% to 25% starting from the declarations to be submitted as of 1 October 2023. Accordingly, the Company and its subsidiaries in Turkey have used the tax rate of 25% in the calculation of the period tax for the year 2024.

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% (2023: 35%). Corporate tax rate in Kazakhstan is 20% (2023: 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)

<u>Deferred tax assets</u>	<u>31 March 2024</u>	<u>31 December 2023</u>
Trade and unbilled receivables	(9.423.307)	(16.188.180)
Tangible and intangible assets	(77.644.311)	(62.444.832)
Trade payables and cost provisions	29.388.151	35.352.725
Carryforward tax losses and unused R&D tax exemption (Note 12)	772.158.951	692.055.272
Provision for unused vacation	6.190.406	5.702.006
Inventory and contract assets	(66.513.703)	(53.594.127)
Provisions for employee premiums	15.524.389	20.615.882
Contract liabilities	48.233.516	35.410.298
Legal provision	5.135.348	3.993.322
Severance indemnity and retirement provisions	47.914.450	42.715.603
Other	(621.773)	(2.901.435)
	<u>770.342.117</u>	<u>700.716.534</u>
	31 March 2024	31 December 2023
Deferred Tax Assets	<u>770.342.117</u>	<u>700.716.534</u>
Net Amount	<u>770.342.117</u>	<u>700.716.534</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:

	31 March 2024	30 March 2023
Balance as of January, 1	700.716.534	306.058.392
Current charge deferred tax income	2.438.946	(6.044.703)
Translation difference	67.186.637	6.819.652
Closing	770.342.117	306.833.341
	1 January- 31 March 2024	1 January- 31 March 2023
Current tax loss	-	(1.091.323)
Deferred tax income	2.438.946	(6.044.703)
Tax Income (Loss)/Income	2.438.946	(7.136.026)
	31 March 2024	31 December 2023
Corporate tax	-	17.692.911
Prepaid taxes	(45.110.059)	(61.615.803)
Current tax (liabilities) / Current income tax assets	(45.110.059)	(43.922.892)

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20 TAX ASSETS AND LIABILITIES(Cont'd)**Deferred Taxes(Cont'd)**

Movement for deferred taxes as of 31 March 2024 and 2023 are as follows;

	1 January 2024	Charge to Period	Translation Difference	31 March 2024
Tangible and intangible assets	(62.444.832)	(10.525.547)	(4.673.932)	(77.644.311)
Trade receivables	(16.188.181)	7.990.176	(1.225.302)	(9.423.307)
Trade payables and cost provisions	35.352.725	(8.906.785)	2.942.211	29.388.151
Inventory and contract assets	(53.594.127)	(7.445.828)	(5.473.748)	(66.513.703)
Provisions for employee bonuses	20.615.882	(6.683.612)	1.592.119	15.524.389
Provision for unused vacation	5.702.006	(31.496)	519.896	6.190.406
Severance indemnity and retirement provisions	42.715.601	2.059.558	3.139.291	47.914.450
Contract liabilities	35.410.298	8.988.997	3.834.221	48.233.516
Carryforward tax losses and unused R&D tax exemption (Note 12)	692.055.271	13.841.560	66.262.120	772.158.951
Legal Provision	3.993.320	723.037	418.991	5.135.348
Other	(2.901.429)	2.428.886	(149.230)	(621.773)
	700.716.534	2.438.946	67.186.637	770.342.117

	1 January 2023	Charge to Period	Translation Difference	31 March 2023
Tangible and intangible assets	(51.994.926)	13.091.626	(1.084.956)	(39.988.256)
Trade receivables	(28.412.906)	15.537.144	(467.807)	(13.343.569)
Trade payables and cost provisions	24.282.550	(936.454)	568.911	23.915.007
Inventory and contract assets	(50.554.744)	(11.741.281)	(1.400.355)	(63.696.380)
Deferred revenue	-	7.861	126	7.987
Provisions for employee bonuses	8.369.401	(6.140.944)	128.678	2.357.135
Provision for unused vacation	2.377.074	(1.346.689)	45.229	1.075.614
Severance indemnity and retirement provisions	21.010.220	(1.189.849)	367.492	20.187.863
Contract liabilities	27.473.281	(3.880.999)	607.480	24.199.762
Carryforward tax losses and unused R&D tax exemption (Note 12)	350.850.911	(8.351.502)	8.351.503	350.850.912
Legal Provision	1.801.487	(34.188)	43.291	1.810.590
Other	856.044	(1.059.428)	(339.940)	(543.324)
	306.058.392	(6.044.703)	6.819.652	306.833.341

The Group has a total accumulated financial loss of TL 835.970.238 that can be offset against future years' profits, and a deferred tax asset of TL 211.175.040 has been recognized over this amount. In addition, the Group calculated a deferred tax asset of TL 560.983.911 based on the corporate tax deduction arising from the R&D incentive it did not use.

The distribution of previous years' losses that recognized deferred tax asset by years is as follows;

Year occurred	Year can be used	31 March 2024	31 December 2023
2019	2024	77.148.938	77.148.938
2021	2026	290.896.416	290.896.416
2022	2027	249.849.723	249.849.723
2023	2028	218.075.161	216.380.362
		835.970.238	834.275.439

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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- 31 March 2024	1 January- 31 March 2023
Number of shares	64.864.800	64.864.800
Net profit/ (loss) for the period	(85.293.919)	(85.620.764)
Earning / (Loss) per share (kurus)	(1,3149)	(1,3200)

22 RELATED PARTY DISCLOSURES

Due from related parties as of 31 March 2024 and 31 December 2023 are as follows:

Due from Related Parties	31 March 2024	31 December 2023
ZTE İstanbul Telekomünikasyon(1)	20.713.997	9.686.111
ZTE Corporation(2)	24.344	-
	20.738.341	9.686.111
Due to Related Parties	31 March 2024	31 December 2023
ZTE İstanbul Telekomünikasyon(1)	1.191.094.522	1.132.047.133
ZTE Corporation(2)	194.909.656	214.106.490
	1.386.004.178	1.346.153.623

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 31 March 2024 and 2023.

	1 January- 31 March 2024	1 January- 31 March 2023
Sales		
ZTE İstanbul Telekomünikasyon(1)	11.143.340	12.721.603
ZTE Corporation(2)	23.289	-
	11.166.629	12.721.603
	1 January- 31 March 2024	1 January- 31 March 2023
Purchases		
ZTE İstanbul Telekomünikasyon(1)	413.010.334	292.905.971
	413.010.334	292.905.971

(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 31 March 2024, total remuneration for the directors and management board of the Group is TL 11.538.587 (31 March 2023: TL 16.456.864). As of 31 March 2024, and 31 December 2023 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 31 March 2024, and 31 December 2023 the Group's net debt / total equity ratios are as follows:

	31 March 2024	31 December 2023
Short-term and long-term borrowings (*)	1.399.161.325	1.297.908.289
Cash and cash equivalents	(318.365.652)	(90.112.867)
Net financial debt	1.080.795.673	1.207.795.422
Equity	168.032.784	217.693.183
Net Financial Debt / Equity Ratio	%643	%555

(*) 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:

31 March 2024	Trade Receivables		Contract Assets related to Goods and Services	Other Receivables	Deposits at Banks
	Related Parties	Other	Provided	Other	
Maximum credit risks as of balance sheet date (A+B+C+D)	20.738.341	2.108.758.590	460.662.431	5.212.761	318.365.652
Maximum risk guaranteed by collateral	-	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	20.738.341	1.631.993.513	460.662.431	5.212.761	318.365.652
(B) Net book value of overdue but not impaired financial assets	-	476.765.077	-	-	-
Guaranteed by collateral	-	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-	-
Overdue (gross book value)	-	327.749.984	-	-	-
Impairment (-)	-	(327.749.984)	-	-	-
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)

<u>31 December 2023</u>	<u>Trade Receivables</u>		<u>Contract Assets related</u>	<u>Other Receivables</u>	<u>Deposits at Banks</u>
	<u>Related Parties</u>	<u>Other</u>	<u>to Goods and Services</u>	<u>Other</u>	
Maximum credit risks as of balance sheet date (A+B+C+D)	9.686.111	2.865.406.633	403.011.780	4.944.536	90.112.867
Maximum risk guaranteed by collateral	-	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	9.686.111	2.443.784.538	403.011.780	4.944.536	90.112.867
(B) Net book value of overdue but not impaired financial assets	-	421.622.095	-	-	-
Guaranteed by collateral	-	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-	-
Overdue (gross book value)	-	298.823.538	-	-	-
Impairment (-)	-	(298.823.538)	-	-	-
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:

31 March 2024	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	2.218.013.474	134.559.062	140.373.770	7.755.864	409.157	130.988.459
Expected credit loss	-	2.642.613	12.206.141	2.634.217	28.549	45.167.245
31 December 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	2.862.361.701	232.909.290	22.021.806	1.894.853	665.979	164.130.167
Expected credit loss	-	1.304.046	337.613	126.424	15.015	13.782.285

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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 31 March 2024 and 31 December 2023 is presented:

31 March 2024

<u>Maturities due to agreements</u>	Carrying amount	Cash outflows				
		due to agreements	Up to 3 months	3-12 months	1-5 years	More than 5 years
<u>Non- derivative financial liabilities</u>	4.339.682.550	4.537.517.860	2.947.554.661	1.372.913.915	216.418.545	630.739
Financial liabilities	1.399.161.325	1.521.109.088	264.676.971	1.256.432.117	-	-
Lease Liabilities	303.971.283	379.858.830	46.327.748	116.481.798	216.418.545	630.739
Due to related parties	1.386.004.178	1.386.004.178	1.386.004.178	-	-	-
Other trade payables to third parties	1.186.657.442	1.186.657.442	1.186.657.442	-	-	-
Other payables to third parties	63.888.322	63.888.322	63.888.322	-	-	-

31 December 2023

<u>Maturities due to agreements</u>	Carrying amount	Cash outflows				
		due to agreements	Up to 3 months	3-12 months	1-5 years	More than 5 years
<u>Non- derivative financial liabilities</u>	4.391.033.783	4.562.389.036	3.133.748.667	1.204.352.337	221.443.731	2.844.301
Financial liabilities	1.297.908.289	1.396.251.816	284.627.834	1.111.623.982	-	-
Lease Liabilities	284.566.414	357.578.140	40.561.753	92.728.355	221.443.731	2.844.301
Due to related parties	1.346.153.623	1.346.153.623	1.346.153.623	-	-	-
Other trade payables to third parties	1.309.444.678	1.309.444.678	1.309.444.678	-	-	-
Other payables to third parties	152.960.779	152.960.779	152.960.779	-	-	-

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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.

	31 March 2024	31 December 2023
Fixed interest rate financial instruments	2.240.209.692	2.886.537.280
Cash and Cash Equivalents (*)	105.500.000	6.500.000
Trade Receivables	2.129.496.931	2.875.092.744
Other Receivables	5.212.761	4.944.536
Variable interest rate financial instruments	-	-
Fixed interest rate financial liabilities	4.339.682.550	4.391.033.783
Short and Long Term Unsecured Loans	1.399.161.325	1.297.908.289
Lease Liabilities	303.971.283	284.566.414
Trade Payables	2.572.661.620	2.655.598.301
Other Payables	63.888.322	152.960.779
Variable interest rate financial liabilities	-	-
Short and Long Term Unsecured Loans	-	-
Interest-free financial liabilities	-	-
Non Interest bearing unsecured spot loans	-	-

(*) As of 31 March 2024, and 31 December 2023 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 31 March 2024, and 31 December 2023 the Group's foreign currency position table is given below:

31 March 2024	TL Equivalent (*)	Original Currency			
		TL	Euro	USD	Other
Current Assets	773.390.442	403.898.822	1.766.126	1.809.000	57.265.026
Cash and cash equivalents	121.561.031	101.361.620	92.693	-	4.930.344
Trade receivables, third parties	646.616.649	297.324.442	1.673.433	1.809.000	52.334.682
Other receivables, third parties	5.212.761	5.212.761	-	-	-
TOTAL ASSETS (A)	773.390.442	403.898.822	1.766.126	1.809.000	57.265.026
Short Term Liabilities	1.106.955.857	1.031.322.256	1.499.406	724.960	178.624
Financial liabilities	431.924.611	420.641.121	324.217	-	-
Lease liabilities	138.145.369	138.145.369	-	-	-
Trade payables, third parties	472.997.555	408.647.444	1.175.189	724.960	178.624
Other payables, third parties	63.888.322	63.888.322	-	-	-
Long Term Liabilities	165.825.914	165.825.914	-	-	-
Lease liabilities	165.825.914	165.825.914	-	-	-
TOTAL LIABILITIES (B)	1.272.781.771	1.197.148.170	1.499.406	724.960	178.624
Net Foreign Currency Asset / (Liability) Position (A-B)	(499.391.329)	(793.249.348)	266.720	1.084.040	57.086.402

(*) 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 2023	TL Equivalent (*)	Original Currency			
		TL	Euro	USD	Other
Current Assets	988.947.538	470.994.232	2.249.473	1.768.283	101.048.400
Cash and cash equivalents	25.108.122	16.917.756	210.312	-	6.104.102
Trade receivables, third parties	958.894.880	449.131.940	2.039.161	1.768.283	94.944.298
Other receivables, third parties	4.944.536	4.944.536	-	-	-
TOTAL ASSETS (A)	988.947.538	470.994.232	2.249.473	1.768.283	101.048.400
Short Term Liabilities	1.773.347.154	1.713.234.857	1.357.247	527.353	1.720.667
Financial liabilities	578.199.850	578.199.850	-	-	-
Lease liabilities	128.271.232	128.271.232	-	-	-
Trade payables, third parties	913.915.293	853.802.996	1.357.247	527.353	1.720.667
Other payables, third parties	152.960.779	152.960.779	-	-	-
Long Term Liabilities	156.295.182	156.295.182	-	-	-
Lease liabilities	156.295.182	156.295.182	-	-	-
TOTAL LIABILITIES (B)	1.929.642.336	1.869.530.039	1.357.247	527.353	1.720.667
Net Foreign Currency Asset / (Liability) Position (A-B)	(940.694.798)	(1.398.535.807)	892.226	1.240.930	99.327.733

(*) 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
31 March 2024

	<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	(79.324.935)	79.324.935
Hedged portion from TL risk (-)	-	-
(1) Net effect of TL	(79.324.935)	79.324.935
<i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i>		
Net asset / (liability) in EUR	928.249	(928.249)
Hedged portion from EUR risk (-)	-	-
(2) Net effect of EUR	928.249	(928.249)
<i>Effect of 10 % appreciation/devaluation in USD – TL exchange rate :</i>		
Net asset / (liability) in USD	180.900	(180.900)
Hedged portion from USD risk (-)	-	-
(3) Net effect of USD	180.900	(180.900)
<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)	(71.102.191)	71.102.191

31 December 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	(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

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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.