

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

AS AT AND FOR THE PERIOD ENDED
30 JUNE 2021 CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS AND AUDITOR'S REVIEW
REPORT

**(CONVENIENCE TRANSLATION OF
THE REPORT AND THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)**

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2021

(Unless otherwise stated the amounts are in TL).

| | Notes | Reviewed 30 June 2021 | Audited 31 December 2020 |
|---|-------|--------------------------|-----------------------------|
| ASSETS | | | |
| Current Assets | | 1.920.781.713 | 1.806.680.392 |
| Cash and Cash Equivalents | 5 | 216.572.015 | 305.858.010 |
| Trade Receivables | | 1.143.777.558 | 1.068.508.482 |
| <i>Due from related parties</i> | 21 | 13.936.433 | 42.997.497 |
| <i>Trade receivables, third parties</i> | 7 | 1.129.841.125 | 1.025.510.985 |
| Other Receivables | | 1.146.241 | 571.632 |
| <i>Other receivables, third parties</i> | 8 | 1.146.241 | 571.632 |
| Inventories | | 175.842.339 | 183.412.626 |
| Contract Assets related to Goods and Services Provided | | 267.002.502 | 173.169.862 |
| <i>Contract Assets related to Goods and Services Provided</i> | 4 | 267.002.502 | 173.169.862 |
| Prepaid Expenses | | 62.577.617 | 21.702.469 |
| Current Income Tax Assets | 19 | 29.862.805 | 33.957.039 |
| Other Current Assets | | 24.000.636 | 19.500.272 |
| Non-Current Assets | | 700.399.220 | 604.413.687 |
| Trade Receivables | | 32.756.756 | 26.953.350 |
| <i>Trade receivables, third parties</i> | 7 | 32.756.756 | 26.953.350 |
| Property, Plant and Equipment | 9 | 85.298.979 | 106.867.551 |
| Right of Use Assets | 11 | 48.096.613 | 48.320.124 |
| Financial Investments | | 11.707.652 | 6.837.555 |
| Intangible Assets | | 326.655.282 | 254.299.756 |
| <i>Goodwill</i> | 10 | 159.549.846 | 134.537.477 |
| <i>Other intangible assets</i> | 10 | 167.105.436 | 119.762.279 |
| Investments Accounted Using the Equity Method | 3 | 6.616.507 | 11.507.883 |
| Prepaid Expenses | | - | - |
| Deferred Tax Assets | 19 | 189.267.431 | 149.627.468 |
| TOTAL ASSETS | | 2.621.180.933 | 2.411.094.079 |

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2021

(Unless otherwise stated the amounts are in TL).

| | Notes | Reviewed 30 June 2021 | Audited 31 December 2020 |
|--|-------|--------------------------|-----------------------------|
| LIABILITIES | | | |
| Short Term Liabilities | | 1.929.672.735 | 1.706.092.471 |
| Short Term Borrowings | | 866.312.584 | 520.299.949 |
| <i>Bank Loans</i> | 6 | 815.763.707 | 505.122.861 |
| <i>Lease Liabilities</i> | | 50.548.877 | 15.177.088 |
| Trade Payables | | 815.609.260 | 886.418.679 |
| <i>Due to related parties</i> | 21 | 112.643.834 | 145.181.657 |
| <i>Trade payables, third parties</i> | 7 | 702.965.426 | 741.237.022 |
| Other Payables | | 14.506.667 | 40.309.890 |
| <i>Other payables, third parties</i> | | 14.506.667 | 40.309.890 |
| Employee Benefit Obligations | 14 | 36.412.197 | 31.526.502 |
| Contract Liabilities | | 86.886.145 | 114.103.140 |
| <i>Contract Liabilities</i> | 4 | 86.886.145 | 114.103.140 |
| Provisions | | 33.350.519 | 40.210.587 |
| <i>Provisions for Employee Benefits</i> | 14 | 23.620.144 | 31.294.457 |
| <i>Other Short Term Provisions</i> | | 9.730.375 | 8.916.130 |
| Deferred Revenue | 4 | 76.595.363 | 70.607.087 |
| Current Income Tax Liabilities | 19 | - | 2.616.637 |
| Long Term Liabilities | | 108.094.933 | 119.230.563 |
| Long Term Borrowings | | 32.858.442 | 65.608.465 |
| <i>Bank Loans</i> | 6 | 11.421.269 | 21.376.420 |
| <i>Lease Liabilities</i> | | 21.437.173 | 44.232.045 |
| Provisions | | 36.591.142 | 34.913.181 |
| <i>Provisions for Employee Benefits</i> | 14 | 36.591.142 | 34.913.181 |
| Deferred Tax Liabilities | 19 | 38.645.349 | 18.708.917 |
| SHAREHOLDERS' EQUITY | | | |
| Equity Attributable to Equity Holders of the Parent | | 585.512.385 | 585.075.637 |
| Share Capital | 15 | 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 | | (7.464.629) | (445.568) |
| <i>Currency Translation Differences</i> | | (7.464.629) | (445.568) |
| Other comprehensive income not to be reclassified in profit and loss | | 520.095.975 | 421.188.549 |
| <i>Remeasurement gain/ (loss) on defined benefit plans</i> | | (11.594.178) | (11.594.178) |
| <i>Currency Translation Differences</i> | | 531.690.153 | 432.782.727 |
| Restricted Reserves | 15 | 34.897.360 | 34.897.360 |
| Retained Earnings | | 22.958.336 | 94.088.563 |
| Net Loss for the Period | | (91.451.617) | (71.130.227) |
| Non-controlling interests | | (2.099.120) | 695.408 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 2.621.180.933 | 2.411.094.079 |

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 30 JUNE 2021

(Unless otherwise stated the amounts are in TL).

| | Notes | Reviewed | | Unaudited | |
|--|-------|----------------------------|----------------------------|--------------------------|--------------------------|
| | | 1 January- 30 June 2021 | 1 January- 30 June 2020 | 1 April- 30 June 2021 | 1 April- 30 June 2020 |
| INCOME OR LOSS FROM OPERATIONS | | | | | |
| Revenue | 16 | 979.462.027 | 727.237.275 | 487.685.408 | 422.907.908 |
| Cost of Sales (-) | 4 | (939.335.371) | (652.652.902) | (464.759.945) | (378.547.072) |
| GROSS PROFIT | | 40.126.656 | 74.584.373 | 22.925.463 | 44.360.836 |
| Sales, Marketing and Distribution Expenses (-) | 4 | (50.197.490) | (46.366.457) | (26.538.917) | (22.837.938) |
| General Administrative Expenses (-) | 4 | (49.889.570) | (31.057.033) | (22.190.826) | (14.066.731) |
| Research and Development Expenses (-) | 4 | (11.321.128) | (1.411.618) | (5.679.018) | (501.419) |
| Other Income from Operating Activities | 17 | 7.287.230 | 7.591.331 | 148.749 | 1.915.718 |
| Other Expenses from Operating Activities (-) | 17 | (82.460.505) | (29.593.588) | (38.397.396) | (5.970.596) |
| OPERATING LOSS | | (146.454.807) | (26.252.992) | (69.731.945) | 2.899.870 |
| Income from Investment Activities | | 40.747.242 | 30.736 | 5.291.589 | 21.061 |
| Expenses from Investment Activities (-) | | (1.458.841) | (176.374) | (1.376.249) | (173.638) |
| Income from Investments Accounted Using the Equity Method | 3 | 162.681 | (4.783) | (85.729) | (20.365) |
| OPERATING LOSS BEFORE FINANCE INCOME AND EXPENSES | | (107.003.725) | (26.403.413) | (65.902.334) | 2.726.928 |
| Financial Income | 18 | 74.404.686 | 49.118.193 | 22.907.578 | 16.095.466 |
| Financial Expenses (-) | 18 | (63.709.699) | (53.129.595) | (35.880.557) | (25.021.075) |
| LOSS BEFORE TAX | | (96.308.738) | (30.414.815) | (78.875.313) | (6.198.681) |
| Tax (Expenses)/ Income | | 6.752.742 | 47.095.767 | (5.232.856) | 25.949.551 |
| <i>Deferred Tax Income</i> | 19 | 6.752.742 | 47.095.767 | (5.232.856) | 25.949.551 |
| NET LOSS FOR THE YEAR | | (89.555.996) | 16.680.952 | (84.108.169) | 19.750.870 |
| Attributable to: | | | | | |
| <i>Non-controlling Interest</i> | | 1.895.621 | 1.217.480 | (449.611) | 1.368.400 |
| <i>Equity Holders of the Parent</i> | | (91.451.617) | 15.463.472 | (83.658.558) | 18.382.470 |
| <i>Earn/(Loss) per share</i> | 20 | (1,3807) | 0,2572 | (1,2967) | 0,3045 |
| OTHER COMPREHENSIVE INCOME/ (EXPENSES) | | | | - | |
| Other comprehensive income or expenses that will not be reclassified subsequently to profit of loss | | 98.907.426 | 42.617.145 | 14.025.142 | 28.441.434 |
| Currency translation differences | | 98.907.426 | 42.617.145 | 14.025.142 | 28.441.434 |
| Other comprehensive income or expenses that will be reclassified subsequently to profit of loss | | (11.709.210) | (117.600) | (10.480.056) | 80.809 |
| Currency translation differences | | (11.709.210) | (117.600) | (10.480.056) | 80.809 |
| OTHER COMPREHENSIVE INCOME/ (LOSS) | | 87.198.216 | 42.499.545 | 3.545.086 | 28.522.243 |
| TOTAL COMPREHENSIVE INCOME/ (LOSS) | | (2.357.780) | 59.180.497 | (80.563.083) | 48.273.113 |
| Attributable to: | | | | | |
| Non-controlling Interest | | (2.794.528) | 1.217.480 | (5.139.760) | 1.368.400 |
| Equity Holders of the Parent | | 436.748 | 57.963.017 | (75.423.323) | 46.904.713 |

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2021

(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 | | Restricted Reserves | Retained Earnings | | Equity Holders of the Parent | Non-controlling Interest | TOTAL | |
|---|-------------------|---------------------------|--|----------------------------------|---------------------|---|--------------------|------------------------------|--------------------------|--------------------|---------------------------|
| | | | Currency Translation Differences | Currency Translation Differences | | Remeasurement loss on defined benefit plans | Retained Earnings | | | | Net (Loss) for the Period |
| Balance as at 1 January 2020 | 64.864.800 | 41.612.160 | (4.241) | 309.741.360 | (9.309.272) | 34.897.360 | 242.688.833 | (148.600.270) | 535.890.730 | 318.689 | 536.209.419 |
| Total comprehensive income | - | - | (117.600) | 42.617.145 | - | - | - | 15.463.472 | 57.963.017 | 1.217.480 | 59.180.497 |
| Additions to the scope of consolidation | - | - | - | - | - | - | - | - | - | 179.495 | 179.495 |
| Transfer | - | - | - | - | - | - | (148.600.270) | 148.600.270 | - | - | - |
| Balance as at 30 June 2020 | 64.864.800 | 41.612.160 | (121.841) | 352.358.505 | (9.309.272) | 34.897.360 | 94.088.563 | 15.463.472 | 593.853.747 | 1.715.664 | 595.569.411 |
| Balance as at 1 January 2021 | 64.864.800 | 41.612.160 | (445.568) | 432.782.727 | (11.594.178) | 34.897.360 | 94.088.563 | (71.130.227) | 585.075.637 | 695.408 | 585.771.045 |
| Total comprehensive income | - | - | (7.019.061) | 98.907.426 | - | - | - | (91.451.617) | 436.748 | (2.794.528) | (2.357.780) |
| Transfer | - | - | - | - | - | - | (71.130.227) | 71.130.227 | - | - | - |
| Balance as at 30 June 2021 | 64.864.800 | 41.612.160 | (7.464.629) | 531.690.153 | (11.594.178) | 34.897.360 | 22.958.336 | (91.451.617) | 585.512.385 | (2.099.120) | 583.413.265 |

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2021

(Unless otherwise stated the amounts are in TL).

| | Notes | Reviewed | |
|--|---------|--|---|
| | | Current Period 1 January- 30 June 2021 | Previous Period 1 January- 30 June 2020 |
| A. CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net (Loss) for the Period | | (89.555.996) | 16.680.952 |
| <i>Profit/(Loss) from Continuing Operations</i> | | <i>(89.555.996)</i> | <i>16.680.952</i> |
| Adjustments to Reconcile Profit/Loss | | 57.542.985 | (5.380.543) |
| Adjustments for Depreciation and Amortisation Expenses | 9-10-11 | 47.907.422 | 34.994.405 |
| Adjustments for (Reversal of) Impairment Loss Recognised in Profit or Loss | | 6.413.084 | (3.853.708) |
| <i>Adjustments for (Reversal of) Provision of Receivables</i> | 7 | <i>4.758.017</i> | <i>(3.853.708)</i> |
| <i>Adjustment for Reversal of Provision of Inventory</i> | 8 | <i>1.655.067</i> | <i>-</i> |
| Adjustments For Provisions | | 23.560.139 | 18.749.275 |
| <i>Adjustments for Provisions Related with Employee Benefits</i> | | <i>22.745.894</i> | <i>17.187.640</i> |
| <i>Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions</i> | | <i>1.110.630</i> | <i>1.367.655</i> |
| <i>Adjustments for (Reversal of) Other Provisions</i> | | <i>(296.385)</i> | <i>193.980</i> |
| Adjustments for Interest (Income) and Expenses | | 53.257.435 | 40.314.470 |
| <i>Adjustments for Interest Income</i> | 18 | <i>(1.244.539)</i> | <i>(478.554)</i> |
| <i>Adjustments for Interest Expense</i> | 18 | <i>57.943.667</i> | <i>40.921.869</i> |
| <i>Unearned Financial Loss/Income from Credit Sales</i> | 17 | <i>(3.441.693)</i> | <i>(128.845)</i> |
| Adjustments For Unrealised Foreign Exchange Losses (Gains) | 18 | (73.160.147) | (48.639.639) |
| Adjustments for Share of Profit of Investments Accounted for Using the Equity Method | 3 | 4.891.376 | 4.783 |
| Adjustments for Losses Tax Expense | 19 | (6.752.742) | (47.095.767) |
| Adjustments for Losses (Gains) on Disposal of Subsidiaries or Joint Operations | 25 | 88.574.295 | - |
| Adjustments for (Gains)/Losses disposal of non-current assets | | 1.426.418 | 145.638 |
| <i>Adjustments for (Gains)/Losses Arising From Sale of Property, Plant and Equipment</i> | | <i>1.426.418</i> | <i>145.638</i> |
| Changes in Working Capital | | (268.994.536) | 160.592.408 |
| Adjustments for Decrease / (Increase) in Trade Receivables | | 116.261.630 | 141.165.953 |
| <i>Decrease (Increase) in Trade Receivables from Related Parties</i> | | <i>40.496.584</i> | <i>(244.197)</i> |
| <i>Decrease (Increase) in Trade Receivables from Third Parties</i> | | <i>75.765.046</i> | <i>141.410.150</i> |
| Adjustments for Decrease (Increase) in Other Receivables Related with Operations | | (1.343.330) | 18.660.852 |
| <i>Adjustments for Decrease (Increase) in Other Receivables Related with Operations from Third Parties</i> | | <i>(1.343.330)</i> | <i>18.660.852</i> |
| Adjustments for Decrease / (Increase) in Inventories | | 40.014.152 | 7.740.857 |
| Decrease / (Increase) in Prepaid Expenses | | (36.840.360) | (2.172.286) |
| Adjustments for (Decrease) in Trade Payables | | (235.606.854) | (14.438.213) |
| Increase (Decrease) in Trade Payables to Related Parties | | (59.529.092) | (48.549.901) |
| (Decrease)/Increase in Trade Payables to Third Parties | | (176.077.762) | 34.111.688 |
| Increase (Decrease) in Payables due to Employee Benefits | | (975.516) | (3.328.978) |
| (Decrease)/Increase in Contract Assets | | (61.637.979) | 48.369.772 |
| Adjustments for Decrease in Other Operating Payables | | (33.297.386) | (9.173.638) |
| <i>(Decrease) in Other Operating Payables to Unrelated Parties</i> | | <i>(33.297.386)</i> | <i>(9.173.638)</i> |
| (Decrease)/ Increase in Contract Liabilities | | (55.568.893) | (38.435.830) |
| Other Adjustments for Other (Decrease)/ Increase in Working Capital | | - | 12.203.919 |
| Cash Flows (Used in) Generated From Operations | | (212.433.252) | 171.892.817 |
| Payments Related with Provisions for Employee Benefits | | (28.742.246) | (29.544.404) |
| Income Taxes Paid | 19 | 1.477.597 | - |
| Payments Related with Lawsuits | | - | (1.280.396) |
| | | (239.697.901) | 141.068.017 |

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2021

(Unless otherwise stated the amounts are in TL).

| | Notes | Reviewed | |
|---|-------|--|---|
| | | Current Period 1 January- 30 June 2021 | Previous Period 1 January- 30 June 2020 |
| B.CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES | | | |
| Proceeds from Sales of Property, Plant, Equipment and Intangible Assets | | 2.059.495 | 30.736 |
| <i>Proceeds from Sales of Property, Plant, Equipment</i> | | <i>2.059.495</i> | <i>30.736</i> |
| Purchase of Property, Plant, Equipment and Intangible Assets | | (30.048.539) | (40.894.916) |
| <i>Purchase of Property, Plant, Equipment</i> | 9 | <i>(15.921.951)</i> | <i>(13.418.760)</i> |
| <i>Purchase of Intangible Assets</i> | 10 | <i>(14.126.588)</i> | <i>(27.476.156)</i> |
| Cash inflows from the sale of subsidiaries | 25 | (88.574.295) | - |
| Interest Received | 18 | 1.244.539 | 478.554 |
| Other Outflows of Cash | | (4.870.097) | (840.198) |
| | | (120.188.897) | (41.225.824) |
| C.CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES | | | |
| Inflows from Borrowings | 6 | 755.981.800 | 656.895.015 |
| Outflows from Borrowings | 6 | (478.930.540) | (714.361.500) |
| Interest Paid | | (47.919.220) | (40.921.869) |
| Payments of lease liabilities | | (7.988.135) | (13.649.288) |
| | | 221.143.905 | (112.037.642) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C) | | | |
| | | (138.742.893) | (12.195.449) |
| D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | | | |
| | | 49.456.898 | 2.738.713 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D) | | | |
| | | (89.285.995) | (9.456.736) |
| E.CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | | |
| | 5 | 305.858.010 | 195.340.538 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR (A+B+C+D+E) | | | |
| | 5 | 216.572.015 | 185.883.802 |

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

(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., Avea 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 Commonwealth of Independent States (CIS), mainly in Asia Pasific (Nepal), Kazakhstan, Azerbaijan, Algeria and Uzbekistan with strategic business partnerships.

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

Based on the decision of the Board of Directors of the Company dated 11 April 2012, a “Limited Liability Partnership” (Netaş Telecom Liability Partnership) through the allocation of 161.800 Tenge (approximately 1.100 USD) of founding capital in Almaty, Kazakhstan has been established and its registration has been completed on 4 July 2012, as being effective on 25 June 2012.

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

In Malta, a company (Netaş Telecommunications Malta Ltd.) was established through the allocation of 1.200 Euro of founding capital, all of which belongs to the Company, and its registration was completed on 4 November 2014.

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

(Unless otherwise stated the amounts are in TL).

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

In our disclosure made on 5 March 2021, it was disclosed that, our Board of Directors decided to transfer all the shares of NetRD Bilgi Teknolojileri ve Telekomünikasyon A.Ş. (“NetRD”), wholly owned by Netaş Bilişim Teknolojileri A.Ş., of which our Company is 100% shareholder, to MERA Switzerland AG which is a group company of US based Orion Innovation Group for USD 8.000.000 of equity value and net transaction value to be determined following closing agreements. Following the closing transactions related to sale, the share transfer was completed with a total value of USD 11.607.277. USD 3.607.277 was collected as of 6 May 2021. As a result of all these transactions, the Group achieved a profit of USD 4.802.776 (TL 35.429.117) from the sale of subsidiaries and reflected into profit or loss statements. This amount, which is shown in the item of income from investment activities, has been converted into TL by using three-month average rate between 1 January-31 March 2021. (Note 25).

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 15.

As of 30 June 2021, the Group has no blue-collar employees (31 December 2020: None). The average number of white-collar personnel employed in the Group as of 30 June 2021 is 2.265 (31 December 2020: 2.544).

Approval of Condensed Consolidated Financial Statements

The financial statements were approved by the Board of Directors on 10 August 2021.

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 June 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 7 June 2019 by POA.

For the period ended 30 June 2021, 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 2020.

(Convenience translation of the report and the condensed consolidated financial statements originally issued in Turkish)

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

(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:

The details of the Company's subsidiaries as of 30 June 2021 are as follows:

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

(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)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the condensed consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

As of 30 June 2021, the detail of associate of the Group is given below:

| | Main Operating Activity | Acquisition Date | Acquired Share of Capital | Acquisition Amount |
|---------------------------------------|----------------------------|------------------|------------------------------|--------------------|
| Kron Telekomünikasyon Hizmetleri A.Ş. | Information technology | 28 November 2013 | %10 | TL 1.700.000 |

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates or joint ventures are incorporated in these condensed consolidated financial statements using the equity method of accounting. Under the equity method, an investment in associate or a joint venture is initially recognized in the condensed consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or a joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or a joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or a joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of TFRS 9 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with TAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with TAS 36 to the extent that the recoverable amount of the investment subsequently increases.

(Convenience translation of the report and the condensed consolidated financial statements originally issued in Turkish)

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

(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 Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with TFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss when the equity method is discontinued.

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 condensed consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

c) Functional Currency and Reporting Currency

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

Nevertheless, US Dollar (US \$) is the currency that the Group's operations are denominated and has a significant impact on the Group's operations. US \$ reflects the economic basis of events and situations that are important to the Group. In accordance with the analysis done by the Group's Management and current economical and operational conditions, the management has concluded that US \$ is the functional currency and TL is the reporting currency of the Group.

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.

(Convenience translation of the report and the condensed consolidated financial statements originally issued in Turkish)

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

(Unless otherwise stated the amounts are in TL).

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

2.1 Basis of Presentation (Cont'd)

c) Functional Currency and Reporting Currency (Cont'd)

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

- Assets and liabilities have been translated to TL by using USD rate as of 30 June 2021 (1 USD: 8,7052 TL), 31 December 2020; (1 USD: 7,3405 TL)

- Statements of profit or loss and statements of cash flows have been translated to TL by using six months average exchange rate (1 USD: 7,8613 TL) for the period ended 30 June 2021 (for the period ended 30 June 2020 1 USD: 6,4611 TL).

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

The functional currency of Netaş Telecom Limited Liability Partnership, a subsidiary of the Company operating in Kazakhstan is Kazakhstan Tenge and included in the condensed consolidated financial statements by converting into TL, the presentation currency of the condensed consolidated financial statements. The functional currency of the Netaş Telecommunications Algeria Sarl LLC, a subsidiary of the Company operating in Algeria, is Algerian Dinar and included in the condensed consolidated financial statements by converting into TL, the presentation currency of the condensed consolidated financial statements.

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.

The Group reclassified the credit card receivables amounting to TL 1.363.724, which was presented in the cash and cash equivalents account in the statement of financial position as at 31 December 2020, to trade receivables.

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.

(Convenience translation of the report and the condensed consolidated financial statements originally issued in Turkish)

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

(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

The accounting policies adopted in preparation of the condensed consolidated financial statements as at June 30, 2021 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2021. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) **The new standards, amendments and interpretations which are effective as at 1 January 2021 are as follows:**

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In August 2020, the IASB issued Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings:

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying IFRS 4 Insurance Contracts that are using the exemption from IFRS 9 Financial Instruments (and, therefore, apply IAS 39 Financial Instruments: Classification and Measurement) and for IFRS 16 Leases, to lease modifications required by IBOR reform.

Relief from discontinuing hedging relationships

The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.

Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.

For the IAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.

The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.

As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

(Convenience translation of the report and the condensed consolidated financial statements originally issued in Turkish)

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

(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

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Additional disclosures

Amendments need additional IFRS 7 Financial Instruments disclosures such as; How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and if IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. Amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to IFRS 16 - Covid-19-Related Rent Concessions and Covid-19-Related Rent Concessions beyond 30 June 2021

In May 2020, the IASB amended IFRS 16 to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic (2020 amendment). The 2020 amendment does not apply to lessors. In March 2021, the Board amended IFRS 16 to extend the availability of the practical expedient by one year (2021 amendment). The practical expedient in the 2021 amendment applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment applies to annual reporting periods beginning on or after 1 April 2021. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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 consolidated financial statements and disclosures, when the new standards and interpretations become effective.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

(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

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

Amendments to IFRS 3 – Reference to the Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of IFRS 3. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to IFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied retrospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS standards (March 2018).

The Group is in the process of assessing the impact of the amendments on financial position.

Amendments to IAS 16 – Proceeds before intended use

In May 2020, the IASB issued amendments to IAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to IAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied prospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for the first time adopters.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Amendments to IAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent assets. . The amendments issued to IAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied retrospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Company.

(Convenience translation of the report and the condensed consolidated financial statements originally issued in Turkish)

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

(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

iii) *Annual Improvements – 2018–2020 Cycle*

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020 Cycle, amending the followings:

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.

IFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other’s behalf.

IAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of IAS 41.

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all.

iv) *New and revised standards and interpretations published by the International Accounting Standards Institution (UMSK) but not by KGK*

The new standards, interpretations and amendments to existing IFRS standards listed below have been published by the IASB but have not yet entered into force for the current reporting period. However, these new standards, interpretations and amendments have not yet been adapted/published to TFRS by KGK and therefore do not form a part of TFRS. The Company / Group will make the necessary changes in its consolidated financial statements and footnotes after these standards and interpretations become effective in TFRS.

Amendments to IAS 8 - Definition of Accounting Estimates

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of ‘accounting estimates’. The amendments issued to IAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

(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

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to IAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term 'significant' in IFRS, the Board decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in IFRS and is widely understood by the users of financial statements, according to the Board. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to IAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

2.5 Summary of Significant Accounting Policies

The condensed consolidated financial statements for the interim period ending on 30 June 2021 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, 2020. Therefore, the condensed consolidated financial statements should be evaluated together with the financial statements for the year ending on December 31, 2020.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021

(Unless otherwise stated the amounts are in TL).

3. INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

Associates

Details of significant associate:

As of 30 June 2021, the details of important associates are as in the following;

| | <u>Main Operating Activity</u> | <u>Acquisition Date</u> | <u>Acquired Share of Capital</u> | <u>Acquisition Amount</u> |
|---------------------------------------|--------------------------------|-------------------------|----------------------------------|---------------------------|
| Kron Telekomünikasyon Hizmetleri A.Ş. | Information technology | 28 November 2013 | %10 | TL 1.700.000 |

The summary financial information of Kron Telekomünikasyon Hizmetleri A.Ş. is explained below. The summary of associate's financial information derived from financial statements prepared in accordance with TFRS and presented in TL.

| | <u>30 June 2021</u> | <u>31 December 2020</u> |
|------------------------|--------------------------|--------------------------|
| Current assets | 56.043.169 | 60.453.113 |
| Non-current assets | 49.512.066 | 41.291.822 |
| Short term liabilities | 39.322.527 | 39.494.312 |
| Long term liabilities | 6.028.681 | 2.735.504 |
| Net assets | <u>60.204.027</u> | <u>59.515.119</u> |

| | | |
|----------------------------------|-----------|-----------|
| Share of the Group in net assets | 6.020.403 | 5.951.512 |
|----------------------------------|-----------|-----------|

| | <u>1 January 2021- 30 June 2021</u> | <u>1 January 2020- 30 June 2020</u> |
|--|---|---|
| Net profit | 3.573.597 | 1.771.325 |
| Other comprehensive expenses | (2.884.688) | (1.819.158) |
| Total comprehensive income | 688.909 | (47.833) |
| Share of the Group in total comprehensive income | 68.891 | (4.783) |

The movement of acquisition balance arising from Kron is given below;

| | <u>2021</u> | <u>2020</u> |
|-------------------------------------|-------------------------|--------------------------|
| As of 1 January | 11.507.883 | 9.401.553 |
| Share from the profit of the period | 68.891 | (4.783) |
| Currency translation difference | (4.960.267) | 849.685 |
| As of 30 June | <u>6.616.507</u> | <u>10.246.455</u> |

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4. SEGMENT REPORTING

There are 4 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 condensed consolidated operating profit/ loss amount presented in the condensed consolidated financial statements.

| For the period ended 30 June 2021 | System | | | | | Total |
|---|--------------------|---------------------|---------------------|-------------------|---------------------|---------------------|
| | Telecom | Integration | Technology | BDH | Unallocated | |
| Revenue | 269.275.494 | 589.995.266 | 22.768.958 | 97.422.309 | - | 979.462.027 |
| Cost of sales (-) | (252.721.834) | (580.712.589) | (24.398.818) | (82.210.826) | 708.696 | (939.335.371) |
| Gross margin | 16.553.660 | 9.282.677 | (1.629.860) | 15.211.483 | 708.696 | 40.126.656 |
| Sales,marketing and distribution expenses (-) | (15.535.006) | (22.021.899) | - | (12.640.585) | - | (50.197.490) |
| General administrative expenses (-) | - | - | - | - | (49.889.570) | (49.889.570) |
| Research and development expenses (-) | - | - | (11.321.128) | - | - | (11.321.128) |
| | - | - | - | - | - | - |
| Operating profit / (loss) of segment | 1.018.654 | (12.739.222) | (12.950.988) | 2.570.898 | (49.180.874) | (71.281.532) |
| | | | | | | |
| For the period ended 30 June 2020 | System | | | | | Total |
| | Telecom | Integration | Technology | BDH | Unallocated | |
| Revenue | 85.817.824 | 520.949.442 | 59.438.429 | 61.031.580 | - | 727.237.275 |
| Cost of sales (-) | (80.288.179) | (473.429.468) | (47.857.563) | (51.077.692) | - | (652.652.902) |
| Gross margin | 5.529.645 | 47.519.974 | 11.580.866 | 9.953.888 | - | 74.584.373 |
| Sales,marketing and distribution expenses (-) | (9.020.822) | (28.011.237) | - | (9.334.398) | - | (46.366.457) |
| General administrative expenses (-) | - | - | - | - | (31.057.033) | (31.057.033) |
| Research and development expenses (-) | - | - | (1.411.618) | - | - | (1.411.618) |
| | | | | | | |
| Operating profit / (loss) of segment | (3.491.177) | 19.508.737 | 10.169.248 | 619.490 | (31.057.033) | (4.250.735) |

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4. SEGMENT REPORTING (Cont'd)

| 30 June 2021 | Telecom | System Integration | Technology | BDH | Unallocated (*) | Total |
|----------------------------|--------------------|-------------------------------|-------------------|--------------------|-----------------------------|----------------------|
| Trade receivables | 186.010.074 | 943.753.229 | 7.850.723 | 21.110.427 | 3.873.428 | 1.162.597.881 |
| Due from related parties | 10.246.479 | 3.688.811 | - | 1.143 | - | 13.936.433 |
| Inventories | 39.968.920 | 129.865.657 | 1.485.390 | 5.982.201 | (1.459.829) | 175.842.339 |
| Contract assets | 10.953.958 | 171.023.027 | 4.105.423 | 80.920.094 | - | 267.002.502 |
| Segments assets | 247.179.431 | 1.248.330.724 | 13.441.536 | 108.013.865 | 2.413.599 | 1.619.379.155 |
| Trade payables (*) | 133.607.321 | 429.999.580 | 1.304.573 | 92.557.630 | 45.496.322 | 702.965.426 |
| Due to related parties | 111.100.994 | 1.536.497 | - | - | 6.343 | 112.643.834 |
| Contract liabilities | 34.043.117 | 50.280.307 | - | 2.562.721 | - | 86.886.145 |
| Deferred revenue | 244.560 | 75.478.505 | 49.242 | 76.778 | 746.278 | 76.595.363 |
| Segment liabilities | 278.995.992 | 557.294.889 | 1.353.815 | 95.197.129 | 46.248.943 | 979.090.768 |

| 31 December 2020 | Telecom | System Integration | Technology | BDH | Unallocated (*) | Total |
|----------------------------|--------------------|-------------------------------|-------------------|-------------------|-----------------------------|----------------------|
| Trade receivables | 176.003.387 | 807.691.089 | 42.358.632 | 19.302.310 | 7.108.917 | 1.052.464.335 |
| Due from related parties | 41.210.643 | 1.786.854 | - | - | - | 42.997.497 |
| Inventories | 59.126.986 | 120.115.560 | 1.077.266 | 5.036.657 | (1.943.843) | 183.412.626 |
| Contract assets | 2.887.899 | 121.044.610 | 3.459.644 | 45.777.709 | - | 173.169.862 |
| Segments assets | 279.228.915 | 1.050.638.113 | 46.895.542 | 70.116.676 | 5.165.074 | 1.452.044.320 |
| Trade payables (*) | 98.207.258 | 542.782.715 | 2.410.066 | 57.171.314 | 40.665.669 | 741.237.022 |
| Due to related parties | 116.062.280 | 24.138.506 | 17.676 | - | 4.963.195 | 145.181.657 |
| Contract liabilities | 44.354.285 | 66.673.672 | - | 2.573.337 | 501.846 | 114.103.140 |
| Deferred revenue | 70.138 | 70.425.630 | 41.523 | - | 69.796 | 70.607.087 |
| Segment liabilities | 258.693.961 | 704.020.523 | 2.469.265 | 59.744.651 | 46.200.506 | 1.071.128.906 |

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

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4. SEGMENT REPORTING (Cont'd)

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

| | For the period ended 30 June 2021 | For the period ended 30 June 2020 |
|---|--|--|
| Operating (loss) of segment | (71.281.532) | (4.250.735) |
| Other (expenses)/income from operating activities (net) | (75.173.275) | (22.002.257) |
| Other (expenses)/income from investments (net) | 39.288.401 | (145.638) |
| Income from investments accounted using the equity method | 162.681 | (4.783) |
| Finance (expenses)/income (net) | 10.694.987 | (4.011.402) |
| (Loss) before tax | (96.308.738) | (30.414.815) |
| Assets | 30 June 2021 | 31 December 2020 |
| Segment assets | 1.619.379.155 | 1.452.044.320 |
| Other assets (*) | 1.001.801.778 | 959.049.759 |
| Total assets | 2.621.180.933 | 2.411.094.079 |
| Liabilities | 30 June 2021 | 31 December 2020 |
| Segment liabilities | 979.090.768 | 1.071.128.906 |
| Other liabilities (*) | 1.058.676.900 | 754.194.128 |
| Total liabilities | 2.037.767.668 | 1.825.323.034 |

(*) Other assets and liabilities include assets and liabilities other than segment assets and liabilities.

5. CASH AND CASH EQUIVALENTS

| | 30 June 2021 | 31 December 2020 |
|-------------------------|---------------------|-------------------------|
| Bank- demand deposits | 199.550.185 | 140.219.678 |
| Bank- time deposits | 17.021.830 | 165.638.332 |
| Credit card receivables | - | - |
| | 216.572.015 | 305.858.010 |

| Currency | Original Currency | | Maturity | 30 June 2021 |
|-----------------|--------------------------|------------------------|-----------------|---------------------|
| | Amount | Interest Rate % | | |
| USD | 933.576 | 0,25 | July 2021 | 8.126.962 |
| TL | 8.894.868 | 18-18,25 | July 2021 | 8.894.868 |
| | | | | 17.021.830 |

| Currency | Original Currency | | Maturity | 31 December 2020 |
|-----------------|--------------------------|------------------------|-------------------|-------------------------|
| | Amount | Interest Rate % | | |
| US Dollars | 20.651.479 | 1-11,25 | Jan 2021-Sep 2021 | 151.592.184 |
| TL | 14.046.148 | 16-18,15 | Jan 2021 | 14.046.148 |
| | | | | 165.638.332 |

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5. CASH AND CASH EQUIVALENTS (Cont'd)

As of 30 June 2021, and 31 December 2020 there are no restriction / blockage on bank accounts.

6. BORROWINGS

| | <u>30 June 2021</u> | <u>31 December 2020</u> |
|------------------------------|---------------------------|---------------------------|
| Short term bank loans | | |
| Short term unsecured loans | 808.400.830 | 498.667.212 |
| Non interest loans(*) | <u>7.362.877</u> | <u>6.455.649</u> |
| | <u>815.763.707</u> | <u>505.122.861</u> |

As of 30 June 2021, effective interest rate for TL loans is %14,14 %, and effective interest rate for USD loans is %4,01% and effective interest rate for EURO loans is 2,35%. (As of 31 December 2020, effective interest rate for TL loans is 14,81%, effective interest rate for USD loans is 5,40%, and effective interest rate for EUR loans is 2,35%.

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

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

| Currency | Original Currency | | Maturity | 30 June 2021 |
|----------|-------------------|----------------------|----------------------------|---------------------------|
| | Amount | Interest Rate(%) (*) | | |
| TL | 411.348.327 | 9,3-20 | July 2021- April 2022 | 411.348.327 |
| USD | 36.368.369 | 3,4-5,85 | January 2022-February 2022 | 316.593.926 |
| EURO | 7.762.900 | 2,35-4,75 | January 2022 | 80.458.577 |
| | | | | <u>808.400.830</u> |

| Currency | Original Currency | | Maturity | 31 December 2020 |
|----------|-------------------|----------------------|--------------------------|---------------------------|
| | Amount | Interest Rate(%) (*) | | |
| TL | 419.266.933 | 9,0-19,5 | April 2021-December 2021 | 419.266.933 |
| USD | 4.540.000 | 4,75-5,5 | Rotative | 33.325.870 |
| EURO | 5.114.889 | 2,35 | August 2021 | 46.074.409 |
| | | | | <u>498.667.212</u> |

| | <u>30 June 2021</u> | <u>31 December 2020</u> |
|-----------------------------|--------------------------|--------------------------|
| Long term bank loans | | |
| Long term unsecured loans | <u>11.421.269</u> | <u>21.376.420</u> |
| | <u>11.421.269</u> | <u>21.376.420</u> |

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

| Currency | Original Currency | | Maturity | 30 June 2021 |
|----------|-------------------|----------------------|------------------------------|--------------|
| | Amount | Interest Rate(%) (*) | | |
| TL | 11.421.269 | 9,00-10,00 | December 2022- February 2023 | 11.421.269 |

| Currency | Original Currency | | Maturity | 31 December 2020 |
|----------|-------------------|----------------------|------------------------------|------------------|
| | Amount | Interest Rate(%) (*) | | |
| TL | 21.376.420 | 9,00-10,00 | December 2022- February 2023 | 21.376.420 |

(*) Presents the lower and upper rates.

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6. BORROWINGS (Cont'd)

The Group has no collaterals given for bank loans as of 30 June 2021 and 2020.

The movement of borrowings 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>2021</u> | <u>2020</u> |
|---|---------------------------|---------------------------|
| 1 January | 526.499.281 | 603.332.264 |
| Cash inflow under within borrowings received | 755.981.800 | 656.895.015 |
| Cash pouflow under within borrowings received | (478.930.540) | (714.361.500) |
| Interest accruals changes | 971.828 | (14.779.792) |
| Currency translations changes | 22.662.607 | 22.239.914 |
| 30 June | <u><u>827.184.976</u></u> | <u><u>553.325.901</u></u> |

7. TRADE RECEIVABLES AND PAYABLES

| Trade Receivables from Third Parties | <u>30 June 2021</u> | <u>31 December 2020</u> |
|---|-----------------------------|-----------------------------|
| Trade receivables | 826.564.618 | 761.675.388 |
| Unbilled receivables | 420.107.722 | 365.298.729 |
| Discount on trade receivables (*) | (23.966.221) | (25.105.579) |
| Allowances for doubtful receivables (-) | (92.864.994) | (76.357.553) |
| | <u><u>1.129.841.125</u></u> | <u><u>1.025.510.985</u></u> |

| Movement of Allowance for Doubtful Receivables | <u>2021</u> | <u>2020</u> |
|---|----------------------------|-----------------------------|
| Reported as of 1 January | (76.357.553) | (91.204.305) |
| Charge for the period | (4.758.017) | (1.728.449) |
| Provision no longer required | 2.993.481 | 5.582.157 |
| Currency translation differences | (14.742.905) | (14.496.417) |
| As of 30 June | <u><u>(92.864.994)</u></u> | <u><u>(101.847.014)</u></u> |

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

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.

| Long Term Trade Receivables from Third Parties | <u>30 June 2021</u> | <u>31 December 2020</u> |
|---|--------------------------|--------------------------|
| Trade receivables | 35.247.392 | 29.721.709 |
| Discount on trade receivables (*) | (2.490.636) | (2.768.359) |
| | <u><u>32.756.756</u></u> | <u><u>26.953.350</u></u> |

| Trade Payables to Third Parties | <u>30 June 2021</u> | <u>31 December 2020</u> |
|--|---------------------------|---------------------------|
| Trade payables | 702.965.426 | 741.237.022 |
| | <u><u>702.965.426</u></u> | <u><u>741.237.022</u></u> |

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8. INVENTORIES**INVENTORIES**

| | 30 June 2021 | 31 December 2020 |
|--|---------------------|-------------------------|
| Raw materials | 62.484.827 | 46.860.663 |
| Finished goods | 32.187.660 | 60.188.566 |
| Trade goods | 86.518.157 | 79.327.836 |
| Allowance for inventory impairment (-) | (5.348.305) | (2.964.439) |
| | 175.842.339 | 183.412.626 |

Movement for allowance:

| | 2021 | 2020 |
|---|--------------------|-------------|
| Opening balance | (2.964.439) | - |
| Provision | (1.655.067) | - |
| Foreign currency translation difference | (728.799) | - |
| Closing balance | (5.348.305) | - |

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9. PROPERTY, PLANT AND EQUIPMENT

| | Machinery and Equipment | Vehicles | Furniture and fixtures | Leasehold Improvements | Construction in Progress | Total |
|---------------------------------------|----------------------------|------------------|------------------------|---------------------------|-----------------------------|----------------------|
| <u>Cost</u> | | | | | | |
| 1 January 2021 | 270.918.613 | 397.627 | 31.993.436 | 86.158.219 | 32.033.966 | 421.501.861 |
| Translation difference | 17.497.039 | 73.927 | 4.711.016 | 12.673.687 | 2.887.973 | 37.843.642 |
| Purchases | 8.365.037 | - | 526.105 | 74.857 | 6.955.952 | 15.921.951 |
| Transfers(*) | - | - | - | - | (34.057.018) | (34.057.018) |
| Disposals | (2.340.245) | - | (108.894) | (5.550.340) | - | (7.999.479) |
| 30 June 2021 | 294.440.444 | 471.554 | 37.121.663 | 93.356.423 | 7.820.873 | 433.210.957 |
| <u>Accumulated Depreciation</u> | | | | | | |
| 1 January 2021 | (230.754.241) | (285.136) | (24.258.350) | (59.336.583) | - | (314.634.310) |
| Translation difference | (9.997.408) | (54.866) | (4.161.794) | (9.629.167) | - | (23.843.235) |
| Period charge | (8.643.004) | (17.286) | (1.041.915) | (4.245.794) | - | (13.947.999) |
| Disposals | 274.836 | - | 44.228 | 4.194.502 | - | 4.513.566 |
| 30 June 2021 | (249.119.817) | (357.288) | (29.417.831) | (69.017.042) | | (347.911.978) |
| Net book value at 30 June 2021 | 45.320.627 | 114.266 | 7.703.832 | 24.339.381 | 7.820.873 | 85.298.979 |

As of 30 June 2021, depreciation charge is TL 13.947.999. TL 4.485.205 is accounted in cost of sales, TL 8.955.136 in general administrative expenses, TL 507.658 in sales, marketing, and distribution expenses. The facility includes spare parts to be used in machinery and devices in the long term. The depreciation expense for spare parts is 3.387.863 TL and is completely included in Cost of Sales. They are service products that are provided by BDH, allowing the customer and BDH inventories to be tracked in all steps by giving each product special identification, tracking the event and inventory records related to the contract conditions, and mobile use in the field.

As of 30 June 2021, there are not any mortgage and financial leasing on property, plant and equipment.

(*) TL 34.057.018 is transferred from property, plant and equipment to other intangible assets (Note 10).

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9. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

| | <u>Machinery and Equipment</u> | <u>Vehicles</u> | <u>Furniture and fixtures</u> | <u>Leasehold Improvements</u> | <u>Construction in Progress</u> | <u>Total</u> |
|---------------------------------------|------------------------------------|------------------|-------------------------------|-----------------------------------|-------------------------------------|----------------------|
| <u>Cost</u> | | | | | | |
| 1 January 2020 | 247.239.131 | 444.556 | 26.261.977 | 68.706.537 | 6.539.629 | 349.191.830 |
| Translation difference | 36.516.936 | 59.628 | 4.053.717 | 10.478.986 | 1.558.631 | 52.667.898 |
| Purchases | 2.810.659 | - | 236.946 | 207.347 | 10.163.808 | 13.418.760 |
| Transfers(*) | (3.381.889) | - | 880.674 | 574.589 | (574.589) | (2.501.215) |
| Disposals | (24.880.072) | (133.549) | - | - | - | (25.013.621) |
| 30 June 2020 | 258.304.765 | 370.635 | 31.433.314 | 79.967.459 | 17.687.479 | 387.763.652 |
| <u>Accumulated Depreciation</u> | | | | | | |
| 1 January 2020 | (229.807.067) | (319.846) | (19.732.597) | (41.248.711) | - | (291.108.221) |
| Translation difference | (33.797.087) | (42.014) | (3.104.209) | (6.479.434) | - | (43.422.744) |
| Period charge | (3.857.150) | (14.193) | (968.054) | (3.661.226) | - | (8.500.623) |
| Transfers(*) | 2.446.871 | - | (857.925) | - | - | 1.588.946 |
| Disposals | 24.711.942 | 125.305 | - | - | - | 24.837.247 |
| 30 June 2020 | (240.302.491) | (250.748) | (24.662.785) | (51.389.371) | - | (316.605.395) |
| Net book value at 30 June 2020 | 18.002.274 | 119.887 | 6.770.529 | 28.578.088 | 17.687.479 | 71.158.257 |

As of 30 June 2020, depreciation charge is TL 8.500.623 TL 3.777.894 is accounted in cost of sales, TL 4.371.199 in general administrative expenses, TL 351.530 in sales, marketing and distribution expenses.

As of 30 June 2020, there are not any mortgage and financial leasing on property, plant and equipment.

(*) TL 912.269 is transferred from property, plant and equipment to other intangible assets (Note 11).

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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 Improvement | 5-10 |
| Furniture and fixtures | 5-15 |

10. INTANGIBLE ASSETS

Goodwill

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

During the acquisition, fair value of the customer relations has been identified as a separable intangible asset. Further, a write-up is made on the inventory based on the mark-up margin on the inventory. The difference between the net amount transferred and the total fair value of the net assets acquired is recognized as goodwill.

Changes in goodwill between the acquisition date and the balance sheet date is presented below:

| Cost | <u>2021</u> | <u>2020</u> |
|------------------------|--------------------|--------------------|
| Opening balance | 134.537.477 | 108.872.627 |
| Translation difference | 25.012.369 | 10.553.325 |
| Closing balance | <u>159.549.846</u> | <u>119.425.952</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 2020 and 31 December 2025, 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 2020. The valuation report has been prepared by an independent valuation company. Income approach has been applied in the valuation study of Enterprise and BDH segments. The present value of cash flows expected to be generated by the Company in the future is calculated by discounting cash flows today using a discount rate appropriate to the Company's risk profile.

The result of income approach and sensitivity analysis indicates that, the firm value of Enterprise and BDH segments is between USD 62 million and USD 73 million. As of the valuation date, the value of the company calculated between USD 44 million and USD 55 million by considering the net debt of USD 18 million.

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10. INTANGIBLE ASSETS (Cont'd)

Goodwill (Cont'd)

Considering the future cash flows of the Group, the Company Management concluded that there is no impairment in the goodwill amount as of 30 June 2021.

Significant assumptions used in discounted cash flow projections

The significant assumptions used in the calculation of recoverable amounts are discount rates and final growth rates. The after-tax discount rate was used in the valuation studies. The Weighted Average Cost of Capital rate used in the study is variable and 0,85 over the years since the tax rate will be changed during the projection period. Throughout the projection period, the company's debt / capital ratio is predicted to be 25% and a business risk premium of 1% has been considered in the WACC calculation.

| | 1 January- 30 June 2021 | | |
|---------------------------------|-------------------------|------------------------------|----------------------|
| | Customer Relations (*) | Other Intangible Assets (**) | Total |
| <u>Cost</u> | | | |
| Opening balance | 78.305.825 | 287.352.475 | 365.658.300 |
| Additions | - | 14.126.588 | 14.126.588 |
| Transfers | - | 34.057.018 | 34.057.018 |
| Disposals | - | - | - |
| Translation difference | 14.558.131 | 29.558.557 | 44.116.688 |
| Closing balance | 92.863.956 | 365.094.638 | 457.958.594 |
| <u>Accumulated amortization</u> | | | |
| Opening balance | (72.432.888) | (173.463.133) | (245.896.021) |
| Transfers | - | - | - |
| Translation difference | (13.916.394) | (7.845.436) | (21.761.830) |
| Period charge | (4.193.077) | (19.002.230) | (23.195.307) |
| Closing balance | (90.542.359) | (200.310.799) | (290.853.158) |
| Net book value | 2.321.597 | 164.783.839 | 167.105.436 |

(*) The purchase of shares of Netaş Bilişim Teknolojileri Anonim Şirketi ("Netaş Bilişim") and its subsidiary BDH Bilişim Destek Hizmetleri Sanayi ve Ticaret A.Ş. ("BDH") was completed on 11 October 2011. The contractual customer portfolio amount is related to this purchase.

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

As of 30 June 2021, amortization charge is TL 23.195.307. TL 16.594.521 is accounted in cost of sales, TL 6.515.382 in general administrative expenses and TL 85.404 in sales, marketing and distribution expenses.

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10. INTANGIBLE ASSETS (Cont'd)

Other Intangible Assets

| | 1 January- 30 June 2020 | | |
|---------------------------------|--------------------------------|------------------------------------|----------------------|
| | Customer Relations (*) | Other Intangible Assets(**) | Total |
| Cost | | | |
| Opening balance | 63.367.926 | 187.027.112 | 250.395.038 |
| Additions | - | 27.476.156 | 27.476.156 |
| Transfers | - | 2.501.215 | 2.501.215 |
| Translation difference | 9.622.213 | 30.160.102 | 39.782.315 |
| Closing balance | 72.990.139 | 247.164.585 | 320.154.724 |
| Accumulated amortization | | | |
| Opening balance | (52.278.539) | (116.257.855) | (168.536.394) |
| Transfers | - | (1.588.946) | (1.588.946) |
| Translation difference | (8.141.597) | (18.395.487) | (26.537.084) |
| Period charge | (3.446.235) | (11.120.306) | (14.566.541) |
| Closing balance | (63.866.371) | (147.362.594) | (211.228.965) |
| Net book value | 9.123.768 | 99.801.991 | 108.925.759 |

(*) The purchase of shares of Netaş Bilişim Teknolojileri Anonim Şirketi ("Netaş Bilişim") and its subsidiary BDH Bilişim Destek Hizmetleri Sanayi ve Ticaret A.Ş. ("BDH") was completed on 11 October 2011. The contractual customer portfolio amount is related to this purchase.

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

As of 30 June 2020, amortization charge is TL 14.566.541. TL 5.173.643 is accounted in cost of sales, TL 4.011.967 in general administrative expenses and TL 5.380.931 in sales, marketing and distribution expenses.

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> |
|--------------------|-------------------------------|
| Software | 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.

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11. RIGHT OF USE ASSETS (CONT'D)

As of 30 June 2021, and 2020 the movement table of the right of use assets is as follows:

| | Buildings | Vehicles | Total |
|--|-------------------|-------------------|-------------------|
| Right of use assets- 1 January 2021 | 34.525.017 | 13.795.107 | 48.320.124 |
| Additions | 3.454.316 | 7.086.289 | 10.540.605 |
| Depreciation charge for the period | (6.448.056) | (4.316.060) | (10.764.116) |
| Right of use assets, net book value | 31.531.277 | 16.565.336 | 48.096.613 |

| | Buildings | Vehicles | Total |
|--|-------------------|------------------|-------------------|
| Right of use assets- 1 January 2020 | 40.158.687 | 12.092.934 | 52.251.621 |
| Additions | 1.040.769 | 263.736 | 1.304.505 |
| Depreciation charge for the period | (3.150.785) | (2.767.492) | (5.918.277) |
| Right of use assets, net book value | 38.048.671 | 9.589.178 | 47.637.849 |

12. GOVERNMENT GRANTS

For the period ended 30 June 2021 the Group has received approved and accrued incentive from TÜBİTAK TL 7.559.500 (31 December 2020: TL 8.990.067)

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

As of 30 June 2021, the Group has a corporate tax benefit of TL 731.184.363 due to research and development disbursement and this amount has been transferred (As of 31 December 2020, the Group has a corporate tax benefit of TL 662.568.796 due to research and development disbursement and TL 33.102.990 amount is utilized by the year end). The Group has booked deferred tax assets for unused R&D tax benefit (Note 19). The unused tax advantages of the Group related to research and development activities has unlimited maturity.

For the period ended 30 June 2021, the amount of income tax incentive within the scope of Act numbered 5746 is TL 2.928.773 (31 December 2020: TL 18.008.980) 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 10.441.703 (31 December 2020: TL 16.230.680).

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13. COMMITMENTS

The Group's off-balance sheet commitments as of 30 June 2021 and 31 December 2020 are as follows:

| | 30 June 2021 | 31 December 2020 |
|-----------------------------|---------------------------|---------------------------|
| Guarantee letters given (*) | <u>930.782.558</u> | <u>851.841.084</u> |
| | <u>930.782.558</u> | <u>851.841.084</u> |

(*) The Group has no off-balance sheet commitments and contingencies in favor of subsidiaries which are fully consolidated as of 30 June 2021 and 31 December 2020.

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

| | TL Equivalent | Original Currency | | |
|--------------------------------|---------------------------|--------------------------|-------------------|-------------------|
| | | TL | USD | EURO |
| <u>30 June 2021</u> | <u>930.782.558</u> | <u>206.253.265</u> | <u>72.223.348</u> | <u>9.244.112</u> |
| <u>31 December 2020</u> | <u>851.841.084</u> | <u>209.453.485</u> | <u>74.890.486</u> | <u>10.285.859</u> |

The off-balance sheet commitments and contingencies as of 30 June 2021 and 31 December 2020 are as follows:

| Commitments, Pledges, Mortgages ("CPM") are given by the Company | 30 June 2021 | 31 December 2020 |
|---|---------------------------|---------------------------|
| A. Total amount of CPM is given on behalf of own legal personality | 930.782.558 | 851.841.084 |
| B. Total amount of CPM is given in favor of subsidiaries which are fully consolidated | - | - |
| C. Total amount of CPM is given for assurance of third party's debts in order to conduct of usual business activities | - | - |
| D. Total Amount of other CPM | - | - |
| i. Total amount of CPM is given in favor of parent company | - | - |
| ii. Total amount of CPM is given in favor of other group companies, which B and C doesn't include | - | - |
| iii. The amount of CPM is given in favor of third party which C doesn't include | - | - |
| | <u>930.782.558</u> | <u>851.841.084</u> |

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13. COMMITMENTS (Cont'd)

Guarantees Given

According to the System Integration Agreement signed between fully consolidated subsidiary, Netaş Bilişim, and Cisco System International B.V., the Company agrees that all financial obligations will be jointly performed by the Company and Netaş Bilişim.

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

14. EMPLOYEE BENEFITS

Employee Benefit Obligations:

| | 30 June 2021 | 31 December 2020 |
|--------------------------|---------------------|-------------------------|
| Payables to employees | 18.272.628 | 18.589.854 |
| Social security payables | 18.139.569 | 12.936.648 |
| | 36.412.197 | 31.526.502 |

Short Term and Long-Term Provisions for Employee Benefits:

| | 30 June 2021 | 31 December 2020 |
|-----------------------------------|---------------------|-------------------------|
| Short Term | | |
| Provision for employee premiums | 18.018.871 | 25.684.627 |
| Unused vacation provision | 5.601.273 | 5.609.830 |
| | 23.620.144 | 31.294.457 |
| Long Term | | |
| Unused vacation provision | 7.630.198 | 9.876.573 |
| Provision for severance indemnity | 28.784.960 | 24.888.216 |
| Provision for retirement benefits | 175.984 | 148.392 |
| | 36.591.142 | 34.913.181 |
| Total | | |
| Provision for employee premiums | 18.018.871 | 25.684.627 |
| Unused vacation provision | 13.231.471 | 15.486.403 |
| Provision for severance indemnity | 28.784.960 | 24.888.216 |
| Provision for retirement benefits | 175.984 | 148.392 |
| | 60.211.286 | 66.207.638 |

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 30 June 2020. Expected interest and service charges for 2021 have also been calculated by the actuarial firm. Expected service and interest charges will be amortized on a periodic basis during the year.

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15. SHAREHOLDERS' EQUITY

Paid in Capital

Shareholding structure of Company as of 30 June 2021 and 31 December 2020 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.

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15. SHAREHOLDERS' EQUITY (Cont'd)

Share Capital Adjustments (cont'd)

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.

Legal Reserves

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

The details of restricted reserves are as follows as of 30 June 2021 and 31 December 2020:

| | <u>30 June 2021</u> | <u>31 December 2020</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 December 2020, 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

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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16. REVENUE

Revenue:

| | 1 January- 30 June 2021 | 1 April- 30 June 2021 | 1 January- 30 June 2020 | 1 April- 30 June 2020 |
|---------------------------|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| Net domestic sales | 915.423.656 | 464.365.838 | 643.894.719 | 375.766.000 |
| United States | 23.022.791 | 1.422.803 | 35.105.669 | 6.404.810 |
| Asia | 23.763.286 | 12.898.526 | 11.713.451 | 10.843.172 |
| Africa | 8.798.274 | 4.433.917 | 7.435.851 | 3.864.441 |
| Europe | 8.454.020 | 4.564.324 | 29.087.585 | 26.029.485 |
| Net export | 64.038.371 | 23.319.570 | 83.342.556 | 47.141.908 |
| Total net sales | 979.462.027 | 487.685.408 | 727.237.275 | 422.907.908 |

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16. REVENUE (Cont'd)

| Performance Obligations: | 1 January-30 June 2021 | | | | |
|---|-------------------------------|---------------------------|-------------------|-------------------|--------------------|
| | Telecom | System Integration | Technology | BDH | Total |
| Hardware performance obligation | 200.340.262 | 201.525.462 | - | - | 401.865.724 |
| Licence performance obligation | 18.555.267 | 140.676.739 | - | - | 159.232.006 |
| Maintenance performance obligation | 11.255.207 | 149.837.609 | - | 97.422.309 | 258.515.125 |
| Design performance obligation | 6.657.020 | 34.957.475 | 22.768.958 | - | 64.383.453 |
| Installation performance obligation | 9.978.436 | 22.227.137 | - | - | 32.205.573 |
| Other performance obligations | 22.489.302 | 40.770.844 | - | - | 63.260.146 |
| | 269.275.494 | 589.995.266 | 22.768.958 | 97.422.309 | 979.462.027 |
| Satisfaction of Performance Obligations: | | | | | |
| At a point in time | 267.423.816 | 476.864.597 | 22.768.958 | 97.422.309 | 864.479.680 |
| Overtime | 1.851.678 | 113.130.669 | - | - | 114.982.347 |
| | 269.275.494 | 589.995.266 | 22.768.958 | 97.422.309 | 979.462.027 |

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16.REVENUE (Cont'd)**1 January-30 June 2020**

| Performance Obligations: | Telecom | System Integration | Technology | BDH | Total |
|-------------------------------------|-------------------|---------------------------|-------------------|-------------------|--------------------|
| Hardware performance obligation | 66.174.630 | 123.929.279 | - | - | 190.103.909 |
| Licence performance obligation | 2.004.181 | 225.082.247 | - | - | 227.086.428 |
| Maintenance performance obligation | 4.453.172 | 61.439.335 | - | 61.031.580 | 126.924.087 |
| Design performance obligation | 378.960 | 32.259.748 | 59.438.429 | - | 92.077.137 |
| Installation performance obligation | 4.345.917 | 36.578.189 | - | - | 40.924.106 |
| Other performance obligations | 8.460.964 | 41.660.644 | - | - | 50.121.608 |
| | 85.817.824 | 520.949.442 | 59.438.429 | 61.031.580 | 727.237.275 |

Satisfaction of Performance**Obligations:**

| | | | | | |
|--------------------|-------------------|--------------------|-------------------|-------------------|--------------------|
| At a point in time | 72.165.287 | 369.217.959 | - | - | 441.383.246 |
| Overtime | 13.652.537 | 151.731.483 | 59.438.429 | 61.031.580 | 285.854.029 |
| | 85.817.824 | 520.949.442 | 59.438.429 | 61.031.580 | 727.237.275 |

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17. INCOME AND EXPENSES FROM OTHER OPERATING ACTIVITIES

| | 1 January- 30 June 2021 | 1 April- 30 June 2021 | 1 January- 30 June 2020 | 1 April- 30 June 2020 |
|---|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| Income from Other Operating Activities | | | | |
| Discount income, net (*) | 3.441.693 | (3.587.164) | 128.845 | 48.131 |
| R&D Incentives | 464.746 | 410.463 | 1.521.514 | 212.411 |
| Reversal for doubtful receivables expenses | 2.993.481 | 2.993.481 | 5.582.157 | 1.546.388 |
| Other income and gains | 387.310 | 331.969 | 358.815 | 108.788 |
| | 7.287.230 | 148.749 | 7.591.331 | 1.915.718 |

| | 1 January- 30 June 2021 | 1 April- 30 June 2021 | 1 January- 30 June 2020 | 1 April- 30 June 2020 |
|---|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| Expenses from Other Operating Activities | | | | |
| Foreign exchange expenses, net | 63.178.879 | 25.322.705 | 19.292.234 | 1.697.570 |
| Legal case expenses | 3.427.470 | 621.784 | 2.451.972 | 1.948.860 |
| Expenses for doubtful receivables provision | 4.758.017 | 4.758.017 | 1.728.449 | 7.781 |
| Other tax expenses | 763.680 | 520.662 | 592.157 | 164.007 |
| Other expenses and losses | 10.332.459 | 7.174.228 | 5.528.776 | 2.152.378 |
| | 82.460.505 | 38.397.396 | 29.593.588 | 5.970.596 |

(*) Discount income/ (expenses) related to trade receivables are accounted under Other Income/ (Expenses) from Operating Activities.

18. FINANCE INCOME / (EXPENSES)

| Financial Income | 1 January- 30 June 2021 | 1 April- 30 June 2021 | 1 January- 30 June 2020 | 1 April- 30 June 2020 |
|---------------------------------|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| Foreign exchange gains, net (*) | 73.160.147 | 22.140.319 | 48.639.639 | 15.714.207 |
| Interest income | 1.244.539 | 767.259 | 478.554 | 381.259 |
| | 74.404.686 | 22.907.578 | 49.118.193 | 16.095.466 |

| Financial Expenses | 1 January- 30 June 2021 | 1 April- 30 June 2021 | 1 January- 30 June 2020 | 1 April- 30 June 2020 |
|--|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| Bank interest expenses | 47.919.220 | 28.002.028 | 40.921.869 | 16.789.967 |
| Interest and foreign exchange loss on leases | 10.024.447 | 4.055.398 | 7.459.273 | 5.328.534 |
| Guarantee letter commissions | 5.462.158 | 3.711.836 | 4.213.094 | 2.595.940 |
| Other financial expenses | 303.874 | 111.295 | 535.359 | 306.634 |
| | 63.709.699 | 35.880.557 | 53.129.595 | 25.021.075 |

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

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19. 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.

The Corporate Tax rate in Turkey is the Temporary 13 Law added to the Corporate Tax Law no. With the third article, it will be applied as 25% for corporate earnings for the 2021 taxation period and 23% for corporate earnings for the 2022 taxation period. This change will be valid for the taxation of corporate earnings for the periods starting from January 1, 2021, starting with the declarations that must be submitted as of July 1, 2021. (31 December 2020: 22%). 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% (2020: 35 %). Corporate tax rate in Kazakhstan is 20% (2020: 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.

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19. TAX ASSETS AND LIABILITIES (Cont'd)

| <u>Deferred tax assets</u> | <u>30 June 2021</u> | <u>31 December 2020</u> |
|---|---------------------------|---------------------------|
| Trade and unbilled receivables | (100.303.125) | (79.448.602) |
| Tangible and intangible assets | (35.255.342) | (23.364.493) |
| Trade payables and cost provisions | (9.471.005) | (2.885.749) |
| Carryforward tax losses | 43.246.380 | 50.744.135 |
| Unused R&D tax exemption | 165.017.070 | 131.847.448 |
| Provision for unused vacation | 3.418.610 | 3.097.280 |
| Inventory and contract assets | 61.876.649 | 26.338.977 |
| Provisions for employee premiums | 4.887.877 | 5.136.926 |
| Deferred revenues | 2.375.684 | 9.081.490 |
| Contract liabilities | 6.415.053 | 5.198.006 |
| Legal provision | 1.629.439 | 1.194.776 |
| Severance indemnity and retirement provisions | 7.008.885 | 5.186.122 |
| Other | (224.093) | (1.207.765) |
| | <u>150.622.082</u> | <u>130.918.551</u> |

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

| <u>Movement for deferred taxes is as follows:</u> | <u>30 June 2021</u> | <u>30 June 2020</u> |
|---|---------------------------|---------------------------|
| Balance as of January, 1 | 130.918.551 | 104.770.576 |
| Restatement Effect | - | - |
| Balance as of January, 1 (Restated) | 130.918.551 | 104.770.576 |
| Current charge deferred tax income | (5.049.150) | 47.095.767 |
| Affiliate sales impact | 11.801.892 | - |
| Translation difference | 12.950.789 | (20.642.811) |
| Closing | <u>150.622.082</u> | <u>131.223.532</u> |

| | <u>1 January- 30 June 2021</u> | <u>1 April- 30 June 2021</u> | <u>1 January- 30 June 2020</u> | <u>1 April- 30 June 2020</u> |
|---------------------------------|------------------------------------|----------------------------------|------------------------------------|----------------------------------|
| Current tax loss | - | - | - | - |
| Deferred tax income | 6.752.742 | (5.232.856) | 47.095.767 | 25.949.551 |
| Tax Income (Loss)/Income | <u>6.752.742</u> | <u>(5.232.856)</u> | <u>47.095.767</u> | <u>25.949.551</u> |

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their statement of financial position accounts prepared in accordance with TFRS promulgated by POA Financial Reporting Standards and their statutory financial statements. These temporary differences usually result from the recognition of revenue and expenses in different reporting periods for TFRS and Tax Laws.

| | <u>30 June 2021</u> | <u>31 December 2020</u> |
|--|----------------------------|----------------------------|
| Corporate tax | - | 2.619.207 |
| Prepaid taxes | (29.862.805) | (33.959.609) |
| Current tax liabilities/ (Current income tax assets) | <u>(29.862.805)</u> | <u>(31.340.402)</u> |

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19. TAX ASSETS AND LIABILITIES (Cont'd)

Movement for deferred taxes as of 30 June 2021 and 2020 are as follows;

| | 1 January 2021 | Charge to Period | NETRD Sales Effect | Translation Difference | 30 June 2021 |
|---|--------------------|--------------------|--------------------|------------------------|--------------------|
| Tangible and intangible assets | (23.364.493) | (6.894.795) | (560.685) | (4.435.369) | (35.255.342) |
| Trade receivables | (79.448.602) | (5.494.129) | - | (15.360.394) | (100.303.125) |
| Trade payables and cost provisions | (2.885.749) | (5.462.362) | - | (1.122.894) | (9.471.005) |
| Inventory and contract assets | 26.338.977 | 34.474.961 | - | 1.062.711 | 61.876.649 |
| Deferred revenue | 9.081.490 | (7.580.409) | - | 874.603 | 2.375.684 |
| Provisions for employee bonuses | 5.136.926 | (1.634.635) | 882.847 | 502.739 | 4.887.877 |
| Provision for unused vacation | 3.097.280 | (442.991) | 343.864 | 420.457 | 3.418.610 |
| Severance indemnity and retirement provisions | 5.186.122 | 851.369 | - | 971.394 | 7.008.885 |
| Contract liabilities | 5.198.006 | 226.365 | - | 990.682 | 6.415.053 |
| Unused R&D tax exemption (Note 12) | 131.847.448 | 914.809 | 11.135.849 | 21.118.964 | 165.017.070 |
| Carryforward tax losses | 50.744.135 | (15.290.342) | - | 7.792.587 | 43.246.380 |
| Legal Provision | 1.194.776 | 191.933 | - | 242.730 | 1.629.439 |
| Other | (1.207.765) | 1.091.076 | 17 | (107.421) | (224.093) |
| | 130.918.551 | (5.049.150) | 11.801.892 | 12.950.789 | 150.622.082 |

| | 1 January 2020 | Charge to Period | Translation Difference | 30 June 2020 |
|---|--------------------|-------------------|------------------------|--------------------|
| Tangible and intangible assets | (10.857.658) | (5.645.072) | (5.540.632) | (22.043.362) |
| Trade receivables | (53.610.333) | 40.619.829 | (32.327.813) | (45.318.317) |
| Trade payables and cost provisions | 14.562.439 | 2.425.033 | (4.787.259) | 12.200.213 |
| Inventory and contract assets | (5.092.396) | (4.338.035) | (1.776.682) | (11.207.113) |
| Deferred revenue | 1.151.892 | (371.223) | 372.269 | 1.152.938 |
| Provisions for employee bonuses | 3.634.132 | (2.842.964) | 629.916 | 1.421.084 |
| Provision for unused vacation | 3.431.613 | (963.712) | 427.310 | 2.895.211 |
| Severance indemnity and retirement provisions | 4.745.774 | (551.985) | 580.134 | 4.773.923 |
| Contract liabilities | 1.952.385 | (5.131.205) | (1.099.167) | (4.277.987) |
| Unused R&D tax exemption (Note 12) | 111.071.315 | (15.319.219) | 15.962.232 | 111.714.328 |
| Carryforward tax losses | 30.901.689 | 38.931.933 | 6.988.672 | 76.822.294 |
| Other | 2.879.724 | 282.387 | (71.791) | 3.090.320 |
| | 104.770.576 | 47.095.767 | (20.642.811) | 131.223.532 |

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20. (L OSS) PER SHARE

| | 1 January- 30 June 2021 | 1 January- 30 June 2020 |
|-----------------------------------|------------------------------------|------------------------------------|
| Number of shares | 64.864.800 | 64.864.800 |
| Net profit/ (loss) for the period | (89.555.996) | 16.680.952 |
| (Loss) per share (kurus) | (1,3807) | 0,2572 |

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.

21. RELATED PARTY DISCLOSURES

Due from related parties as of 30 June 2021 and 31 December 2020 are as follows:

| Due from Related Parties | 30 June 2021 | 31 December 2020 |
|----------------------------------|---------------------|-------------------------|
| ZTE İstanbul Telekomünikasyon(1) | 10.042.544 | 41.210.643 |
| ZTE Kangxun Telecom (1) | 1.915.149 | - |
| ZTE Corporation(2) | 1.773.667 | 1.786.854 |
| Kron Telekomünikasyon A.Ş.(3) | 205.073 | - |
| | 13.936.433 | 42.997.497 |
| | 30 June 2021 | 31 December 2020 |
| Due to Related Parties | | |
| ZTE Corporation(2) | 108.814.870 | 117.460.722 |
| ZTE İstanbul Telekomünikasyon(1) | 2.454.047 | 27.243.179 |
| Kron Telekomünikasyon A.Ş.(3) | 1.374.917 | 477.756 |
| | 112.643.834 | 145.181.657 |

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. The Group has a significant business relation with Aselsan Elektronik Sanayi ve Ticaret A.Ş. (“Aselsan”) and evaluated in that context.

- (1) Other related party
(2) Main partner
(3) Associate

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21. RELATED PARTY DISCLOSURES (Cont'd)

Main transactions with related parties are as follows for the period ended 30 June 2021 and 2020.

| | 1 January- 30 June 2021 | 1 January- 30 June 2020 |
|----------------------------------|------------------------------------|------------------------------------|
| Sales | | |
| ZTE İstanbul Telekomünikasyon(1) | 27.606.164 | 13.729.436 |
| ZTE Kangxun Telecom (1) | 1.915.144 | - |
| ZTE Corporation(2) | 1.773.667 | 160.429 |
| Kron Telekomünikasyon A.Ş.(3) | 1.601.724 | 264.337 |
| | 32.896.699 | 14.154.202 |

As part of the normal activities of the Group, products are purchased from ZTE Corporation and products and services are sold to ZTE İstanbul Telecommunications. Due to the transactions, debts and receivables are unsecured and the average day maturity varies according to the projects.

| | 1 January- 30 June 2021 | 1 January- 30 June 2020 |
|----------------------------------|------------------------------------|------------------------------------|
| Purchases | | |
| ZTE Corporation(2) | 118.343.849 | 24.871.722 |
| ZTE İstanbul Telekomünikasyon(1) | 2.454.044 | 808.427 |
| Kron Telekomünikasyon A.Ş.(3) | 31.061 | 246.530 |
| | 120.828.954 | 25.926.679 |

- (1) Other related party
(2) Main partner
(3) Associate

Benefits to Top Management:

Top management of the Group comprised of, the members of the management and executive committee, General Managers and Deputy General Managers. For the period ended 30 June 2021, total remuneration for the directors and management board of the Group is TL 17.887.913 (30 June 2020: TL 13.549.217). As of 30 June 2021, and 31 December 2020 there is no credit granted to the Group's Management.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

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

As of 30 June 2021, and 31 December 2020 the Group's net debt / total equity ratios are as follows:

| | 30 June 2021 | 31 December 2020 |
|---|---------------------|-------------------------|
| Short-term and long-term borrowings (*) | 827.184.976 | 526.499.281 |
| Cash and cash equivalents | (216.572.015) | (305.858.010) |
| Net financial debt | 610.612.961 | 220.641.271 |
| Equity | 585.512.385 | 585.075.637 |
| Net financial debt/ Equity Ratio | 104% | 38% |

(*) As of the 30 June 2021, the balance of the net debt consisting of the cost of lease discounted in accordance with TFRS 16 is excluded.

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22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's financial risk management policies are as follows:

Credit risk

Carrying values of the financial assets represents their maximum exposed credit risk. As of the date of balance sheet maximum credit risks are as follows:

| 30 June 2021 | Trade Receivables | | Contract Assets related to | Other Receivables | Deposits at Banks |
|--|--------------------------|----------------------|------------------------------------|--------------------------|--------------------------|
| | Related Parties | Other | Goods and Services Provided | Other | |
| Maximum credit risks as of balance sheet date (A+B+C+D) | 13.936.433 | 1.162.597.881 | 267.002.502 | 1.146.241 | 216.572.015 |
| Maximum risk guaranteed by collateral | - | - | - | - | - |
| (A) Net book value of unexpired or not impaired financial assets | 13.936.433 | 1.026.576.084 | 267.002.502 | 1.146.241 | 216.572.015 |
| (B) Net book value of overdue but not impaired financial assets | - | 136.021.797 | - | - | - |
| Guaranteed by collateral | - | - | - | - | - |
| (C) Net book value of impaired assets | - | - | - | - | - |
| Overdue (gross book value) | - | 92.864.994 | - | - | - |
| Impairment (-) | - | (92.864.994) | - | - | - |
| Guaranteed by collateral | - | - | - | - | - |
| Unexpired (gross book value) | - | - | - | - | - |
| Impairment (-) | - | - | - | - | - |
| Guaranteed by collateral | - | - | - | - | - |
| (D) Off balance sheet risks | - | - | - | - | - |

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22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Credit risk (Cont'd)

31 December 2020

| | <u>Trade Receivables</u> | | <u>Contract Assets related to Goods and Services Provided</u> | <u>Other Receivables</u> | <u>Deposits at Banks</u> |
|--|--------------------------|----------------------|---|--------------------------|--------------------------|
| | <u>Related Parties</u> | <u>Other</u> | <u>Other</u> | <u>Other</u> | |
| Maximum credit risks as of balance sheet date (A+B+C+D) | 42.997.497 | 1.051.100.612 | 173.169.862 | 571.632 | 307.221.733 |
| Maximum risk guaranteed by collateral | - | - | - | - | - |
| (A) Net book value of unexpired or not impaired financial assets | 42.997.497 | 863.270.102 | 173.169.862 | 571.632 | 307.221.733 |
| (B) Net book value of overdue but not impaired financial assets | - | 187.830.510 | - | - | - |
| Guaranteed by collateral | - | - | - | - | - |
| (C) Net book value of impaired assets | - | - | - | - | - |
| Overdue (gross book value) | - | 76.357.553 | - | - | - |
| Impairment (-) | - | (76.357.553) | - | - | - |
| Guaranteed by collateral | - | - | - | - | - |
| Unexpired (gross book value) | - | - | - | - | - |
| Impairment (-) | - | - | - | - | - |
| Guaranteed by collateral | - | - | - | - | - |
| (D) Off balance sheet risks | - | - | - | - | - |

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22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Credit risk (Cont'd)

The Group has applied the simplified approach stated in TFRS 9 to calculate the expected credit loss provision for trade receivables. This approach allows for a lifetime expected loan loss provision for all commercial receivables. In order to measure the expected credit loss, the Group first classifies its trade receivables by taking into account the characteristics of credit risk and credit risk. Expected credit loss ratios for each class of commercial receivables grouped using past credit loss experience and forward macroeconomic indicators were calculated and the expected credit loss provision was calculated by multiplying the determined ratio by the trade receivable totals.

As of the date of balance sheet aging of overdue and undue but not impaired financial assets are as follows:

| 30 June 2021 | Undue | 1-30 days overdue | 1-3 months overdue | 3-6 months overdue | 6-12 months overdue | 1-5 years overdue |
|-------------------------|---------------|------------------------------|-------------------------------|---------------------------|--------------------------------|--------------------------|
| Credit loss ratio (%) | 0,5% | 1,4% | 2,1% | 3,6% | 6,6% | 16,1% |
| As of period | 1.016.562.685 | 14.395.070 | 11.160.257 | 2.745.488 | 2.638.686 | 115.095.695 |
| Expected credit loss | 15.622.864 | 9.862 | 165.002 | 108.449 | 407.389 | 9.322.698 |
| 31 December 2020 | Undue | 1-30 days overdue | 1-3 months overdue | 3-6 months overdue | 6-12 months overdue | 1-5 years overdue |
| Credit loss ratio (%) | 0,5% | 1,4% | 2,1% | 3,6% | 6,6% | 16,1% |
| As of period | 854.664.917 | 57.538.314 | 14.352.567 | 6.398.219 | 10.719.533 | 107.427.062 |
| Expected credit loss | 7.129.189 | 290.357 | 136.131 | 125.918 | 336.370 | 7.716.409 |

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

The Group holds adequate sources to be able to fulfill its current and future liabilities. As of 30 June 2021, and 31 December 2020 liquidity risk table are as follows;

30 June 2021

| <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> | 1.729.286.953 | 1.765.367.477 | 1.184.199.799 | 539.648.272 | 33.369.181 | 8.150.225 |
| Financial liabilities | 827.184.976 | 853.342.238 | 346.677.869 | 493.513.513 | 13.150.856 | - |
| Lease Liabilities | 71.986.050 | 81.909.312 | 7.406.003 | 46.134.759 | 20.218.325 | 8.150.225 |
| Due to related parties | 112.643.834 | 112.643.834 | 112.643.834 | - | - | - |
| Other trade payables to third parties | 702.965.426 | 702.965.426 | 702.965.426 | - | - | - |
| Other payables to third parties | 14.506.667 | 14.506.667 | 14.506.667 | - | - | - |

31 December 2020

| <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> | 1.512.636.983 | 1.552.422.739 | 1.088.836.884 | 391.307.505 | 63.778.350 | 8.500.000 |
| Financial liabilities | 526.499.281 | 555.412.321 | 154.691.124 | 372.179.938 | 28.541.259 | - |
| Lease Liabilities | 59.409.133 | 70.281.849 | 7.417.191 | 19.127.567 | 35.237.091 | 8.500.000 |
| Due to related parties | 145.181.657 | 145.181.657 | 145.181.657 | - | - | - |
| Other trade payables to third parties | 741.237.022 | 741.237.022 | 741.237.022 | - | - | - |
| Other payables to third parties | 40.309.890 | 40.309.890 | 40.309.890 | - | - | - |

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22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Interest rate risk

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

| | 30 June 2021 | 31 December 2020 |
|---|----------------------|-------------------------|
| Fixed interest rate financial instruments | 1.194.702.385 | 1.261.671.796 |
| Cash and Cash Equivalents (*) | 17.021.830 | 165.638.332 |
| Trade Receivables | 1.176.534.314 | 1.095.461.832 |
| Other Receivables | 1.146.241 | 571.632 |
| Fixed interest rate financial liabilities | 1.437.602.557 | 1.351.855.464 |
| Short and Long Term Unsecured Loans | 535.500.580 | 365.717.762 |
| Lease Liabilities | 71.986.050 | 59.409.133 |
| Trade Payables | 815.609.260 | 886.418.679 |
| Other Payables | 14.506.667 | 40.309.890 |
| Variable interest rate financial instruments | 284.321.519 | 154.325.870 |
| Short and Long Term Unsecured Loans | 284.321.519 | 154.325.870 |
| Interest-free financial liabilities | 7.362.877 | 6.455.649 |
| Non Interest bearing unsecured spot loans | 7.362.877 | 6.455.649 |

(*) As of 30 June 2021, and 31 December 2020 includes bank time deposits.

Foreign currency risk

The Group's foreign currency risk is mainly associated with change in value of USD against TL and other currencies. To avoid possible losses due to fluctuations of foreign exchange rates, the Group places its assets with the same currency for liabilities and bears its contractual expenses in the same currency of contracts if possible.

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

As of 30 June 2021, and 31 December 2020 the Group's foreign currency position table is given below:

| 30 June 2021 | TL Equivalent (*) | Original Currency | | |
|--|--------------------------|--------------------------|--------------------|--------------------|
| | | TL | Avro | Other |
| Current Assets | 442.773.483 | 313.004.221 | 3.317.470 | 363.552.192 |
| Cash and cash equivalents | 92.561.168 | 29.147.319 | 603.088 | 120.671.735 |
| Trade receivables, third parties | 349.132.060 | 283.169.815 | 2.687.790 | 241.064.977 |
| Other receivables, third parties | 1.080.256 | 687.086 | 26.592 | 1.815.480 |
| TOTAL ASSETS (A) | 442.773.483 | 313.004.221 | 3.317.470 | 363.552.192 |
| Short Term Liabilities | 735.321.095 | 601.132.150 | 12.816.105 | 20.951.199 |
| Financial liabilities | 491.806.904 | 411.348.327 | 7.762.900 | - |
| Lease liabilities | 50.548.877 | 50.548.877 | - | - |
| Trade payables, third parties | 178.458.647 | 124.728.279 | 5.053.205 | 20.951.199 |
| Other payables, third parties | 14.506.667 | 14.506.667 | - | - |
| Long Term Liabilities | 32.858.442 | 32.858.442 | - | - |
| Long term financial liabilities | 11.421.269 | 11.421.269 | - | - |
| Lease liabilities | 21.437.173 | 21.437.173 | - | - |
| TOTAL LIABILITIES (B) | 768.179.537 | 633.990.592 | 12.816.105 | 20.951.199 |
| Net Foreign Currency Asset / (Liability) Position (A-B) | (325.406.054) | (320.986.371) | (9.498.635) | 342.600.992 |

(*) Since the functional currency of the Group is USD the currencies other than USD are shown in the table. Foreign currencies are denominated in their original currency amount and TL equivalents are calculated by using year end rates.

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21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk (Cont'd)

| 31 December 2020 | TL Equivalent (*) | Original Currency | | |
|--|----------------------|----------------------|-------------------|--------------------|
| | | TL | Avro | Other |
| Current Assets | 530.143.637 | 391.586.399 | 13.083.999 | 247.399.415 |
| Cash and cash equivalents | 71.872.394 | 44.302.306 | 2.098.897 | 148.582.313 |
| Trade receivables, third parties | 457.897.806 | 347.251.011 | 10.958.509 | 97.001.623 |
| Other receivables, third parties | 373.438 | 33.082 | 26.592 | 1.815.480 |
| TOTAL ASSETS (A) | 530.143.637 | 391.586.399 | 13.083.999 | 247.399.415 |
| Short Term Liabilities | 626.474.532 | 558.139.766 | 7.014.760 | 79.282.095 |
| Financial liabilities | 471.796.991 | 425.722.582 | 5.114.889 | - |
| Lease liabilities | 15.177.088 | 15.177.088 | - | - |
| Trade payables, third parties | 99.190.563 | 78.031.817 | 1.899.871 | 16.080.061 |
| Other payables, third parties | 40.309.890 | 39.208.279 | - | 63.202.034 |
| Long Term Liabilities | 65.608.465 | 65.608.465 | - | - |
| Long term financial liabilities | 21.376.420 | 21.376.420 | - | - |
| Lease liabilities | 44.232.045 | 44.232.045 | - | - |
| TOTAL LIABILITIES (B) | 692.082.997 | 623.748.231 | 7.014.760 | 79.282.095 |
| Net Foreign Currency Asset / (Liability) Position (A-B) | (161.939.359) | (232.161.832) | 6.069.238 | 168.117.321 |

(*) Since the functional currency of Group is USD, the currencies other than USD are shown in the table. Foreign currencies are denominated in their original currency amount and TL equivalents are calculated by using year end rates.

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22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk (Cont'd)

30 June 2021

| | <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 | (32.098.637) | 32.098.637 |
| Hedged portion from TL risk (-) | - | - |
| (1) Net effect of TL | (32.098.637) | 32.098.637 |
| <i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i> | | |
| Net asset / (liability) in EUR | (9.844.860) | 9.844.860 |
| Hedged portion from EUR risk (-) | - | - |
| (2) Net effect of EUR | (9.844.860) | 9.844.860 |
| <i>Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:</i> | | |
| Net asset / (liability) in other currencies | 9.400.707 | (9.400.707) |
| Hedged portion from other currencies risk (-) | - | - |
| (3) Net effect of other currencies | 9.400.707 | (9.400.707) |
| TOTAL (1+2+3) | (32.542.790) | 32.542.790 |

31 December 2020

| | <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 | (23.216.183) | 23.216.183 |
| Hedged portion from TL risk (-) | - | - |
| (1) Net effect of TL | (23.216.183) | 23.216.183 |
| <i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i> | | |
| Net asset / (liability) in EUR | 5.467.110 | (5.467.110) |
| Hedged portion from EUR risk (-) | - | - |
| (2) Net effect of EUR | 5.467.110 | (5.467.110) |
| <i>Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:</i> | | |
| Net asset / (liability) in other currencies | 1.555.137 | (1.555.137) |
| Hedged portion from other currencies risk (-) | - | - |
| (3) Net effect of other currencies | 1.555.137 | (1.555.137) |
| TOTAL (1+2+3) | (16.193.936) | 16.193.936 |

(Convenience translation of the report and the condensed consolidated financial statements originally issued in Turkish)

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23. 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:

Financial Assets:

It is anticipated that the recorded values of financial assets, which are shown at cost including cash and cash equivalents, 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.

24. SUBSEQUENT EVENTS

None.

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25. DISCLOSURE OF OTHER MATTERS THAT MAY AFFECT CONDENSED CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR IS NECESSARY FOR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND COMPREHENSIBLE

The group management held Netaş Information Technologies at its meeting on March 5, 2021, of which 100% of the shares were held. A.Ş., a 100% subsidiary of NetRD Bilgi Teknolojileri ve Telekomünikasyon A.Ş. ("NetRD") Share Purchase in relation to the sales of all its shares to MERA Switzerland AG It has decided to transfer NetRD shares by signing the Arbitration Agreement with its contract and all transaction documents under it.

In our disclosure made on 5 March 2021, it was disclosed that, our Board of Directors decided to transfer all the shares of NetRD Bilgi Teknolojileri ve Telekomünikasyon A.Ş. ("NetRD"), wholly owned by Netaş Bilişim Teknolojileri A.Ş., of which our Company is 100% shareholder, to MERA Switzerland AG which is a group company of US based Orion Innovation Group for USD 8.000.000 of equity value and net transaction value to be determined following closing agreements. Following the closing transactions related to sale, the share transfer was completed with a total value of USD 11.607.277. USD 3.607.277 was collected as of 6 May 2021. As a result of all these transactions, the Group achieved a profit of USD 4.802.776 (TL 35.429.117) from the sale of subsidiaries and reflected into profit or loss statements. This amount, which is shown in the item of income from investment activities, has been converted into TL by using three-month average rate between 1 January-31 March 2021.

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25. DISCLOSURE OF OTHER MATTERS THAT MAY AFFECT CONDENSED CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR IS NECESSARY FOR CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND COMPREHENSIBLE (cont'd)

Statement of financial position and statement of profit or loss of NETRD as of 5 March 2021 is as follows:

| | 5 March 2021 |
|---|---------------------|
| | Fair Value |
| ASSETS | |
| Current Assets | 46.684.733 |
| Cash and Cash Equivalents | 1.007.669 |
| Trade Receivables and other receivables | 33.921.238 |
| Other Current Assets | 11.755.826 |
| Non-Current Assets | 15.629.336 |
| Property, Plant and Equipment | 3.244.864 |
| Intangible Assets | 2.277.222 |
| Deferred Tax Assets | 10.107.250 |
| TOTAL ASSETS | 62.314.069 |
| LIABILITIES | |
| Short Term Liabilities | 11.604.199 |
| Trade Payables | 1.812.677 |
| Other Payables | 8.540 |
| Provisions for Employee Benefits | 9.483.701 |
| Other Short Term Provisions | 299.281 |
| Fair value of net assets purchased | 50.709.870 |
| Transferred price as of 5 March 2021 (TL equivalent to USD 8.000.000) | 59.619.200 |
| Transferred price as of 6 May 2021 (TL equivalent to USD 3.607.277) | 29.962.764 |
| Calculated Profit | 38.872.094 |
| Profit calculated over the transferred price | 38.872.094 |
| Cash and cash equivalents disposed of with the sale transaction | (1.007.669) |
| Net cash inflow on sales transaction | 88.574.295 |

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