

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

**AS AT AND FOR THE PERIOD ENDED  
30 SEPTEMBER 2021 CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**(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 SEPTEMBER 2021

(Unless otherwise stated the amounts are in TL).

	Notes	Unreviewed 30 September 2021	Audited 31 December 2020
<b>ASSETS</b>			
<b>Current Assets</b>		<b>1.946.283.042</b>	<b>1.806.680.392</b>
Cash and Cash Equivalents	5	310.336.422	305.858.010
Trade Receivables		1.046.262.454	1.068.508.482
<i>Due from related parties</i>	21	35.936.481	42.997.497
<i>Trade receivables, third parties</i>	7	1.010.325.973	1.025.510.985
Other Receivables		1.117.015	571.632
<i>Other receivables, third parties</i>	8	1.117.015	571.632
Inventories		203.498.032	183.412.626
Contract Assets related to Goods and Services Provided		261.562.897	173.169.862
<i>Contract Assets related to Goods and Services Provided</i>	4	261.562.897	173.169.862
Prepaid Expenses		79.045.995	21.702.469
Current Income Tax Assets	19	29.735.317	33.957.039
Other Current Assets		14.724.910	19.500.272
<b>Non-Current Assets</b>		<b>718.057.674</b>	<b>604.413.687</b>
Trade Receivables		33.869.779	26.953.350
<i>Trade receivables, third parties</i>	7	33.869.779	26.953.350
Property, Plant and Equipment	9	82.341.820	106.867.551
Right of Use Assets	11	44.034.752	48.320.124
Financial Investments		11.893.384	6.837.555
Intangible Assets		325.836.569	254.299.756
<i>Goodwill</i>	10	162.080.957	134.537.477
<i>Other intangible assets</i>	10	163.755.612	119.762.279
Investments Accounted Using the Equity Method	3	6.583.128	11.507.883
Prepaid Expenses		-	-
Deferred Tax Assets	19	213.498.242	149.627.468
<b>TOTAL ASSETS</b>		<b>2.664.340.716</b>	<b>2.411.094.079</b>

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

# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2021

(Unless otherwise stated the amounts are in TL).

	Notes	Unreviewed 30 September 2021	Audited 31 December 2020
<b>LIABILITIES</b>			
<b>Short Term Liabilities</b>		<b>2.012.037.818</b>	<b>1.706.092.471</b>
Short Term Borrowings		844.473.111	520.299.949
<i>Bank Loans</i>	6	801.440.640	505.122.861
<i>Lease Liabilities</i>		43.032.471	15.177.088
Trade Payables		917.789.530	886.418.679
<i>Due to related parties</i>	21	166.413.006	145.181.657
<i>Trade payables, third parties</i>	7	751.376.524	741.237.022
Other Payables		4.715.229	40.309.890
<i>Other payables, third parties</i>		4.715.229	40.309.890
Employee Benefit Obligations	14	35.663.824	31.526.502
Contract Liabilities		104.535.563	114.103.140
<i>Contract Liabilities</i>	4	104.535.563	114.103.140
Provisions		29.490.872	40.210.587
<i>Provisions for Employee Benefits</i>	14	19.644.750	31.294.457
<i>Other Short Term Provisions</i>		9.846.122	8.916.130
Deferred Revenue	4	75.369.689	70.607.087
Current Income Tax Liabilities	19	-	2.616.637
<b>Long Term Liabilities</b>		<b>106.887.123</b>	<b>119.230.563</b>
Long Term Borrowings		37.332.633	65.608.465
<i>Bank Loans</i>	6	11.421.269	21.376.420
<i>Lease Liabilities</i>		25.911.364	44.232.045
Provisions		30.767.754	34.913.181
<i>Provisions for Employee Benefits</i>	14	30.767.754	34.913.181
Deferred Tax Liabilities	19	38.786.736	18.708.917
<b>SHAREHOLDERS' EQUITY</b>			
<b>Equity Attributable to Equity Holders of the Parent</b>		<b>546.979.209</b>	<b>585.075.637</b>
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		107.943	(445.568)
<i>Currency Translation Differences</i>		107.943	(445.568)
Other comprehensive income not to be reclassified in profit and loss		519.390.656	421.188.549
<i>Remeasurement gain/ (loss) on defined benefit plans</i>		(11.594.178)	(11.594.178)
<i>Currency Translation Differences</i>		530.984.834	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		(136.852.046)	(71.130.227)
<b>Non-controlling interests</b>		<b>(1.563.434)</b>	<b>695.408</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2.664.340.716</b>	<b>2.411.094.079</b>

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 SEPTEMBER 2021

(Unless otherwise stated the amounts are in TL).

		Unreviewed		Unreviewed	
	Notes	1 January- 30 September 2021	1 January- 30 September 2020	1 July- 30 September 2021	1 July- 30 September 2020
INCOME OR LOSS FROM OPERATIONS					
Revenue	16	1.463.839.313	1.119.131.956	484.377.286	391.894.681
Cost of Sales (-)	4	(1.397.813.879)	(1.007.788.031)	(458.478.508)	(355.135.129)
GROSS PROFIT		66.025.434	111.343.925	25.898.778	36.759.552
Sales, Marketing and Distribution Expenses (-)	4	(75.429.277)	(71.883.482)	(25.231.787)	(25.517.025)
General Administrative Expenses (-)	4	(78.649.804)	(49.364.904)	(28.760.234)	(18.307.871)
Research and Development Expenses (-)	4	(16.423.359)	(3.313.403)	(5.102.231)	(1.901.785)
Other Income from Operating Activities	17	11.299.700	9.642.325	4.012.470	2.050.994
Other Expenses from Operating Activities (-)	17	(97.384.570)	(50.296.849)	(14.924.065)	(20.703.261)
OPERATING LOSS		(190.561.876)	(53.872.388)	(44.107.069)	(27.619.396)
Income from Investment Activities		42.380.650	42.426	1.633.408	11.690
Expenses from Investment Activities (-)		(2.809.373)	(204.192)	(1.350.532)	(27.818)
Income from Investments Accounted Using the Equity Method	3	40.791	174.153	(121.890)	178.936
OPERATING LOSS BEFORE FINANCE INCOME AND EXPENSES		(150.949.808)	(53.860.001)	(43.946.083)	(27.456.588)
Financial Income	18	84.573.894	107.018.452	10.169.208	57.900.259
Financial Expenses (-)	18	(95.808.554)	(82.922.100)	(32.098.855)	(29.792.505)
LOSS BEFORE TAX		(162.184.468)	(29.763.649)	(65.875.730)	651.166
Tax (Expenses)/ Income		26.760.461	20.015.308	20.007.719	(27.080.459)
Current Tax Expenses	19	-	(2.494)	-	(2.494)
Deferred Tax Income	19	26.760.461	20.017.802	20.007.719	(27.077.965)
NET LOSS FOR THE YEAR		(135.424.007)	(9.748.341)	(45.868.011)	(26.429.293)
Attributable to:					
Non-controlling Interest		1.428.039	691.295	(467.582)	(526.185)
Equity Holders of the Parent		(136.852.046)	(10.439.636)	(45.400.429)	(25.903.108)
Earn/(Loss) per share	20	(2,0878)	(0,1503)	(0,7071)	(0,4075)
OTHER COMPREHENSIVE INCOME/ (EXPENSES)					
-					
Other comprehensive income or expenses that will not be reclassified subsequently to profit of loss					
		98.202.107	161.935.169	(705.319)	119.318.024
Currency translation differences		98.202.107	161.935.169	(705.319)	119.318.024
Other comprehensive income or expenses that will be reclassified subsequently to profit of loss					
		(3.133.370)	(111.513)	8.575.840	6.087
Currency translation differences		(3.133.370)	(111.513)	8.575.840	6.087
OTHER COMPREHENSIVE INCOME/ (LOSS)		95.068.737	161.823.656	7.870.521	119.324.111
TOTAL COMPREHENSIVE INCOME/ (LOSS)		(40.355.270)	152.075.315	(37.997.490)	92.894.818
Attributable to:					
Non-controlling Interest		(2.258.842)	691.295	535.686	(526.185)
Equity Holders of the Parent		(38.096.428)	151.384.020	(38.533.176)	93.421.003

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# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 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	Other comprehensive income or expenses that will not 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	-	-	(111.513)	161.935.169	-	-	-	(10.439.636)	151.384.020	691.295	152.075.315
Additions to the scope of consolidation	-	-	-	-	-	-	-	-	-	179.495	179.495
Transfer	-	-	-	-	-	-	(148.600.270)	148.600.270	-	-	-
Balance as at 30 September 2020	64.864.800	41.612.160	(115.754)	471.676.529	(9.309.272)	34.897.360	94.088.563	(10.439.636)	687.274.750	1.189.479	688.464.229
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	-	-	553.511	98.202.107	-	-	-	(136.852.046)	(38.096.428)	(2.258.842)	(40.355.270)
Transfer	-	-	-	-	-	-	(71.130.227)	71.130.227	-	-	-
Balance as at 30 September 2021	64.864.800	41.612.160	107.943	530.984.834	(11.594.178)	34.897.360	22.958.336	(136.852.046)	546.979.209	(1.563.434)	545.415.775

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# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL).

		Unreviewed	
		Current Period	Previous Period
	Notes	1 January- 30 September 2021	1 January- 30 September 2020
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Net (Loss) for the Period</b>		<b>(135.424.007)</b>	<b>(9.748.341)</b>
<i>Profit/(Loss) from Continuing Operations</i>		<i>(135.424.007)</i>	<i>(9.748.341)</i>
<b>Adjustments to Reconcile Profit/Loss</b>		<b>(27.403.735)</b>	<b>23.733.310</b>
Adjustments for Depreciation and Amortisation Expenses	9-10-11	73.258.068	54.097.340
Adjustments for (Reversal of) Impairment Loss Recognised in Profit or Loss		8.916.784	(4.787.440)
<i>Adjustments for (Reversal of) Provision of Receivables</i>	7	<i>7.216.207</i>	<i>(4.787.440)</i>
<i>Adjustment for Reversal of Provision of Inventory</i>	8	<i>1.700.577</i>	<i>-</i>
Adjustments For Provisions		13.877.104	32.910.141
<i>Adjustments for Provisions Related with Employee Benefits</i>		<i>12.947.112</i>	<i>32.056.580</i>
<i>Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions</i>		<i>1.223.020</i>	<i>544.382</i>
<i>Adjustments for (Reversal of) Other Provisions</i>		<i>(293.028)</i>	<i>309.179</i>
Adjustments for Interest (Income) and Expenses		66.326.051	67.621.652
<i>Adjustments for Interest Income</i>	18	<i>(2.938.941)</i>	<i>(937.764)</i>
<i>Adjustments for Interest Expense</i>	18	<i>74.853.903</i>	<i>68.925.923</i>
<i>Unearned Financial Loss/Income from Credit Sales</i>	17	<i>(5.588.911)</i>	<i>(366.507)</i>
Adjustments For Unrealised Foreign Exchange Losses (Gains)	18	(81.634.953)	(106.080.688)
Adjustments for Share of Profit of Investments Accounted for Using the Equity Method	3	4.924.755	(174.153)
Adjustments for Losses Tax Expense	19	(26.760.461)	(20.015.308)
Adjustments for Losses (Gains) on Disposal of Subsidiaries or Joint Operations	25	(88.574.295)	-
Adjustments for (Gains)/Losses disposal of non-current assets		2.263.212	161.766
<i>Adjustments for (Gains)/Losses Arising From Sale of Property, Plant and Equipment</i>		<i>2.263.212</i>	<i>161.766</i>
<b>Changes in Working Capital</b>		<b>(88.170.575)</b>	<b>215.253.904</b>
Adjustments for Decrease / (Increase) in Trade Receivables		232.455.051	197.639.512
<i>Decrease (Increase) in Trade Receivables from Related Parties</i>		<i>21.452.684</i>	<i>8.258.722</i>
<i>Decrease (Increase) in Trade Receivables from Third Parties</i>		<i>211.002.367</i>	<i>189.380.790</i>
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		8.339.244	3.629.356
<i>Adjustments for Decrease (Increase) in Other Receivables Related with Operations from Third Parties</i>		<i>8.339.244</i>	<i>3.629.356</i>
Adjustments for Decrease / (Increase) in Inventories		15.763.570	(11.035.424)
Decrease / (Increase) in Prepaid Expenses		(52.900.440)	(1.054.344)
Adjustments for (Decrease) in Trade Payables		(150.103.162)	11.475.858
Increase (Decrease) in Trade Payables to Related Parties		(8.491.285)	(8.998.354)
(Decrease)/Increase in Trade Payables to Third Parties		(141.611.877)	20.474.212
Increase (Decrease) in Payables due to Employee Benefits		(2.317.010)	(3.234.092)
(Decrease)/Increase in Contract Assets		(52.940.454)	71.695.724
Adjustments for Decrease in Other Operating Payables		(43.847.192)	(19.743.662)
<i>(Decrease) in Other Operating Payables to Unrelated Parties</i>		<i>(43.847.192)</i>	<i>(19.743.662)</i>
(Decrease)/ Increase in Contract Liabilities		(42.620.182)	(52.449.514)
Other Adjustments for Other (Decrease)/ Increase in Working Capital		-	18.330.490
<b>Cash Flows (Used in) Generated From Operations</b>		<b>(250.998.317)</b>	<b>229.238.873</b>
Payments Related with Provisions for Employee Benefits		(28.742.246)	(32.975.483)
Income Taxes Paid	19	1.605.085	-
Payments Related with Lawsuits		-	(1.280.396)
		<b>(278.135.478)</b>	<b>194.982.994</b>

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# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL).

		Unreviewed	
		Current Period	Previous Period
		1 January-	1 January-
Notes	30 September 2021	30 September 2020	
<b>B.CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES</b>			
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets	9.110.091	42.426	
<i>Proceeds from Sales of Property, Plant, Equipment</i>	6.708.572	42.426	
<i>Proceeds from Intangible Assets</i>	2.401.519	-	
Purchase of Property, Plant, Equipment and Intangible Assets	(41.924.916)	(61.930.096)	
<i>Purchase of Property, Plant, Equipment</i>	(20.872.636)	(24.055.159)	
<i>Purchase of Intangible Assets</i>	(21.052.280)	(37.874.937)	
Cash inflows from the sale of subsidiaries	88.574.295	-	
Interest Received	2.938.941	937.764	
Other Outflows of Cash	(5.055.829)	(1.739.825)	
	<b>53.642.582</b>	<b>(62.689.731)</b>	
<b>C.CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES</b>			
Inflows from Borrowings	814.740.827	767.935.627	
Outflows from Borrowings	(592.455.242)	(737.739.775)	
Interest Paid	(62.834.602)	(68.925.923)	
Payments of lease liabilities	(14.322.900)	(20.985.805)	
	<b>145.128.083</b>	<b>(59.715.876)</b>	
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)</b>			
	<b>(79.364.813)</b>	<b>72.577.387</b>	
<b>D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
	83.843.225	(24.053.725)	
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>			
	<b>4.478.412</b>	<b>48.523.662</b>	
<b>E.CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
	305.858.010	195.340.538	
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (A+B+C+D+E)</b>			
	<b>310.336.422</b>	<b>243.864.200</b>	

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# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 SEPTEMBER 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 September 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 September 2021 is 2.196 (31 December 2020: 2.544).

#### Approval of Condensed Consolidated Financial Statements

The financial statements were approved by the Board of Directors on 4 November 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 September 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 SEPTEMBER 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 September 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 Netaş 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 SEPTEMBER 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 September 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 SEPTEMBER 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.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2021 (1 USD: 8,8433 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 nine months average exchange rate (1 USD: 8,0775 TL) for the period ended 30 September 2021 (for the period ended 30 September 2020 1 USD: 6,7127 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 SEPTEMBER 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 September 30, 2021 are consistent with those of the previous financial year, except for the adoption of new and amended TIFRS and TFRIC 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 TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

In December 2020, the POA issued Interest Rate Benchmark Reform – Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 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. The amendments did not have a significant impact on the financial position or performance of the Group. The transition to alternative reference interest rates has not been realized in Turkey yet, however, the financial instruments that will be affected when it does are mainly composed of financial debts. The Group's trade receivables and trade payables do not contain a significant interest component.

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

### **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 IFRS 16 - Covid-19-Related Rent Concessions and Covid-19-Related Rent Concessions**

In June 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. In April 7, 2021, POA extended the exemption to include concessions that cause a decrease in lease payments whose maturity expired on or before June 30, 2022.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 April 2021. Early application of the amendments is permitted. The amendments did not have a significant impact on the 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 TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

In December 2017, POA 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 SEPTEMBER 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 TFRS 3 – Reference to the Conceptual Framework**

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. 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 TFRS standards (March 2018). The Group is in the process of assessing the impact of the amendments on financial position.

##### **Amendments to TAS 16 – Proceeds before intended use**

In July 2020, the POA issued amendments to TAS 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 TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively 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 TAS 37 – Onerous contracts – Costs of Fulfilling a Contract**

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 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.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 TAS 8 - Definition of Accounting Estimates

In August 2021, the POA issued amendments to TAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments issued to TAS 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 POA. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

#### Amendments to TAS 1 - Disclosure of Accounting Policies

In August 2021, the POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to TAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term 'significant' in TFRS, the POA decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA. 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. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

In August 2021, the POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 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. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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 July 2020, the POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

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

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all. The Group is in the process of assessing the impact of the amendments / improvements on financial position or performance of the Group.

### 2.5 Summary of Significant Accounting Policies

The condensed consolidated financial statements for the interim period ending on 30 September 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.

### 2.6 Seasonality in Operations

While there is no significant seasonality in operations, historically, revenues generally appear to be higher in the second half of the year than in the first nine months. This is mainly due to the fact that the projects are being completed within the relevant year and the purchasing tendencies of the customers have increased in the last three months of the year.

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021**

(Unless otherwise stated the amounts are in TL).

**3. INVESTMENTS ACCOUNTED USING THE EQUITY METHOD****Associates***Details of significant associate:*

As of 30 September 2021, the details of important associates are as in the following:

	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

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.

	<b>30 September 2021</b>	<b>31 December 2020</b>
Current assets	51.566.888	60.453.113
Non-current assets	50.459.756	41.291.822
Short term liabilities	40.083.435	39.494.312
Long term liabilities	2.072.925	2.735.504
<b>Net assets</b>	<b>59.870.284</b>	<b>59.515.119</b>

Share of the Group in net assets	5.987.028	5.951.512
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	<b>1 January 2021- 30 September 2021</b>	<b>1 January 2020- 30 September 2020</b>
Net profit	3.792.190	1.771.325
Other comprehensive expenses	(3.437.024)	(1.819.158)
Total comprehensive income	355.166	(47.833)
Share of the Group in total comprehensive income	35.517	(4.783)

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

	<b>2021</b>	<b>2020</b>
As of 1 January	11.507.883	9.401.553
Share from the profit of the period	35.517	(4.783)
Currency translation difference	(4.960.272)	849.685
<b>As of 30 September</b>	<b>6.583.128</b>	<b>10.246.455</b>

(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 SEPTEMBER 2021

(Unless otherwise stated the amounts are in TL).

#### 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		System				
30 September 2021		Telecom	Integration	Technology	BDH	Unallocated
Revenue		436.245.479	850.330.884	23.395.046	153.867.904	-
Cost of sales (-)		(403.251.710)	(837.446.010)	(25.069.723)	(132.395.576)	349.140
<b>Gross margin</b>		<b>32.993.769</b>	<b>12.884.874</b>	<b>(1.674.677)</b>	<b>21.472.328</b>	<b>349.140</b>
Sales,marketing and distribution expenses (-)		(24.488.690)	(31.877.688)	-	(19.478.105)	415.206
General administrative expenses (-)		-	-	-	-	(78.649.804)
Research and development expenses (-)		-	-	(16.423.359)	-	-
		-	-	-	-	-
<b>Operating profit / (loss) of segment</b>		<b>8.505.079</b>	<b>(18.992.814)</b>	<b>(18.098.036)</b>	<b>1.994.223</b>	<b>(77.885.458)</b>
For the period ended		System				
30 September 2020		Telecom	Integration	Technology	BDH	Unallocated
Revenue		163.623.817	762.212.790	89.401.052	103.894.297	-
Cost of sales (-)		(152.769.278)	(696.047.182)	(72.070.265)	(86.901.306)	-
<b>Gross margin</b>		<b>10.854.539</b>	<b>66.165.608</b>	<b>17.330.787</b>	<b>16.992.991</b>	<b>-</b>
Sales,marketing and distribution expenses (-)		(14.006.336)	(43.048.567)	-	(14.828.579)	-
General administrative expenses (-)		-	-	-	-	(49.364.904)
Research and development expenses (-)		-	-	(3.313.403)	-	-
		-	-	-	-	-
<b>Operating profit / (loss) of segment</b>		<b>(3.151.797)</b>	<b>23.117.041</b>	<b>14.017.384</b>	<b>2.164.412</b>	<b>(49.364.904)</b>

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

(Unless otherwise stated the amounts are in TL).

**4. SEGMENT REPORTING (Cont'd)**

<b>30 September 2021</b>	<b>Telecom</b>	<b>System Integration</b>	<b>Technology</b>	<b>BDH</b>	<b>Unallocated (*)</b>	<b>Total</b>
Trade receivables	199.569.317	826.168.678	7.989.818	27.667.223	(17.199.284)	1.044.195.752
Due from related parties	35.936.481	-	-	-	-	35.936.481
Inventories	60.036.018	134.865.800	1.337.377	12.164.725	(4.905.888)	203.498.032
Contract assets	36.661.928	142.646.500	4.345.000	77.791.896	117.573	261.562.897
<b>Segments assets</b>	<b>332.203.744</b>	<b>1.103.680.978</b>	<b>13.672.195</b>	<b>117.623.844</b>	<b>(21.987.599)</b>	<b>1.545.193.162</b>
Trade payables (*)	220.844.233	443.988.490	777.536	56.265.140	29.501.125	751.376.524
Due to related parties	166.413.006	-	-	-	-	166.413.006
Contract liabilities	38.850.892	65.068.290	-	-	616.381	104.535.563
Deferred revenue	990.114	71.046.021	-	76.777	3.256.777	75.369.689
<b>Segment liabilities</b>	<b>427.098.245</b>	<b>580.102.801</b>	<b>777.536</b>	<b>56.341.917</b>	<b>33.374.283</b>	<b>1.097.694.782</b>

  

<b>31 December 2020</b>	<b>Telecom</b>	<b>System Integration</b>	<b>Technology</b>	<b>BDH</b>	<b>Unallocated (*)</b>	<b>Total</b>
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
<b>Segments assets</b>	<b>279.228.915</b>	<b>1.050.638.113</b>	<b>46.895.542</b>	<b>70.116.676</b>	<b>5.165.074</b>	<b>1.452.044.320</b>
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
<b>Segment liabilities</b>	<b>258.693.961</b>	<b>704.020.523</b>	<b>2.469.265</b>	<b>59.744.651</b>	<b>46.200.506</b>	<b>1.071.128.906</b>

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

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# NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL).

### 4. SEGMENT REPORTING (Cont'd)

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

	For the period ended 30 September 2021	For the period ended 30 September 2020
Operating (loss) of segment	(104.477.006)	(13.217.864)
Other (expenses)/income from operating activities (net)	(86.084.870)	(40.654.524)
Other (expenses)/income from investments (net)	39.571.277	(161.766)
Income from investments accounted using the equity method	40.791	174.153
Finance (expenses)/income (net)	(11.234.660)	24.096.352
<b>(Loss) before tax</b>	<b>(162.184.468)</b>	<b>(29.763.649)</b>
<b>Assets</b>	<b>30 September 2021</b>	<b>31 December 2020</b>
Segment assets	1.545.193.162	1.452.044.320
Other assets (*)	1.119.147.554	959.049.759
<b>Total assets</b>	<b>2.664.340.716</b>	<b>2.411.094.079</b>
<b>Liabilities</b>	<b>30 September 2021</b>	<b>31 December 2020</b>
Segment liabilities	1.097.694.782	1.071.128.906
Other liabilities (*)	1.021.230.159	754.194.128
<b>Total liabilities</b>	<b>2.118.924.941</b>	<b>1.825.323.034</b>

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

### 5. CASH AND CASH EQUIVALENTS

	30 September 2021	31 December 2020
Bank- demand deposits	241.974.532	140.219.678
Bank- time deposits	68.361.890	165.638.332
	<b>310.336.422</b>	<b>305.858.010</b>

Currency	Original Currency Amount	Interest Rate %	Maturity	30 September 2021
USD	5.485.604	0,15	October 2021	48.510.846
EUR	247.350	0,002	October 2021	2.551.044
TL	17.300.000	17,5	October 2021	17.300.000
				<b>68.361.890</b>

Currency	Original Currency Amount	Interest Rate %	Maturity	31 December 2020
USD	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
				<b>165.638.332</b>

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(Unless otherwise stated the amounts are in TL).

**5. CASH AND CASH EQUIVALENTS (Cont'd)**

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

**6. BORROWINGS**

	<b>30 September 2021</b>	<b>31 December 2020</b>
<b>Short term bank loans</b>		
Short term unsecured loans	794.432.926	498.667.212
Non interest loans(*)	7.007.714	6.455.649
	<b>801.440.640</b>	<b>505.122.861</b>

As of 30 September 2021, effective interest rate for TL loans is 16,52%, and effective interest rate for USD loans is 4,93% and effective interest rate for EURO loans is 4,93%. (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:

<b>Original Currency</b>				
<b>Currency</b>	<b>Amount</b>	<b>Interest Rate(%) (*)</b>	<b>Maturity</b>	<b>30 September 2021</b>
TL	390.759.178	9,3-20	October 2021- July 2022	390.759.178
USD	36.552.010	3,4-5,85	January 2022-February 2022	323.240.390
EURO	7.798.842	2,35-4,75	January 2022	80.433.357
				<b>794.432.926</b>

  

<b>Original Currency</b>				
<b>Currency</b>	<b>Amount</b>	<b>Interest Rate(%) (*)</b>	<b>Maturity</b>	<b>31 December 2020</b>
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
				<b>498.667.212</b>

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

	<b>30 September 2021</b>	<b>31 December 2020</b>
<b>Long term bank loans</b>		
Long term unsecured loans	11.421.269	21.376.420
	<b>11.421.269</b>	<b>21.376.420</b>

<b>Original Currency</b>				
<b>Currency</b>	<b>Amount</b>	<b>Interest Rate(%) (*)</b>	<b>Maturity</b>	<b>30 September 2021</b>
TL	11.421.269	9,00-10,00	December 2022- February 2023	11.421.269

  

<b>Original Currency</b>				
<b>Currency</b>	<b>Amount</b>	<b>Interest Rate(%) (*)</b>	<b>Maturity</b>	<b>31 December 2020</b>
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 September 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.

	<b>2021</b>	<b>2020</b>
1 January	526.499.281	603.332.264
Cash inflow under within borrowings received	814.740.827	767.935.627
Cash pouflow under within borrowings received	(592.455.242)	(737.739.775)
Interest accruals changes	4.856.434	(15.707.848)
Currency translations changes	59.220.609	(9.887.866)
30 September	<b>812.861.909</b>	<b>607.932.402</b>

**7. TRADE RECEIVABLES AND PAYABLES**

<b>Trade Receivables from Third Parties</b>	<b>30 September 2021</b>	<b>31 December 2020</b>
Trade receivables	720.186.005	761.675.388
Unbilled receivables	412.230.975	365.298.729
Discount on trade receivables (*)	(27.945.666)	(25.105.579)
Allowances for doubtful receivables (-)	(94.145.341)	(76.357.553)
	<b>1.010.325.973</b>	<b>1.025.510.985</b>
<b>Movement of Allowance for Doubtful Receivables</b>	<b>2021</b>	<b>2020</b>
<b>Reported as of 1 January</b>	<b>(76.357.553)</b>	<b>(91.204.305)</b>
Charge for the period	(7.216.207)	(1.728.449)
Provision no longer required	923.822	5.582.157
Currency translation differences	(11.495.403)	(14.496.417)
<b>As of 30 September</b>	<b>(94.145.341)</b>	<b>(101.847.014)</b>

(\*) 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.

<b>Long Term Trade Receivables from Third Parties</b>	<b>30 September 2021</b>	<b>31 December 2020</b>
Trade receivables	35.982.647	29.721.709
Discount on trade receivables (*)	(2.112.868)	(2.768.359)
	<b>33.869.779</b>	<b>26.953.350</b>

<b>Trade Payables to Third Parties</b>	<b>30 September 2021</b>	<b>31 December 2020</b>
Trade payables	751.376.524	741.237.022
	<b>751.376.524</b>	<b>741.237.022</b>

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**8. INVENTORIES**

	<b>30 September 2021</b>	<b>31 December 2020</b>
Raw materials	68.959.321	46.860.663
Finished goods	32.306.004	60.188.566
Trade goods	107.665.858	79.327.836
Allowance for inventory impairment (-)	(5.433.151)	(2.964.439)
	<b>203.498.032</b>	<b>183.412.626</b>
<b><u>Movement for allowance:</u></b>	<b>2021</b>	<b>2020</b>
Opening balance	(2.964.439)	-
Provision	(1.700.577)	-
Foreign currency translation difference	(768.135)	-
Closing balance	<b>(5.433.151)</b>	-

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**9. PROPERTY, PLANT AND EQUIPMENT**

	Tesis, Makine ve Cihazlar	Taşıtlar	Demirbaşlar	Özel Maliyetler	Yapılmakta Olan Yatırımlar	Toplam
<u>Maliyet</u>						
1 Ocak 2021	270.918.613	397.627	31.993.436	86.158.219	32.033.966	421.501.861
Yabancı para çevrim farkı	24.777.010	63.030	5.757.818	16.204.445	3.798.452	50.600.755
Alımlar	12.822.400	-	302.390	166.080	7.581.766	20.872.636
Transferler(*)	-	-	-	-	(34.993.498)	(34.993.498)
Çıkışlar	(6.588.317)	(193.843)	(8.656.962)	(15.295.992)	-	(30.735.114)
30 Eylül 2021	301.929.706	266.814	29.396.682	87.232.752	8.420.686	427.246.640
<u>Birikmiş amortismanlar</u>						
1 Ocak 2021	(230.754.241)	(285.136)	(24.258.350)	(59.336.583)	-	(314.634.310)
Yabancı para çevrim farkı	(14.279.319)	(42.542)	(4.492.981)	(11.735.966)	-	(30.550.808)
Dönem amortisman gideri	(13.809.915)	(26.833)	(1.444.812)	(6.201.472)	-	(21.483.032)
Çıkışlar	2.093.709	193.843	7.123.844	12.351.934	-	21.763.330
30 Eylül 2021	(256.749.766)	(160.668)	(23.072.299)	(64.922.087)	-	(344.904.820)
30 Eylül 2021 Net Defter Değeri	45.179.940	106.146	6.324.383	22.310.665	8.420.686	82.341.820

As of 30 September 2021, depreciation charge is TL 21.483.032. TL 6.666.679 is accounted in cost of sales, TL 14.030.198 in general administrative expenses, TL 786.155 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 5.525.165 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 September 2021, there are not any mortgage and financial leasing on property, plant and equipment.

(\*) TL 34.993.498 is transferred from property, plant and equipment to other intangible assets (Note 11).

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

	Tesis, Makine ve Cihazlar	Taşıtlar	Demirbaşlar	Özel Maliyetler	Yapılmakta Olan Yatırımlar	Toplam
<u>Maliyet</u>						
1 Ocak 2020	<b>247.239.131</b>	<b>444.556</b>	<b>26.261.977</b>	<b>68.706.537</b>	<b>6.539.629</b>	<b>349.191.830</b>
Yabancı para çevrim farkı	74.595.004	117.145	8.620.321	21.761.131	4.523.057	109.616.658
Alımlar	6.664.456	-	1.307.648	368.113	15.714.942	24.055.159
Transferler(*)	(3.513.582)	-	914.969	596.963	(596.963)	(2.598.613)
Çıkışlar	(25.908.972)	(138.749)	-	-	-	(26.047.721)
30 Eylül 2020	<b>299.076.037</b>	<b>422.952</b>	<b>37.104.915</b>	<b>91.432.744</b>	<b>26.180.665</b>	<b>454.217.313</b>
 <u>Birikmiş amortismanlar</u>						
1 Ocak 2020	<b>(229.807.067)</b>	<b>(319.846)</b>	<b>(19.732.597)</b>	<b>(41.248.711)</b>	-	<b>(291.108.221)</b>
Yabancı para çevrim farkı	(68.790.120)	(82.938)	(6.596.695)	(13.903.698)	-	(89.373.451)
Dönem amortisman gideri	(6.255.521)	(22.119)	(1.509.475)	(5.722.368)	-	(13.509.483)
Transferler(*)	2.542.154	-	(891.333)	-	-	1.650.821
Çıkışlar	25.713.344	130.185	-	-	-	25.843.529
30 Eylül 2020	<b>(276.597.210)</b>	<b>(294.718)</b>	<b>(28.730.100)</b>	<b>(60.874.777)</b>	-	<b>(366.496.805)</b>
<b>30 Eylül 2020 Net Defter Değeri</b>	<b>22.478.827</b>	<b>128.234</b>	<b>8.374.815</b>	<b>30.557.967</b>	<b>26.180.665</b>	<b>87.720.508</b>

As of 30 September 2020, depreciation charge is TL 13.509.483. TL 5.721.813 is accounted in cost of sales, TL 7.246.671 in general administrative expenses, TL 540.999 in sales, marketing, and distribution expenses.

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

(\*) TL 2.598.613 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:

	Useful lives
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	2021	2020
Opening balance	134.537.477	108.872.627
Translation difference	27.543.480	34.233.240
Closing balance	<b>162.080.957</b>	<b>143.105.867</b>

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 September 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.

**Other Intangible Assets**

	1 January- 30 September 2021		
	Customer Relations (*)	Other Intangible Assets (**)	Total
<b>Cost</b>			
Opening balance	78.305.825	287.352.475	365.658.300
Additions	-	21.052.280	21.052.280
Transfers	-	34.993.498	34.993.498
Disposals	-	(4.050.326)	(4.050.326)
Translation difference	16.031.333	38.643.333	54.674.666
<b>Closing balance</b>	<b>94.337.158</b>	<b>377.991.260</b>	<b>472.328.418</b>
<b>Accumulated amortization</b>			
Opening balance	(72.432.888)	(173.463.133)	(245.896.021)
Transfers	-	-	-
Disposals	-	1.648.807	1.648.807
Translation difference	(15.441.707)	(13.232.522)	(28.674.229)
Period charge	(6.462.563)	(29.188.800)	(35.651.363)
<b>Closing balance</b>	<b>(94.337.158)</b>	<b>(214.235.648)</b>	<b>(308.572.806)</b>
<b>Net book value</b>	<b>-</b>	<b>163.755.612</b>	<b>163.755.612</b>

(\*) 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 September 2021, amortization charge is TL 35.651.363. TL 25.816.867 is accounted in cost of sales, TL 9.713.805 in general administrative expenses and TL 120.691 in sales, marketing and distribution expenses.

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

	<b>1 January- 30 September 2020</b>		
	<b>Customer Relations (*)</b>	<b>Other Intangible Assets(**)</b>	<b>Total</b>
<b>Cost</b>			
Opening balance	<b>63.367.926</b>	<b>187.027.112</b>	<b>250.395.038</b>
Additions	-	37.874.937	37.874.937
Transfers	-	2.598.613	2.598.613
Translation difference	19.925.022	65.396.056	85.321.078
<b>Closing balance</b>	<b>83.292.948</b>	<b>292.896.718</b>	<b>376.189.666</b>
<b>Accumulated amortization</b>			
Opening balance	<b>(52.278.539)</b>	<b>(116.257.855)</b>	<b>(168.536.394)</b>
Transfers	-	(1.650.821)	(1.650.821)
Translation difference	(17.314.463)	(39.803.773)	(57.118.236)
Period charge	(5.370.651)	(18.352.840)	(23.723.491)
<b>Closing balance</b>	<b>(74.963.653)</b>	<b>(176.065.289)</b>	<b>(251.028.942)</b>
<b>Net book value</b>	<b>8.329.295</b>	<b>116.831.429</b>	<b>125.160.724</b>

(\*) 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 September 2020, amortization charge is TL 23.195.307. TL 17.005.545 is accounted in cost of sales, TL 6.245.432 in general administrative expenses and TL 472.514 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:

	<b>Depreciation Ratio (%)</b>
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 September 2021, and 2020 the movement table of the right of use assets is as follows:

	<b>Buildings</b>	<b>Vehicles</b>	<b>Total</b>
Right of use assets- 1 January 2021	34.525.017	13.795.107	48.320.124
Additions	3.608.224	8.230.077	11.838.301
Depreciation charge for the period	(9.863.504)	(6.260.169)	(16.123.673)
<b>Right of use assets, net book value</b>	<b>28.269.737</b>	<b>15.765.015</b>	<b>44.034.752</b>

  

	<b>Buildings</b>	<b>Vehicles</b>	<b>Total</b>
Right of use assets- 1 January 2020	40.158.687	12.092.934	52.251.621
Additions	(180.891)	7.318.094	7.137.203
Depreciation charge for the period	(9.238.521)	(5.615.153)	(14.853.674)
<b>Right of use assets, net book value</b>	<b>30.739.275</b>	<b>13.795.875</b>	<b>44.535.150</b>

**12. GOVERNMENT GRANTS**

For the period ended 30 September 2021 the Group has received approved, well deserved and accrued incentive from TÜBİTAK TL 7.742.318 (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 September 2021, the Group has a corporate tax benefit of TL 749.035.991 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 September 2021, the amount of income tax incentive within the scope of Act numbered 5746 is TL 9.338.614 (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 11.208.471 (31 December 2020: TL 16.230.680).



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**13. COMMITMENTS**

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

	<b>30 September 2021</b>	<b>31 December 2020</b>
Guarantee letters given (*)	949.586.646	851.841.084
	<b>949.586.646</b>	<b>851.841.084</b>

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

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

	<b>TL Equivalent</b>	<b>Original Currency</b>		
		<b>TL</b>	<b>USD</b>	<b>EURO</b>
<b>30 September 2021</b>	<b>949.586.646</b>	197.667.395	73.373.620	9.992.177
<b>31 December 2020</b>	<b>851.841.084</b>	209.453.485	74.890.486	10.285.859

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

**Commitments, Pledges, Mortgages ("CPM") are given by the Company**

	<b>30 September 2021</b>	<b>31 December 2020</b>
A. Total amount of CPM is given on behalf of own legal personality	949.586.646	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	-	-
	<b>949.586.646</b>	<b>851.841.084</b>

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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:**

	<b>30 September 2021</b>	<b>31 December 2020</b>
Payables to employees	18.040.438	18.589.854
Social security payables	17.623.386	12.936.648
	<b>35.663.824</b>	<b>31.526.502</b>

**Short Term and Long-Term Provisions for Employee Benefits:**

<b>Short Term</b>	<b>30 September 2021</b>	<b>31 December 2020</b>
Provision for employee premiums	15.777.190	25.684.627
Unused vacation provision	3.867.560	5.609.830
	<b>19.644.750</b>	<b>31.294.457</b>
<b>Long Term</b>		
Unused vacation provision	5.394.343	9.876.573
Provision for severance indemnity	25.194.635	24.888.216
Provision for retirement benefits	178.776	148.392
	<b>30.767.754</b>	<b>34.913.181</b>
<b>Total</b>		
Provision for employee premiums	15.777.190	25.684.627
Unused vacation provision	9.261.903	15.486.403
Provision for severance indemnity	25.194.635	24.888.216
Provision for retirement benefits	178.776	148.392
	<b>50.412.504</b>	<b>66.207.638</b>

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 September 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 September 2021 and 31 December 2020 are as follows:

<b>Ticaret Unvanı</b>	<b>Pay Grubu</b>	<b>Sermaye Tutarı (TL)</b>	<b>Sermaye Tutarı (Adet)</b>	<b>Sermaye Oranı (%)</b>
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%
<b>ZTE Cooperatief U.A. (Toplam)</b>		<b>31.168.351</b>	<b>31.168.351</b>	<b>48,05%</b>
Türk Silahlı Kuvvetlerini Güçlendirme Vakfı	A	9.729.720	9.729.720	15,00%
Diğer Ortaklar	B	23.966.729	23.966.729	36,95%
<b>Toplam</b>		<b>64.864.800</b>	<b>64.864.800</b>	<b>100,00%</b>

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 September 2021 and 31 December 2020:

	<b><u>30 September 2021</u></b>	<b><u>31 December 2020</u></b>
Primary legal reserves	11.997.507	11.997.507
Secondary legal reserves	22.899.853	22.899.853
<b>Total</b>	<b><u>34.897.360</u></b>	<b><u>34.897.360</u></b>

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:**

	<b>1 January- 30 September 2021</b>	<b>1 July- 30 September 2021</b>	<b>1 January- 30 September 2020</b>	<b>1 July- 30 September 2020</b>
<b>Net domestic sales</b>	<b>1.377.211.503</b>	<b>419.319.214</b>	<b>990.561.478</b>	<b>346.666.759</b>
United States	25.089.966	24.836.133	53.157.439	18.051.770
Asia	36.845.069	32.781.458	18.505.108	6.791.657
Africa	12.730.837	3.932.563	11.590.697	4.154.846
Europe	11.961.938	3.507.918	45.317.234	16.229.649
<b>Net export</b>	<b>86.627.810</b>	<b>65.058.072</b>	<b>128.570.478</b>	<b>45.227.922</b>
<b>Total net sales</b>	<b>1.463.839.313</b>	<b>484.377.286</b>	<b>1.119.131.956</b>	<b>391.894.681</b>

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**16. REVENUE (Cont'd)**

<b>Performance Obligations:</b>	<b>1 January-30 September 2021</b>				
	<b>Telecom</b>	<b>System Integration</b>	<b>Technology</b>	<b>BDH</b>	<b>Total</b>
Hardware performance obligation	324.691.345	243.937.484	-	-	568.628.829
Licence performance obligation	28.802.423	226.597.285	-	-	255.399.708
Maintenance performance obligation	19.327.318	228.199.297	-	153.867.904	401.394.519
Design performance obligation	15.826.799	50.961.855	23.395.046	-	90.183.700
Installation performance obligation	15.591.537	32.268.043	-	-	47.859.580
Other performance obligations	32.006.057	68.366.920	-	-	100.372.977
	<b>436.245.479</b>	<b>850.330.884</b>	<b>23.395.046</b>	<b>153.867.904</b>	<b>1.463.839.313</b>
<b>Satisfaction of Performance Obligations:</b>					
At a point in time	430.831.914	675.012.605	23.395.046	153.867.904	1.283.107.469
Overtime	5.413.565	175.318.279	-	-	180.731.844
	<b>436.245.479</b>	<b>850.330.884</b>	<b>23.395.046</b>	<b>153.867.904</b>	<b>1.463.839.313</b>

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

<b>Performance Obligations:</b>	<b>Telecom</b>	<b>System Integration</b>	<b>Technology</b>	<b>BDH</b>	<b>Total</b>
Hardware performance obligation	133.731.168	185.606.780	-	-	319.337.948
Licence performance obligation	2.164.450	296.212.313	-	-	298.376.763
Maintenance performance obligation	10.864.518	104.970.733	-	103.894.297	219.729.548
Design performance obligation	573.990	56.866.839	89.401.052	-	146.841.881
Installation performance obligation	5.714.354	56.828.597	-	-	62.542.951
Other performance obligations	10.575.337	61.727.528	-	-	72.302.865
	<b>163.623.817</b>	<b>762.212.790</b>	<b>89.401.052</b>	<b>103.894.297</b>	<b>1.119.131.956</b>

**Satisfaction of Performance Obligations:**

At a point in time	145.361.554	526.113.948	-	-	671.475.502
Overtime	18.262.263	236.098.842	89.401.052	103.894.297	447.656.454
	<b>163.623.817</b>	<b>762.212.790</b>	<b>89.401.052</b>	<b>103.894.297</b>	<b>1.119.131.956</b>

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**17. INCOME AND EXPENSES FROM OTHER OPERATING ACTIVITIES**

	<b>1 January- 30 September 2021</b>	<b>1 July- 30 September 2021</b>	<b>1 January- 30 September 2020</b>	<b>1 July- 30 September 2020</b>
<b>Income from Other Operating Activities</b>				
Discount income, net (*)	5.588.911	2.147.218	366.507	237.662
R&D Incentives	2.579.720	2.114.974	2.207.282	685.768
Reversal for doubtful receivables expenses	923.822	(2.069.659)	6.583.196	1.001.039
Other income and gains	2.207.247	1.819.937	485.340	126.525
	<b>11.299.700</b>	<b>4.012.470</b>	<b>9.642.325</b>	<b>2.050.994</b>

	<b>1 January- 30 September 2021</b>	<b>1 July- 30 September 2021</b>	<b>1 January- 30 September 2020</b>	<b>1 July- 30 September 2020</b>
<b>Expenses from Other Operating Activities</b>				
Foreign exchange expenses, net	70.754.490	7.575.611	39.354.946	20.062.712
Legal case expenses	3.963.560	536.090	2.639.910	187.938
Expenses for doubtful receivables provision	7.216.207	2.458.190	1.795.756	67.307
Other tax expenses	4.099.298	3.335.618	821.234	229.077
Other expenses and losses	11.351.015	1.018.556	5.685.003	156.227
	<b>97.384.570</b>	<b>14.924.065</b>	<b>50.296.849</b>	<b>20.703.261</b>

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

**18. FINANCE INCOME / (EXPENSES)**

	<b>1 January- 30 September 2021</b>	<b>1 July- 30 September 2021</b>	<b>1 January- 30 September 2020</b>	<b>1 July- 30 September 2020</b>
<b>Financial Income</b>				
Foreign exchange gains, net (*)	81.634.953	8.474.806	106.080.688	57.441.049
Interest income	2.938.941	1.694.402	937.764	459.210
	<b>84.573.894</b>	<b>10.169.208</b>	<b>107.018.452</b>	<b>57.900.259</b>

	<b>1 January- 30 September 2021</b>	<b>1 July- 30 September 2021</b>	<b>1 January- 30 September 2020</b>	<b>1 July- 30 September 2020</b>
<b>Financial Expenses</b>				
Bank interest expenses	62.834.602	14.915.382	62.991.970	22.070.101
Interest and foreign exchange loss on leases	12.019.301	1.994.854	12.271.860	4.812.587
Guarantee letter commissions	7.879.340	2.417.182	6.113.489	1.900.395
Other financial expenses	13.075.311	12.771.437	1.544.781	1.009.422
	<b>95.808.554</b>	<b>32.098.855</b>	<b>82.922.100</b>	<b>29.792.505</b>

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



## **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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## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021

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### 19. TAX ASSETS AND LIABILITIES (Cont'd)

<u>Deferred tax assets</u>	<u>30 September 2021</u>	<u>31 December 2020</u>
Trade and unbilled receivables	(98.536.974)	(79.448.602)
Tangible and intangible assets	(34.246.221)	(23.364.493)
Trade payables and cost provisions	(7.878.089)	(2.885.749)
Carryforward tax losses	45.412.857	50.744.135
Unused R&D tax exemption	168.587.400	131.847.448
Provision for unused vacation	2.940.085	3.097.280
Inventory and contract assets	70.844.906	26.338.977
Provisions for employee premiums	5.117.648	5.136.926
Deferred revenues	2.506.996	9.081.490
Contract liabilities	11.546.591	5.198.006
Legal provision	1.634.717	1.194.776
Severance indemnity and retirement provisions	6.751.413	5.186.122
Other	30.177	(1.207.765)
	<u><b>174.711.506</b></u>	<u><b>130.918.551</b></u>

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

<u>Movement for deferred taxes is as follows:</u>	<u>30 September 2021</u>	<u>30 September 2020</u>
<b>Balance as of January, 1</b>	<b>130.918.551</b>	<b>104.770.576</b>
Restatement Effect	-	-
<b>Balance as of January, 1 (Restated)</b>	<b>130.918.551</b>	<b>104.770.576</b>
Current charge deferred tax income	14.771.342	20.017.802
Affiliate sales impact	11.989.119	-
Translation difference	17.032.494	30.894.419
Closing	<u><b>174.711.506</b></u>	<u><b>155.682.797</b></u>

	<u>1 January-</u>	<u>1 July-</u>	<u>1 January-</u>	<u>1 July-</u>
	<u>30 September 2021</u>	<u>30 September 2021</u>	<u>30 September 2020</u>	<u>30 September 2020</u>
Current tax loss	-	-	(2.494)	(2.494)
Deferred tax income	26.760.461	20.007.719	20.017.802	(27.077.965)
<b>Tax Income (Loss)/Income</b>	<u><b>26.760.461</b></u>	<u><b>20.007.719</b></u>	<u><b>20.015.308</b></u>	<u><b>(27.080.459)</b></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 September 2021</u>	<u>31 December 2020</u>
Corporate tax	-	2.619.207
Prepaid taxes	(29.735.317)	(33.959.609)
<b>Current tax liabilities/ (Current income tax assets )</b>	<u><b>(29.735.317)</b></u>	<u><b>(31.340.402)</b></u>

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**19. TAX ASSETS AND LIABILITIES (Cont'd)**

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

	<b>1 January 2021</b>	<b>Charge to Period</b>	<b>NETRD Sales Effect</b>	<b>Translation Difference</b>	<b>30 September 2021</b>
Tangible and intangible assets	(23.364.493)	(5.658.665)	(569.579)	(4.653.484)	(34.246.221)
Trade receivables	(79.448.602)	(2.578.602)	-	(16.509.770)	(98.536.974)
Trade payables and cost provisions	(2.885.749)	(4.020.373)	-	(971.967)	(7.878.089)
Inventory and contract assets	26.338.977	42.536.053	-	1.969.876	70.844.906
Deferred revenue	9.081.490	(7.703.358)	-	1.128.864	2.506.996
Provisions for employee bonuses	5.136.926	(1.518.967)	896.852	602.837	5.117.648
Provision for unused vacation	3.097.280	(933.392)	349.319	426.878	2.940.085
Severance indemnity and retirement provisions	5.186.122	544.607	-	1.020.684	6.751.413
Contract liabilities	5.198.006	4.826.778	-	1.521.807	11.546.591
Unused R&D tax exemption (Note 12)	131.847.448	2.082.096	11.312.509	23.345.347	168.587.400
Carryforward tax losses	50.744.135	(14.358.624)	-	9.027.346	45.412.857
Legal Provision	1.194.776	197.211	-	242.730	1.634.717
Other	(1.207.765)	1.356.578	18	(118.654)	30.177
	<b>130.918.551</b>	<b>14.771.342</b>	<b>11.989.119</b>	<b>17.032.494</b>	<b>174.711.506</b>

	<b>1 January 2020</b>	<b>Charge to Period</b>	<b>Translation Difference</b>	<b>30 September 2020</b>
Tangible and intangible assets	(10.857.658)	791.119	(5.186.886)	(15.253.425)
Trade receivables	(53.610.333)	15.799.636	(14.033.968)	(51.844.665)
Trade payables and cost provisions	14.562.439	2.293.565	(1.090.139)	15.765.865
Inventory and contract assets	(5.092.396)	9.049.771	84.177	4.041.552
Deferred revenue	1.151.892	(1.793.201)	523.616	(117.693)
Provisions for employee bonuses	3.634.132	(1.844.952)	1.350.590	3.139.770
Provision for unused vacation	3.431.613	(781.213)	875.083	3.525.483
Severance indemnity and retirement provisions	4.745.774	(935.731)	1.116.038	4.926.081
Contract liabilities	1.952.385	(13.744.889)	660.072	(11.132.432)
Unused R&D tax exemption (Note 12)	111.071.315	(26.419.351)	30.613.780	115.265.744
Carryforward tax losses	30.901.689	37.270.332	16.110.864	84.282.885
Other	2.879.724	332.716	(128.808)	3.083.632
	<b>104.770.576</b>	<b>20.017.802</b>	<b>30.894.419</b>	<b>155.682.797</b>

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**20. (L OSS) PER SHARE**

	<b>1 January- 30 September 2021</b>	<b>1 January- 30 September 2020</b>
Number of shares	64.864.800	64.864.800
Net profit/ (loss) for the period	(135.424.007)	(9.748.341)
(Loss) per share (kurus)	(2,0878)	(0,1503)

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 September 2021 and 31 December 2020 are as follows:

<b>Due from Related Parties</b>	<b>30 September 2021</b>	<b>31 December 2020</b>
ZTE İstanbul Telekomünikasyon(1)	32.584.272	41.210.643
ZTE Corporation(2)	3.352.209	1.786.854
	<b>35.936.481</b>	<b>42.997.497</b>

<b>Due to Related Parties</b>	<b>30 September 2021</b>	<b>31 December 2020</b>
ZTE Corporation(2)	160.682.999	117.460.722
ZTE İstanbul Telekomünikasyon(1)	3.360.057	27.243.179
Kron Telekomünikasyon A.Ş.(3)	2.369.950	477.756
	<b>166.413.006</b>	<b>145.181.657</b>

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) The company which controlled by main partner  
(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 September 2021 and 2020.

	1 January- 30 September 2021	1 July- 30 September 2021	1 January- 31 September 2020	1 July- 31 September 2020
<b>Sales</b>				
ZTE İstanbul Telekomünikasyon(1)	54.879.527	27.273.363	15.931.355	2.201.919
ZTE Kangxun Telecom (1)	1.915.144	-	-	-
ZTE Corporation(2)	4.835.586	3.061.919	1.341.424	1.077.087
Kron Telekomünikasyon A.Ş.(3)	1.601.724	-	198.939	38.510
	<b>63.231.981</b>	<b>30.335.282</b>	<b>17.471.718</b>	<b>3.317.516</b>
<b>Purchases</b>				
ZTE Corporation(2)	222.651.405	104.307.556	40.777.230	53.804.891
ZTE İstanbul Telekomünikasyon(1)	3.125.251	671.207	267.880	16.785.409
Kron Telekomünikasyon A.Ş.(3)	1.262.628	1.231.567	269.675	346.592
	<b>227.039.284</b>	<b>106.210.330</b>	<b>41.314.785</b>	<b>70.936.892</b>

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.

**Benefits to Top Management:**

Top management of the Group comprised of, the members of the management and executive committee, General Managers and Deputy General Managers. For the period ended 30 September 2021, total remuneration for the directors and management board of the Group is TL 25.076.651 (30 September 2020: TL 17.663.895). As of 30 September 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 September 2021, and 31 December 2020 the Group's net debt / total equity ratios are as follows:

	30 September 2021	31 December 2020
Short-term and long-term borrowings (*)	812.861.909	526.499.281
Cash and cash equivalents	(310.336.422)	(305.858.010)
Net financial debt	502.525.487	220.641.271
Equity	546.979.209	585.075.637
<b>Net financial debt/ Equity Ratio</b>	<b>92%</b>	<b>38%</b>

(\*) As of the 30 September 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:

<b>30 September 2021</b>	<b>Trade Receivables</b>		<b>Contract Assets related to</b>	<b>Other Receivables</b>	<b>Deposits at Banks</b>
	<b>Related Parties</b>	<b>Other</b>	<b>Goods and Services Provided</b>	<b>Other</b>	
<b>Maximum credit risks as of balance sheet date (A+B+C+D)</b>	<b>35.936.481</b>	<b>1.044.195.752</b>	<b>261.562.897</b>	<b>1.117.015</b>	<b>310.336.422</b>
Maximum risk guaranteed by collateral	-	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	35.936.481	886.268.917	261.562.897	1.117.015	310.336.422
(B) Net book value of overdue but not impaired financial assets	-	157.926.835	-	-	-
Guaranteed by collateral	-	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-	-
Overdue (gross book value)	-	94.145.341	-	-	-
Impairment (-)	-	(94.145.341)	-	-	-
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>	
<b>Maximum credit risks as of balance sheet date (A+B+C+D)</b>	<b>42.997.497</b>	<b>1.052.464.335</b>	<b>173.169.862</b>	<b>571.632</b>	<b>305.858.010</b>
Maximum risk guaranteed by collateral	-	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	42.997.497	864.633.825	173.169.862	571.632	305.858.010
(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:

<b>30 September 2021</b>	<b>Undue</b>	<b>1-30 days overdue</b>	<b>1-3 months overdue</b>	<b>3-6 months overdue</b>	<b>6-12 months overdue</b>	<b>1-5 years overdue</b>
Credit loss ratio (%)	0,5%	1,4%	2,1%	3,6%	6,6%	16,1%
As of period	876.257.988	35.726.636	11.189.441	3.196.094	1.119.774	116.705.819
Expected credit loss	13.963.688	7.937	162.216	102.388	403.412	9.334.976

  

<b>31 December 2020</b>	<b>Undue</b>	<b>1-30 days overdue</b>	<b>1-3 months overdue</b>	<b>3-6 months overdue</b>	<b>6-12 months overdue</b>	<b>1-5 years overdue</b>
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 September 2021, and 31 December 2020 liquidity risk table are as follows;

**30 September 2021**

<b><u>Maturities due to agreements</u></b>	<b>Carrying amount</b>	<b>Cash outflows due to agreements</b>	<b>Up to 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>
<b><u>Non- derivative financial liabilities</u></b>	<b>1.804.310.503</b>	<b>1.842.225.077</b>	<b>1.269.667.622</b>	<b>517.506.843</b>	<b>39.585.619</b>	<b>15.464.993</b>
Financial liabilities	812.861.909	838.185.847	323.341.556	503.423.022	11.421.269	-
Lease Liabilities	68.943.835	81.534.471	23.821.307	14.083.821	28.164.350	15.464.993
Due to related parties	166.413.006	166.413.006	166.413.006	-	-	-
Other trade payables to third parties	751.376.524	751.376.524	751.376.524	-	-	-
Other payables to third parties	4.715.229	4.715.229	4.715.229	-	-	-

**31 December 2020**

<b><u>Maturities due to agreements</u></b>	<b>Carrying amount</b>	<b>Cash outflows due to agreements</b>	<b>Up to 3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>
<b><u>Non- derivative financial liabilities</u></b>	<b>1.512.636.983</b>	<b>1.552.422.739</b>	<b>1.088.836.884</b>	<b>391.307.505</b>	<b>63.778.350</b>	<b>8.500.000</b>
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.

	<b>30 September 2021</b>	<b>31 December 2020</b>
<b>Fixed interest rate financial instruments</b>	<b>1.149.611.138</b>	<b>1.261.671.796</b>
Cash and Cash Equivalents (*)	68.361.890	165.638.332
Trade Receivables	1.080.132.233	1.095.461.832
Other Receivables	1.117.015	571.632
<b>Fixed interest rate financial liabilities</b>	<b>1.526.843.058</b>	<b>1.351.855.464</b>
Short and Long Term Unsecured Loans	535.394.464	365.717.762
Lease Liabilities	68.943.835	59.409.133
Trade Payables	917.789.530	886.418.679
Other Payables	4.715.229	40.309.890
<b>Variable interest rate financial instruments</b>	<b>270.459.731</b>	<b>154.325.870</b>
Short and Long Term Unsecured Loans	270.459.731	154.325.870
<b>Interest-free financial liabilities</b>	<b>7.007.714</b>	<b>6.455.649</b>
Non Interest bearing unsecured spot loans	7.007.714	6.455.649

(\*) As of 30 September 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.

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021**

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

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

<b>30 September 2021</b>	<b>TL Equivalent (*)</b>	<b>Original Currency</b>		
		<b>TL</b>	<b>Avro</b>	<b>Other</b>
<b>Current Assets</b>	<b>642.796.837</b>	<b>396.862.222</b>	<b>12.282.668</b>	<b>649.504.098</b>
Cash and cash equivalents	119.839.443	48.064.613	371.334	277.836.753
Trade receivables, third parties	521.907.545	348.143.307	11.884.742	369.668.929
Other receivables, third parties	1.049.849	654.303	26.592	1.998.416
<b>TOTAL ASSETS (A)</b>	<b>642.796.837</b>	<b>396.862.222</b>	<b>12.282.668</b>	<b>649.504.098</b>
<b>Short Term Liabilities</b>	<b>631.790.541</b>	<b>501.555.785</b>	<b>10.198.755</b>	<b>61.999.067</b>
Financial liabilities	471.192.536	390.759.179	7.798.842	-
Lease liabilities	43.032.471	43.032.471	-	-
Trade payables, third parties	116.448.518	66.647.119	2.399.913	61.999.067
Other payables, third parties	1.117.015	1.117.015	-	-
<b>Long Term Liabilities</b>	<b>37.332.633</b>	<b>37.332.633</b>	<b>-</b>	<b>-</b>
Long term financial liabilities	11.421.269	11.421.269	-	-
Lease liabilities	25.911.364	25.911.364	-	-
<b>TOTAL LIABILITIES (B)</b>	<b>669.123.174</b>	<b>538.888.418</b>	<b>10.198.755</b>	<b>61.999.067</b>
<b>Net Foreign Currency Asset / (Liability) Position (A-B)</b>	<b>(26.326.337)</b>	<b>(142.026.195)</b>	<b>2.083.913</b>	<b>587.505.031</b>

(\*) 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.

(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 SEPTEMBER 2021**

(Unless otherwise stated the amounts are in TL).

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

31 December 2020	TL Equivalent (*)	Original Currency		
		TL	Avro	Other
<b>Current Assets</b>	<b>530.143.637</b>	<b>391.586.399</b>	<b>13.083.999</b>	<b>247.399.415</b>
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
<b>TOTAL ASSETS (A)</b>	<b>530.143.637</b>	<b>391.586.399</b>	<b>13.083.999</b>	<b>247.399.415</b>
<b>Short Term Liabilities</b>	<b>626.474.532</b>	<b>558.139.766</b>	<b>7.014.760</b>	<b>79.282.095</b>
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
<b>Long Term Liabilities</b>	<b>65.608.465</b>	<b>65.608.465</b>	<b>-</b>	<b>-</b>
Long term financial liabilities	21.376.420	21.376.420	-	-
Lease liabilities	44.232.045	44.232.045	-	-
<b>TOTAL LIABILITIES (B)</b>	<b>692.082.997</b>	<b>623.748.231</b>	<b>7.014.760</b>	<b>79.282.095</b>
<b>Net Foreign Currency Asset / (Liability) Position (A-B)</b>	<b>(161.939.360)</b>	<b>(232.161.832)</b>	<b>6.069.239</b>	<b>168.117.320</b>

(\*) 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.

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE**  
**PERIOD ENDED 30 SEPTEMBER 2021**  
(Unless otherwise stated the amounts are in TL).

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

**Foreign currency risk (Cont'd)**

**30 September 2021**

	<b><u>Profit /(Loss)</u></b>	
	<b><u>Appreciation</u></b>	<b><u>Devaluation</u></b>
<i>Effect of 10 % appreciation/devaluation in TL -USD exchange rate :</i>		
Net asset / (liability) in TL	(14.202.620)	14.202.620
Hedged portion from TL risk (-)	-	-
<b>(1) Net effect of TL</b>	<b>(14.202.620)</b>	<b>14.202.620</b>
<i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i>		
Net asset / (liability) in EUR	2.149.244	(2.149.244)
Hedged portion from EUR risk (-)	-	-
<b>(2) Net effect of EUR</b>	<b>2.149.244</b>	<b>(2.149.244)</b>
<i>Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:</i>		
Net asset / (liability) in other currencies	11.542.416	(11.542.416)
Hedged portion from other currencies risk (-)	-	-
<b>(3) Net effect of other currencies</b>	<b>11.542.416</b>	<b>(11.542.416)</b>
<b>TOTAL (1+2+3)</b>	<b>(510.960)</b>	<b>510.960</b>

**31 December 2020**

	<b><u>Profit / (Loss)</u></b>	
	<b><u>Appreciation</u></b>	<b><u>Devaluation</u></b>
<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 (-)	-	-
<b>(1) Net effect of TL</b>	<b>(23.216.183)</b>	<b>23.216.183</b>
<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 (-)	-	-
<b>(2) Net effect of EUR</b>	<b>5.467.110</b>	<b>(5.467.110)</b>
<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 (-)	-	-
<b>(3) Net effect of other currencies</b>	<b>1.555.137</b>	<b>(1.555.137)</b>
<b>TOTAL (1+2+3)</b>	<b>(16.193.936)</b>	<b>16.193.936</b>

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL).

#### 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.

## NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL).

#### 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.

**NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2021**

(Unless otherwise stated the amounts are in TL).

**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:

	<b>5 March 2021</b>
	<b>Carrying Amount</b>
<b>ASSETS</b>	
<b>Current Assets</b>	<b>46.684.733</b>
Cash and Cash Equivalents	1.007.669
Trade Receivables and other receivables	33.921.238
Other Current Assets	11.755.826
<b>Non-Current Assets</b>	<b>15.629.336</b>
Property, Plant and Equipment	3.244.864
Intangible Assets	2.277.222
Deferred Tax Assets	10.107.250
<b>TOTAL ASSETS</b>	<b>62.314.069</b>
<b>LIABILITIES</b>	
<b>Short Term Liabilities</b>	<b>11.604.199</b>
Trade Payables	1.812.677
Other Payables	8.540
Provisions for Employee Benefits	9.483.701
Other Short Term Provisions	299.281
<b>Fair value of net assets purchased</b>	<b>50.709.870</b>
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
<b>Calculated Profit</b>	<b>38.872.094</b>
Profit calculated over the transferred price	38.872.094
Cash and cash equivalents disposed of with the sale transaction	(1.007.669)
<b>Net cash inflow on sales transaction</b>	<b>88.574.295</b>