



**NETAŞ TELEKOMÜNİKASYON A.Ş**

**9M 2021**

**EARNINGS RELEASE**

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## 9M 2021 SUMMARY

### In 9M2021;

- Sales revenues increased by 31% and reached to 1.464 million TL,
- Consolidated orders booked was 1.311 million TL with a 29% increase,
- Orders on hand was 1.251 million TL with 35% growth.

In 9M21, the Company's orders, orders on hand and sales revenues increased significantly.

**Orders received increased by 7% in dollar terms during the first nine months of 2021, reaching \$162 million from \$152 million. In the current period, orders on hand (OOH) increased by 12%, reaching USD 155 million from USD 138 million.**

While sales revenues grew by 31% and reached 1.464 million TL; due to intense competition in the sector, the depreciation of TL against foreign currencies and its negative impact on costs caused the Group's profit margins to remain under pressure. The Group's gross profit in 9M21 was realized as 66 million TL, while EBITDA was negative 29 million TL in the relevant period.

## FINANCIAL HIGHLIGHTS

TL Million	9M2021	9M2020	y/y %
<b>Revenue</b>	<b>1.464</b>	<b>1.119</b>	<b>31%</b>
Cost of Sales	(1.398)	(1.008)	39%
<b>Gross Profit</b>	<b>66</b>	<b>111</b>	<b>(41%)</b>
<i>Gross margin %</i>	<i>5%</i>	<i>10%</i>	<i>(57%)</i>
<b>Operating Expenses</b>	<b>(171)</b>	<b>(125)</b>	<b>37%</b>
General Administrative Expenses	(79)	(49)	59%
Sales, Marketing & Distribution Expenses	(75)	(72)	5%
Research & Development Expenses	(16)	(3)	396%
Incentives	3	2	-
<b>EBIT</b>	<b>(102)</b>	<b>(3)</b>	<b>-</b>
<i>EBIT margin %</i>	<i>-7,0%</i>	<i>0%</i>	<i>(659)</i>
Depreciation	73	54	35%
<b>EBITDA</b>	<b>(29)</b>	<b>32</b>	<b>(189%)</b>
<i>EBITDA margin %</i>	<i>-2,0%</i>	<i>4,4%</i>	<i>(639)</i>

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

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

*EBITDA= EBIT + Depreciation and Amortization*

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**CONSOLIDATED  
OPERATIONAL & FINANCIAL  
PERFORMANCE**

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## OPERATIONAL PERFORMANCE

### Orders & Sales Revenue

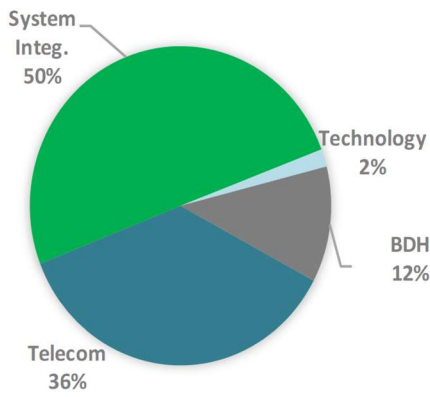


**Orders:** Orders booked in 9M21 increased **29%** year over year and recorded as **1.311 million TL (162 million USD)**. Orders on hand were realized as 1.251 billion TL (155 million USD) in 9M21, with 35% growth.

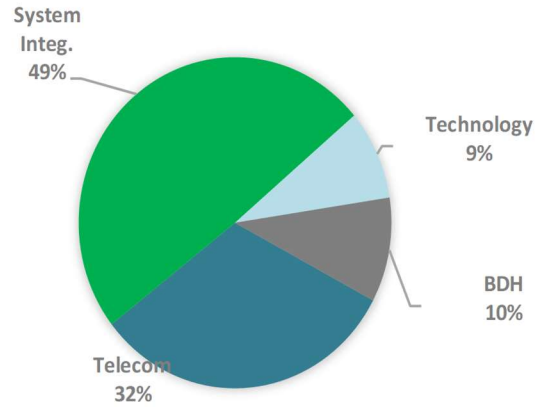
**Sales Revenue:** In 9M21 Consolidated Group revenues was recorded at **1.464 million TL** with a sharp **31% increase, y-o-y**.

### Orders Breakdown

9M 2021

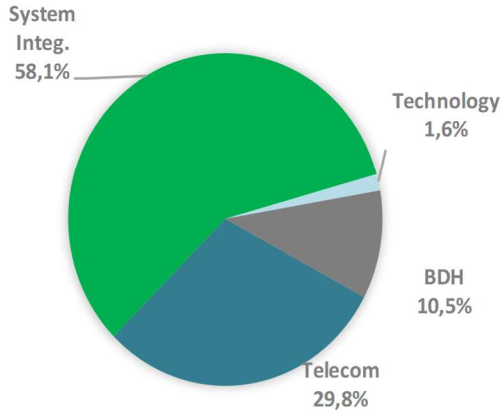


9M 2020

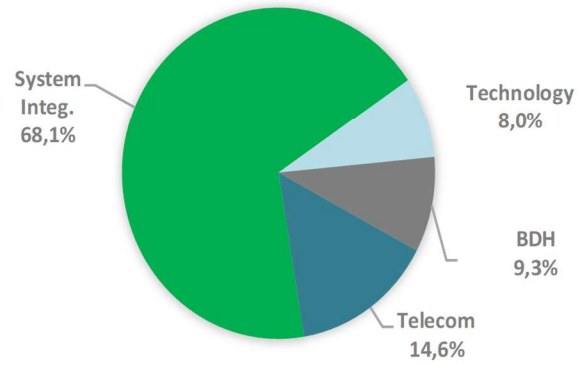


### Revenues Breakdown

9M 2021



9M 2020



## CONSOLIDATED FINANCIAL PERFORMANCE

In the current period, the Group changed the way of its segment reporting and started to follow the order and sales breakdowns in the following segments;

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

Group's consolidated order booking performance was reported as **1.311 million TL and 162 million USD in 9M 2021 with a sound increase of 29% and 7% in TL and dollar terms**, respectively. SI was the main contributor to booked orders with its 50% share.

**While the SI segment constituted the largest portion of the total orders received, it was followed by the telecom sector with a 36% share in orders.** The telecom sector, together with BDH, were the leading segments with the largest order increase rate of 23% in dollar terms. As a result, orders from the SI and telecom segments accounted for 86% of the Group's consolidated orders received.

TL and dollar-based growth in the Group's sales and order figures occurred despite the sale of NetRD on March 5, 2021, and sales from NetRD were not recorded as of the relevant date.

**The consolidated sales revenues of the Group increased by 31% on an annual basis in 9M21 and rose from TL 1,1 billion to TL 1,5 billion.** System integration was the main contributor among all segments with its 58% share in total sales revenues and it was followed by the telecom segment with its 30% share. In 9M11, BDH and technology segments' contribution to sales revenues were realized as 10.5% and 1.6%, respectively.



**Despite sound growth in orders and sales revenues, recent conditions created by the pandemic, increasing competitive pressure and cost hikes in parallel with the increases in exchange rates resulted a pressure on the company's profits margins.** In 9M21, the Group's gross profits were realized as 66 million TL with a declining margin to 4.5% from 10%, comparatively.

In 9M21, due to 97 million TL of other expenses from operating activities mainly attributable to fx losses, the Group had a negative operating line.

The Group had a net financial loss of 11 million TL and income from investment activities of 42,380,650 TL mainly arising from the sale of NetRD shares in March 2021.

As announced on March 5, 2021, the Group management decided to sign Share Purchase Agreement and all related transaction documents regarding the sales of 100% shares of NetRD, which is a 100% subsidiary of Netaş Bilişim Teknolojileri A.Ş. Accordingly, total shares of NetRD with a nominal value of 50,000 TL was transferred to Swiss origin MERA Switzerland A.G., which is a 100% subsidiary of Orion Parent LLC, for a total value of 11,607,277 USD. Total gains of 4.802.776 USD from this transaction was reflected in the Group's 1Q21 financial statements. As a result of this transaction, income from investment activities of 35,455,653 TL was reflected in 1Q21 financial statements.

**In 9M21, the Group announced a net loss of 135,424,007 million TL.**

## DEBT STRUCTURE & NET WORKING CAPITAL

Group's cash and cash equivalents was 310 million TL as of 9M21.

Net debt of the Group was realized as 502.5 million TL (57 mn USD) as of end 9M21. The Group's net debt position improved compared to 1H21, falling from TL 609 million (USD 70 million) to USD 57 million. In 2020 year-end, net debt was standing at 219.3 million TL (30 mn USD).

(million TL)	Consolidated Total Financial Debt	Cash and Cash Equivalents	Net Debt
9M 2021	812,9	310,3	502,5
YE2020	526,5	305,8	220,7

In 9M21, the Group's total financial debt stood at 813 million TL, 50% of which is in TL, 40% is in US Dollars and the remaining 10% is in Euro. As of September 30, 2021, almost all of the Group's total consolidated financial debt has a maturity less than one year.

9M21	TL mn.	USD mn.
Short Term Financial Debt (Bank Loans)	801,4	90,6
Long Term Financial Debt (Bank Loans)	11,4	1,3
<b>Total Debt</b>	<b>812,9</b>	<b>91,9</b>

Group's net working capital\* (incl. non-current trade receivables and trade payables) requirement for the financing of continuing projects was realized as 502 million TL as of 9M21 (2020 YE: 341 million TL). As of the end of 1H21, NWC stood at 672 million TL.

*\*Net Working Capital = (Total Current Assets - Cash & Cash Eq. + Non-current Trade Receivables) - (Total Short Term Liabilities - Financial Liabilities + Long Term Trade Payables)*



**SEGMENT BASED  
FINANCIAL  
PERFORMANCE**

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## SEGMENT BASED FINANCIAL PERFORMANCE

9M 2021 (Million TL)	System					Total
	Telecom	Integration	Technology	BDH	Unallocated	
Orders Booked	475,8	657,5	23,4	153,9	-	1.310,6
Sales Revenue	436,2	850,3	23,4	153,9	-	1.463,8
Cost of Sales	(403,3)	(837,4)	(25,1)	(132,4)	0,3	(1.397,8)
<b>Gross Profit</b>	<b>33,0</b>	<b>12,9</b>	<b>(1,7)</b>	<b>21,5</b>	<b>0,3</b>	<b>66,0</b>
Sales, marketing and distribution expenses	(24,5)	(31,9)	-	(19,5)	0,4	(75,4)
General administrative expenses	-	-	-	-	(78,6)	(78,6)
Research and development expenses	-	-	(16,4)	-	-	(16,4)
<b>Operating profit/ (loss) of segment</b>	<b>8,5</b>	<b>(19,0)</b>	<b>(18,1)</b>	<b>2,0</b>	<b>(77,9)</b>	<b>(104,5)</b>
<b>Operating profit margin</b>	<b>2%</b>	<b>-2%</b>	<b>-77%</b>	<b>1%</b>		<b>-7%</b>

9M 2020 (Million TL)	System					Total
	Telecom	Integration	Technology	BDH	Unallocated	
Orders Booked	322,9	502,1	89,3	104,0	-	1.018,3
Sales Revenue	163,6	762,2	89,4	103,9	-	1.119,1
Cost of Sales	(152,8)	(696,0)	(72,1)	(86,9)	-	(1.007,8)
<b>Gross Profit</b>	<b>10,9</b>	<b>66,2</b>	<b>17,3</b>	<b>17,0</b>	<b>-</b>	<b>111,3</b>
Sales, marketing and distribution expenses	(14,0)	(43,0)	-	(14,8)	-	(71,9)
General administrative expenses	-	-	-	-	(49,4)	(49,4)
Research and development expenses	-	-	(3,3)	-	-	(3,3)
<b>Operating profit/ (loss) of segment</b>	<b>(3,2)</b>	<b>23,1</b>	<b>14,0</b>	<b>2,2</b>	<b>(49,4)</b>	<b>(13,2)</b>
<b>Operating profit margin</b>	<b>-2%</b>	<b>3%</b>	<b>16%</b>	<b>2%</b>		<b>-1%</b>

### System Integration (SI)



In 9M21, received orders and sales revenues for the system integration segment increased by 31% and 12%, respectively. While the order amount of the relevant segment was realized as 658 million TL, the system integration segment made up the biggest part of the consolidated sales with its sales revenues of 850 million TL and had a share of 58% in total sales. The gross profitability of the relevant segment was realized as TL 13 million in the relevant period.

### Telecom Segment

Volume of the telecom segment is growing with the contribution of projects received with ZTE products. Orders booked of telecom segment increased 47% y-o-y in 9M21 and reached 476 million TL. Sales revenue of the segment was up by 167% y-o-y and realized as 436 million TL. The share of the telecom segment in total sales was realized as 30%, and the telecom segment took the second largest share in sales after system integration. In current period, the gross profit of the segment was realized as 33 million TL, contributing the largest portion of the Group's gross profitability. Telecom also stands out as the segment with the highest operating profitability.



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## OPERASYONEL PERFORMANS

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### Technology Segment

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In the technology segment, the amount of orders received and sales revenues decreased by 74% in the current period to TL 23.4 million. Drop in the related segment has occurred due to the sale of NetRD in the first quarter of 2021.

### BDH

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The amount of orders received and sales revenues of BDH increased by 48% y-o-y and realized as 154 million TL. The segment provided the second biggest contribution to the gross profitability of the Group with a gross profit of 21.5 million TL.



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

(TL)	9M 2020	2020 YE
Cash & Cash Equivalents	310.336.422	305.858.010
Trade Receivables	1.046.262.454	1.068.508.482
Other Receivables	1.117.015	571.632
Inventories	203.498.032	183.412.626
Contract Assets Rel. to Goods and Services Pro.	261.562.897	173.169.862
Other Current Assets	123.506.222	75.159.780
<b>Total Current Assets</b>	<b>1.946.283.042</b>	<b>1.806.680.392</b>
Trade Receivables	33.869.779	26.953.350
Property, Plant and Equipment	82.341.820	106.867.551
Right of Use Assets	44.034.752	48.320.124
Financial Investments	11.893.384	6.837.555
Intangible Assets	325.836.569	254.299.756
<i>Goodwill</i>	162.080.957	134.537.477
<i>Other intangible assets</i>	163.755.612	119.762.279
Associates	6.583.128	11.507.883
Deferred Tax Assets	0	0
Other Non-Current Assets	213.498.242	149.627.468
<b>Total Non-Current Assets</b>	<b>718.057.674</b>	<b>604.413.687</b>
<b>Total Assets</b>	<b>2.664.340.716</b>	<b>2.411.094.079</b>
(TL)	6M 2020	2020 YE
Short Term Financial Liabilities	844.473.111	520.299.949
Bank Loans	801.440.640	505.122.861
Lease Liabilities	43.032.471	15.177.088
Trade Payables	917.789.530	886.418.679
Other Payables	4.715.229	40.309.890
Employee Benefit Obligations	35.663.824	31.526.502
Liabilities Arising From Customer Contracts	104.535.563	114.103.140
Short Term Provisions	29.490.872	40.210.587
Deferred Revenues	75.369.689	70.607.087
Current Tax Liabilities	-	2.616.637
<b>Total Short Term Liabilities</b>	<b>2.012.037.818</b>	<b>1.706.092.471</b>
Long-Term Financial Liabilities	37.332.633	65.608.465
Bank Loans	11.421.269	21.376.420
Lease Liabilities	25.911.364	44.232.045
Trade Payables	0	0
Provisions	30.767.754	34.913.181
Deferred Tax Liabilities	38.786.736	18.708.917
<b>Total Long Term Liabilities</b>	<b>106.887.123</b>	<b>119.230.563</b>
<b>Total Equity</b>	<b>546.979.209</b>	<b>585.075.637</b>
<b>Non-Controlling Interest</b>	<b>(1.563.434)</b>	<b>695.408</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>2.664.340.716</b>	<b>2.411.094.079</b>

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**NETAŞ TELEKOMÜNİKASYON A.Ş.**  
**Consolidated Income Statements**  
Prepared in accordance with IFRS as per CMB Regulations  
(TL)

(TL)	9M 2021	9M 2020
<b>SALES REVENUE</b>	<b>1.463.839.313</b>	<b>1.119.131.956</b>
Cost of Sales (-)	(1.397.813.879)	(1.007.788.031)
<b>GROSS PROFIT FROM OPERATIONS</b>	<b>66.025.434</b>	<b>111.343.925</b>
Sales and Marketing Expenses (-)	(75.429.277)	(71.883.482)
General Administrative Expenses (-)	(78.649.804)	(49.364.904)
Research and Development Expenses (-)	(16.423.359)	(3.313.403)
Other Income from Operating Activities	11.299.700	9.642.325
Other Expenses from Operating Activities (-)	(97.384.570)	(50.296.849)
<b>OPERATING PROFIT / (LOSS)</b>	<b>(190.561.876)</b>	<b>(53.872.388)</b>
Income From Investment Activities	42.380.650	42.426
Expenses From Investment Activities (-)	(2.809.373)	(204.192)
Income From Inv. Acc. Using The Equity Method	40.791	174.153
<b>OPERATING PROFIT / (LOSS) BEFORE FINANCE INCOME/(EXP</b>	<b>(150.949.808)</b>	<b>(53.860.001)</b>
Financial Income	84.573.894	107.018.452
Financial Expenses (-)	(95.808.554)	(82.922.100)
<b>PROFIT / (LOSS) BEFORE TAX</b>	<b>(162.184.468)</b>	<b>(29.763.649)</b>
Tax Income / (Expense)	26.760.461	20.015.308
- Current Tax (Expense) / Income	-	(2.494)
- Deferred Tax Income / (Expense)	26.760.461	20.017.802
<b>NET PROFIT / (LOSS)</b>	<b>(135.424.007)</b>	<b>(9.748.341)</b>

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## ABOUT NETAS

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Netaş Telekomünikasyon A.Ş. («Netaş» or «Company») **provides innovative end-to-end value added systems integration and technology services in the fields of information and communications technologies (ICT)**. Its customers range from telco providers to public and private enterprises in domestic and international markets. Netas' constant increase in productivity is based on its next generation competencies around technology skillset and expertise. **The company holds a track-record of 51 years** and continues its foray in the field of information technologies, supported by with its experienced, best of breed research and development department. Netas also plays an important role in the modernization of the Turkish Armed Forces defense communication networks.

Netas provides extensive and goal oriented services, ranging from technology consultancy to post-sale assistance for government entities, companies and defense contractors in the Asia-Pacific, CIS and North African territories.

As of June 30, 20201, Netas' majority shareholders were **ZTE Cooperatief U.A.** ("ZTE Cooperatief") with 48,05% and The **Turkish Armed Forces Foundation** with 15%. The remaining shares of 36,95% are traded on Borsa Istanbul (BIST).

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## ACCOUNTING PRINCIPLES

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The Company maintains its books of account in accordance with accounting principles set by Turkish Commercial Code ("TCC") and tax legislation.

The subsidiaries in foreign countries prepares their accounting and financial tables in their currency and according to the laws and regulations of their countries.

The consolidated financial statements and disclosures have been prepared in accordance with the communique numbered II-14.1 "Communique on the Principles of Financial Reporting in Capital Markets" ("the Communique") announced by the Capital Markets Board (CMB) (hereinafter will be referred to as "the CMB Accounting Standards"). on 13 June 2013 which is published on Official Gazette numbered 28676.

The attached financial statements in this announcement comprise the profit and loss statement for the period ended 30.09.2021 and 30.09.2020 and balance sheet for the period ended 30.09.2021 and 31.12.2020.

## ENQUIRIES

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For financial reports and further information regarding Netas, please visit our website at [www.netas.com.tr](http://www.netas.com.tr) or you may contact;

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