

**NETAŞ TELEKOMÜNİKASYON A.Ş. BOARD OF DIRECTORS INTERIM  
REPORT  
FOR THE PERIOD ENDED MARCH 31, 2023**

Trade Registration Number: 94955/403045

**Headquarters**

Yenişehir Mah. Osmanlı Bulvarı No:11 34912

Kurtköy-Pendik/İstanbul

Phone: +90 (216) 522 20 00

Fax: +90 (216) 522 22 22

**Ankara**

ODTU Teknokent, 06531, Ankara

Phone: +90 (312) 210 18 08

Fax: +90 (312) 210 18 05

[www.netas.com.tr](http://www.netas.com.tr)

# NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED MARCH 31, 2023

## ORGANIZATION AND OPERATIONS OF THE GROUP

Netaş Telekomünikasyon A.Ş. (the “Company”) and its’ subsidiaries (together the “Group”) are 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 headquarter of the Group was registered at Yenişehir Mah. Osmanlı Bulvarı No:11 34912 Kurtköy-Pendik/İstanbul at Istanbul Trade Registry Office as of 23 July 2013.

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.

As of March 31, 2023, The Group’s largest and the controlling shareholder is ZTE Cooperatief U.A.

As of March 31, 2023, the Group has no blue-collar employees (31 December 2022: None). The average number of white-collar personnel employed in the Group as of 31 March 2023 is 1.785 (31 December 2022: 1.885).

### The Company’s affiliates and participations are as follows:

- **Netaş Bilişim Teknolojileri A.Ş.**

Netaş Bilişim Teknolojileri A.Ş. 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 and Algeria with strategic business partnerships.

Global competition is constantly increasing and companies now begin to operate on a service-and customer oriented basis rather than simply focusing on the products. This mandates companies including Netaş Bilişim to closely follow and use IT technologies more effectively. From industrial solutions to business solutions and from systems integration and outsourcing to care and maintenance services, network solutions and consultancy, “Netaş Bilişim” has been providing a wide range of services in international markets since 1989. The Company has 100% shares of Netaş Bilişim Teknolojileri A.Ş.

- **BDH**

Specialized in all IT services, BDH Bilişim Destek Hizmetleri San. Tic.A.Ş. (“BDH”) was founded in April 2006 in order to provide consultancy, strategic outsourcing, data center and support services.

BDH offers brand-independent consultancy, strategic outsourcing, hardware and support services in the IT sector to a wide range of customers from small-medium sized enterprises to large ones and public institutions. With a service team of experienced and certified professionals specializing in different areas of IT, BDH provides with 18 branches and 45 partners to its customers throughout Turkey.

## NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED MARCH 31, 2023

Centers located in Istanbul, Ankara, Izmir, Bursa and Samsun offer hardware support for all kinds of IT products including servers, storage units, handheld devices, printers and more. The Company indirectly has 100% shares of BDH.

- **Netaş Telecom LLP**

According to Board of Directors resolution as at 11 April 2012, foundation of a “Limited Liability Partnership” (Netaş Telecom Limited Liability Partnership) was completed in Kazakhstan Almaty. The amount of capital which solely belongs to Netaş is 161.800 Tenge (approximately 1.100 American USD). Registration was made on 25 June 2012 and it became valid starting from 4 July 2012.

Founded in Almaty, Kazakhstan, in 2012, Netaş Telecom LLP operates in line with Netaş’s vision of becoming “Regional System Integrator”. Netaş Telecom LLP is fully owned (100%) by the Company.

- **Netaş Telecommunication Malta**

The Company has established Netaş Telecommunications Malta Ltd. in Malta and holds all of its share capital (100%) amounting to 1.200 EUR. Registration processes were completed in date of 4 November 2014.

“Netaş Telecommunications Malta Ltd” was established with an initial capital of 1.200 Euros on 4 November 2014 for the purpose of improving operational efficiency. Netaş Telecommunication Malta is fully owned by the Company.

- **Netaş Telecommunication Algeria**

The Company which is amounted DZD 23.800.000 registration of Netaş Telecommunications Algeria Sarl LLC has been established organization in date of 31 March 2019 in Algeria between the Company and Mohamed Karim Faraoun. The management control of the company, which is owned %49, belongs to Netaş Telecommunications A.Ş. in accordance with the agreement and Netaş Telecommunications Algeria Sarl LLC is consolidated for this reason.

“Netaş Telecommunications Algeria Sarl LLC” was established in Algeria, field of activity of the company is manufacturing of small installation and electric lighting equipments; registration of the company completed on 31 March 2019. In accordance with the agreement, Netaş Telecommunication A.S owns 49% of “Netaş Telecommunication Algeria” and has the management control.

<b>Subsidiaries &amp; Affiliates</b>	<b>Place and establishment of operation</b>	<b>Group's shares in capital and voting rights</b>
Netaş Bilişim Teknolojileri A.Ş.	Turkey	%100
BDH Bilişim Destek Hizmetleri Sanayi ve Ticaret A.Ş.	Turkey	%100
Netaş Telecom Limited Liability Partnership	Republic of Kazakhstan	%100
Netaş Telecommunications Malta Ltd	Malta	%100
Netaş Telecommunications Algeria Sarl LLC (*)	Algeria	%49

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

## NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED MARCH 31, 2023

### SHAREHOLDER'S STRUCTURE

Shareholder's structure of the Company as of March 31, 2023 and December 31, 2022 is as follows:

	March 31, 2023		December 31, 2022	
	Share Amount (TL)	Share Amount (%)	Share Amount (TL)	Share Amount (%)
<b>ZTE Cooperatief U.A.</b>	31.168.351	48.05%	31.168.351	48.05%
<b>Turkish Armed Forces Foundation (TFF)</b>	9.729.720	15.00%	9.729.720	15.00%
<b>Free Float</b>	23.966.729	36.95%	23.966.729	36.95%
<b>Paid in Capital</b>	64.864.800		64.864.800	
<b>Ticker</b>	NETAS		NETAS	

### BOARD OF DIRECTORS

The Members of Board of Directors as of September 30, 2022 are as follows:

Aiguang Peng	Chairperson
Şuay Alpay	Vice-Chairperson
Ding Minzhongxia	Member
Ming Li	Member
Bowen Mei	Member
Ali Zülfü Tigrel	Independent Member
Özer Karabulut	Independent Member

### THE GROUP'S MANAGEMENT

Sinan Dumlu	Chief Executive Officer
Alper Acıncı	Chief Finance Officer
Alp Söker	Chief People Officer
Bilgehan Çataloğlu	Chief Digital Officer
Bowen Mei	COO, Board Member
Börgehan Köksal	Chief Compliance Officer
Burhan Metin	Board Member Responsible For Public & Defense
Bülent Elönü	Carrier Networks General Manager
Koray Otyam	BDH General Manager
Ersin Öztürk	R&D General Manager
Dr. Xi Guang Qing	CTO

# NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED MARCH 31, 2023

## VISION, CORE VALUES, QUALITY POLICY

### Vision

Becoming Turkey's and Region's #1 systems integrator working as per global standards.

### Core Values

- Courage
- Passion
- Perseverance
- Innovativeness
- Sharing
- Nationalism
- Being a Family

### Quality Policy

Continuous improvement to ensure the sustainability of our quality management system established in accordance with international standards aiming for "Excellence" and based on data for the purpose of creating added value for our customers in line with our vision. All Netaş/Netaş Bilişim Teknolojileri employees are responsible for ensuring "Excellence" through continuous improvement.

## RESEARCH & DEVELOPMENT (R&D) STUDIES

### **The country's most experienced new generation research and innovation center**

Digitalization and sustainability, as priority issues on the global stage, are having a profound and lasting impact on the information and communication technologies (ICT) sector. The global digital economy is witnessing rapid growth, and demand for digital products and services is exceeding expectations.

Netas restructured its R&D works in 2022 to better meet the expectations of different sectors and to prepare for the future. Maintaining its focus on research and innovation with a strategic perspective, Netas is today focusing its efforts in the fields of defense, information technologies and telecommunications in preparation for 5G, and is supporting the end-to-end digital transformation of its customers with its engineering resources.

The company is continuing its activities: the Kurtkoy R&D Center in Istanbul, Technology production base in Orhanli and Ankara METU Technopolis.

### **Defense technologies**

For more than 25 years, Netas has been designing domestic and national, high-tech, world-class communication systems for the defense sector, with particular focus on communication systems, navigation and Identification Friend or Foe (IFF) Technologies.

## NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED MARCH 31, 2023

### Information technologies

Drawing upon its globally recognized engineering power, Netas is able to the needs of institutions and organizations in many different areas, and is undertaking special software projects for companies using state-of-the-art technologies while simultaneously developing applications and smart solutions. It is also playing an important role in the transformation of the public sector, developing life-saving digital transformation projects such as Disaster Management and Decision Support System (AYDES) for the Disaster and Emergency Management Presidency (AFAD) and Emergency Health Automation System (ASOS) for the Ministry of Health.

AYDES is the world's first integrated software developed for AFAD, supports the coordination of all relevant units in the country, allowing resources to be distributed quickly and efficiently in times of disaster, in any part of Türkiye.

With ASOS, developed for the Ministry of Health, Netas has digitalized Türkiye's pre-hospital healthcare system, ensuring data integrity, coordination and communication between all relevant institutions, such as the central organization of the Ministry and individual hospitals.

Netas is also involved in the digital transformation of the Turkish Republic of Northern Cyprus (TRNC), where it is engaged in such public programs as the Legal, Customs and Population Systems project. Among these projects, Netas opened its Legal system to the use of civil servants in 2022 and to the use of citizens in May 2023. Another TRNC Project, the Population Identity System, was put into use in the TRNC in April 2023, thus providing the identity demands of the islanders through the new system. Finally, in the Customs Project, Netas commissioned the Famagusta Port Automation System between 19 March – 31 March 2023, in addition to the Customs Gates it had previously opened. Thus, it has completed the opening of all Customs gates on the island under its responsibility.

Providing testing services to all verticals on the software side, Netas continues to grow both at home and abroad with its latest family of testing products – VisiumLab. Netas has taken its first step into the export market with the sale of its Visium Farm product to Azerbaijan's largest bank.

Netas also develops applications, offers testing services and manages digital services for telecom service and infrastructure providers. In the field of digital platform applications, Netas has developed the interface for a large IPTV project for ZTE, which will serve as a reference for the European market, and is developing applications and solutions in the smart traffic, remote treatment, smart energy turbine and smart city fields in preparation for 5G and beyond, and even 6G.

### Domestic and national telecommunication technologies

Netas maintains end-to-end, deep-rooted and global R&D competencies in the telecommunication technologies field, being involved in the design of both software and hardware, and is today focused on 5G technologies, drawing upon the expertise it gained in the development of domestic 4G technologies.

### Deep-rooted R&D experience and culture

Netas established Türkiye's first private telecom R&D department in 1973 and realized the country's first software export in 1992. Today, thanks to the versatile competencies, innovation culture, knowledge and experience of its R&D, Netas develops products and solutions that increase productivity, communication and mobility in different geographies, specifically for each vertical. With the power it receives from Netas R&D, it leads the digital

## NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED MARCH 31, 2023

transformation of private and public stakeholders, and implements large-scale projects simultaneously with its competent and wide engineering resources.

### Activity area

- Telecommunications Technologies
- Defense Technologies
- Information Technologies
- Test Technologies, Services and Products

### 50 years in R&D

- 5,000 projects
- +10,000 R&D engineers
- Solutions used in 80 countries
- 100 signaling protocols
- Developed 40 million lines of code
- Telecom software solutions for more than 200 global operators
- 1,000 card designs
- More than \$4 billion contribution to the national economy through localization

### Academic R&D outputs

- Pioneer in continuous innovation and patent application
- 537 patents, 7 utility model applications
- 180 registered patents, 3 proprietary utility models, 70 registered trademarks
- 195 scientific publications, 153 of which are international
- 70 EU project applications
- 854 collaborations with 38 countries in the EU project
- 18 - Number of universities with which Framework Agreement signed
- 42 - Number of academic consultancies received

### Experience and competence

- Deep-rooted R&D culture and competent engineering staff, agile structure
- International software development and testing competence
- 5G and beyond application development competence
- Software, hardware, mechanical design for defense industries
- Software and solution development in Telecom, ICT industries
- Test service and product development
- Domestic product development experience
- Strong know-how in developing innovative technology
- Leadership in international R&D platforms
- Strong collaborations with the ecosystem

### National and international collaborations

- Celtic Plus Vice Chairman of the Board
- Member of the European Union Network Europe Board of Directors

## NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED MARCH 31, 2023

- 4.5G Base Station “ULAK” Consortium
- Open-Source Code Platform Founder Membership
- 5GTR Forum Founder Membership
- ARGEMIP (R&D and Design Centers Collaboration and Communication Platform) Presidency
- YASAD Board Membership
- TÜSİAD EU and International Incentives Group Presidency
- Current projects: 1 Celtic NEXT, 1 QNRF
- 70 EU Project Applications (37 H2020)
- 854 collaborations with 38 countries within the scope of EU project partnerships

### R&D Business Development Team

A business development team has been established within the R&D department with the aim of commercializing the products developed by the R&D department, end-to-end high-tech new product development capabilities, and R&D services in both national and international markets. This team continues to work both within and outside of Netas to reach potential customers by looking at all work and competencies with a fresh perspective.

### PRODUCTION ACTIVITIES

Netas carries out the production of high-tech domestic and national systems developed in R&D laboratories at its technology production center in Orhanlı, Istanbul, as well as localizing ZTE's most preferred new technology products in the world.

With many years of production experience and competent staff, unit and system assembly, cable production, functional and environmental testing activities are carried out in accordance with defense industry standards in the production facility.

With its comprehensive test infrastructure, high and low temperature tests, challenging environmental tests such as humidity, vibration and isolation are applied to the products. Our factory has high standards of production competence with production processes established in Global quality standards and proprietary management systems.

In our facilities, ship communication systems, Friend or Foe Recognition systems for the Defense Industry, baseband unit production for 4.5G base station continues. In addition, within the scope of localization strategies, we continue the production of Netas cloud server and 5G-focused Base Station Baseband unit and high output radio units.

### NEXT GENERATION TECHNOLOGIES

Products that add value with their superior digital capabilities

Netas develops unique technologies specific to sectors from finance to entertainment, from public to defence, from energy to transportation, from education to health.

### Smart Transportation Systems

#### V2X

Thanks to the low latency and higher bandwidth that comes with 5G, various applications such as convoy driving, advanced driving, collaborative driving and remote driving that increase comfort and efficiency beyond providing



## NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED MARCH 31, 2023

basic security will enter our lives. In the V2X (Vehicle to Everything) scenario, all players in the ecosystem, namely pedestrians, passengers, vehicles and infrastructure units, will be able to communicate with their devices in a common language and realize scenarios that provide higher safety and efficiency. Developing V2X technologies in its R&D, Netas has started the tests of the C-V2X on-vehicle communication and roadside communication systems (Base Station), both in the public and private sectors.

### **New Generation Treatment Service**

#### **Remote Physiotherapy**

The availability of various sensors, including cameras, balance and motion sensors, and artificial intelligence applications, is bringing about a revolutionary transformation in the field of technology-supported rehabilitation. The planning and monitoring of remote physical therapies can be achieved quickly, safely and in real time using 5G technologies, ensuring the more effective and efficient implementation of personalized physical therapy and exercise programs through virtual reality-based exercises and motion tracking. The gamification of exercises in physiotherapy, the real-time transmission of game broadcast streams and delay sensitivity in online transmissions make 5G technologies important in next-generation health applications. With 5G, it becomes possible to continue and monitor physical therapy processes outside the hospital, and to provide personalized healthcare services. Through rehabilitative games in particular it is aimed to maintain a high level of motivation among clients in keeping to their assigned treatment programs, targeting an efficient and focused treatment process. The Remote Physiotherapy application, developed indigenously by Netas in cooperation with Inosens, constitutes an important step toward the new generation health system.

#### **Follow the world of Metaverse with VR glasses**

Applications that can turn physiotherapy exercises into games that meet health standards, and that allow the instantaneous follow-up of patients by the physiotherapist are possible thanks to the new generation technologies integrated by Netas R&D with multimedia communication capabilities.

In gamified physiotherapy applications, the patient can perform the exercises given by the physiotherapist within a computer game environment. For example, a patient can gain points if s/he can turn a key in the game in the desired direction and to a specific angle, and touch objects positioned in the game at a certain height, with their movements monitored by motion sensors.

Using the interface designed by Netas, physiotherapists can check whether the patient is doing their exercises correctly through video conferencing, and can view the patient's avatar in the Metaverse world or through VR glasses. Speed and quality in communication are of great importance for the provision of timely and accurate instructions to the patient.

### **Transportation Solutions**

#### **Automatic Train Supervision (ATS) Project**

Netas carries out the design and development studies of the ATS (Automatic Train Supervision), which is the sub-system of the signaling system of the Gayrettepe-Istanbul Airport-Halkali Rail System Line. Railway traffic management server software and operator applications will be included in the ATS solution, which provides the necessary interfaces for the preparation and management of train schedules, control and monitoring of all line traffic, and operators' intervention. Thus, train movements will be managed in the additional metro system consisting of 17 stations of 70 km. This project, where the operating speed will be 120 km per hour and the train

## **NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED MARCH 31, 2023**

service intervals will be 180 seconds, is Türkiye's first domestic subway signaling system. The Kagithane-Istanbul Airport section of the Gayrettepe-Istanbul Airport line was put into service on January 22, 2023. System performance and operation tests are continuing for Gayrettepe station. The opening date of Gayrettepe station is foreseen as May 4, 2023. In the Halkali section, which is the continuation of the line, the Arnavutkoy and Tasoluk stations and the depot area where the trains are parked, signaling works continue.

### **Navigation Systems**

#### **GNSS Receiver**

Satellite-based navigation for land, air and naval platforms is provided by GNSS (Global Navigation Satellite System) receivers. Netas has developed the first software-based GNSS receivers in Türkiye, which use the GPS, GLONASS and GELILEO global positioning systems and SBAS (Satellite-Based Augmentation Systems) correction systems to service final and intermediate outputs about position, speed and time information. The Netas GNSS Receiver family has been developed with a software-based approach on hardware with high processing capacity, comprising an FPGA and microprocessor. This flexible architecture ensures it is open to new developments and programmable in the field. Developed to operate under difficult conditions such as high dynamics and low signal levels, the GNSS Receiver family can be programmed according to the needs of the platform under dynamics and low signal levels. The Netas GNSS Receiver family, which can operate in difficult operational conditions, has advanced consistency algorithms to counter deception and anti-jamming algorithms.

### **Internet of Things (IoT)**

#### **ION**

ION, developed by Netas engineers to provide all device and data management services for Internet of Things (IoT) networks, can be installed on cloud or local systems. Having a horizontal architectural design that enables different IoT device and application providers to work under a common roof, the ION platform can automatically scale itself according to the density changes in data traffic, while securing the end-to-end data security of IoT applications. Having a customizable structure, ION offers an easy-to-use interface to IoT network and service managers.

### **IPTV Solutions**

In the project, where TV and video broadcasting services can be provided to users through their existing devices and infrastructures, the development of OTT (over the top) devices on a client basis and the management portal pages running in the background is carried out by Netas R&D software development teams. In this context, "New UI" developments for ZTE's STB products and DTH (Vestel and Humax) devices and new generation Smart TVs (Samsung Tizen, LG WebOS and Android-based brands such as Vestel, Sony, Arcelik, Grundig, Toshiba and Beko) were completed, the tests were successfully passed and went live. Interfaces were enriched by applying features that will increase end-user satisfaction such as fingerprint, My TV Channel application, EPG re-design, thumbnail displays in the software.

### **Localization**

In line with our goal of being a pioneer in digitizing Turkey's communication infrastructure with domestic products, the scope of our Next Generation Base Station Solution has been expanded with the localization of the Remote Radio Unit product. We increased the total number of Domestic Goods Certificates to 18 with our Remote Radio Unit product.

## NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED MARCH 31, 2023

### EU PROJECTS

#### Netas's signature in international 5G and beyond projects

Netas maintains its leading position in international R&D projects. Netas, which is developing smart technologies in pursuit of a sustainable life in the European Union (EU) R&D programs in which it participates, giving Türkiye a say in the shaping of future technologies, is preparing for 5G and beyond with projects such as next-generation health solutions, applications that increase efficiency in the field of smart energy, smart agriculture solutions, and building management models based on digital platforms.

### AICOM4HEALTH

Netas is developing 5G, Internet of Things and artificial intelligence-based next-generation technologies that can be used in pandemics in the AICOM4HEALTH project, launched with nine project partners in four different countries within the scope of CELTIC-NEXT, a communication technologies cluster under EUREKA in Europe and funded by TUBITAK TEYDEB 1509 programme.

Under the AICOM4HEALTH project, substandard air quality, not wearing masks, social distancing, and excessive density and mobility, and symptoms such as fever, weakness and partial loss of consciousness in indoor and outdoor areas where the public is concentrated during epidemics will be instantly detectable with sensors and cameras. Images from cameras and data such as heat, temperature, air quality, etc. from IoT (Internet of Things) sensors are analyzed within artificial intelligence-supported systems and transmitted to teams involved in the fight against pandemics in real time. This project aims to reliably deliver high-capacity data with less latency through next-generation 5G technologies such as the Internet of Things (IoT), artificial intelligence (AI), video analytics (VA) and Network Slicing.

### Smart Farming Project for Qatar

The 5GPPGreenhouse project of Netas, started upon the joint call from the Scientific and Technological Research Council of Türkiye (TÜBİTAK) and Qatar National Research Fund (QNRF), aims to process data coming from greenhouses through ION (IOT Platform) and increase the efficiency and digitalization, in order to secure the sustainability of the agricultural production. As a pilot study, a greenhouse in Qatar will be controlled through ION (IOT Platform) set up on a cloud in Istanbul.

### Smart-WIND

Netas aims to increase the efficiency of wind turbines with the use of information and communication technologies with the Smart-Wind project carried out within the scope of EUROGIA and funded by TUBITAK TEYDEB 1509 programme. The project is carried out by seven institutions from Spain, Germany, and Türkiye, and Netas processes data collected by IoT solutions from wind turbines operated by Zorlu Enerji, using advanced artificial intelligence and machine learning techniques. Thus, the efficiency of critical components in the turbines is increased.

With the Smart-Wind project, which started in January 2020 and will continue for three years, advanced information technologies in the field of smart energy are developed domestically. Advanced cooperation and mutual know-how transfer are realized with the work done with partner organizations in Germany and Spain.

## NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED MARCH 31, 2023

### AI SMECOT

Netas aims to produce innovative solutions in customer profiling, load and consumption forecasting, loss and leakage analysis use cases by using advanced data analytics techniques and competency in the use of data gathered from smart meters in the AISMECOT project carried out under EUROGIA and funded under the TUBITAK 1509 programme. The R&D activities to be carried out within the scope of the project can be positioned as an innovative and data-driven solution in domestic and foreign gas distribution companies, particularly project partner İGDAŞ.

The AISMECOT project, which was launched in March 2023 with 10 partner organizations from Turkey, Spain, and Denmark and Italy, aims to develop innovative solutions for the production of smart meter data, transmission via 5G networks, and processing on IoT and data analytics platforms.

### TEST SERVICES CENTER

Netas provides testing services that make a difference in all verticals in support of "zero defect, high quality" working principles, and is focused on the international and domestic markets with the test products developed by its R&D center.

#### Services offered by Netas Test Center

- Test process consultancy service
- Managed testing service
- Web/mobile/desktop software testing service
- Test automation service
- M2M/IoT and mobile terminal tests
- Performance tests
- Penetration tests (Pentest)
- Continuous integration consultancy
- Mass testing service

#### Differentiator Features

- Test engineers/experts who are competent in their field of work
- Assigned test architects or project managers responsible for each project
- Resource continuity
- International experience
- Test tools R&D
- Strong references

#### Test Process Consultancy Service

This service includes measuring the test maturity level for the proper operation of the test processes in the current software life cycle of the organizations, and then sharing the test process documents, monitoring and reporting the compliance of the processes.

#### Managed Testing Service

Managed testing service is the fulfilment of testing services by the test engineers/experts of Netas in accordance with customers' SLA and KPIs. This service, which provides organizations with the opportunity to reduce project

## NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED MARCH 31, 2023

costs and use their resources and technologies efficiently, helps them gain more effective management and control over test activities and processes.

### **Web/Mobile/Desktop Software Testing Service**

The software testing service provides testing of software developed for various platforms such as web/desktop/server software, embedded software, business applications software. In addition, for mobile applications, Netas offers end-user tests on real smartphones with 200+ different brands, models and operating systems.

### **Test Automation Service**

The test automation service uses the most appropriate automation method to speed up the testing phase and increase productivity.

### **M2M/IoT and Mobile Terminal Tests**

Within the scope of M2M/IoT and mobile terminal tests, mobile device user tests, phones, tablets, M2M/IoT devices, PCs, modems, routers and operators are tested with existing, new SIM cards and existing fixed internet provider services.

### **Pentest (Pentest) Service**

Pentests (Pentest) service provides a complete solution for current situation analysis and what needs to be done to create a secure IT infrastructure. Vulnerabilities are detected in web applications and VoIP systems, and analysis reports containing security measures are presented. In addition to the use of rich test tools, company-specific test scenarios are also being studied. In addition, Netas penetration tests and security audits are required at periodic intervals.

### **Performance tests**

Performance tests allow to define the performance of various software, whether they respond under the heavy traffic and if so, their lagging time. The results provide the maximum load possible of software, then it is tested under the maximum load. As a result, performance-improving suggestions are made.

### **Continuous integration service**

Within the continuous integration service, an efficient and manageable software development setting is offered. Continuous Integration (CI) and Continuous Deployment (CD) processes allow an efficient and manageable software development and form an important part of the agile software development business model.

### **Mass Testing Service**

Within the scope of the mass testing service, the instant test needs of the customers are run by the test engineers/experts at the Netas Test Center in a very short period of 2-3 days, in the form of exploratory testing without being dependent on test scenarios, and the errors founded are reported.

## NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED MARCH 31, 2023

### Software Testing Tools

#### VISIUMLABS

##### Performance and Load Test: Visual Load

The scalable load and performance testing platform, Visium Load, provides fast and reliable testing of the performance of applications during the development process. Visium Load, which has the ability to set up the cloud environment, adjust traffic components, run tests and provide detailed reports, can perform load testing of applications with the most effective resources.

Visium Load, which managed to enter Microsoft's Azure Market Place catalog from Türkiye, raises test environments that will simulate 10 thousand of virtual users in minutes with the power of the cloud, and allows different user scenarios to be run simultaneously.

##### Mobile Device Farm: Vision Farm

Visium Farm, which collects mobile devices in one or more centers (pools), provides access to all devices at the same time through a single web interface. Software developers and software testers can access any of the devices in the mobile device pools in a very short time and can manage mobile devices via the web interface with the use of mouse and keyboard.

##### BDD-Based Test Automation: Visium Go

Developed as a BDD-based test automation tool, Visium Go allows anyone to easily write, read and run test automation scenarios. In the era of digitalization, the applications of institutions are updated more frequently than ever before. Offering an important advantage to keep up with this speed, Visium Go provides agility and speed to businesses thanks to the automatic running of repetitive tests instead of running them manually.

##### Test Management Tool: Visual Manage

Visium Manage, a test management tool that centralizes and organizes and facilitates test processes, enables companies to manage their requirements, test scenarios, suites and plans, report test outputs, establish relationships between requirements and scenarios, track risks and errors during the software development process.

### Engineering Services

Technology and software development matched to needs is one of the most effective strategies to acquire an edge in company productivity and competition. As Netas Engineering Services, we not only respond to our customers' needs with turnkey projects suited to them, particularly in the Telecom and ICT sectors, but we also offer outsourcing services. Our teams are competent in application modernization, CRM, HR, big data, and business intelligence.

#### Services Offered by Netas Engineering Services

- Turnkey software project service
- Outsourcing service

#### Differentiator Features

- Project managers assigned specifically to the project
- Engineering team that follows innovative technologies

## NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED MARCH 31, 2023

- Continuity of resources
- Compliance with SLAs and KPIs
- Strong references
- Coordinated work that increases efficiency with its own test teams

### Turnkey Software Project Service

This is our recommended service for businesses without a software development team or who are unable to establish a new team given the volume of work and deadlines for current software teams. Turnkey project service is a service that includes analysis, design, coding, testing, integration, installation, and commissioning.

### Outsourcing Service

Our outsourcing service provides our customers with expert and competent software developers in the areas of expertise and skill level they need. It enables a company to obtain the personnel it needs from an external source instead of employing them in-house and exempt from administrative management responsibilities. It helps reduce companies' personnel recruitment, training, and management costs. It allows them to focus all their efforts on project goals. In our Outsourcing Service, we mainly provide resources in .NET and Java Development areas for corporate application modernization and digital transformation projects for Telecom companies and banks.

### SAYEM Smart City Consortium

#### Target smart city technology export

Turkiye's most comprehensive Smart City Consortium has been established under the leadership of Netas in response to TUBITAK's SAYEM (Industrial Innovation Network Mechanism Program) call to "develop high value-added products or product groups through the creation of innovation networks in cooperation with the private sector, universities and the public sector, in line with national high technology targets".

Focusing on integrated smart solutions in the fields of energy, building management systems, emergency management, health, environment and waste management, parking and transportation, the consortium aims to contribute to increasing Turkiye's high-tech exports.

### Project Calendar

The project, which was launched in April 2021, comprises a 48-month productization phase and a 12-month commercialization phase. Projects starting at the minimum TRL 5 (technology readiness level - TRL) level will be completed in 48 months. While five projects were completed in 2022, it is aimed to complete nine projects in 2023, three in 2024 and the remainder in 2025.

### Centering the data

With the Central Management Unit that will process the incoming data, it is aimed to create an integrated "Smart City" solution that makes our cities smart, ensuring the more effective and efficient use of our country's limited resources:

- Smart energy
- Smart house-building
- Smart emergency management



## NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED MARCH 31, 2023

- Smart healthcare
- Smart environment and waste management
- Parking and transportation systems
- Central Management Unit (CMU)

### The social benefit of the program

- Reducing operating costs
- Improving service and quality of life
- Reducing the carbon footprint left in nature
- Protection of the environment and natural resources

### DOMESTIC AND NATIONAL DEFENSE R&D

In addition to the modernization of Türkiye's defense communication network, Netas also exports its technologies and designs high-tech, world-class communication systems for the defense sector, especially for Türkiye and the nearby geography.

Netas develops IP/ATM/ISDN switching and routing products, user terminals, transmission devices and power units with completely domestic design and production facilities in order to provide voice, data and video communication needed in the tactical field. The developed products are designed to withstand the harsh environmental conditions of the tactical field, for example at temperatures between -40°C and +55°C.

### Domestic Defense Technologies

#### 4.5G/LTE Advanced Communication Solutions

ULAK- Baseband unit for Türkiye's first domestic 4.5G base station

#### Tactical Field Communication Solutions

Communication solutions with system, hardware, mechanical, software and industrial design for a structure resistant to harsh environmental conditions

#### Tactical Ship Communications Solutions

Netas, develops Ship Communication Systems for domestic and national warship projects. These communication systems provide secure/unsecured voice and data services for the internal and external communication requirements of the ships. Ship Communication Solutions specially customized for use in the tactical field and support IP and ISDN based communication.

During the first quarter, NETAS continued to hardware and software development processes, Factory Acceptance Tests (FAT), Site Acceptance Tests (SAT), Harbour Tests (HAT) and system deliveries. FAT Tests for ADKG (Offshore Patrol Vessel) were completed. Preveze-3 Systems have been delivered, FAT and dry-run tests completed. Pakistan-MİLGEM Systems FAT Tests have been completed in ASELSAN Macunkoy Facility. HAT Tests have been completed for DİMDEG IPMKS. SAT tests and Technical Supports have been continued for LHD, DİMDEG, MİLGEM-5. Customer Trainings for DİMDEG BOS-1 have been completed. For Barbaros-3 FAT Tests and System Deliveries have been completed. For YTDA-1, SAT Tests have been started.



## NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED MARCH 31, 2023

### Avionics Solutions

Mission critical solutions for control, communication and navigation on high speed aerial platforms

### IT SOLUTIONS

The following solutions are carried out with the Netas R&D team working to meet the IT needs of Netas and its customers.

#### IT Solutions for Warranty Services

On behalf of manufacturers (HP, Lenovo, Samsung, Dell etc.) or distributors, providing standard and extended services for companies and consumers, technological solutions provided such as repair, on-site repair, spare parts planning, information services are offered:

- ZTE Motherboard Repair Device Tracking System (CTS) Application Development
- ZTE ONT Turksat GPON Device Tracking System (CTS) Application Development
- Teknosa SSH Project
- Vatan Computer Integration Project
- DELL Spare Parts Sales Project

#### IT Solutions for Field Services

Technological solutions offered to field and logistics teams that provide solutions for corporate customers (Finansbank, ATP Holding, Şekerbank, HP, Bizim Toptan, etc.) such as on-site repair services for IT products and spare parts supply:

- SISAL Inventory Project
- Finansbank Integration Project
- Şekerbank Sesis Integration Project
- Bizim Wholesale Merchandising Project
- HP Wizpart Integration Project
- Migros Integration Project

#### IT Solutions for Enterprise Applications

Development and support services are provided for in-house applications of all Netas business units, especially human resources, purchasing, finance, treasury, accounting and production units. The package programs needed; procurement, installation and operation of;

- Human Resources Management Application
- Workflow Application
- IT Service Management Application
- Corporate Communication Portals
- Business Intelligence and Reporting Applications

#### IT Projects for Export Compliance

Providing application development and integration solutions requested within the scope of Netas-BDH's Export Compliance obligations:

- ECCN Publication Project
- SAP GTS Integration
- Development of BDH/Netas Systems Compliance Integrations and export compliance features

## NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED MARCH 31, 2023

### GOVERNMENT GRANTS

For the period ended 31 March 2023 the Group has received approved, well deserved and accrued incentive from TÜBİTAK TL 60.016 (31 December 2022: TL1.566.840)

The Group is qualified for the incentives and exemptions provide9d by Support of Research and Development Act, numbered 5746 effective from 24 November 2008.

As of 31 March 2023, the Group has a corporate tax benefit of TL 2.236.517.140 due to research and development disbursement and this amount has been transferred (As of 31 December 2022, the Group has a corporate tax benefit of TL 1.743.342.214 due to research and development disbursement and amount is not utilized by the year end). The Group has booked deferred tax assets for unused R&D tax benefit amounting to TL 1.743.342.214 (Note 20). The unused tax advantages of the Group related to research and development activities has unlimited maturity.

For the period ended 31 March 2023, the amount of income tax incentive within the scope of Act numbered 5746 is TL 3.632.809 (31 December 2022: TL 10.937.438) and the total amount of social premium incentive within the scope of Act numbered 5746 and Social Security and General Health Insurance Act numbered 5510 is TL 4.897.762 (31 December 2022: TL 14.434.715).

### DONATIONS MADE DURING THE PERIOD

The Group made donations of TL 22.000 for the interim period ended March 31, 2023.

### REMUNERATION PROVIDED FOR BOD & 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 2023, total remuneration for the directors and management board of the Group is TL 16.456.864 (31 March 2022: TL 3.272.713).

As of 31 March 2023, and 31 December 2022 there is no credit granted to the Group's Management.

## NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED MARCH 31, 2023

### FINANCIAL PERFORMANCE

#### 1Q 2023 Summary;

- Sales revenues increased by 57% and reached to 1.078 million TL,
- Consolidated orders booked was 1.461 million TL with a 91% increase,
- Orders on hand (OOH) was 2.935 million TL with 42% growth.

In 1Q23, the Company's orders, orders on hand and sales revenues continued to increase. Orders received reached TL 1.46 billion as of period ended March 31, 2023 while orders on hand increased by 42% to TL 2.93 billion level.

On the other hand, increases in US dollar terms in orders received and OOH were 41% and 5%, respectively, on an annual basis.

Despite the 57% annual growth in sales revenues in the current period, the gross profit margin of the Company declined in 1Q23 on yearly basis. The gross profit of the company, which was TL 77 million in 1Q22, decreased to TL 70 million in 1Q23, with a gross profit margin of 6.5%.

On the other hand, the savings in the Company's operational expenses continued, and the ratio of operational expenses to sales decreased to 8% from 10% a year ago. Despite this, EBITDA in 1Q23 decreased compared to the same period of the previous year and stood at TL 5 million.

#### Financial Highlights

TL Million	1Q 2023	1Q 2022	y/y %
<b>Revenue</b>	<b>1.078</b>	<b>687</b>	<b>57%</b>
Cost of Sales	(1.008)	(610)	65%
<b>Gross Profit</b>	<b>70</b>	<b>77</b>	<b>9%</b>
<i>Gross margin %</i>	<i>6,5%</i>	<i>11,2%</i>	<i>(471)</i>
<b>Operating Expenses</b>	<b>(89)</b>	<b>(69)</b>	<b>28%</b>
General Administrative Expenses	(47)	(33)	43%
Sales, Marketing & Distribution Expenses	(42)	(35)	21%
Research & Development Expenses	(1)	(2)	(75%)
Incentives	0	-	a.d.
<b>EBIT</b>	<b>(19)</b>	<b>7</b>	<b>(365%)</b>
<i>EBIT margin %</i>	<i>-1,8%</i>	<i>1,1%</i>	<i>(284)</i>
Depreciation	24	20	17%
<b>EBITDA</b>	<b>5</b>	<b>28</b>	<b>83%</b>
<i>EBITDA margin %</i>	<i>0,4%</i>	<i>4,0%</i>	<i>(359)</i>

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

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

*EBITDA= EBIT + Depreciation and Amortization*

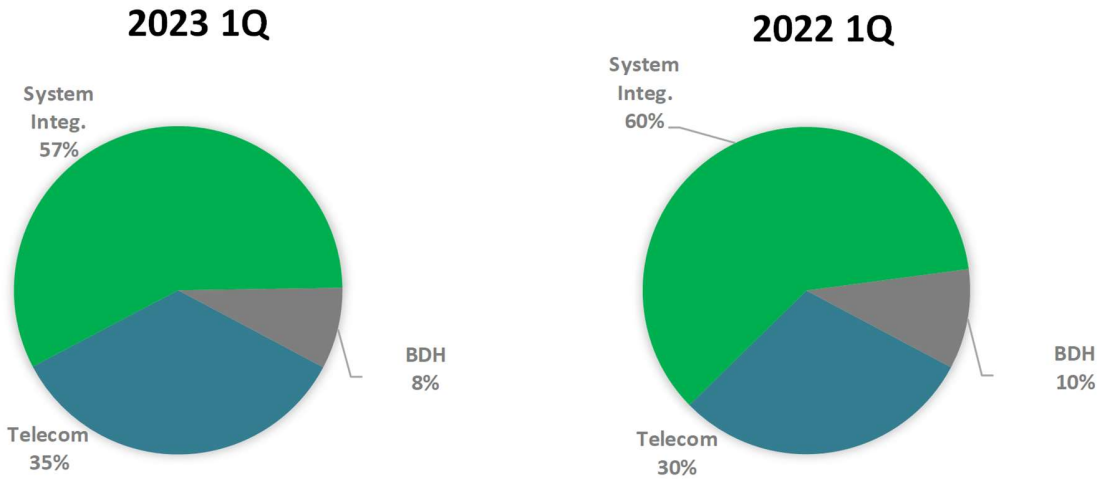
## NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED MARCH 31, 2023

### Orders & Sales Revenue

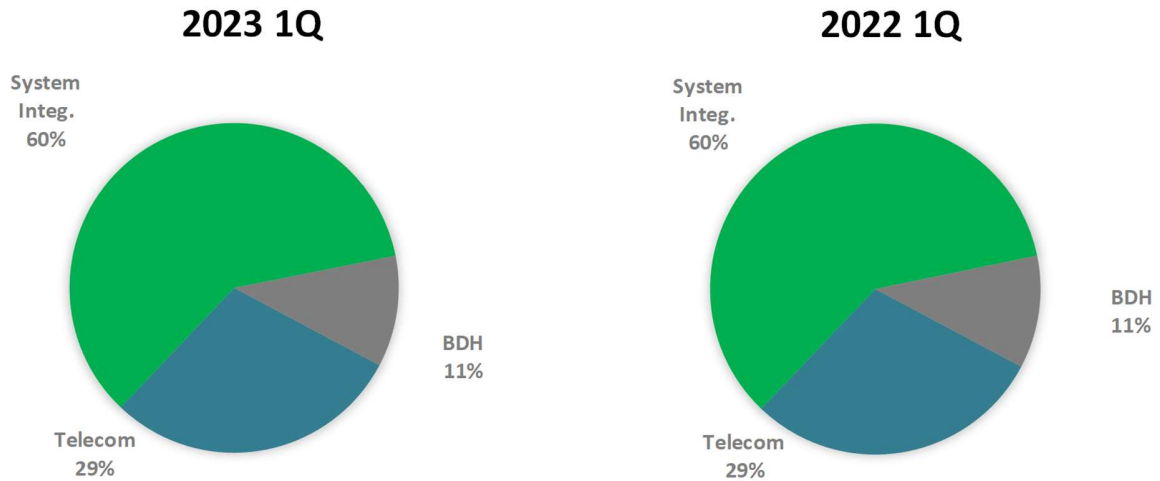
**Orders:** In 1Q23, TL1.461 million (USD 78 mn) orders were received, up 91% as compared to same period of the previous year. The Company's orders on hand to be fulfilled in the coming periods increased by 42% to TL 2.93 billion (USD 156 mn) at the end of 1Q23. US dollar based increases in orders and orders on hand were realized as 41% and 5%, y-o-y.

**Sales Revenue:** The Group's sales revenues in 1Q23 increased by 57% compared to same period of the previous year, from 687 million TL to 1,078 million TL. The increase in sales revenues in dollar terms was 16%.

### Orders Breakdown



### Revenues Breakdown



## NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED MARCH 31, 2023

### CONSOLIDATED FINANCIAL PERFORMANCE

The Group monitors its consolidated sales on the basis of the following segments;

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

The systems integration (SI) segment accounted for 60% of the Company's sales revenues and 57% of orders in 1Q23, taking the largest share in both sales and orders received. As in previous periods, the SI segment, which constitutes the largest portion of the Company's orders and sales, has also majorly contributed to the company's gross profitability in the current period with its 8% gross margin. In 1Q23, SI segment was also the major contributor to operating profits with its 5% operating margin.

The SI segment was followed by the telecom segment with 29% and 35% share in sales and orders. As a result, the SI and telecom segments accounted for 89% and 92% of the Group's consolidated orders received and sales, respectively.



In addition to growing sales in 1Q23 both in TL and USD terms, savings in operating expenses and decrease in other operating losses, which are majorly composed of fx losses, the company's operating loss declined to TL 37 million in 1Q23 from TL 29 million in 1Q22.

In the 1Q23 period, as financial expenses increased from TL 50 million to TL 69 million, compared to the same period of the previous year, the Company announced a Loss Before Taxes of TL 80 million and Net Loss for the Period was realized as TL 87 million.

**NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED MARCH 31, 2023**

**SEGMENT BASED FINANCIAL PERFORMANCE**

1Q23 (Million TL)	System					Total
	Telecom	Integration	Technology	BDH	Unallocated	
<b>Orders Booked</b>	504,3	839,1	-	117,1	-	1.460,6
<b>Sales Revenue</b>	316,0	644,4	-	117,5	-	1.077,9
Cost of Sales	(305,9)	(590,0)	-	(112,5)	-	(1.008,3)
<b>Gross Profit</b>	10,1	54,4	-	5,1	-	69,6
<b>Gross Profit Margin</b>	3%	8%	-	4%	-	6%
Sales, marketing and distribution expenses	(8,5)	(23,5)	-	(9,9)	-	(41,8)
General administrative expenses	-	-	-	-	(46,5)	(46,5)
Research and development expenses	-	-	(0,6)	-	-	(0,6)
<b>Operating profit/ (loss) of segment</b>	1,6	31,0	(0,6)	(4,8)	(46,5)	(19,3)
<b>Operating profit margin</b>	1%	5%	-	-4%	-	-2%

1Q22 (Million TL)	System					Total
	Telecom	Integration	Technology	BDH	Unallocated	
<b>Orders Booked</b>	228,9	461,5	-	75,7	-	766,1
<b>Sales Revenue</b>	201,7	409,4	-	75,7	-	686,8
Cost of Sales	(187,0)	(360,0)	-	(63,0)	(0,1)	(610,1)
<b>Gross Profit</b>	14,7	49,4	-	12,7	(0,1)	76,7
<b>Gross Profit Margin</b>	7%	12%	-	17%	(0,1)	11%
Sales, marketing and distribution expenses	(10,5)	(16,4)	-	(7,8)	-	(34,6)
General administrative expenses	-	-	-	-	(32,6)	(32,6)
Research and development expenses	-	-	-	-	(2,2)	(2,2)
<b>Operating profit/ (loss) of segment</b>	4,2	33,0	-	5,0	(34,9)	7,2
<b>Operating profit margin</b>	2%	8%	-	7%	-	1%

**System Integration**

In 1Q23, received orders and sales revenues for the system integration segment increased by 82% and 57%, respectively. While the order amount of the relevant segment was realized as TL 839 million, the system integration segment made up the biggest part of the consolidated sales with its sales revenues of TL 644 million and had a share of 60% in total sales. The gross and operating profitability of the relevant segment were realized as TL 54 million and TL 31 million in the relevant period, making a major effect on the company's overall profitability.

**Telecom Segment**

The volume of the telecom segment is growing with the contribution of projects received with ZTE products. Orders booked of telecom segment increased 120% y-o-y in 1Q23 and reached 504 million TL. Sales revenue of the segment was up by 57% y-o-y and realized as 316 million TL. The share of the telecom segment in total sales was realized as 29%, and the telecom segment took the second largest share in sales after system integration. In the current period, the gross profit of the segment was realized as TL 10 million with a gross margin of 3%.

**NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED MARCH 31, 2023**

**BDH**

The amount of orders received and sales revenues of BDH increased by 55% y-o-y and realized as TL 117 million. The segment's gross profits were remained low as TL 5 mn with a gross margin of 4%.

**DEBT STRUCTURE**

The Group's cash and cash equivalents were TL 362 million as of end 1Q23.

Net debt of the Group was realized as TL 1.303 million (USD 49 mn) as of end 1Q23. The Group's net debt position slightly decreased in dollar terms as compared to YE22, from USD 52 million to USD 49 million as of 1Q23.

(million TL)	Consolidated Total Financial Debt	Cash and Cash Equivalents	Net Debt (TL mn)	Net Debt (US\$ mn)
<b>1Q23</b>	1.303	362	941	49
<b>YE 2022</b>	1.193	220	973	52

In 1Q23, the Group's total financial debt stood at TL 1.3 bn, 59% of which is in TL and the remaining 41% is in US Dollars. As of March 31, 2023, the Group's total consolidated financial debt has a maturity of less than one year.

<b>1Q23</b>	<b>TL mn.</b>	<b>USD mn.</b>
Short Term Financial Debt (Bank Loans)	1.243	65
Long Term Financial Debt (Bank Loans)	0	0
Short Term Portion of Long Term Bank Loans	60	13
<b>Total Debt</b>	<b>1.303</b>	<b>78</b>