

**NETAŞ TELEKOMÜNİKASYON A.Ş.
AND ITS' SUBSIDIARIES
AS AT AND FOR THE PERIOD ENDED
30 SEPTEMBER 2022
CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS AND
THE AUDITOR'S REVIEW REPORT**

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

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2022**

(Unless otherwise stated the amounts are in TL)

| | Notes | Unreviewed 30 September 2022 | Audited 31 December 2021 |
|---|-------|---------------------------------|-----------------------------|
| ASSETS | | | |
| Current Assets | | 2.802.365.774 | 2.948.964.059 |
| Cash and Cash Equivalents | 5 | 254.919.035 | 541.970.727 |
| Trade Receivables | | 1.386.622.414 | 1.348.616.225 |
| <i>Due from related parties</i> | 22 | 4.480.945 | 16.530.090 |
| <i>Trade receivables, third parties</i> | 7 | 1.382.141.469 | 1.332.086.135 |
| Other Receivables | | 2.876.556 | 2.901.515 |
| <i>Other receivables, third parties</i> | | 2.876.556 | 2.901.515 |
| Inventories | 8 | 430.502.272 | 379.632.146 |
| Contract Assets related to Goods and Services Provided | | 587.764.488 | 572.161.427 |
| <i>Contract Assets related to Goods and Services Provided</i> | 4 | 587.764.488 | 572.161.427 |
| Prepaid Expenses | | 77.190.507 | 36.731.381 |
| Current Income Tax Assets | 20 | 37.285.202 | 33.562.897 |
| Other Current Assets | | 25.205.300 | 33.387.741 |
| Non-Current Assets | | 958.953.491 | 717.962.787 |
| Property, Plant and Equipment | 9 | 122.194.565 | 107.379.852 |
| Right of Use Assets | 11 | 85.201.631 | 67.931.249 |
| Financial Investments | | 24.905.871 | 17.926.217 |
| Intangible Assets | | 461.654.337 | 346.561.747 |
| <i>Goodwill</i> | 10 | 339.412.734 | 244.295.352 |
| <i>Other intangible assets</i> | 10 | 122.241.603 | 102.266.395 |
| Investments Accounted Using the Equity Method | 3 | - | 8.621.337 |
| Deferred Tax Assets | 20 | 264.997.087 | 169.542.385 |
| TOTAL ASSETS | | 3.761.319.265 | 3.666.926.846 |

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 2022

(Unless otherwise stated the amounts are in TL)

| | Notes | Unreviewed 30 September 2022 | Audited 31 December 2021 |
|---|-------|---------------------------------|-----------------------------|
| LIABILITIES | | | |
| Short Term Liabilities | | 3.640.606.598 | 3.508.145.330 |
| Short Term Borrowings | | 1.117.513.177 | 1.115.963.022 |
| <i>Short Term Bank Loans</i> | 6 | 1.117.513.177 | 1.115.963.022 |
| Short-Term Portion of Long-Term Borrowings | | 98.908.112 | 80.859.969 |
| <i>Short-Term Portion of Long-Term Bank Loans</i> | 6 | 8.162.815 | 12.919.150 |
| <i>Short-Term Portion of Long-Term Lease Liabilities</i> | 6 | 90.745.297 | 67.940.819 |
| Trade Payables | | 1.617.886.141 | 1.599.413.559 |
| <i>Due to related parties</i> | 22 | 448.983.460 | 457.540.058 |
| <i>Trade payables, third parties</i> | 7 | 1.168.902.681 | 1.141.873.501 |
| Other Payables | | 22.471.069 | 81.774.643 |
| <i>Other payables, third parties</i> | | 22.471.069 | 81.774.643 |
| Employee Benefit Obligations | 15 | 37.333.792 | 26.272.106 |
| Contract Liabilities | | 487.149.145 | 356.827.319 |
| <i>Contract Liabilities</i> | 4 | 487.149.145 | 356.827.319 |
| Provisions | | 245.393.913 | 247.034.712 |
| <i>Provisions for Employee Benefits</i> | 15 | 33.149.056 | 26.573.697 |
| <i>Other Short Term Provisions</i> | 13 | 212.244.857 | 220.461.015 |
| Current Income Tax Liabilities | 20 | 13.951.249 | - |
| Long Term Liabilities | | 117.419.069 | 123.373.240 |
| Long Term Borrowings | | 70.604.859 | 60.918.001 |
| <i>Bank Loans</i> | 6 | - | 13.817.167 |
| <i>Lease Liabilities</i> | 6 | 70.604.859 | 47.100.834 |
| Provisions | | 46.814.210 | 47.530.550 |
| <i>Provisions for Employee Benefits</i> | 15 | 46.814.210 | 47.530.550 |
| Deferred Tax Liabilities | 20 | - | 14.924.689 |
| SHAREHOLDERS' EQUITY | | | |
| Equity Attributable to Equity Holders of the Parent | | 4.609.203 | 36.923.410 |
| Share Capital | 16 | 64.864.800 | 64.864.800 |
| Share Capital Adjustments | | 41.612.160 | 41.612.160 |
| Other comprehensive income to be reclassified in profit and loss | | 8.700.180 | (4.850.226) |
| <i>Currency Translation Differences</i> | | 8.700.180 | (4.850.226) |
| Other comprehensive income not to be reclassified in profit and loss | | 550.475.859 | 545.653.120 |
| <i>Remeasurement gain/ (loss) on defined benefit plans</i> | | (17.262.824) | (17.262.824) |
| <i>Currency Translation Differences</i> | | 567.738.683 | 562.915.944 |
| Restricted Reserves | 16 | 34.897.360 | 34.897.360 |
| Retained Earnings | | (645.253.804) | 22.958.336 |
| Net Loss for the Period | | (50.687.352) | (668.212.140) |
| Non-controlling interests | | (1.315.605) | (1.515.134) |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 3.761.319.265 | 3.666.926.846 |

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 2022

(Unless otherwise stated the amounts are in TL)

| | Notes | Unreviewed | | Unreviewed | |
|--|-------|---------------------------------|---------------------------------|------------------------------|------------------------------|
| | | 1 January- 30 September 2022 | 1 January- 30 September 2021 | 1 July- 30 September 2022 | 1 July- 30 September 2021 |
| INCOME OR LOSS FROM OPERATIONS | | | | | |
| Revenue | 17 | 2.630.065.236 | 1.463.839.313 | 1.050.597.339 | 484.377.286 |
| Cost of Sales (-) | 4 | (2.387.312.145) | (1.397.813.879) | (969.163.609) | (458.478.508) |
| GROSS PROFIT | | 242.753.091 | 66.025.434 | 81.433.730 | 25.898.778 |
| Sales, Marketing and Distribution Expenses (-) | 4 | (109.533.476) | (75.429.277) | (38.338.546) | (25.231.787) |
| General Administrative Expenses (-) | 4 | (110.092.288) | (78.649.804) | (39.336.018) | (28.760.234) |
| Research and Development Expenses (-) | 4 | (4.368.679) | (13.843.639) | (1.236.710) | (2.987.257) |
| Other Income from Operating Activities | 18 | 634.377 | 8.719.980 | 263.210 | 1.897.496 |
| Other Expenses from Operating Activities (-) | 18 | (107.910.776) | (97.384.570) | (36.732.746) | (14.924.065) |
| OPERATING LOSS | | (88.517.751) | (190.561.876) | (33.947.080) | (44.107.069) |
| Income from Investment Activities | | 31.259.458 | 42.380.650 | 48.575 | 1.633.408 |
| Expenses from Investment Activities (-) | | (756.165) | (2.809.373) | (68.191) | (1.350.532) |
| Income from Investments Accounted Using the Equity Method | 3 | 304.063 | 40.791 | 19.417 | (121.890) |
| OPERATING LOSS BEFORE FINANCE INCOME AND (EXPENSES) | | (57.710.395) | (150.949.808) | (33.947.279) | (43.946.083) |
| Financial Income | 19 | 143.547.556 | 84.573.894 | 47.263.572 | 10.169.208 |
| Financial Expenses (-) | 19 | (166.251.275) | (95.808.554) | (62.043.352) | (32.098.855) |
| LOSS BEFORE TAX | | (80.414.114) | (162.184.468) | (48.727.059) | (65.875.730) |
| Tax (Expenses)/ Income | | 29.926.291 | 26.760.461 | 17.931.834 | 20.007.719 |
| Current Tax Expenses | 20 | (12.993.356) | - | (3.648.540) | - |
| Deferred Tax Income | 20 | 42.919.647 | 26.760.461 | 21.580.374 | 20.007.719 |
| NET LOSS FOR THE YEAR | | (50.487.823) | (135.424.007) | (30.795.225) | (45.868.011) |
| Attributable to: | | | | | |
| Non-controlling Interest | | 199.529 | 1.428.039 | 721.745 | (467.582) |
| Equity Holders of the Parent | | (50.687.352) | (136.852.046) | (31.516.970) | (45.400.429) |
| Earn/(Loss) per share | 21 | (0,7784) | (2,0878) | (0,4748) | (0,7071) |
| OTHER COMPREHENSIVE INCOME/ (EXPENSES) | | | | | |
| Other comprehensive income or (expenses) that will not be reclassified subsequently to profit of loss | | 4.822.739 | 98.202.107 | (983.591) | (705.319) |
| Foreign currency translation differences, excluding the translation of subsidiaries abroad | | 4.822.739 | 98.202.107 | (983.591) | (705.319) |
| Other comprehensive income or expenses that will be reclassified subsequently to profit of (loss) | | 13.550.406 | (3.133.370) | 3.641.750 | 8.575.840 |
| Foreign currency translation differences, the translation of subsidiaries abroad | | 13.550.406 | (3.133.370) | 3.641.750 | 8.575.840 |
| OTHER COMPREHENSIVE INCOME/ (LOSS) | | 18.373.145 | 95.068.737 | 2.658.159 | 7.870.521 |
| TOTAL COMPREHENSIVE LOSS | | (32.114.678) | (40.355.270) | (28.137.066) | (37.997.490) |
| Attributable to: | | | | | |
| Non-controlling Interest | | 399.058 | (2.258.842) | 1.443.490 | 535.686 |
| Equity Holders of the Parent | | (32.513.736) | (38.096.428) | (29.580.556) | (38.533.176) |

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2022

(Unless otherwise stated the amounts are in TL)

| | | | Other comprehensive income or expenses will be reclassified subsequently to profit or loss | Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss | | | Retained Earnings | | | | |
|--|-------------------|------------------------------|---|---|---|------------------------|----------------------|------------------------------|---------------------------------|-----------------------------|--------------------|
| | Share Capital | Share Capital Adjustments | Currency Translation Differences | Currency Translation Differences | Remeasurement loss on defined benefit plans | Restricted Reserves | Retained Earnings | Net (Loss) for the Period | Equity Holders of the Parent | Non-controlling Interest | TOTAL |
| 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 |
| Transfer | - | - | - | - | - | - | (71.130.227) | 71.130.227 | - | - | - |
| Total comprehensive expense | - | - | 553.511 | 98.202.107 | - | - | - | (136.852.046) | (38.096.428) | (2.258.842) | (40.355.270) |
| <i>Net Loss for Period</i> | - | - | - | - | - | - | - | (136.852.046) | (136.852.046) | 1.428.039 | (135.424.007) |
| <i>Other Comprehensive Income</i> | - | - | 553.511 | 98.202.107 | - | - | - | - | 98.755.618 | (3.686.881) | 95.068.737 |
| 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 |
| Balance as at 1 January 2022 | 64.864.800 | 41.612.160 | (4.850.226) | 562.915.944 | (17.262.824) | 34.897.360 | 22.958.336 | (668.212.140) | 36.923.410 | (1.515.134) | 35.408.276 |
| Transfer | - | - | - | - | - | - | (668.212.140) | 668.212.140 | - | - | - |
| Total comprehensive Expense | - | - | 13.550.406 | 4.822.739 | - | - | - | (50.687.352) | (32.314.207) | 199.529 | (32.114.678) |
| <i>Selling of Associates</i> | - | - | 12.999.534 | - | - | - | - | 30.469.943 | 43.469.477 | - | 43.469.477 |
| <i>Other Comprehensive expense</i> | - | - | 550.872 | 4.822.739 | - | - | - | (81.157.295) | (75.783.684) | 199.529 | (75.584.155) |
| Balance as at 30 September 2022 | 64.864.800 | 41.612.160 | 8.700.180 | 567.738.683 | (17.262.824) | 34.897.360 | (645.253.804) | (50.687.352) | 4.609.203 | (1.315.605) | 3.293.598 |

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2022

(Unless otherwise stated the amounts are in TL.)

| | Notes | Current Period 1 January- 30 September 2022 | Previous Period 1 January- 30 September 2021 |
|---|---------|---|--|
| A. CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net (Loss) for the Period | | (50.487.823) | (135.424.007) |
| <i>Profit/(Loss) from Continuing Operations</i> | | <i>(50.487.823)</i> | <i>(135.424.007)</i> |
| Adjustments to Reconcile Profit/Loss | | (15.454.768) | 57.869.606 |
| Adjustments for Depreciation and Amortisation Expenses | 9-10-11 | 73.968.401 | 69.957.114 |
| Adjustments for (Reversal of) Impairment Loss Recognised in Profit or Loss | | (6.961.192) | 8.916.784 |
| <i>Adjustments for (Reversal of) Provision of Receivables</i> | 7 | <i>(634.377)</i> | <i>7.216.207</i> |
| <i>Adjustment for Reversal of Provision of Inventory</i> | 8 | <i>(6.326.815)</i> | <i>1.700.577</i> |
| Adjustments For Provisions | | (25.656.161) | 13.877.104 |
| <i>Adjustments for Provisions Related with Employee Benefits</i> | | <i>45.080.340</i> | <i>12.947.112</i> |
| <i>Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions</i> | | <i>4.474.708</i> | <i>1.223.020</i> |
| <i>Adjustments for (Reversal of) Other Provisions</i> | | <i>(75.211.209)</i> | <i>(293.028)</i> |
| Adjustments for Interest (Income) and Expenses | | 125.777.722 | 66.326.051 |
| <i>Adjustments for Interest Income</i> | 19 | <i>(3.325.350)</i> | <i>(2.938.941)</i> |
| <i>Adjustments for Interest Expense</i> | 19 | <i>140.318.990</i> | <i>74.853.903</i> |
| <i>Unearned Financial Loss/Income from Credit Sales</i> | 18 | <i>(11.215.918)</i> | <i>(5.588.911)</i> |
| Adjustments For Unrealised Foreign Exchange Losses (Gains) | 19 | (140.222.206) | (81.634.953) |
| Adjustments for Share of Profit of Investments Accounted for Using the Equity Method | 3 | - | 4.924.755 |
| Adjustments for Losses Tax Expense | 20 | (42.919.647) | (26.760.461) |
| Adjustments for Losses (Gains) on Disposal of Subsidiaries or Joint Operations | 26 | - | (88.574.295) |
| Adjustments for (Gains)/Losses disposal of non-current assets | | 558.315 | 2.263.212 |
| <i>Adjustments for (Gains)/Losses Arising From Sale of Property, Plant and Equipment</i> | | <i>558.315</i> | <i>2.263.212</i> |
| (Income) Expense Caused by Sale or Changes in Share of Associates, Joint Ventures and Financial Investments | | (30.469.944) | - |
| Changes in Working Capital | | 102.364.528 | (88.170.575) |
| Adjustments for Decrease / (Increase) in Trade Receivables | | 498.933.281 | 232.455.051 |
| <i>Decrease (Increase) in Trade Receivables from Related Parties</i> | | <i>18.485.202</i> | <i>21.452.684</i> |
| <i>Decrease (Increase) in Trade Receivables from Third Parties</i> | | <i>480.448.079</i> | <i>211.002.367</i> |
| Adjustments for Decrease (Increase) in Other Receivables Related with Operations | | 22.336.768 | 8.339.244 |
| <i>Adjustments for Decrease (Increase) in Other Receivables Related with Operations from Third Parties</i> | | <i>22.336.768</i> | <i>8.339.244</i> |
| Adjustments for Decrease / (Increase) in Inventories | | 103.267.999 | 15.763.570 |
| Decrease / (Increase) in Prepaid Expenses | | (26.157.614) | (52.900.440) |
| Adjustments for (Decrease) in Trade Payables | | (604.265.549) | (150.103.162) |
| <i>Increase (Decrease) in Trade Payables to Related Parties</i> | | <i>(186.701.668)</i> | <i>(8.491.285)</i> |
| <i>(Decrease)/Increase in Trade Payables to Third Parties</i> | | <i>(417.563.881)</i> | <i>(141.611.877)</i> |
| <i>Increase (Decrease) in Payables due to Employee Benefits</i> | | <i>832.535</i> | <i>(2.317.010)</i> |
| <i>(Decrease)/Increase in Contract Assets</i> | | <i>207.170.302</i> | <i>(52.940.454)</i> |
| Adjustments for Decrease in Other Operating Payables | | (91.142.862) | (43.847.192) |
| <i>(Decrease) in Other Operating Payables to Unrelated Parties</i> | | <i>(91.142.862)</i> | <i>(43.847.192)</i> |
| (Decrease)/ Increase in Contract Liabilities | | (8.610.332) | (42.620.182) |
| Cash Flows (Used in) Generated From Operations | | 5.951.993 | (254.299.271) |
| Payments Related with Provisions for Employee Benefits | | (39.221.321) | (28.742.246) |
| Income Taxes Paid | 20 | 10.228.944 | 1.605.085 |
| Payments Related with Lawsuits | | (841.737) | - |
| | | (23.882.121) | (281.436.432) |

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2022

(Unless otherwise stated the amounts are in TL.)

| | Notes | Current Period 1 January- 30 September 2022 | Previous Period 1 January- 30 September 2021 |
|---|-------|---|--|
| B.CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES | | | |
| Proceeds from Sales of Property, Plant, Equipment and Intangible Assets | | 1.057.207 | 9.110.091 |
| <i>Proceeds from Sales of Property, Plant, Equipment</i> | | 756.354 | 6.708.572 |
| <i>Proceeds from Intangible Assets</i> | | 300.853 | 2.401.519 |
| Purchase of Property, Plant, Equipment and Intangible Assets | | (7.135.906) | (41.924.916) |
| <i>Purchase of Property, Plant, Equipment</i> | 9 | (6.807.709) | (20.872.636) |
| <i>Purchase of Intangible Assets</i> | 10 | (328.197) | (21.052.280) |
| Cash Inflows From The Sale of Subsidiaries | | - | 88.574.295 |
| Cash Inflows Due to Share Sale or Capital Reduction of Associates and/or Joint Ventures | | 52.080.098 | - |
| Interest Received | 19 | 3.325.350 | 2.938.941 |
| Other Outflows of Cash | | (6.979.654) | (5.055.829) |
| | | 42.347.095 | 53.642.582 |
| C.CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES | | | |
| Inflows from Borrowings | 6 | 1.231.742.901 | 814.740.827 |
| Outflows from Borrowings | 6 | (1.357.861.107) | (592.455.242) |
| Interest Paid | | (128.669.173) | (62.834.602) |
| Payments of lease liabilities | | (27.351.611) | (14.322.900) |
| | | (282.138.990) | 145.128.083 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C) | | | |
| | | (263.674.016) | (82.665.767) |
| D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | | | |
| | | (23.377.676) | 87.144.180 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D) | | | |
| | | (287.051.692) | 4.478.413 |
| E.CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | | |
| | 5 | 541.970.727 | 305.858.010 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR (A+B+C+D+E) | | | |
| | 5 | 254.919.035 | 310.336.423 |

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2022

(Unless otherwise stated the amounts are in TL)

1 ORGANIZATION AND OPERATIONS OF THE GROUP

Netaş Telekomünikasyon A.Ş. (the “Company”) and its’ subsidiaries (together the “Group”) is an incorporated company, registered in Istanbul. The Company is engaged in the manufacture and trade of telecommunication equipment, project installation services, technical support, repair and maintenance services, IT services, strategic outsourcing services, implementation activities, and associated services. The shares of the Company are quoted on the Borsa İstanbul (“BIST”) since 1993. The former headquarter which is registered at Yenişehir Mah. Osmanlı Bulvarı No: 11 34912 Kurtköy-Pendik/İstanbul.

The Group works with major clients such as Aselsan Elektronik Sanayi ve Ticaret A.Ş., Türk Telekomünikasyon A.Ş., Vodafone İletişim Hizmetleri A.Ş., TT Mobil İletişim Hizmetleri A.Ş., Turkcell İletişim Hizmetleri A.Ş., service providers, corporate and governmental institutions in Turkey, to provide communications solutions and the infrastructure needed for modern communication systems. The Company is also engaged in research and development and provided design and development services to the foreign customers as well as to local customers.

Netaş Bilişim Teknolojileri A.Ş. (“Netaş Bilişim”) which is the %100 subsidiary of the Group offers industrial solutions, system integration, outsourcing, support services, network solutions and consultancy services to its domestic customers. Netaş Bilişim founded in 1989, also provides value added solutions to international customers in Kazakhstan, Azerbaijan, Algeria with strategic business partnerships.

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

The Company established Netas Telecom Limited Liability Partnership as a "Limited Liability Partnership" on 25 June 2012 in Almaty, Kazakhstan, with a founding capital of 161,800 Tenge (approximately US\$ 1,100), fully owned by the Company.

An agreement was reached between Lütfi Yenel, one of the partners of the company and Kron Telekomünikasyon A.Ş., 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 the decision of the Board of Directors dated 29 April 2022, it was decided to sign the Share Purchase and Sale Agreement to sell all of 10% A Group shares in Kron Telekomünikasyon A.Ş. with a total nominal value of TL 1.426.852 to Zeynep Yenel Onursal for a share value of TL 36.5 and a total value of TL 52.080.098. Within the framework of the aforementioned Share Purchase and Sale Agreement, the share transfer was realized as of 29 April 2022, and the Group obtained a sales profit of TL 30.469.944 from the transaction and reflected it in the profit or loss statements (Note 3).

It was established in Malta through the establishment of a capital of 1,200 EUR (Netaş Telecommunications Malta Ltd.), fully owned by the Company, and its registration was completed on 4 November 2014.

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

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 26).

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

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

The establishment of the Netas Telecommunications Algeria Sarl LLC, a joint venture company with 23.800.000 Algerian Dinars of share capital, has been registered and completed between the Company and Mohamed Karim Faraoun on 31 March 2019. The control of the management of this company, in which the Company owned 49% of the shares, belongs to Netas Telekomünikasyon A.Ş. in accordance with the agreement between the parties and therefore, Netas Telecommunications Algeria Sarl LLC is accounted with full consolidated method.

The Group's largest shareholder and the controlling shareholder is ZTE Cooperatief U.A. The capital structure of the Group is presented in Note 16.

As of 30 September 2022, the Group has no blue-collar employees (31 December 2021: None). The average number of white-collar personnel employed in the Group as of 30 September 2022 is 1.944 (31 December 2021: 2.171).

Approval of Condensed Consolidated Financial Statements

The financial statements were approved by the Board of Directors on 3 November 2022. The General Assembly has the right to change the interim condensed consolidated financial statements.

2 BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

a) Statement of Compliance

The accompanying financial statements are prepared in accordance with Turkish Financial Reporting Standards Accounting Standards ("TFRS") published by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") together with the provisions of the communique of "Principles of Financial Reporting in Capital Market" issued by Capital Markets Board of Turkey ("CMB")'s dated 13 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 4 September 2022 by POA.

For the period ended 30 September 2022, 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 2021.

b) Basis of presentation of condensed consolidated financial statements

The details of the Company's subsidiaries as of 30 September 2022 and 31 December 2021 are as follows:

| | Kuruluş ve faaliyet yeri | Grup'un sermayedeki pay oranı ve oy kullanma hakkı oran | Ana faaliyet alanı |
|--|-----------------------------|---|---|
| Netaş Bilişim Teknolojileri A.Ş. | Türkiye | % 100 | Proje kurulum danışmanlığı ve ağ çözümleri |
| BDH Bilişim Destek Hizmetleri Sanayi ve Ticaret A.Ş. | Türkiye | % 100 | Teknik destek ve bakım onarım hizmetleri |
| Netaş Telecom Limited Liability Partnership | Kazakistan | % 100 | Proje kurulum danışmanlığı, tasarım ve teknik destek hizmetleri |
| Netaş Telecommunications Malta Ltd | Malta | % 100 | Telekom ekipmanları tedariği |
| Netas Telecommunications Algeria Sarl LLC (*) | Cezayir | % 49 | Elektrikli ekipmanların kurulum ve imalatı |

(*) 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.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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(Unless otherwise stated the amounts are in TL)

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

2.2 Basis of Presentation(Cont'd)

b) Basis of presentation of condensed consolidated financial statements(Cont'd)

The condensed consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the invested company/asset;
- is exposed, or has rights, to variable returns from its involvement with the invested company/asset; and
- could use its power that can have an impact on returns.

The Company reassesses whether it controls an invested company/asset if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

In cases where the company does not have majority voting right over the invested company/ asset, it has sufficient voting rights to direct/manage the activities of the investment concerned and in case of control, there is control power over the invested company/asset. The Company considers all relevant facts and circumstances in assessing whether the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company and other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

As of 30 September 2022, the Group has no associates. As of 31 December 2021 the details of associate of the Group are 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.

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.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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(Unless otherwise stated the amounts are in TL)

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

2.1 Basis of Presentation(Cont'd)

c) Functional Currency and Reporting Currency

If the legal records are kept in a currency other than the functional currency, the financial statements are initially translated into the functional currency and then translated to the Group's presentation currency, Turkish Lira ("TL"). For the companies in Turkey that book legal records in TL, currency translation from TL to the functional currency USD is made under the framework described below:

- Monetary assets and liabilities have been converted to the functional currency with the The Central Bank of Turkish Republic (CBRT) foreign exchange buying rate.
- Non-monetary items have been converted into the functional currency at the exchange rates prevailing at the transaction date.
- Profit or loss accounts have been converted into the functional currency using the exchange rates at the transaction date, except for depreciation expenses.
- The capital is followed according to historical costs.

The translation differences resulting from the above cycles are recorded in the financial income /expenses account group in the statement of profit or loss.

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

- Assets and liabilities have been translated to TL by using USD rate as of 30 September 2022 1 USD: 18,5187 TL (31 December 2021; 1 USD: 13,329 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: 15,8594 TL) for the period ended 30 September 2022 (for the period ended 30 September 2021 1 USD: 8,0775 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.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2022

(Unless otherwise stated the amounts are in TL)

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

2.2 Comparative Information and Restatement of Prior Period Condensed Consolidated Financial Statements

Group's condensed consolidated financial statements have been prepared comparatively with the prior to enable readers to determine financial position and performance trends. For the purposes of effective comparison, comparative financial statements can be reclassified when deemed necessary by the Group, where descriptions on significant differences are disclosed.

The Group has reclassified trade payables to third parties amounting to TL 264.717, which was shown in the other provisions in the statement of financial position prepared as of 31 December 2021.

The Group has reclassified intangible assets amounting to 10.140.787, which was shown construction in progress of fix assets in the statement of financial position prepared as of 31 December 2021

The Group reclassified the balance of TL 3.300.955 shown under cash flows from operating activities in the cash flow statement prepared as of 30 September 2021 to foreign currency translation differences.

2.3 Change in Accounting Policies

If the changes in accounting estimates are for only one period, they are applied prospectively both in the current period when the change is made and in the future periods if the change is made. There has been no significant change in the accounting estimates of the Group in the current year.

The Group has applied consistent accounting policies in the condensed consolidated financial statements for the periods presented, and there are no significant changes in the accounting policies and estimates during the current period.

2.4 The New Standards, Amendments, and Interpretations

The accounting policies adopted in preparation of the condensed consolidated financial statements as at September 30, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of 1 January 2022. 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 2022 are as follows:

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 must be applied prospectively.

The amendments did not have a significant impact on the financial position or performance of the Group.

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

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

i) The new standards, amendments and interpretations which are effective as at 1 January 2022 are as follows(Cont'd)

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 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.

The amendments did not have a significant impact on the financial position or performance of the Group.

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 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 prospectively 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).

The Group disclosed the impact of the amendments on financial position or performance of the Group in Note 13.

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

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the condensed consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the condensed consolidated financial statements and disclosures, when the new standards and interpretations become effective.

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.

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

On January 15, 2021, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

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

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

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

ii) Standards issued but not yet effective and not early adopted(Cont'd)

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, 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 amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.

The Group is in the process of assessing the impact of the amendments on financial position or performance of the 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 TAS 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 amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

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

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

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

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.

iv) The new amendments that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following amendments to existing IFRS 16 are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, the amendments are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the amendments are issued and become effective under TFRS.

Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback

In September 2022, the Board issued amendments to IFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of IFRS 16 under “Subsequent measurement of the lease liability” heading after the commencement date in a sale and leaseback transaction, the seller lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining ‘lease payments’ that are different from the general definition of lease payments in IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8.

The Group is in the process of assessing the impact of the amendments 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 2022 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, 2021. Therefore, the condensed consolidated financial statements should be evaluated together with the financial statements for the year ending on December 31, 2021.

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.

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

2.7 Going Concern

As of 30 September 2022, the financial statements have been prepared on the basis of going concern. As of 30 September 2022, current assets of the Group are amounting to TL 2.802.365.774 and short term liabilities of the Company are amounting to TL 3.640.606.598, short term liabilities exceeded current assets TL 838.240.824. Besides the current period loss of the Group is TL 50.687.352 and accumulated loss is TL 695.941.156. These findings indicate the existence of a material uncertainty regarding the Group's ability to continue its operations in the foreseeable future.

The plans and measures of the Group management regarding this situation are given below;

The Group has implemented many measures in order to increase its operational profitability and reduce its financial expenses in 2021, some of these measures are; Focusing on new technology products and solutions with higher profit margins in 5 pillars of technology determined as target in system integration, focusing on domestic and national R&D solutions in the Defense, Telecommunication and Transportation sectors, which are determined as strategic sectors, avoiding projects with high operational and financial risk, avoiding projects which have foreign currency risk and high financing requirements, reducing operational expenses. Relevant measures are continued in 2022 as well.

Orders received by the Group continued to grow in 2022 In 9M22, TL 2.795 million orders were received, up 113% from the same period the previous year. The Company's registered orders to be fulfilled in the coming periods increased by 87% to TL 2.3 billion at the end of Q222. On the other hand, the Group, expects that the increasing trend in margins will continue for new orders received in 2022.

It is expected that, with the easing effects of the pandemic, the high profitability of newly received orders compared to previous years' new orders will be the primary driver of positive operating profitability and cash flow generation.

Actions have been taken to reduce operational expenses, and the positive effects of these actions are observed in 2022 operating expenses.

On the other hand, the Group has never had a problem repaying its loans, and it is expected that there will be no problems repaying its current borrowings in 2022 and subsequent years, and thinks that existing bank loans can be renewed in line with its cash requirements. On the other hand, the Company expects to reduce the total indebtedness in the next 12 months.

The financial statements do not contain any adjustments regarding the carrying values of the assets or the amounts or classification of liabilities that may arise if the Group cannot continue on a going concern basis. The Group does not foresee any disruption in meeting these short-term liabilities. It is planned to cover the gap in the year following the reporting period, from the sales and various financing methods of the Group.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
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3 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

Associates

Details of significant associate:

As explained in Note 2, in the decision of the Board of Directors dated 29 April 2022, it was decided to sign the Share Purchase and Sale Agreement to sell all of 10% A Group shares in Kron Telekomünikasyon A.Ş. with a total nominal value of TL 1.426.852 to Zeynep Yenel Onursal for a share value of TL 36.5 and a total value of TL 52.080.098. Within the framework of the aforementioned Share Purchase and Sale Agreement, the share transfer was realized as of 29 April 2022, and the Group obtained a sales profit of TL 30.469.944 from the transaction and reflected it in the profit or loss statements.

| | |
|--|-------------------|
| Selling Price | 52.080.098 |
| Participation amount on the date of sale | 8.610.621 |
| Profit | 43.469.477 |
| Currency translation difference reclassified as profit or loss | (12.999.534) |
| Net Profit | 30.469.943 |

As of 31 December 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.

Kron Telekomünikasyon A.Ş. traded in BIST. As of 31 December 2021, the transaction price of the shares is 36.76 TL/share, respectively. The current value of the shares held by the Group, calculated over this price, is TL 52.451.053 as of 31 December 2021.

| | 31 December 2021 |
|--|--|
| Current assets | 99.732.161 |
| Non-current assets | 58.450.463 |
| Short term liabilities | 69.137.751 |
| Long term liabilities | 8.843.456 |
| Net assets | 80.201.417 |
| Goodwill carried over at the group level | 601.195 |
| Share of the Group in net assets | 8.020.142 |
| Total | 8.621.337 |
| | 1 January 2021- 30 September 2021 |
| Revenue | 37.103.590 |
| Cost of sales (-) | (7.084.664) |
| Net profit | 3.792.190 |
| Other comprehensive expenses | (3.437.024) |
| Total comprehensive income | 355.166 |
| Share of the Group in total comprehensive income | 35.517 |

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3 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD(Cont'd)

Associates(Cont'd)

Details of significant associate: (Cont'd)

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

| | 2021 |
|-------------------------------------|------------------|
| As of 1 January | 11.507.883 |
| Share from the profit of the period | 35.517 |
| Currency translation difference | (4.960.272) |
| As of 30 September | 6.583.128 |

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4 SEGMENT REPORTING

Within the framework of the strategy of providing an integrated information and technology service and products, the Group divides its main business segments into four operating segments, namely "Telecom", "System Integration", "Technology" and "BDH", in order to ensure economic integrity. Activities are segmented so that Group Management can evaluate performance and decide on resource allocation, and each section is reviewed regularly. The decisionmaking authority regarding the activities of the Group is the Board of Directors.

The main activities of the Telecom segment are proving services and selling product to mobile operator companies.

The line of business followed in the system integration segment is system integration services to public and private sector organizations. In addition to these services, software licenses and hardware that the Group distributes are sold.

In the activities of the technology segment, services are provided for technological development and improvements for digital transformation of corporate and public institutions.

In the BDH segment, it provides consultancy, strategic outsourcing, hardware and support services to small-scale companies, large corporations and public institutions in the field of information technologies.

There are six business segments containing information that Group Management evaluates performance and uses to decide on resource allocation. The following table shows the information about each segment. The operational profit and breakdowns below are regularly considered in evaluating the performance of segments. To reach the operating profit/ loss amount used to evaluate the performance of the segment, other income and expenses from operating activities are deducted from the consolidated operating profit/ loss amount presented in the consolidated financial statements. Operating profit/loss is not a measure of financial performance defined in TFRS and may not be comparable to similar indicators defined by other companies. Since the company management does not monitor the company's performance according to geographical segments, reporting is not given according to geographical segments.

| For the period ended 30 September 2022 | Telecom | System Integration | Technology | BDH | Unallocated | Total |
|---|-------------------|-------------------------------|--------------------|-------------------|----------------------|--------------------|
| Revenue | 753.210.577 | 1.597.267.794 | - | 279.586.865 | - | 2.630.065.236 |
| Cost of sales (-) | (710.205.299) | (1.437.487.370) | - | (239.619.476) | - | (2.387.312.145) |
| Gross margin | 43.005.278 | 159.780.424 | - | 39.967.389 | - | 242.753.091 |
| Sales, marketing and distribution expenses (-) | (31.146.575) | (51.140.828) | - | (27.246.073) | - | (109.533.476) |
| General administrative expenses (-) | - | - | - | - | (110.092.288) | (110.092.288) |
| Research and development expenses (-) | - | - | (4.368.679) | - | - | (4.368.679) |
| Operating profit / (loss) of segment | 11.858.703 | 108.639.596 | (4.368.679) | 12.721.316 | (110.092.288) | 18.758.648 |

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4 SEGMENT REPORTING(Cont'd)

| For the period ended 30 September 2021 | Telecom | System Integration | Technology | BDH | Unallocated | Total |
|---|-------------------|-------------------------------|---------------------|-------------------|---------------------|----------------------|
| Revenue | 374.414.538 | 912.161.066 | 23.395.146 | 153.868.563 | - | 1.463.839.313 |
| Cost of sales (-) | (347.164.789) | (893.894.883) | (25.069.722) | (131.684.485) | - | (1.397.813.879) |
| Gross margin | 27.249.749 | 18.266.183 | (1.674.576) | 22.184.078 | - | 66.025.434 |
| Sales,marketing and distribution expenses (-) | (17.312.632) | (38.638.540) | - | (19.478.105) | - | (75.429.277) |
| General administrative expenses (-) | - | - | - | - | (78.649.804) | (78.649.804) |
| Research and development expenses (-) | - | - | (13.843.639) | - | - | (13.843.639) |
| Operating profit / (loss) of segment | 9.937.117 | (20.372.357) | (15.518.215) | 2.705.973 | (78.649.804) | (101.897.286) |

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4 SEGMENT REPORTING(Cont'd)

| 30 September 2022 | Telecom | System Integration | Technology | BDH | Unallocated (*) | Total |
|----------------------------|--------------------|-------------------------------|-------------------|-------------------|------------------------|----------------------|
| Trade receivables | 416.779.099 | 903.440.240 | - | 61.758.746 | 163.384 | 1.382.141.469 |
| Due from related parties | 2.387.629 | 2.036.908 | - | 56.408 | - | 4.480.945 |
| Inventories | 141.852.071 | 268.506.852 | - | 20.143.349 | - | 430.502.272 |
| Contract assets | 24.628.543 | 555.111.135 | - | 8.024.810 | - | 587.764.488 |
| Segments assets | 585.647.342 | 1.729.095.135 | - | 89.983.313 | 163.384 | 2.404.889.174 |
| Trade payables (*) | 63.990.734 | 967.710.968 | - | 89.594.759 | 47.606.220 | 1.168.902.681 |
| Due to related parties | 448.983.460 | - | - | - | - | 448.983.460 |
| Contract liabilities | 72.685.156 | 409.893.805 | - | 76.778 | 4.493.406 | 487.149.145 |
| Other short term provision | 7.132.111 | 192.575.457 | - | - | 12.537.289 | 212.244.857 |
| Segment liabilities | 592.791.461 | 1.570.180.230 | - | 89.671.537 | 64.636.915 | 2.317.280.143 |

| 31 December 2021 | Telecom | System Integration | Technology | BDH | Unallocated (*) | Total |
|----------------------------|--------------------|-------------------------------|-------------------|-------------------|------------------------|----------------------|
| Trade receivables | 479.539.242 | 816.204.121 | 342.124 | 35.151.763 | 848.885 | 1.332.086.135 |
| Due from related parties | 16.530.090 | - | - | - | - | 16.530.090 |
| Inventories | 183.103.048 | 186.597.921 | 2.153.219 | 7.777.958 | - | 379.632.146 |
| Contract assets | 37.136.737 | 517.333.476 | - | 17.691.214 | - | 572.161.427 |
| Segments assets | 716.309.117 | 1.520.135.518 | 2.495.343 | 60.620.935 | 848.885 | 2.300.409.798 |
| Trade payables (*) | 162.476.057 | 762.096.948 | 861.975 | 79.915.801 | 136.522.720 | 1.141.873.501 |
| Due to related parties | 457.540.058 | - | - | - | - | 457.540.058 |
| Contract liabilities | 92.028.083 | 260.272.053 | 2.323.799 | 1.177.739 | 1.025.645 | 356.827.319 |
| Other short term provision | - | 206.952.345 | - | - | 13.508.670 | 220.461.015 |
| Segment liabilities | 712.044.198 | 1.022.369.001 | 3.185.774 | 81.093.540 | 137.548.365 | 2.176.701.893 |

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

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4 SEGMENT REPORTING(Cont'd)

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

| | For the period ended 30 September 2022 | For the period ended 30 September 2021 |
|---|---|---|
| Operating (loss) of segment | 18.758.648 | (101.897.286) |
| Other (expenses)/income from operating activities (net) | (107.276.399) | (88.664.590) |
| Other (expenses)/income from investments (net) | 30.503.293 | 39.571.277 |
| Income from investments accounted using the equity method | 304.063 | 40.791 |
| Finance (expenses)/income (net) | (22.703.719) | (11.234.660) |
| (Loss) before tax | (80.414.114) | (162.184.468) |

| | 30 September 2022 | 31 December 2021 |
|---------------------|--------------------------|-------------------------|
| Assets | | |
| Segment assets | 2.404.889.174 | 2.300.409.798 |
| Other assets (*) | 1.356.430.091 | 1.366.517.048 |
| Total assets | 3.761.319.265 | 3.666.926.846 |

| | 30 September 2022 | 31 December 2021 |
|--------------------------|--------------------------|-------------------------|
| Liabilities | | |
| Segment liabilities | 2.317.280.143 | 2.176.701.893 |
| Other liabilities (*) | 1.440.745.524 | 1.454.816.677 |
| Total liabilities | 3.758.025.667 | 3.631.518.570 |

(*) Other assets consist of items such as unallocated cash, tax assets and prepaid expenses, as well as items such as tangible and intangible assets, right-of-use assets and goodwill that are benefited equally by all segments. Other liabilities consist of items such as unallocated bank loans, tax liabilities, payables from lease transactions, personnel payables and provisions.

5 CASH AND CASH EQUIVALENTS

| | 30 September 2022 | 31 December 2021 |
|-------------------------|--------------------------|-------------------------|
| Bank- demand deposits | 198.719.035 | 497.486.000 |
| Bank- time deposits | 56.200.000 | 44.484.727 |
| Credit card receivables | 254.919.035 | 541.970.727 |

| Currency | Original Currency Amount | Interest Rate % | Maturity | 30 September 2022 |
|-----------------|-------------------------------------|------------------------|-----------------|--------------------------|
| TL | 56.200.000 | 13,00 | October 2022 | 56.200.000 |
| | | | | 56.200.000 |
| Currency | Original Currency Amount | Interest Rate % | Maturity | 31 December 2021 |
| USD | 89.000 | 6,00 | January 2022 | 1.186.281 |
| TL | 43.298.446 | 4,75-25,50 | January 2022 | 43.298.446 |
| | | | | 44.484.727 |

As of 30 September 2022, and 31 December 2021 there are no restriction / blockage on bank accounts.

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6 BORROWINGS

| | 30 September 2022 | 31 December 2021 |
|---|--------------------------|-------------------------|
| Short term financial liabilities | | |
| Short term unsecured loans | 1.060.875.977 | 929.999.574 |
| Financial borrowing from factoring transactions | 56.637.200 | 178.907.115 |
| Non interest loans(*) | - | 7.056.333 |
| | 1.117.513.177 | 1.115.963.022 |

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

As of 30 September 2022, effective interest rate for TL loans is 19,09%, and effective interest rate for USD loans is 7,71%. (As of 31 December 2021, effective interest rate for TL loans is 16,11%, effective interest rate for USD loans is 5,08)

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

| Currency | Original Currency Amount | Interest Rate(%) (*) | Maturity | 30 September 2022 |
|-----------------|---------------------------------|-----------------------------|-----------------------------|--------------------------|
| TL | 499.291.858 | 14,75-44,50 | October 2022-September 2023 | 499.291.858 |
| USD | 30.325.245 | 14,75-44,50 | October 2022-July 2023 | 561.584.119 |
| | | | | 1.060.875.977 |

| Currency | Original Currency Amount | Interest Rate(%) (*) | Maturity | 31 December 2021 |
|-----------------|---------------------------------|-----------------------------|----------------------------|-------------------------|
| TL | 334.237.975 | 9,00-20,00 | January 2022-February 2022 | 334.237.975 |
| USD | 35.829.509 | 3,40-5,85 | January 2022-February 2022 | 477.571.526 |
| EURO | 7.834.057 | 2,35-4,75 | January 2022 | 118.190.073 |
| | | | | 929.999.574 |

(*) Presents the lower and upper rates.

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

| Currency | Original Currency Amount | Interest Rate(%) (*) | Maturity | 30 September 2022 |
|-----------------|---------------------------------|-----------------------------|----------------------------|--------------------------|
| TRY | 21.366.808 | 28,00-35,50 | December 2022-January 2023 | 21.366.808 |
| USD | 1.904.583 | 8,75-13,50 | October 2022-January 2023 | 35.270.392 |
| | | | | 56.637.200 |

| Currency | Original Currency Amount | Interest Rate(%) (*) | Maturity | 31 December 2021 |
|-----------------|---------------------------------|-----------------------------|-----------------|-------------------------|
| USD | 13.422.396 | 6,00-8,70 | June 2022 | 178.907.115 |
| | | | | 178.907.115 |

| | 30 September 2022 | 31 December 2021 |
|--|--------------------------|-------------------------|
| Short-Term Portion of Long-Term Financial Liabilities | | |
| Short-Term Portion of Long-Term Unsecured Bank Loans | 8.162.815 | 12.919.150 |
| Short-Term Portion of Long-Term Lease Liabilities | 90.745.297 | 67.940.819 |
| | 98.908.112 | 80.859.969 |

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

| Currency | Original Currency Amount | Interest Rate(%) (*) | Maturity | 30 September 2022 |
|-----------------|---------------------------------|-----------------------------|-----------------------------|--------------------------|
| TL | 4.254.707 | 8,97-9,97 | December 2022-February 2023 | 4.254.707 |
| USD | 211.036 | 4,10 | January 2023 | 3.908.108 |
| | | | | 4.254.707 |

| Currency | Original Currency Amount | Interest Rate(%) (*) | Maturity | 31 December 2021 |
|-----------------|---------------------------------|-----------------------------|-----------------|-------------------------|
| TL | 12.919.150 | 9,00-10,00 | December 2022 | 12.919.150 |
| | | | | 12.919.150 |

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6 BORROWINGS (cont'd)

| | 30 September 2022 | 31 December 2021 |
|--|--------------------------|-------------------------|
| Long term financial liabilities | | |
| Long term lease liabilities | 70.604.859 | 47.100.834 |
| Long term unsecured bank loans | - | 13.817.167 |
| | 70.604.859 | 60.918.001 |

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

| Currency | Original Currency Amount | Interest Rate(%) (*) | Maturity | 31 December 2021 |
|-----------------|---------------------------------|-----------------------------|-----------------|-------------------------|
| TL | 13.817.167 | 9,00-10,00 | February 2023 | 13.817.167 |
| | | | | 13.817.167 |

(*) Presents the lower and upper rates.

The Group has no collaterals given for bank loans as of 30 September 2022 and 2021.

The movement of banks loans and financial borrowing from factoring transactions of the Group is given in the table below. Cash flows arising from the borrowings of the Group are classified under the cash inflows/ outflows arising from financing activities in the condensed consolidated statement of cash flows.

| | 2022 | 2021 |
|---|----------------------|--------------------|
| Opening-1 January | 1.142.699.339 | 526.499.281 |
| Cash inflow under within borrowings received | 1.231.742.901 | 814.740.827 |
| Cash pouflow under within borrowings received | (1.487.099.883) | (592.455.242) |
| Interest accruals changes | 569.603 | 4.856.434 |
| Currency translations changes | 237.764.032 | 59.220.609 |
| Closing-30 September | 1.125.675.992 | 812.861.909 |

The reconciliation of the Group's debts from lease transactions for the nine-month accounting periods ending on September 30, 2022 and 2021 is as follows:

| | 2022 | 2021 |
|--|--------------------|-------------------|
| Opening-1 January | 115.041.653 | 59.409.133 |
| Additions | 18.606.304 | 9.414.678 |
| Interest expenses and foreign exchange loss on lease liabilities | 11.649.817 | 12.019.311 |
| Lease payments | (27.351.611) | (19.883.248) |
| Foreign Currency Translation Difference | 43.403.993 | 7.983.961 |
| Closing-30 September | 161.350.156 | 68.943.835 |

As of September 30, 2022, liabilities arising from leasing transactions are in TL and consist of liabilities accounted with fixed rate borrowing interest rates, which vary between 14,81% and 31%. The maturity structure of debts arising from leasing transactions and the exchange rate risk carried over are presented in Note 23.

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7 TRADE RECEIVABLES AND PAYABLES

| | 30 September 2022 | 31 December 2021 |
|---|--------------------------|-------------------------|
| Trade Receivables from Third Parties | | |
| Trade receivables | 1.623.018.999 | 1.502.504.348 |
| Discount on trade receivables (*) | (42.598.418) | (26.922.675) |
| Allowances for doubtful receivables (-) | (198.279.112) | (143.495.538) |
| | 1.382.141.469 | 1.332.086.135 |

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

| Movement of Allowance for Doubtful Receivables | 2022 | 2021 |
|---|----------------------|---------------------|
| Reported as of 1 January | (143.495.538) | (76.357.553) |
| Charge for the period | - | (7.216.207) |
| Provision no longer required | 634.377 | 923.822 |
| Currency translation differences | (55.417.951) | (11.495.403) |
| As of 30 September | (198.279.112) | (94.145.341) |

The provision for doubtful receivables allocated for trade receivables is determined based on the experience of non-collection of receivables and expected credit loss model.

| Trade Payables to Third Parties | 30 September 2022 | 31 December 2021 |
|--|--------------------------|-------------------------|
| Trade payables | 1.168.902.681 | 1.141.873.501 |
| | 1.168.902.681 | 1.141.873.501 |

8 INVENTORIES

| | 30 September 2022 | 31 December 2021 |
|--|--------------------------|-------------------------|
| Raw materials | 143.977.799 | 90.074.269 |
| Finished goods | 86.689.737 | 47.390.287 |
| Trade goods | 275.726.025 | 274.244.621 |
| Right of return assets | 11.299.148 | 36.359.126 |
| Allowance for inventory impairment (-) | (87.190.437) | (68.436.157) |
| | 430.502.272 | 379.632.146 |

| Movement for allowance: | 2022 | 2021 |
|---|---------------------|--------------------|
| Opening-1 January | (68.436.157) | (2.964.439) |
| Released for the year | 7.950.272 | - |
| Provision | (1.623.457) | (1.700.577) |
| Foreign currency translation difference | (25.081.095) | (768.135) |
| Closing-30 September | (87.190.437) | (5.433.151) |

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9 PROPERTY, PLANT AND EQUIPMENT

| | Machinery and Equipment | Vehicles | Furniture and fixtures | Leasehold Improvements | Total |
|--|----------------------------|------------------|------------------------|---------------------------|----------------------|
| <u>Cost</u> | | | | | |
| 1 January 2022 | 484.272.315 | 402.153 | 44.441.552 | 132.463.853 | 661.579.873 |
| Translation difference | 184.868.880 | 156.580 | 16.745.046 | 51.595.051 | 253.365.557 |
| Purchases | 6.494.464 | - | 171.290 | 141.955 | 6.807.709 |
| Disposals | (45.576.391) | - | (3.501.783) | (24.376) | (49.102.550) |
| 30 September 2022 | 630.059.268 | 558.733 | 57.856.105 | 184.176.483 | 872.650.589 |
| <u>Accumulated Depreciation</u> | | | | | |
| 1 January 2022 | (417.507.487) | (256.280) | (35.259.297) | (101.176.957) | (554.200.021) |
| Translation difference | (155.770.934) | (108.236) | (13.583.582) | (41.428.487) | (210.891.239) |
| Period charge | (18.855.835) | (50.401) | (2.106.313) | (12.140.096) | (33.152.645) |
| Disposals | 44.813.407 | - | 2.969.684 | 4.790 | 47.787.881 |
| 30 September 2022 | (547.320.849) | (414.917) | (47.979.508) | (154.740.750) | (750.456.024) |
| Net book value at 30 September 2022 | 82.738.419 | 143.816 | 9.876.597 | 29.435.733 | 122.194.565 |

As of 30 September 2022, depreciation charge is TL 33.152.645. TL 6.749.733 is accounted in cost of sales, TL 24.967.615 in general administrative expenses, TL 1.435.297 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 TL 5.719.239 and is completely included in general administrative expenses.

As of 30 September 2022, there are not any mortgage and financial leasing on property, plant and equipment.

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9 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

| | Machinery and Equipment | Vehicles | Furniture and fixtures | Leasehold Improvements | Total |
|--|----------------------------|------------------|------------------------|---------------------------|----------------------|
| <u>Cost</u> | | | | | |
| 1 January 2021 | 270.918.613 | 397.627 | 31.993.436 | 86.158.219 | 389.467.895 |
| Translation difference | 24.777.010 | 63.030 | 5.757.818 | 16.204.445 | 46.802.303 |
| Purchases | 12.822.400 | - | 302.390 | 166.080 | 13.290.870 |
| Disposals | (6.588.317) | (193.843) | (8.656.962) | (15.295.992) | (30.735.114) |
| 30 September 2021 | 301.929.706 | 266.814 | 29.396.682 | 87.232.752 | 418.825.954 |
| <u>Accumulated Depreciation</u> | | | | | |
| 1 January 2021 | (230.754.241) | (285.136) | (24.258.350) | (59.336.583) | (314.634.310) |
| Translation difference | (14.279.319) | (42.542) | (4.492.981) | (11.735.966) | (30.550.808) |
| Period charge | (13.809.915) | (26.833) | (1.444.812) | (6.201.472) | (21.483.032) |
| Disposals | 2.093.709 | 193.843 | 7.123.844 | 12.351.934 | 21.763.330 |
| 30 September 2021 | (256.749.766) | (160.668) | (23.072.299) | (64.922.087) | (344.904.820) |
| Net book value at 30 September 2021 | 45.179.940 | 106.146 | 6.324.383 | 22.310.665 | 73.921.134 |

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 TL 5.525.165 and is completely included in cost of sales.

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

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9 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Tangible fixed assets are depreciated principally on a straight-line basis using the following rates:

| | <u>Depreciation Ratio (%)</u> |
|--------------------|-------------------------------|
| Softwares | 20 |
| Customer Portfolio | 10 |
| Licenses | 3-15 |
| Rights | 20 |

10 INTANGIBLE ASSETS

Goodwill

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

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

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

| Cost | <u>2022</u> | <u>2021</u> |
|-----------------------------|--------------------|--------------------|
| Opening-1 January | 244.295.352 | 134.537.477 |
| Translation difference | 95.117.382 | 27.543.480 |
| Closing-30 September | 339.412.734 | 162.080.957 |

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 2022 and 31 December 2026, 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 2021. 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 46 million and USD 56 million. As of the valuation date, the value of the company calculated between USD 41 million and USD 51 million by considering the net debt of USD 15 million.

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 2022.

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.

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10 INTANGIBLE ASSETS(Cont'd)

Other Intangible Assets

| | 1 January- 30 September 2022 | | | |
|---------------------------------|-------------------------------------|-------------------------------------|---------------------------------|----------------------|
| | Customer Relations (*) | Other Intangible Assets (**) | Construction in Progress | Total |
| <u>Cost</u> | | | | |
| Opening balance | 142.189.000 | 504.348.507 | 10.140.787 | 656.678.294 |
| Translation difference | 19.813.012 | 183.584.347 | 1.925.158 | 205.322.517 |
| Additions | - | 328.197 | - | 328.197 |
| Transfers | - | 12.065.945 | (12.065.945) | - |
| Disposals | - | (28.954.219) | - | (28.954.219) |
| Closing balance | 162.002.012 | 671.372.777 | - | 833.374.789 |
| <u>Accumulated amortization</u> | | | | |
| Opening balance | (142.189.000) | (412.222.899) | - | (554.411.899) |
| Translation difference | (19.813.012) | (148.541.069) | - | (168.354.081) |
| Period charge | - | (17.020.572) | - | (17.020.572) |
| Disposals | - | 28.653.366 | - | 28.653.366 |
| Closing balance | (162.002.012) | (549.131.174) | - | (711.133.186) |
| Net book value | - | 122.241.603 | - | 122.241.603 |

(*) The purchase of shares of Netaş Bilişim Teknolojileri Anonim Şirketi ("Netaş Bilişim") and its subsidiary The contractual customer portfolio amount is related to this purchase.

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

As of 30 September 2022, amortization charge is TL 17.020.572. TL. 10.104.445 is accounted in cost of sales, TL 6.910.830 in general administrative expenses and TL 5.297 in sales, marketing and distribution expenses.

| | 1 January- 30 September 2021 | | | |
|---------------------------------|-------------------------------------|------------------------------------|---------------------------------|----------------------|
| | Customer Relations (*) | Other Intangible Assets(**) | Construction in Progress | Total |
| <u>Cost</u> | | | | |
| Opening balance | 78.305.825 | 287.352.475 | 32.033.966 | 397.692.266 |
| Translation difference | 16.031.333 | 38.643.333 | 3.798.452 | 58.473.118 |
| Additions | - | 21.052.280 | 7.581.766 | 28.634.046 |
| Transfers | - | 34.993.498 | (34.993.498) | - |
| Disposals | - | (4.050.326) | - | (4.050.326) |
| Closing balance | 94.337.158 | 377.991.260 | 8.420.686 | 480.749.104 |
| <u>Accumulated amortization</u> | | | | |
| Opening balance | (72.432.888) | (173.463.133) | - | (245.896.021) |
| Translation difference | (15.441.707) | (13.232.522) | - | (28.674.229) |
| Period charge | (6.462.563) | (29.188.800) | - | (35.651.363) |
| Disposals | - | 1.648.807 | - | 1.648.807 |
| Closing balance | (94.337.158) | (214.235.648) | - | (308.572.806) |
| Net book value | - | 163.755.612 | 8.420.686 | 172.176.298 |

(*)The purchase of shares of Netaş Bilişim Teknolojileri Anonim Şirketi ("Netaş Bilişim") and its subsidiary The contractual customer portfolio amount is related to this purchase.

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

As of 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(Cont'd)

Intangible fixed assets are amortized principally on a straight-line basis using the following rates, which amortize the assets over their expected useful lives:

| | <u>Depreciation Ratio (%)</u> |
|--------------------|-------------------------------|
| Softwares | 20 |
| Customer Portfolio | 10 |
| Licenses | 3-15 |
| Rights | 20 |

11 RIGHT OF USE ASSETS

According to TFRS 16, the Group includes the right to use and the lease obligation in its financial statements at the date when the lease begins. The right to use asset is initially measured at its cost and then measures at accumulated depreciation and accumulated impairment losses at the cost adjusted for re-measurement of the lease liability. The right of use asset was initially measured at its cost value and is measured at its fair value in accordance with the Group's accounting policies after the lease started.

As of 30 September 2022, and 2021 the movement table of the right of use assets is as follows:

| | <u>Buildings</u> | <u>Vehicles</u> | <u>Total</u> |
|--|---------------------|---------------------|----------------------|
| <u>Cost</u> | | | |
| 1 January 2022 | 97.577.941 | 81.400.088 | 178.978.029 |
| Translation difference | 37.992.367 | 31.693.455 | 69.685.822 |
| Additions | 10.293.556 | 8.312.748 | 18.606.304 |
| 30 September 2022 | 145.863.864 | 121.406.291 | 267.270.155 |
| | | | |
| 1 January 2022 | (59.626.294) | (51.420.486) | (111.046.780) |
| Translation difference | (25.629.093) | (21.597.467) | (47.226.560) |
| Additions | (14.392.750) | (9.402.434) | (23.795.184) |
| 30 September 2022 | (99.648.137) | (82.420.387) | (182.068.524) |
| Net book value at 30 September 2022 | 46.215.727 | 38.985.904 | 85.201.631 |
| | | | |
| <u>Cost</u> | | | |
| 1 January 2021 | 58.951.108 | 35.420.257 | 94.371.365 |
| Translation difference | 738.702 | 1.684.921 | 2.423.623 |
| Additions | 2.869.522 | 6.545.156 | 9.414.678 |
| 30 September 2021 | 62.559.332 | 43.650.334 | 106.209.666 |
| | | | |
| 1 January 2021 | (24.426.091) | (21.625.149) | (46.051.240) |
| Translation difference | (2.019.328) | (1.281.627) | (3.300.955) |
| Additions | (7.844.176) | (4.978.543) | (12.822.719) |
| 30 September 2021 | (34.289.595) | (27.885.319) | (62.174.914) |
| Net book value at 30 September 2021 | 28.269.737 | 15.765.015 | 44.034.752 |

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12 GOVERNMENT GRANTS

For the period ended 30 September 2022 the Group has received approved, well deserved and accrued incentive from TÜBİTAK TL 205.781 (31 December 2021: TL7.857.752)

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 2022, the Group has a corporate tax benefit of TL 1.743.342.214 due to research and development disbursement and this amount has been transferred (As of 31 December 2021, the Group has a corporate tax benefit of TL 877.420.853 due to research and development disbursement and amount is not utilized by the year end). The Group has booked deferred tax assets for unused R&D tax benefit (Note 20). The unused tax advantages of the Group related to research and development activities has unlimited maturity.

For the period ended 30 September 2022, the amount of income tax incentive within the scope of Act numbered 5746 is TL 7.110.242 (31 December 2021: TL 12.921.557) and the total amount of social premium incentive within the scope of Act numbered 5746 and Social Security and General Health Insurance Act numbered 5510 is TL 10.432.580 (31 December 2021: TL 14.557.898).

13 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

| Provisions | 30 September 2022 | 31 December 2021 |
|---------------------------|--------------------------|-------------------------|
| Executory Contracts (*) | 188.408.420 | 170.593.219 |
| Provisions for return | 11.299.148 | 36.359.126 |
| Provision for legal cases | 12.537.289 | 13.508.670 |
| | 212.244.857 | 220.461.015 |

(*) The compulsory reasons created by the pandemic caused the Group's basic assumptions about the projects taken in the past to change. These changes, on the other hand, necessitated the expense of additional costs and similar provisions in previous projects. It has been evaluated within the scope of TAS 37 and a provision has been made for possible expenses.

14 COMMITMENTS**Guarantee Letters Given**

The Group's off-balance sheet commitments as of 30 September 2022 and 31 December 2021 are as follows:

| | 30 September 2022 | 31 December 2021 |
|-----------------------------|--------------------------|-------------------------|
| Guarantee letters given (*) | 1.910.494.923 | 1.370.596.177 |
| | 1.910.494.923 | 1.370.596.177 |

(*) The Group has no off-balance sheet commitments and contingencies in favor of subsidiaries which are fully consolidated as of 30 September 2022 and 31 December 2021.

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

| | Original Currency | | | |
|--------------------------|--------------------------|-------------|------------|-------------|
| | TL Equivalent | TL | USD | EURO |
| 30 September 2022 | 1.910.494.923 | 189.657.532 | 80.793.767 | 12.384.126 |

| | Original Currency | | | |
|-------------------------|--------------------------|-------------|------------|-------------|
| | TL Equivalent | TL | USD | EURO |
| 31 December 2021 | 1.370.596.177 | 194.422.377 | 76.915.193 | 10.006.907 |

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14 COMMITMENTS(Cont'd)

Guarantee Letters Given (Cont'd)

The off-balance sheet commitments and contingencies as of 30 September 2022 and 31 December 2021 are as follows:

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

| | 30 September 2022 | 31 December 2021 |
|---|--------------------------|-------------------------|
| A. Total amount of CPM is given on behalf of own legal personality | 1.817.901.423 | 1.303.951.177 |
| B. Total amount of CPM is given in favor of subsidiaries which are fully consolidated | 92.593.500 | 66.645.000 |
| 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 | - | - |
| | 1.910.494.923 | 1.370.596.177 |

Guarantee Letters Received

| | TL Equivalent | Original Currency | | |
|--------------------------|----------------------|--------------------------|------------|-------------|
| | | TL | USD | EURO |
| 30 September 2022 | 20.286.059 | 2.368.513 | 967.538 | - |
| | | | | |
| | TL Equivalent | Original Currency | | |
| | | TL | USD | EURO |
| 31 December 2021 | 18.057.797 | 3.534.081 | 967.538 | 107.870 |

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.

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15 EMPLOYEE BENEFITS

Employee Benefit Obligations:

| | 30 September 2022 | 31 December 2021 |
|--------------------------|--------------------------|-------------------------|
| Social security payables | 36.711.751 | 26.079.772 |
| Payables to employees | 622.041 | 192.334 |
| | 37.333.792 | 26.272.106 |

Short Term and Long-Term Provisions for Employee Benefits:

Short Term and Long Term Provisions for Employee Benefits:

| | 30 September 2022 | 31 December 2021 |
|-----------------------------------|--------------------------|-------------------------|
| Short Term | | |
| Provision for employee premiums | 33.149.056 | 26.573.697 |
| | 33.149.056 | 26.573.697 |
| Long Term | | |
| Unused vacation provision | 12.884.281 | 11.748.655 |
| Provision for severance indemnity | 33.555.554 | 35.512.436 |
| Provision for retirement benefits | 374.375 | 269.459 |
| | 46.814.210 | 47.530.550 |
| Total | | |
| Provision for employee premiums | 33.149.056 | 26.573.697 |
| Unused vacation provision | 12.884.281 | 11.748.655 |
| Provision for severance indemnity | 33.555.554 | 35.512.436 |
| Provision for retirement benefits | 374.375 | 269.459 |
| | 79.963.266 | 74.104.247 |

An actuarial valuation was performed by an independent and authorized company for the Company's total liability for severance indemnity and retirement benefit as of 31 December 2021. Expected interest and service charges for 2022 have also been calculated by the actuarial firm. Expected service and interest charges will be amortized on a periodic basis during the year.

Severance Indemnity

Under Turkish Law, the Group is required to pay employment termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires.

In accordance with Turkish Labor Code, employment termination benefit is the present value of the total estimated provision for the liabilities of the personnel who may retire in the future. The provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial gains and losses are accounted in equity as other comprehensive income.

Special Retirement Benefit Plan Provision

As of 31 December 2012, the Company repealed the Lump Sum plan for new eligibility and HR department announced this to all employees on 27 December 2012. Accordingly, only the employees who are already entitled to Lump Sum as of 31 December 2012 will continue to be considered as members and continue accrual of future benefits as well. This calculation is yearly prepared by Aon Hewitt and reported at their current value.

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16 SHAREHOLDERS' EQUITY

Paid in Capital

Shareholding structure of Company as of 30 September 2022 and 31 December 2021 are as follows:

| Name | Share Class | Capital Nominal Value (TL) | Capital Amount (Number) | Shareholding Ratio (%) |
|---|-------------|----------------------------|-------------------------|------------------------|
| ZTE Cooperatief U.A. | A | 23.351.328 | 23.351.328 | 36,00% |
| ZTE Cooperatief U.A. | B | 7.817.023 | 7.817.023 | 12,05% |
| ZTE Cooperatief U.A. (Total) | | 31.168.351 | 31.168.351 | 48,05% |
| Türk Silahlı Kuvvetlerini Güçlendirme Vakfı | A | 9.729.720 | 9.729.720 | 15,00% |
| Other Shareholders | B | 23.966.729 | 23.966.729 | 36,95% |
| Total | | 64.864.800 | 64.864.800 | 100% |

The capital of the company is TL 64.864.800 which is divided into 64.864.800 shares with a nominal value of TL 1 each. The share capital of the Company is fully paid

In accordance with the Capital Market Board Communiqué No. II-18.1 numbered Registered Capital System, the registered capital system of the Company has been expired due to the expiry date of the authorized capital ceiling (TL 300.000.000).

The shares of the company are divided into two groups, consisting of (A) and (B) group registered shares. 33.081.048 (thirty-three million eighty-one thousand and forty-eight) of these shares constitute the registered (A) group of shares, and 31.783.752 (Thirty-one million seven hundred and eighty-three thousand seven hundred and fifty-two) shares constitute the (B) group registered shares. The differentiation of the shares in (A) and (B) groups, does not give the owners any rights or privileges, except as provided in Articles 9 and 15.

The proportion of (A) group registered shares within the issued capital shall be maintained in capital increases. Pre-emptive rights of shareholders shall be exercised within the respective share groups.

(B) group registered shares can be freely transferred without being subject to any limitation or condition within the framework of Turkish Commercial Code ("TCC") and Capital Markets Legislation. However, concerning the transfer of (A) group registered shares the existing shareholders in Group (A) are entitled to preemptive rights which are required to be exercised within 30 days from the date of the offer for sale. Therefore, a shareholder wishing to transfer its shares, in full or in part, must first offer, in writing, to transfer its shares to the other shareholders in Group A in proportion to their respective shares, stating the price and other conditions for sale. If any shareholder, to whom the offer was made, declines to purchase the offered shares, such shares shall be offered to the other shareholders in proportion to their share ownership and this method will be pursued in the same manner until all shares are sold or rejected. Following the application of the above procedures, the transferor will be free to offer any rejected shares to third parties without restrictions provided that the price and other conditions of sale are no more favorable to the third party than the price and other conditions contained in the initial offer.

The required quorum for meetings and the required majority for resolutions of the shareholders at ordinary and extraordinary meetings shall be subject to the provisions of the TCC and Capital Markets legislation. However, resolution of the shareholders concerning amendments to the Articles of Association shall require the affirmative votes of the shareholders representing at least one half of the total number of shares within Group A.

Share Capital Adjustments

According to CMB Decree No: XI-26 "Changes to CMB Decree No: XI-20 Accounting Principles in Hyperinflationary Periods", shareholders' equity is shown at their normal values in the financial statements and the account differences occurred in correction of shareholders' equity are shown under the "Foreign Currency Translation Adjustments" account.

According to Board of Directors decision on 5 April 2004 referring to the Annual General Meeting decision and related CMB Decrees, conversion differences within the meaning of the law, occurred in prior periods were net-off with accumulated losses. Equity Foreign Currency Translation Adjustments are shown in the condensed consolidated statement of financial position under "Share Capital Adjustments" in the Shareholders' Equity.

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16 SHAREHOLDERS' EQUITY(Cont'd)

Legal Reserves

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

The details of restricted reserves are as follows as of 30 September 2022 and 31 December 2021:

| | <u>30 September 2022</u> | <u>31 December 2021</u> |
|--------------------------|---------------------------------|--------------------------------|
| Primary legal reserves | 11.997.507 | 11.997.507 |
| Secondary legal reserves | <u>22.899.853</u> | <u>22.899.853</u> |
| Total | <u>34.897.360</u> | <u>34.897.360</u> |

According to Turkish Commercial Code, legal reserves consist of primary and secondary legal reserves. The primary legal reserves, appropriated out of historical statutory profit at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid in share capital. The secondary legal reserve is appropriated after the first legal reserves and dividends, at the rate of 10% per annum of all cash distribution.

As of 30 September 2022, the primary legal reserve amount of the group is 18% of the paid-in capital and there is no limit to the secondary legal reserve amount. These reserves can only be used to cover losses, to maintain the company in times when things are not going well, or to prevent unemployment and to mitigate the effects of such losses, unless they exceed half of the paid-in capital of the company.

Retained Earnings (Losses)

Retained earnings other than net period profit are presented in this item. The extraordinary reserves that are retained by the nature of their accumulated profit and are therefore not restricted, are also recognized as retained earnings.

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17 REVENUE

| | 1 January- 30 September 2022 | 1 January- 30 September 2021 | 1 July- 30 September 2022 | 1 July- 30 September 2021 |
|------------------------|---------------------------------|---------------------------------|------------------------------|------------------------------|
| Net domestic sales | 2.500.862.540 | 1.377.211.503 | 995.784.289 | 419.319.214 |
| Net export | 129.202.696 | 86.627.810 | 54.813.050 | 65.058.072 |
| Asia | 81.951.414 | 36.845.069 | 40.808.343 | 32.781.458 |
| Europe | 24.872.515 | 11.961.938 | 8.756.545 | 3.507.918 |
| Africa | 14.037.505 | 12.730.837 | 4.981.815 | 3.932.563 |
| United States | 8.341.262 | 25.089.966 | 266.347 | 24.836.133 |
| Total net sales | 2.630.065.236 | 1.463.839.313 | 1.050.597.339 | 484.377.286 |

| | 1 January-30 September 2022 | | | | |
|-------------------------------------|-----------------------------|----------------------|------------|--------------------|----------------------|
| Performance Obligations: | Telecom | System Integration | Technology | BDH | Total |
| Hardware performance obligation | 650.810.966 | 403.627.872 | - | - | 1.054.438.838 |
| Licence performance obligation | - | 700.454.221 | - | - | 700.454.221 |
| Maintenance performance obligation | 37.786.693 | 210.715.435 | - | 279.586.865 | 528.088.993 |
| Design performance obligation | 30.618.376 | 74.117.703 | - | - | 104.736.079 |
| Installation performance obligation | 21.625.494 | 38.633.223 | - | - | 60.258.717 |
| Other performance obligations | 12.369.048 | 169.719.340 | - | - | 182.088.388 |
| | 753.210.577 | 1.597.267.794 | - | 279.586.865 | 2.630.065.236 |

Satisfaction of Performance Obligations:

| | | | | | |
|--------------------|--------------------|----------------------|----------|--------------------|----------------------|
| At a point in time | 715.907.812 | 1.520.557.045 | - | 279.586.865 | 2.516.051.722 |
| Overtime | 37.302.765 | 76.710.749 | - | - | 114.013.514 |
| | 753.210.577 | 1.597.267.794 | - | 279.586.865 | 2.630.065.236 |

| | 1 January-30 September 2021 | | | | |
|-------------------------------------|-----------------------------|--------------------|-------------------|--------------------|----------------------|
| Performance Obligations: | Telecom | System Integration | Technology | BDH | Total |
| Hardware performance obligation | 305.421.421 | 263.209.843 | - | - | 568.631.264 |
| Licence performance obligation | 998.905 | 254.401.897 | - | - | 255.400.802 |
| Maintenance performance obligation | 11.390.546 | 236.137.128 | - | 153.868.563 | 401.396.237 |
| Design performance obligation | 15.826.866 | 50.962.073 | 23.395.146 | - | 90.184.085 |
| Installation performance obligation | 11.728.787 | 36.130.999 | - | - | 47.859.786 |
| Other performance obligations | 29.048.013 | 71.319.126 | - | - | 100.367.139 |
| | 374.414.538 | 912.161.066 | 23.395.146 | 153.868.563 | 1.463.839.313 |

Satisfaction of Performance Obligations:

| | | | | | |
|--------------------|--------------------|--------------------|-------------------|--------------------|----------------------|
| At a point in time | 369.000.951 | 736.842.036 | 23.395.146 | 153.868.563 | 1.283.106.696 |
| Overtime | 5.413.587 | 175.319.030 | - | - | 180.732.617 |
| | 374.414.538 | 912.161.066 | 23.395.146 | 153.868.563 | 1.463.839.313 |

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18 INCOME AND EXPENSES FROM OTHER OPERATING ACTIVITIES

| | 1 January- 30 September 2022 | 1 January- 30 September 2021 | 1 July- 30 September 2022 | 1 July- 30 September 2021 |
|---|---|---|--------------------------------------|--------------------------------------|
| Income from Other Operating Activities | | | | |
| Reversal for doubtful receivables expenses | 634.377 | 923.822 | 263.210 | (2.069.659) |
| Discount income, net (*) | - | 5.588.911 | - | 2.147.218 |
| Other income and gains | - | 2.207.247 | - | 1.819.937 |
| | 634.377 | 8.719.980 | 263.210 | 1.897.496 |
| Expenses from Other Operating Activities | | | | |
| Foreign exchange expenses, net | 79.757.627 | 70.754.490 | 26.658.715 | 7.575.611 |
| Discount loss on receivables, net (*) | 11.215.918 | - | 4.678.593 | - |
| Legal case expenses | 4.372.925 | 3.963.560 | 937.248 | 536.090 |
| Other tax expenses | 2.773.529 | 4.099.298 | 1.381.254 | 3.335.618 |
| Expenses for doubtful receivables provision | - | 7.216.207 | - | 2.458.190 |
| Other expenses and losses | 9.790.777 | 11.351.015 | 3.076.936 | 1.018.556 |
| | 107.910.776 | 97.384.570 | 36.732.746 | 14.924.065 |

(*) Rediscount incomes/ (expenses) from trade receivables (representing the interest component calculated using the effective interest method) are accounted for in Other Operating Income/ (Expenses).

19 FINANCE INCOME / EXPENSES

| | 1 January- 30 September 2022 | 1 January- 30 September 2021 | 1 July- 30 September 2022 | 1 July- 30 September 2021 |
|---------------------------------|---|---|--------------------------------------|--------------------------------------|
| Financial Income | | | | |
| Foreign exchange gains, net (*) | 140.222.206 | 81.634.953 | 46.272.598 | 8.474.806 |
| Interest income | 3.325.350 | 2.938.941 | 990.974 | 1.694.402 |
| | 143.547.556 | 84.573.894 | 47.263.572 | 10.169.208 |

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

| | 1 January- 30 September 2022 | 1 January- 30 September 2021 | 1 July- 30 September 2022 | 1 July- 30 September 2021 |
|--|---|---|--------------------------------------|--------------------------------------|
| Financial Expenses | | | | |
| Bank interest expenses | 128.669.173 | 62.834.602 | 48.675.852 | 14.915.382 |
| Guarantee letter commissions | 14.838.390 | 7.879.340 | 5.529.831 | 2.417.182 |
| Interest and foreign exchange loss on leases | 11.649.820 | 12.019.301 | 3.516.280 | 1.994.854 |
| Bank loan commissions and expenses | 6.080.259 | - | - | - |
| Other financial expenses | 5.013.633 | 13.075.311 | 2.826.960 | 12.771.437 |
| | 166.251.275 | 95.808.554 | 60.548.923 | 32.098.855 |

20 TAX ASSETS AND LIABILITIES

Corporate Tax

The Company and its subsidiaries in Turkey is subject to Turkish corporate taxes. Provision is made in the accompanying condensed consolidated financial statements for the estimated charge based on the Company's results for the year.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

20 TAX ASSETS AND LIABILITIES(Cont'd)

Corporate Tax(Cont'd)

In Turkey, the corporate tax rate will be applied as 25% for the corporate earnings of the 2021 taxation period and 23% for the corporate earnings of the 2022 taxation period, with the regulation dated April 22, 2021. It will be applied as 20% after the taxation period of 2022.

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% (2021: 35 %). Corporate tax rate in Kazakhstan is 20% (2021: 20 %). Corporate tax rate in Algeria is 26%.

Withholding tax

In addition to corporate taxes, companies should also calculate withholding taxes surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15 % with the code numbered 5520 article 15 commencing from 23 July 2006. Transfer from retained earnings to share capital is not subject to withholding taxes.

Deferred Taxes

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising from its financial statements prepared in accordance with TFRS and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and are set out below.

Subsidiaries with deferred tax assets are not netted off with subsidiaries with deferred tax liabilities and are shown separately, as businesses in Turkey cannot declare consolidated tax returns.

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20 TAX ASSETS AND LIABILITIES(Cont'd)

Deferred Taxes(Cont'd)

| <u>Deferred tax assets</u> | <u>30 September 2022</u> | <u>31 December 2021</u> |
|---|---------------------------------|--------------------------------|
| Trade and unbilled receivables | (72.767.584) | (88.452.339) |
| Tangible and intangible assets | (62.185.304) | (43.352.596) |
| Trade payables and cost provisions | 47.553.625 | 58.310.103 |
| Unused R&D tax exemption | 350.850.913 | 177.666.653 |
| Provision for unused vacation | 1.536.466 | 1.488.037 |
| Inventory and contract assets | (47.595.096) | 5.303.215 |
| Provisions for employee premiums | 4.981.125 | 4.463.247 |
| Deferred revenues | 79.204 | 438.431 |
| Contract liabilities | 31.132.972 | 28.002.883 |
| Legal provision | 1.837.296 | 2.539.641 |
| Severance indemnity and retirement provisions | 8.665.503 | 8.918.415 |
| Other | 907.967 | (707.994) |
| | <u>264.997.087</u> | <u>154.617.696</u> |
| | <u>30 September 2022</u> | <u>31 December 2021</u> |
| Deferred Tax Assets | 264.997.087 | 169.542.385 |
| Deferred Tax Liabilities | - | (14.924.689) |
| Net Amount | <u>264.997.087</u> | <u>154.617.696</u> |

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20 TAX ASSETS AND LIABILITIES(Cont'd)

Deferred Taxes(Cont'd)

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

Movement for deferred taxes is as follows:

| | 30 September 2022 | 30 September 2021 |
|------------------------------------|--------------------------|--------------------------|
| Balance as of January, 1 | 154.617.696 | 130.918.551 |
| Current charge deferred tax income | 42.919.647 | 14.771.342 |
| Affiliate sales impact | - | 11.989.119 |
| Translation difference | 67.459.744 | 17.032.494 |
| Closing | 264.997.087 | 174.711.506 |

| | 1 January- 30 September 2022 | 1 January- 30 September 2021 | 1 July- 30 September 2022 | 1 July- 30 September 2021 |
|---------------------------------|---|---|--------------------------------------|--------------------------------------|
| Current tax loss | (12.993.356) | - | (3.648.540) | - |
| Deferred tax income | 42.919.647 | 26.760.461 | 21.580.374 | 20.007.719 |
| Tax Income (Loss)/Income | 29.926.291 | 26.760.461 | 17.931.834 | 20.007.719 |

| | 30 September 2022 | 31 December 2021 |
|--|--------------------------|-------------------------|
| Corporate tax | (12.993.356) | - |
| Prepaid taxes | 36.327.309 | 33.562.897 |
| Current tax (liabilities) / Current income tax assets | 23.333.953 | 33.562.897 |

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20 TAX ASSETS AND LIABILITIES(Cont'd)

Deferred Taxes(Cont'd)

Movement for deferred taxes as of 30 September 2022 and 2021 are as follows;

| | 1 January 2022 | Charge to Period | Charge to Equity | Sales Effect of NETRD | Translation Difference | 30 September 2022 |
|---|--------------------|-------------------|------------------|--------------------------|------------------------|--------------------|
| Tangible and intangible assets | (43.352.596) | (1.478.826) | - | - | (17.353.882) | (62.185.304) |
| Trade receivables | (88.452.339) | 42.926.180 | - | - | (27.241.425) | (72.767.584) |
| Trade payables and cost provisions | 58.310.103 | (28.654.905) | - | - | 17.898.427 | 47.553.625 |
| Inventory and contract assets | 5.303.215 | (47.070.389) | - | - | (5.827.922) | (47.595.096) |
| Deferred revenue | 438.431 | (453.833) | - | - | 94.606 | 79.204 |
| Provisions for employee bonuses | 4.463.247 | (1.594.472) | - | - | 2.112.350 | 4.981.125 |
| Provision for unused vacation | 1.488.037 | (826.576) | - | - | 875.005 | 1.536.466 |
| Severance indemnity and retirement provisions | 8.918.415 | (3.190.372) | - | - | 2.937.460 | 8.665.503 |
| Contract liabilities | 28.002.883 | (6.656.745) | - | - | 9.786.834 | 31.132.972 |
| Unused R&D tax exemption (Note 12) | 177.666.653 | 89.800.982 | - | - | 83.383.278 | 350.850.913 |
| Legal Provision | 2.539.641 | (1.448.312) | - | - | 745.967 | 1.837.296 |
| Other | (707.994) | 1.566.915 | - | - | 49.046 | 907.967 |
| | 154.617.696 | 42.919.647 | - | - | 67.459.744 | 264.997.087 |

| | 1 January 2021 | Charge to Period | Charge to Equity | Sales Effect of NETRD | Translation Difference | 30 September 2021 |
|---|--------------------|-------------------|------------------|--------------------------|------------------------|--------------------|
| 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 |
| | 132.126.316 | 13.414.764 | - | 11.989.101 | 17.151.148 | 174.681.329 |

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21 LOSS PER SHARE

Earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

| | 1 January- 30 September 2022 | 1 January- 30 September 2021 |
|-----------------------------------|---|---|
| Number of shares | 64.864.800 | 64.864.800 |
| Net profit/ (loss) for the period | (50.487.823) | (135.424.007) |
| (Loss) per share (kurus) | (0,7784) | (2,0878) |

22 RELATED PARTY DISCLOSURES

Due from related parties as of 30 September 2022 and 31 December 2021 are as follows:

| Due from Related Parties | 30 September 2022 | 31 December 2021 |
|----------------------------------|--------------------------|-------------------------|
| ZTE İstanbul Telekomünikasyon(1) | 2.312.223 | 16.530.090 |
| ZTE Corporation(2) | 2.168.722 | - |
| | 4.480.945 | 16.530.090 |

| Due to Related Parties | 30 September 2022 | 31 December 2021 |
|-----------------------------------|--------------------------|-------------------------|
| ZTE İstanbul Telekomünikasyon(1) | 248.785.853 | 11.472.963 |
| ZTE Corporation(2) | 200.197.607 | 441.757.867 |
| Kron Telekomünikasyon A.Ş.(3) (*) | - | 4.309.228 |
| | 448.983.460 | 457.540.058 |

(*) As explained in Footnote 2, the transfer of the shares owned in Kron Telekomünikasyon Hizmetleri A.Ş. was carried out on 29 April 2022. Kron Telecommunication Services Inc. As of 30 September 2022, it is not a related party. However, the trade payable to Kron Telekomünikasyon Hizmetleri A.Ş. may also include the balances from the transactions realized before the share transfer dated 29 April 2022.

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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22 RELATED PARTY DISCLOSURES(Cont'd)

Main transactions with related parties are as follows for the period ended 30 September 2022 and 2021.

| | 1 January- 30 September 2022 | 1 January- 30 September 2021 |
|-----------------------------------|---|---|
| Sales | | |
| ZTE İstanbul Telekomünikasyon(1) | 54.818.069 | 54.879.527 |
| ZTE Corporation(2) | 15.622.164 | 4.835.586 |
| ZTE Kangxun Telecom (1) | - | 1.915.144 |
| Kron Telekomünikasyon A.Ş.(3) (*) | - | 1.601.724 |
| | 70.440.233 | 63.231.981 |
| Purchases | | |
| ZTE Corporation(2) | 254.217.281 | 222.651.405 |
| ZTE İstanbul Telekomünikasyon(1) | 176.515.527 | 3.125.251 |
| Kron Telekomünikasyon A.Ş.(3) (*) | 824.104 | 1.262.628 |
| | 431.556.912 | 227.039.284 |

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

(1) The company which controlled by main partner

(2) Main partner

(3) Associate

Benefits to Top Management:

Top management of the Group comprised of, the members of the management and executive committee, General Managers and Deputy General Managers. For the period ended 30 September 2022, total remuneration for the directors and management board of the Group is TL 16.853.308 (30 September 2021: TL 25.076.651). As of 30 September 2022, and 31 December 2021 there is no credit granted to the Group's Management.

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**Capital risk management**

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

As of 30 September 2022, and 31 December 2021 the Group's net debt / total equity ratios are as follows:

| | 30 September 2022 | 31 December 2021 |
|---|--------------------------|-------------------------|
| Short-term and long-term borrowings (*) | 1.125.675.992 | 1.142.699.339 |
| Cash and cash equivalents | (254.919.035) | (541.970.727) |
| Net financial debt | 870.756.957 | 600.728.612 |
| Equity | 4.609.203 | 36.923.410 |
| Net financial debt/ Equity Ratio | %18.892 | %1.627 |

(*) The mentioned amount does not include lease payables and includes bank borrowings

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(Cont'd)

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

Credit risk

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

| <u>30 September 2022</u> | Trade Receivables | | Contract Assets related to | Other Receivables | Deposits at Banks |
|--|--------------------------|----------------------|------------------------------------|--------------------------|--------------------------|
| | Related Parties | Other | Goods and Services Provided | Other | |
| Maximum credit risks as of balance sheet date (A+B+C+D) | 4.480.945 | 1.382.141.469 | 587.764.488 | 2.876.556 | 254.919.035 |
| Maximum risk guaranteed by collateral | - | - | - | - | - |
| (A) Net book value of unexpired or not impaired financial assets | 4.480.945 | 936.647.542 | 587.764.488 | 2.876.556 | 254.919.035 |
| (B) Net book value of overdue but not impaired financial assets | - | 445.493.927 | - | - | - |
| Guaranteed by collateral | - | - | - | - | - |
| (C) Net book value of impaired assets | - | - | - | - | - |
| Overdue (gross book value) | - | 198.279.112 | - | - | - |
| Impairment (-) | - | (198.279.112) | - | - | - |
| Guaranteed by collateral | - | - | - | - | - |
| Unexpired (gross book value) | - | - | - | - | - |
| Impairment (-) | - | - | - | - | - |
| Guaranteed by collateral | - | - | - | - | - |
| (D) Off balance sheet risks | - | - | - | - | - |

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(Cont'd)

Credit risk (Cont'd)

| <u>31 December 2021</u> | <u>Trade Receivables</u> | | <u>Contract Assets related to Goods and Services Provided</u> | <u>Other Receivables</u> | <u>Deposits at Banks</u> |
|--|--------------------------|----------------------|---|--------------------------|--------------------------|
| | <u>Related Parties</u> | <u>Other</u> | <u>Other</u> | <u>Other</u> | |
| Maximum credit risks as of balance sheet date (A+B+C+D) | 16.530.090 | 1.332.086.135 | 572.161.427 | 2.901.515 | 541.970.727 |
| Maximum risk guaranteed by collateral | - | - | - | - | - |
| (A) Net book value of unexpired or not impaired financial assets | 16.530.090 | 1.093.295.295 | 572.161.427 | 2.901.515 | 541.970.727 |
| (B) Net book value of overdue but not impaired financial assets | - | 238.790.840 | - | - | - |
| Guaranteed by collateral | - | - | - | - | - |
| (C) Net book value of impaired assets | - | - | - | - | - |
| Overdue (gross book value) | - | 143.495.538 | - | - | - |
| Impairment (-) | - | (143.495.538) | - | - | - |
| Guaranteed by collateral | - | - | - | - | - |
| Unexpired (gross book value) | - | - | - | - | - |
| Impairment (-) | - | - | - | - | - |
| Guaranteed by collateral | - | - | - | - | - |
| (D) Off balance sheet risks | - | - | - | - | - |

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(Cont'd)

Credit risk (Cont'd)

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

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

| 30 September 2022 | Undue | 1-30 days overdue | 1-3 months overdue | 3-6 months overdue | 6-12 months overdue | 1-5 years overdue |
|--------------------------|---------------|------------------------------|-------------------------------|---------------------------|--------------------------------|--------------------------|
| Credit loss ratio (%) | 0,6% | 1,8% | 2,8% | 4,8% | 8,8% | 21,4% |
| As of period | 1.558.647.952 | 67.671.922 | 68.118.633 | 30.206.537 | 21.356.168 | 280.498.350 |
| Expected credit loss | 34.235.922 | 210.866 | 1.127.149 | 1.499.458 | 456.691 | 19.063.519 |

| 31 December 2021 | Undue | 1-30 days overdue | 1-3 months overdue | 3-6 months overdue | 6-12 months overdue | 1-5 years overdue |
|-------------------------|---------------|------------------------------|-------------------------------|---------------------------|--------------------------------|--------------------------|
| Credit loss ratio (%) | 0,5% | 1,4% | 2,1% | 3,6% | 6,6% | 16,1% |
| As of period | 1.653.414.051 | 63.026.814 | 10.714.653 | 5.929.469 | 2.598.242 | 191.322.310 |
| Expected credit loss | 19.777.264 | 108.565 | 94.202 | 12.152 | 357.314 | 2.408.480 |

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(Cont'd)

Liquidity risk

The Group manages its liquidity risk by having sufficient cash and similar resources to fulfill its current and potential obligations on time. The table showing the liquidity risk of the Group as of 30 September 2022 and 31 December 2021 is presented:

30 September 2022

| <u>Maturities due to agreements</u> | Carrying amount | Cash outflows due to agreements | Up to 3 months | 3-12 months | 1-5 years | More than 5 years |
|---|------------------------|--|-----------------------|--------------------|-------------------|--------------------------|
| <u>Non- derivative financial liabilities</u> | 2.927.383.358 | 2.946.833.244 | 2.000.192.506 | 863.549.659 | 68.851.818 | 14.239.261 |
| Financial liabilities | 1.125.675.992 | 1.137.588.082 | 332.260.006 | 805.328.076 | - | - |
| Lease Liabilities | 161.350.156 | 168.887.952 | 27.575.290 | 58.221.583 | 68.851.818 | 14.239.261 |
| Due to related parties | 448.983.460 | 448.983.460 | 448.983.460 | - | - | - |
| Other trade payables to third parties | 1.168.902.681 | 1.168.902.681 | 1.168.902.681 | - | - | - |
| Other payables to third parties | 22.471.069 | 22.471.069 | 22.471.069 | - | - | - |

31 December 2021

| <u>Maturities due to agreements</u> | Carrying amount | Cash outflows due to agreements | Up to 3 months | 3-12 months | 1-5 years | More than 5 years |
|---|------------------------|--|-----------------------|--------------------|-------------------|--------------------------|
| <u>Non- derivative financial liabilities</u> | 2.938.929.194 | 2.963.094.714 | 2.682.694.501 | 195.219.300 | 72.993.244 | 12.187.669 |
| Financial liabilities | 1.142.699.339 | 1.155.272.252 | 986.945.199 | 154.509.886 | 13.817.167 | - |
| Lease Liabilities | 115.041.653 | 126.634.260 | 14.561.100 | 40.709.414 | 59.176.077 | 12.187.669 |
| Due to related parties | 457.540.058 | 457.540.058 | 457.540.058 | - | - | - |
| Other trade payables to third parties | 1.141.873.501 | 1.141.873.501 | 1.141.873.501 | - | - | - |
| Other payables to third parties | 81.774.643 | 81.774.643 | 81.774.643 | - | - | - |

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(Cont'd)

Interest rate risk

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

| | 30 September 2022 | 31 December 2021 |
|---|--------------------------|-------------------------|
| Fixed interest rate financial instruments | 1.445.698.970 | 1.396.002.467 |
| Cash and Cash Equivalents (*) | 56.200.000 | 44.484.727 |
| Trade Receivables | 1.386.622.414 | 1.348.616.225 |
| Other Receivables | 2.876.556 | 2.901.515 |
| Variable interest rate financial instruments | - | - |
| Financial investments (**) | - | - |
| Fixed interest rate financial liabilities | 2.518.217.007 | 2.617.612.110 |
| Short and Long Term Unsecured Loans | 716.509.641 | 821.382.255 |
| Lease Liabilities | 161.350.156 | 115.041.653 |
| Trade Payables | 1.617.886.141 | 1.599.413.559 |
| Other Payables | 22.471.069 | 81.774.643 |
| Variable interest rate financial liabilities | 401.003.536 | 308.397.934 |
| Short and Long Term Unsecured Loans | 401.003.536 | 308.397.934 |
| Interest-free financial liabilities | - | 7.056.333 |
| Non Interest bearing unsecured spot loans | - | 7.056.333 |

(*) As of 30 September 2022, and 31 December 2021 includes bank time deposits.

(**) Currency Protected TL Time Deposit Account is a deposit product that offers foreign exchange protection in case the USD exchange rate in TL increases more than the interest rate at the end of the term. Currency-protected deposit accounts are a financial asset with cash flows that include principal and interest or dividends, but they also show a derivative product feature as these cash flows may change depending on the change in the exchange rate. Therefore, they are accounted for as variable interest rate financial assets.

Foreign currency risk

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

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk(Cont'd)

As of 30 September 2022, and 31 December 2021 the Group's foreign currency position table is given below:

| 30 September 2022 | TL Equivalent (*) | Original Currency | | |
|--|----------------------|----------------------|------------------|---------------------|
| | | TL | Avro | Other |
| Current Assets | 384.035.798 | 295.329.782 | 1.588.222 | 36.981.283 |
| Cash and cash equivalents | 113.444.465 | 94.947.686 | 331.326 | 13.604.993 |
| Trade receivables, third parties | 267.895.626 | 200.253.335 | 1.128.501 | 21.560.809 |
| Other receivables, third parties | 2.695.707 | 128.761 | 128.395 | 1.815.480 |
| TOTAL ASSETS (A) | 384.035.798 | 295.329.782 | 1.588.222 | 36.981.283 |
| Short Term Liabilities | 799.979.238 | 762.583.742 | 1.587.881 | 64.634.672 |
| Financial liabilities | 499.291.858 | 499.291.858 | - | - |
| Short term portion of long term financial liabilities | 4.254.707 | 4.254.707 | - | - |
| Lease liabilities | 90.745.297 | 90.745.297 | - | - |
| Trade payables, third parties | 183.216.307 | 145.820.811 | 1.587.881 | 64.634.672 |
| Other payables, third parties | 22.471.069 | 22.471.069 | - | - |
| Long Term Liabilities | 70.604.859 | 70.604.859 | - | - |
| Long term financial liabilities | - | - | - | - |
| Lease liabilities | 70.604.859 | 70.604.859 | - | - |
| TOTAL LIABILITIES (B) | 870.584.097 | 833.188.601 | 1.587.881 | 64.634.672 |
| Net Foreign Currency Asset / (Liability) Position (A-B) | (486.548.299) | (537.858.819) | 341 | (27.653.390) |

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

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk(Cont'd)

| 31 December 2021 | TL Equivalent (*) | Original Currency | | |
|--|--------------------------|--------------------------|---------------------|--------------------|
| | | TL | Avro | Other |
| Current Assets | 937.359.274 | 619.249.031 | 8.410.157 | 738.777.853 |
| Cash and cash equivalents | 260.279.615 | 144.533.549 | 18.875 | 499.977.897 |
| Trade receivables, third parties | 675.839.809 | 474.049.125 | 8.364.689 | 236.969.277 |
| Other receivables, third parties | 1.239.850 | 666.357 | 26.592 | 1.830.679 |
| TOTAL ASSETS (A) | 937.359.274 | 619.249.031 | 8.410.157 | 738.777.853 |
| Short Term Liabilities | 1.248.191.559 | 671.433.743 | 37.632.956 | 280.931.003 |
| Financial liabilities | 901.523.346 | 360.974.293 | 35.829.509 | - |
| Lease liabilities | 67.940.819 | 67.940.819 | - | - |
| Trade payables, third parties | 196.952.751 | 160.743.988 | 1.803.447 | 280.931.003 |
| Other payables, third parties | 81.774.643 | 81.774.643 | - | - |
| Long Term Liabilities | 47.100.834 | 47.100.834 | - | - |
| Lease liabilities | 47.100.834 | 47.100.834 | - | - |
| TOTAL LIABILITIES (B) | 1.295.292.393 | 718.534.577 | 37.632.956 | 280.931.003 |
| Net Foreign Currency Asset / (Liability) Position (A-B) | (357.933.119) | (99.285.546) | (29.222.799) | 457.846.850 |

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

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk(Cont'd)

Exchange Rate Sensitivity Table
30 December 2022

| | <u>Profit / (Loss)</u> | |
|--|-------------------------------|---------------------------|
| | <u>Appreciation</u> | <u>Devaluation</u> |
| <i>Effect of 10 % appreciation/devaluation in TL -USD exchange rate :</i> | | |
| Net asset / (liability) in TL | (53.785.882) | 53.785.882 |
| Hedged portion from TL risk (-) | - | - |
| (1) Net effect of TL | (53.785.882) | 53.785.882 |
| <i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i> | | |
| Net asset / (liability) in EUR | 619 | (619) |
| Hedged portion from EUR risk (-) | - | - |
| (2) Net effect of EUR | 619 | (619) |
| <i>Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:</i> | | |
| Net asset / (liability) in other currencies | (128.682) | 128.682 |
| Hedged portion from other currencies risk (-) | - | - |
| (3) Net effect of other currencies | (128.682) | 128.682 |
| TOTAL (1+2+3) | (53.913.945) | 53.913.945 |

31 December 2021

| | <u>Profit / (Loss)</u> | |
|--|-------------------------------|---------------------------|
| | <u>Appreciation</u> | <u>Devaluation</u> |
| <i>Effect of 10 % appreciation/devaluation in TL -USD exchange rate :</i> | | |
| Net asset / (liability) in TL | (9.928.555) | 9.928.555 |
| Hedged portion from TL risk (-) | - | - |
| (1) Net effect of TL | (9.928.555) | 9.928.555 |
| <i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i> | | |
| Net asset / (liability) in EUR | (44.087.560) | 44.087.560 |
| Hedged portion from EUR risk (-) | - | - |
| (2) Net effect of EUR | (44.087.560) | 44.087.560 |
| <i>Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:</i> | | |
| Net asset / (liability) in other currencies | 18.222.803 | (18.222.803) |
| Hedged portion from other currencies risk (-) | - | - |
| (3) Net effect of other currencies | 18.222.803 | (18.222.803) |
| TOTAL (1+2+3) | (35.793.312) | 35.793.312 |

24 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price to be obtained from the sale of an asset or to be paid in the transfer of a debt in the usual transaction between market participants on the measurement date.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methods. However, estimates are required in the interpretation of market data to determine fair value. Accordingly, the estimations presented here may not show the amounts that the Group can obtain in a current market transaction.

The following methods and assumptions are used to estimate the fair value of financial instruments and these valuations are considered level 1

Financial Investments:

Currency-protected deposit accounts are a financial asset with cash flows that include principal and interest or dividends, but they also show a derivative product feature as these cash flows may change depending on the change in the exchange rate. Therefore, currency protected deposit accounts are treated as hybrid contracts and accounted for as financial assets whose fair value is recognized in profit or loss in line with the provisions of TFRS 9 regarding mixed contracts. Changes in the fair value of currency-protected deposit accounts are accounted for under the “Income/Expenses from Investing Activities” in the Statement of Profit or Loss and Other Comprehensive Income.

The following methods and assumptions are used to estimate the fair value of financial instruments and these valuations are considered level 2

Financial Assets:

It is anticipated that the recorded values of financial assets, which are shown at cost including cash and cash equivalents and short term financial investments, are equal to their fair values because they are short term.

It is foreseen that the registered values of trade receivables reflect the fair value together with the relevant impairment provisions.

Financial Liabilities:

The fair values of variable interest and short-term bank loans and other monetary debts are expected to be close to their book values.

The Fair Value Measurement Hierarchy

The fair values of financial assets and financial liabilities are determined and grouped as follows:.

Level 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices

Level 2: The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

Level 3: The fair value of the financial assets and financial liabilities where there is no observable market data.

In accordance with fair value hierarchy, while cash and cash equivalent are categorized as of Level 1, other financial asset and liabilities are categorized as Level 2.

25 SUBSEQUENT EVENTS

None.

26 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. Before the sale, NetRD was presented under operating segment Technology in the segment reporting note.

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

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

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