

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

**AS AT AND FOR THE PERIOD ENDED
31 MARCH 2022 CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

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

INDEX	Page
Condensed Consolidated Statements of Financial Position	1-2
Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income	3
Condensed Consolidated Statement of Changes in Equity	4
Condensed Consolidated Statement of Cash Flows	5-6
Note 1 Organization and Operations of the Group	7-8
Note 2 Basis of Presentation of the Consolidated Financial Statements	8-17
Note 3 Shares in Associates	18
Note 4 Segment Reporting	19-22
Note 5 Cash and Cash Equivalents	22
Note 6 Short Term Borrowings	23-24
Note 7 Trade Receivables and Payables	25
Note 8 Inventories	26
Note 9 Property, Plant and Equipment	27-29
Note 10 Intangible Assets	29-31
Note 11 Right of Use Assets	31-32
Note 12 Government Grants	32
Note 13 Provisions, Contingent Assets and Liabilities	33
Note 14 Commitments	33-34
Note 15 Employee Benefits	35
Note 16 Shareholders' Equity	36-37
Note 17 Revenue and Cost of Sales	38-39
Note 18 Income and Expenses from Other Operating Activities	40
Note 19 Finance Income and Expenses	40
Note 20 Tax Assets and Liabilities	41-43
Note 21 Earnings Per Share	44
Note 22 Related Party Disclosures	44-45
Note 23 Financial Instruments and Risk Management	45-53
Note 24 Fair Value of Financial Instruments	54
Note 25 Subsequent Events	54
Note 26 Disclosures 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	55-56

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 MARCH 2022**

(Unless otherwise stated the amounts are in TL).

	Notes	Unreviewed 31 March 2022	Audited 31 December 2021
ASSETS			
Current Assets		2.653.629.199	2.948.964.059
Cash and Cash Equivalents	5	694.277.173	541.970.727
Financial Investments		2.056.680	-
Trade Receivables		1.032.176.019	1.348.616.225
<i>Due from related parties</i>	22	15.415.482	16.530.090
<i>Trade receivables, third parties</i>	7	1.016.760.537	1.332.086.135
Other Receivables		2.554.096	2.901.515
<i>Other receivables, third parties</i>		2.554.096	2.901.515
Inventories	8	265.064.301	379.632.146
Contract Assets related to Goods and Services Provided		552.412.873	572.161.427
<i>Contract Assets related to Goods and Services Provided</i>	4	552.412.873	572.161.427
Prepaid Expenses		61.089.025	36.731.381
Current Income Tax Assets	20	33.140.584	33.562.897
Other Current Assets		10.858.448	33.387.741
Non-Current Assets		754.299.657	717.962.787
Property, Plant and Equipment	9	113.662.853	117.520.639
Right of Use Assets	11	74.490.778	67.931.249
Financial Investments		19.685.492	17.926.217
Intangible Assets		374.455.893	336.420.960
<i>Goodwill</i>	10	268.270.350	244.295.352
<i>Other intangible assets</i>	10	106.185.543	92.125.608
Investments Accounted Using the Equity Method	3	8.527.485	8.621.337
Deferred Tax Assets	20	163.477.156	169.542.385
TOTAL ASSETS		3.407.928.856	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 31 MARCH 2022

(Unless otherwise stated the amounts are in TL).

	Notes	Unreviewed 31 March 2022	Audited 31 December 2021
LIABILITIES			
Short Term Liabilities		3.322.361.093	3.508.145.330
Short Term Borrowings		1.192.202.375	1.115.963.022
<i>Short Term Bank Loans</i>	6	1.192.202.375	1.115.963.022
Short-Term Portion of Long-Term Borrowings		86.893.060	80.859.969
<i>Short-Term Portion of Long-Term Bank Loans</i>	6	10.103.189	12.919.150
<i>Short-Term Portion of Long-Term Lease Liabilities</i>	6	76.789.871	67.940.819
Trade Payables		1.363.142.404	1.599.148.842
<i>Due to related parties</i>	22	424.482.389	457.540.058
<i>Trade payables, third parties</i>	7	938.660.015	1.141.608.784
Other Payables		16.124.718	81.774.643
<i>Other payables, third parties</i>		16.124.718	81.774.643
Employee Benefit Obligations	15	30.533.364	26.272.106
Contract Liabilities		425.783.526	356.827.319
<i>Contract Liabilities</i>	4	425.783.526	356.827.319
Provisions		207.681.646	247.299.429
<i>Provisions for Employee Benefits</i>	15	18.175.059	26.573.697
<i>Other Short Term Provisions</i>	13	189.506.587	220.725.732
Long Term Liabilities		100.790.034	123.373.240
Long Term Borrowings		52.465.177	60.918.001
<i>Bank Loans</i>	6	-	13.817.167
<i>Lease Liabilities</i>	6	52.465.177	47.100.834
Provisions		48.324.857	47.530.550
<i>Provisions for Employee Benefits</i>	15	48.324.857	47.530.550
Deferred Tax Liabilities	20	-	14.924.689
SHAREHOLDERS' EQUITY			
Equity Attributable to Equity Holders of the Parent		(12.551.571)	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		(4.004.283)	(4.850.226)
<i>Currency Translation Differences</i>		(4.004.283)	(4.850.226)
Other comprehensive income not to be reclassified in profit and loss		543.600.754	545.653.120
<i>Remeasurement gain/ (loss) on defined benefit plans</i>		(17.249.239)	(17.262.824)
<i>Currency Translation Differences</i>		560.849.993	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		(48.268.558)	(668.212.140)
Non-controlling interests		(2.670.700)	(1.515.134)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3.407.928.856	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 31 MARCH 2022

(Unless otherwise stated the amounts are in TL).

		Unreviewed	
		Current Period 1 January- 31 March 2022	Previous Period 1 January- 31 March 2021
	Notes		
INCOME OR LOSS FROM OPERATIONS			
Revenue	17	686.767.013	491.776.619
Cost of Sales (-)	4	(610.117.156)	(474.575.426)
GROSS PROFIT		76.649.857	17.201.193
Sales, Marketing and Distribution Expenses (-)	4	(34.604.754)	(23.658.573)
General Administrative Expenses (-)	4	(32.599.386)	(27.698.744)
Research and Development Expenses (-)	4	(2.203.227)	(5.642.110)
Other Income from Operating Activities	18	139.380	7.138.481
Other Expenses from Operating Activities (-)	18	(44.786.587)	(44.063.109)
OPERATING LOSS		(37.404.717)	(76.722.862)
Income from Investment Activities		67.321	35.455.653
Expenses from Investment Activities (-)		(621.648)	(82.592)
Income from Investments Accounted Using the Equity Method	3	267.226	248.410
OPERATING LOSS BEFORE FINANCE INCOME AND EXPENSES		(37.691.818)	(41.101.391)
Financial Income	19	44.206.903	51.497.108
Financial Expenses (-)	19	(49.939.643)	(27.829.142)
LOSS BEFORE TAX		(43.424.558)	(17.433.425)
Tax (Expenses)/ Income		(5.999.566)	11.985.598
Current Tax Expenses	20	(109.592)	-
Deferred Tax Income	20	(5.889.974)	11.985.598
NET LOSS FOR THE YEAR		(49.424.124)	(5.447.827)
Attributable to:			
Non-controlling Interest		(1.155.566)	2.345.232
Equity Holders of the Parent		(48.268.558)	(7.793.059)
Earn/(Loss) per share	21	(0,7620)	(0,0840)
OTHER COMPREHENSIVE INCOME/ (EXPENSES)			
Other comprehensive income or expenses that will not be reclassified subsequently to profit of loss		(2.052.366)	84.882.284
Currency translation differences		(2.065.951)	84.882.284
Actuarial gain/ (loss) arising from investment accounted using the equity method	3	13.585	-
Other comprehensive income or expenses that will be reclassified subsequently to profit of loss		845.943	(1.229.154)
Currency translation differences		2.080.101	(1.229.154)
Currency translation differences from investments accounted using the equity method	3	(1.234.158)	-
OTHER COMPREHENSIVE INCOME/ (LOSS)		(1.206.423)	83.653.130
TOTAL COMPREHENSIVE INCOME/ (LOSS)		(50.630.547)	78.205.303
Attributable to:			
Non-controlling Interest		(1.155.566)	2.706.121
Equity Holders of the Parent		(49.474.981)	75.499.182
Earn/(Loss) per share		(0,7806)	1,2057

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2022

(Unless otherwise stated the amounts are in TL).

	Share Capital	Share Capital Adjustments	Other comprehensive income or expenses will be reclassified subsequently to profit or loss	Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss	Restricted Reserves	Retained Earnings		Equity Holders of the Parent	Non-controlling Interest	TOTAL	
			Currency Translation Differences	Currency Translation Differences		loss on defined benefit plans	Retained Earnings				Net (Loss) for the Period
Balance as at 1 January 2021	64.864.800	41.612.160	(445.568)	432.782.727	(11.594.178)	34.897.360	94.088.563	(71.130.227)	585.075.637	695.408	585.771.045
Total comprehensive income	-	-	(1.590.043)	84.882.284	-	-	-	(7.793.059)	75.499.182	2.706.121	78.205.303
Transfer	-	-	-	-	-	-	(71.130.227)	71.130.227	-	-	-
Balance as at 31 March 2021	64.864.800	41.612.160	(2.035.611)	517.665.011	(11.594.178)	34.897.360	22.958.336	(7.793.059)	660.574.819	3.401.529	663.976.348
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
Total comprehensive income	-	-	845.943	(2.065.951)	13.585	-	-	(48.268.558)	(49.474.981)	(1.155.566)	(50.630.547)
Transfer	-	-	-	-	-	-	(668.212.140)	668.212.140	-	-	-
Balance as at 31 March 2022	64.864.800	41.612.160	(4.004.283)	560.849.993	(17.249.239)	34.897.360	(645.253.804)	(48.268.558)	(12.551.571)	(2.670.700)	(15.222.271)

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2022

(Unless otherwise stated the amounts are in TL).

Notes	Unreviewed	
	Current Period	Previous Period
	1 January- 31 March 2022	1 January- 31 March 2021
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Loss) for the Period	(49.424.124)	(5.447.827)
<i>Profit/(Loss) from Continuing Operations</i>	<i>(49.424.124)</i>	<i>(5.447.827)</i>
Adjustments to Reconcile Profit/Loss	(18.925.861)	(38.610.896)
Adjustments for Depreciation and Amortisation Expenses	9-10-11 20.412.991	24.409.241
Adjustments for (Reversal of) Impairment Loss Recognised in Profit or Loss	(139.380)	(110.652)
<i>Adjustments for (Reversal of) Provision of Receivables</i>	<i>7 (139.380)</i>	<i>(110.652)</i>
Adjustments For Provisions	(32.362.340)	17.337.308
<i>Adjustments for Provisions Related with Employee Benefits</i>	<i>17.742.951</i>	<i>13.965.481</i>
<i>Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions</i>	<i>1.393.805</i>	<i>2.538.799</i>
<i>Adjustments for (Reversal of) Other Provisions</i>	<i>(51.499.096)</i>	<i>833.028</i>
Adjustments for Interest (Income) and Expenses	29.215.625	18.380.104
<i>Adjustments for Interest Income</i>	<i>19 (1.610.349)</i>	<i>(477.280)</i>
<i>Adjustments for Interest Expense</i>	<i>19 30.825.974</i>	<i>25.886.241</i>
<i>Unearned Financial Loss/Income from Credit Sales</i>	<i>19 -</i>	<i>(7.028.857)</i>
Adjustments For Unrealised Foreign Exchange Losses (Gains)	19 (42.596.554)	(51.019.828)
Adjustments for Share of Profit of Investments Accounted for Using the Equity Method	3 93.852	(248.410)
Adjustments for Losses Tax Expense	20 5.889.974	(11.985.598)
Adjustments for (Gains)/Losses disposal of non-current assets	559.971	(35.373.061)
<i>Adjustments for (Gains)/Losses Arising From Sale of Property, Plant and Equipment</i>	<i>559.971</i>	<i>(35.373.061)</i>
Changes in Working Capital	251.341.222	(166.967.077)
Adjustments for Decrease / (Increase) in Trade Receivables	448.931.967	85.034.539
<i>Decrease (Increase) in Trade Receivables from Related Parties</i>	<i>2.736.861</i>	<i>32.535.531</i>
<i>Decrease (Increase) in Trade Receivables from Third Parties</i>	<i>446.195.106</i>	<i>52.499.008</i>
Adjustments for Decrease (Increase) in Other Receivables Related with Operations	26.438.118	(37.213.765)
<i>Adjustments for Decrease (Increase) in Other Receivables Related with Operations from Third Parties</i>	<i>26.438.118</i>	<i>(37.213.765)</i>
Adjustments for Decrease / (Increase) in Inventories	151.824.714	24.272.807
Decrease / (Increase) in Prepaid Expenses	(20.752.848)	(53.276.327)
Adjustments for (Decrease) in Trade Payables	(392.945.939)	(104.382.900)
Increase (Decrease) in Trade Payables to Related Parties	(77.960.374)	(27.337.764)
(Decrease)/Increase in Trade Payables to Third Parties	(314.985.565)	(77.045.136)
Increase (Decrease) in Payables due to Employee Benefits	1.682.929	16.826.562
(Decrease)/Increase in Contract Assets	75.900.130	(44.669.180)
Adjustments for Decrease in Other Operating Payables	(73.675.239)	(36.252.140)
<i>(Decrease) in Other Operating Payables to Unrelated Parties</i>	<i>(73.675.239)</i>	<i>(36.252.140)</i>
(Decrease)/ Increase in Contract Liabilities	33.937.390	(27.644.174)
Other Adjustments for Other (Decrease)/ Increase in Working Capital	-	10.337.501
Cash Flows (Used in) Generated From Operations	182.991.237	(211.025.800)
Payments Related with Provisions for Employee Benefits	(25.333.697)	(25.747.345)
Income Taxes Paid	20 422.313	(31.603.276)
Payments Related with Lawsuits	-	(1.736.772)
	158.079.853	(270.113.193)

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(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 CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2022

(Unless otherwise stated the amounts are in TL).

		Unreviewed	
		Current Period 1 January- 31 March 2022	Previous Period 1 January- 31 March 2021
Notes			
B.CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES			
		3.756.222	35.538.245
	Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		
	<i>Proceeds from Sales of Property, Plant, Equipment</i>	2.215.571	35.538.245
	<i>Proceeds from Intangible Assets</i>	1.540.651	-
	Purchase of Property, Plant, Equipment and Intangible Assets	(3.357.496)	(13.939.627)
	<i>Purchase of Property, Plant, Equipment</i>	9 (3.357.496)	(9.331.552)
	<i>Purchase of Intangible Assets</i>	10 -	(4.608.075)
	Cash inflows from the sale of subsidiaries	-	58.611.531
	Interest Received	19 1.610.349	477.280
	Other Outflows of Cash	(3.815.955)	-
		(1.806.880)	80.687.429
C.CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES			
	Inflows from Borrowings	6 376.474.130	399.982.155
	Outflows from Borrowings	6 (426.637.406)	(266.490.035)
	Interest Paid	(26.929.197)	(17.068.893)
	Payments of lease liabilities	(8.070.200)	(6.716.837)
		(85.162.673)	109.706.390
NET INCREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)			
		71.110.300	(79.719.374)
D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
		81.196.146	19.329.308
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)			
		152.306.446	(60.390.066)
E.CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	5	541.970.727	307.221.733
CASH AND CASH EQUIVALENTS AT END OF YEAR (A+B+C+D+E)			
	5	694.277.173	246.831.667

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 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., Avea İletişim Hizmetleri A.Ş., Turkcell İletişim Hizmetleri A.Ş, service providers, corporate and governmental institutions in Turkey, to provide communications solutions and the infrastructure needed for modern communication systems. The Company is also engaged in research and development and provided design and development services to the foreign customers as well as to local customers.

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

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

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

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

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

(Unless otherwise stated the amounts are in TL).

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

In our disclosure made on 5 March 2021, it was disclosed that, our Board of Directors decided to transfer all the shares of NetRD Bilgi Teknolojileri ve Telekomünikasyon A.Ş. ("NetRD"), wholly owned by Netaş Bilişim Teknolojileri A.Ş., of which our Company is 100% shareholder, to MERA Switzerland AG which is a group company of US based Orion Innovation Group for USD 8.000.000 of equity value and net transaction value to be determined following closing agreements. Following the closing transactions related to sale, the share transfer was completed with a total value of USD 11.607.277. USD 3.607.277 was collected as of 6 May 2021. As a result of all these transactions, the Group achieved a profit of USD 4.802.776 (TL 35.429.117) from the sale of subsidiaries and reflected into profit or loss statements. This amount, which is shown in the item of income from investment activities, has been converted into TL by using three-month average rate between 1 January-31 March 2021. (Note 26).

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 31 March 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 31 March 2022 is 1.975 (31 December 2021: 2.171).

Approval of Condensed Consolidated Financial Statements

The financial statements were approved by the Board of Directors on 27 April 2022.

2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

a) Statement of Compliance

The accompanying financial statements are prepared in accordance with Turkish Financial Reporting Standards Accounting Standards ("TFRS") published by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") together with the provisions of the communique of "Principles of Financial Reporting in Capital Market" issued by Capital Markets Board of Turkey ("CMB")'s dated 13 June 2013 and published in the Official Gazette numbered 28676 Series II. No.14.1. TFRSs consist of standards and interpretations which are published as Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards, TAS interpretations and TFRS interpretations. TFRS are updated in harmony with the changes and updates in International Financial Reporting Standards ("IFRS") by the communiqués announced by the POA.

The condensed consolidated financial statements are presented in accordance with the formats provided in Examples of Financial Statements and User guide issued by CMB and the TAS Taxonomy issued by POA.

The condensed consolidated financial statements and explanatory notes of the Group are presented in accordance with the formats provided in Examples of Financial Statements and User guide published on 7 June 2019 by POA.

For the period ended 31 March 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.

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

(Unless otherwise stated the amounts are in TL).

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

2.1 Basis of Presentation (Cont'd)

b) Basis of presentation of condensed consolidated financial statements:

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

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

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

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

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

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

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

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

(Unless otherwise stated the amounts are in TL).

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

2.1 Basis of Presentation (Cont'd)

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

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

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

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

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

As of 31 March 2022, the detail of associate of the Group is given below:

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

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

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

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

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

(Unless otherwise stated the amounts are in TL).

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

2.1 Basis of Presentation (Cont'd)

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

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

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate is recognized in the Group's condensed consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

c) Functional Currency and Reporting Currency

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

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

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

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

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

(Unless otherwise stated the amounts are in TL).

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

2.1 Basis of Presentation (Cont'd)

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

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

- Assets and liabilities have been translated to TL by using USD rate as of 31 March 2022 (1 USD: 14,6371 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 three months average exchange rate (1 USD: 13,9380 TL) for the period ended 31 March 2022 (for the period ended 31 March 2021 1 USD: 7,3768 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 Netas 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.

d) Adjustment of Financial Statements in High Inflation Periods

In the statement made by the Public Oversight, Accounting and Auditing Standards Authority on January 20, 2022, since the cumulative change in the general purchasing power of the last three years according to the Consumer Price Index (CPI) is 74.41%, TAS 29 Financial Inflationary Economies in 2021 financial statements. It has been stated that there is no need to make any adjustments within the scope of the Reporting Standard. In this respect, no inflation adjustment was made in accordance with TAS 29 while preparing the condensed consolidated financial statements as of 31 March 2022.

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.

2.3 Change in Accounting Policies

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

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

(Unless otherwise stated the amounts are in TL).

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

2.4 The New Standards, Amendments, and Interpretations

The accounting policies adopted in preparation of the condensed consolidated financial statements as at March 31, 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.

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.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

(Unless otherwise stated the amounts are in TL).

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

2.4 The New Standards, Amendments, and Interpretations(Cont'd)

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.

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.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

(Unless otherwise stated the amounts are in TL).

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

2.4 The New Standards, Amendments, and Interpretations(Cont'd)

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

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.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

(Unless otherwise stated the amounts are in TL).

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

2.4 The New Standards, Amendments, and Interpretations(Cont'd)

iii) *Annual Improvements – 2018–2020 Cycle*

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- *TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter:* The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- *TFRS 9 Financial Instruments – Fees in the “10 per cent test” for derecognition of financial liabilities:* The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.
- *TAS 41 Agriculture – Taxation in fair value measurements:* The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

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

2.5 Summary of Significant Accounting Policies

The condensed consolidated financial statements for the interim period ending on 31 March 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.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

(Unless otherwise stated the amounts are in TL).

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

2.7 Going Concern

As of 31 March 2022, the financial statements have been prepared on the basis of going concern. As of 31 March 2022, current assets of the Group are amounting to TL 2.653.629.199 and short term liabilities of the Company are amounting to TL 3.322.361.093, short term liabilities exceeded current assets TL 668.731.894. Besides the current period loss of the Group is TL 48.268.558 and accumulated loss is TL 693.552.362. 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 Q122, USD 55 million orders were received, up 96% from the same period the previous year. The Company's registered orders to be fulfilled in the coming periods increased by 73% to USD 148 million at the end of Q122. 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 a 17% decline in operating expenses in US dollar basis expects in 2022.

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 have not contain any adjustments regarding the realizable values of the assets and the classification of their carrying values, 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.

With the Communique of Ministry of Commerce regarding the regulation on loss of capital and excess of liabilities over assets in relation to Article 376 of Turkish Commercial Code numbered 6102, it has been decided that, unrealized foreign exchange losses incurred from the foreign exchange based financial liabilities which are not yet fulfilled can be excluded on the calculation of loss of capital and excess of liabilities over assets. With the amendment made dated on 26 December 2020 in the provisional article 1 of the Communique on the Procedures and Principles regarding the implementation of Article 376 of the Turkish Commercial Code, until 1 January 2023, in calculations regarding capital loss or being insolvent, all of the exchange difference losses arising from foreign currency liabilities that have not yet been performed. It has been arranged that half of the total of the expenses, depreciation and personnel expenses incurred 2020 and 2021 from leases may not be taken into account. In relation to this regulation, it is calculated that, unrealized foreign exchange losses recognised under retained earnings/(losses) amounting to TL 1.341.488.816 and recognised under condensed consolidated statement of profit or loss amounting to TL 34.415.177, in total amounting to TL 1.375.903.993 will be excluded on the calculation of loss of capital and excess of liabilities over assets by adding back to the total equity. Accordingly, there is no existence of either issue of loss of capital or excess of liabilities over assets for the Group. The Group has been taking the necessary actions maintain its operations in a healthy financial structure within the framework of proactive approach.

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022**

(Unless otherwise stated the amounts are in TL).

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

As of 31 March 2022, 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.

	31 Mart 2022	31 December 2021
Current assets	75.650.146	99.732.161
Non-current assets	67.316.390	58.450.463
Short term liabilities	49.584.353	69.137.751
Long term liabilities	14.119.288	8.843.456
Net assets	79.262.895	80.201.417
Goodwill carried over at the group level	601.195	601.195
Share of the Group in net assets	7.926.290	8.020.142
Total	8.527.485	8.621.337
	1 January 2021- 31 March 2022	1 January 2021- 31 March 2021
Revenue	16.717.321	10.250.111
Cost of sales (-)	(2.753.636)	(1.871.943)
Net profit	2.672.255	2.484.096
Other comprehensive expenses	(3.610.777)	(2.098.132)
Total comprehensive income	(938.522)	385.964
Share of the Group in total comprehensive income	(93.852)	38.596

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

	2022	2021
As of 1 January	8.621.337	11.507.883
Share from the profit of the period	267.226	248.410
Defined benefit plan remeasurement gains /(losses)	13.585	184
Currency translation difference	(374.663)	435.475
As of 31 December	8.527.485	12.191.952

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

(Unless otherwise stated the amounts are in TL).

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.

For the period ended 31 March 2022	Telecom	System Integration	Technology	BDH	Unallocated	Total
Revenue	201.652.203	409.436.953	-	75.677.857	-	686.767.013
Cost of sales (-)	(186.993.823)	(360.045.725)	-	(62.952.207)	(125.401)	(610.117.156)
Gross margin	14.658.380	49.391.228	-	12.725.650	(125.401)	76.649.857
Sales,marketing and distribution expenses (-)	(10.458.128)	(16.393.063)	-	(7.753.563)	-	(34.604.754)
General administrative expenses (-)	-	-	-	-	(32.599.386)	(32.599.386)
Research and development expenses (-)	-	-	-	-	(2.203.227)	(2.203.227)
Operating profit / (loss) of segment	4.200.252	32.998.165	-	4.972.087	(34.928.014)	7.242.490

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022**

(Unless otherwise stated the amounts are in TL).

4. SEGMENT REPORTING(cont'd)

For the period ended 31 March 2021	Telecom	System Integration	Technology	BDH	Unallocated	Total
Revenue	101.420.481	319.410.271	21.365.752	49.580.115	-	491.776.619
Cost of sales (-)	(97.449.328)	(313.138.680)	(22.895.167)	(41.092.251)	-	(474.575.426)
Gross margin	3.971.153	6.271.591	(1.529.415)	8.487.864	-	17.201.193
Sales,marketing and distribution expenses (-)	(6.943.685)	(10.692.669)	-	(6.022.219)	-	(23.658.573)
General administrative expenses (-)	-	-	-	-	(27.698.744)	(27.698.744)
Research and development expenses (-)	-	-	(5.642.110)	-	-	(5.642.110)
Operating profit / (loss) of segment	(2.972.532)	(4.421.078)	(7.171.525)	2.465.645	(27.698.744)	(39.798.234)

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

(Unless otherwise stated the amounts are in TL).

4. SEGMENT REPORTING (Cont'd)

31 March 2022	Telecom	System Integration	Technology	BDH	Unallocated (*)	Total
Trade receivables	273.486.565	699.404.058	-	42.047.586	1.822.328	1.016.760.537
Due from related parties	3.673.693	11.438.735	-	303.054	-	15.415.482
Inventories	77.494.583	174.217.877	-	10.986.676	2.365.165	265.064.301
Contract assets	18.905.950	519.459.718	-	13.761.159	286.046	552.412.873
Segments assets	373.560.791	1.404.520.388	-	67.098.475	4.473.539	1.849.653.193
Trade payables (*)	78.076.687	761.816.183	-	66.415.181	32.351.964	938.660.015
Due to related parties	423.617.629	864.760	-	-	-	424.482.389
Contract liabilities	81.970.707	340.164.032	-	76.733	3.572.054	425.783.526
Other short term provision	-	170.157.634	-	-	19.348.953	189.506.587
Segment liabilities	583.665.023	1.273.002.609	-	66.491.914	55.272.971	1.978.432.517

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	136.258.003	1.141.608.784
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
Segment liabilities	712.044.198	1.022.369.001	3.185.774	81.093.540	137.283.648	1.955.976.161

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022**

(Unless otherwise stated the amounts are in TL).

4. SEGMENT REPORTING (Cont'd)

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

	For the period ended 31 March 2022	For the period ended 31 March 2021
Operating (loss) of segment	7.242.490	(39.798.234)
Other (expenses)/income from operating activities (net)	(44.647.207)	(36.924.628)
Other (expenses)/income from investments (net)	(554.327)	35.373.061
Income from investments accounted using the equity method	267.226	248.410
Finance (expenses)/income (net)	(5.732.740)	23.667.966
(Loss) before tax	(43.424.558)	(17.433.425)
Assets	31 March 2022	31 December 2021
Segment assets	1.849.653.193	2.300.409.798
Other assets (*)	1.558.390.751	1.366.517.048
Total assets	3.408.043.944	3.666.926.846
Liabilities	31 March 2022	31 December 2021
Segment liabilities	1.978.432.517	2.176.701.893
Other liabilities (*)	1.444.718.610	1.454.816.677
Total liabilities	3.423.151.127	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

	31 March 2022	31 December 2021
Bank- demand deposits	554.952.173	497.486.000
Bank- time deposits	139.325.000	44.484.727
Credit card receivables	694.277.173	541.970.727

<u>Currency</u>	<u>Original Currency Amount</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 March 2022</u>
TL	139.325.000	12,5-14	April 2022	139.325.000
				139.325.000

<u>Currency</u>	<u>Original Currency Amount</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2021</u>
USD	89.000	6	January 2022	1.186.281
TL	43.298.446	4,75-25,5	January 2022	43.298.446
				44.484.727

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022**

(Unless otherwise stated the amounts are in TL).

6. BORROWINGS

	31 March 2022	31 December 2021
Short term financial liabilities		
Short term unsecured loans	951.896.046	929.999.574
Financial borrowing from factoring transactions	232.686.347	178.907.115
Non interest loans(*)	7.619.982	7.056.333
	1.192.202.375	1.115.963.022

As of 31 March 2022, effective interest rate for TL loans is 19,08%, and effective interest rate for USD loans is 5,81% and effective interest rate for EURO loans is 4,75%. (As of 31 December 2021, effective interest rate for TL loans is 16,11%, effective interest rate for USD loans is 5,08%, and effective interest rate for EUR loans is 3,55%.

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

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

Currency	Original Currency Amount	Interest Rate(%) (*)	Maturity	31 March 2022
TL	521.793.646	14,75-24,00	April 2022- March 2023	521.793.646
USD	27.159.473	4,90-7,40	July 2023-March 2023	397.535.916
EURO	1.999.723	4,75	Rotative	32.566.484
				951.896.046

Currency	Original Currency Amount	Interest Rate(%) (*)	Maturity	31 December 2021
TL	334.237.975	9,0-20,0	January 2022-February 2022	334.237.975
USD	4.540.000	3,4-5,85	January 2022-February 2022	477.571.526
EURO	5.114.889	2,35-4,75	January 2022	118.190.073
				929.999.574

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

Para cinsi	Original Currency Amount	Interest Rate(%) (*)	Maturity	31 March 2022
USD	15.897.025	6,0-8,7	May 2022-September 2022	232.686.347
				232.686.347

Para cinsi	Original Currency Amount	Interest Rate(%) (*)	Maturity	31 December 2021
USD	13.422.396	6,0-8,7	June 2022	178.907.115
				178.907.115

(*) Presents the lower and upper rates.

	31 March 2022	31 December 2021
Short-Term Portion of Long-Term Financial Liabilities		
Short-Term Portion of Long-Term Unsecured Bank Loans	10.103.189	12.919.150
Short-Term Portion of Long-Term Lease Liabilities	76.789.871	67.940.819
	86.893.060	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	31 March 2022
TL	10.103.189	9,00-10,00	February 2023	10.103.189
				10.103.189

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2022
(Unless otherwise stated the amounts are in TL).

6. BORROWINGS (Cont'd)

	31 March 2022	31 December 2021
Long term financial liabilities		
Long term lease liabilities	52.465.177	47.100.834
Long term unsecured bank loans	-	13.817.167
	52.465.177	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

The Group has no collaterals given for bank loans as of 31 March 2022 and 2021.

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

	2022	2021
Opening-1 January	1.142.699.339	526.499.281
Cash inflow under within borrowings received	376.474.130	399.982.155
Cash pouflow under within borrowings received	(426.637.406)	(266.490.035)
Interest accruals changes	4.544.183	1.785.007
Currency translations changes	105.225.318	8.912.365
Closing-31 March	1.202.305.564	670.688.773

The reconciliation of the Group's debts from lease transactions for the three-month accounting periods ending on March 31, 2022 and 2021 is as follows:

	2022	2021
Opening-1 January	115.041.653	59.409.133
Additions	7.232.632	2.680.680
Interest expenses and foreign exchange loss on lease liabilities	3.896.777	6.738.124
Lease payments	(8.070.200)	(6.716.837)
Foreign Currency Translation Difference	11.154.186	4.864.626
Closing-31 March	129.255.048	66.975.726

As of March 31, 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.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2022
(Unless otherwise stated the amounts are in TL).

7. TRADE RECEIVABLES AND PAYABLES

	31 March 2022	31 December 2021
Trade Receivables from Third Parties		
Trade receivables	1.205.945.595	1.502.504.348
Discount on trade receivables (*)	(31.622.611)	(26.922.675)
Allowances for doubtful receivables (-)	(157.562.447)	(143.495.538)
	1.016.760.537	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	-	110.652
Provision no longer required	139.380	-
Currency translation differences	(14.206.289)	(7.793.040)
As of 31 March	(157.562.447)	(84.039.941)

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	31 March 2022	31 December 2021
Trade payables	938.660.015	1.141.608.784
	938.660.015	1.141.608.784

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2022
(Unless otherwise stated the amounts are in TL).

8. INVENTORIES

	31 March 2022	31 December 2021
Raw materials	108.069.503	90.074.269
Finished goods	46.956.123	47.390.287
Trade goods	183.578.209	274.244.621
Right of return assets	1.612.906	36.359.126
Allowance for inventory impairment (-)	(75.152.440)	(68.436.157)
	265.064.301	379.632.146
<u>Movement for allowance:</u>	2022	2021
Opening-1 January	(68.436.157)	(2.964.439)
Provision	-	(397.991)
Foreign currency translation difference	(6.716.283)	-
31 March kapanış bakiyesi	(75.152.440)	(3.362.430)

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022**

(Unless otherwise stated the amounts are in TL).

9. PROPERTY, PLANT AND EQUIPMENT

	Machinery and Equipment	Vehicles	Furniture and fixtures	Leasehold Improvements	Construction in Progress	Total
<u>Cost</u>						
1 January 2022	484.272.315	402.153	44.441.552	132.463.853	10.140.787	671.720.660
Translation difference	49.410.957	39.467	4.361.467	12.999.922	995.211	67.807.024
Purchases	3.264.993	-	92.503	-	-	3.357.496
Transfers(*)	-	-	-	-	(10.610.574)	(10.610.574)
Disposals	(41.794.699)	-	(2.678.159)	(22.498)	-	(44.495.356)
31 March 2022	495.153.566	441.620	46.217.363	145.441.277	525.424	687.779.250
<u>Accumulated Depreciation</u>						
1 January 2022	(417.507.487)	(256.280)	(35.259.297)	(101.176.957)	-	(554.200.021)
Translation difference	(39.770.939)	(25.893)	(3.368.293)	(10.107.685)	-	(53.272.810)
Period charge	(4.130.942)	(14.774)	(658.179)	(3.559.485)	-	(8.363.380)
Disposals	39.222.428	-	2.493.176	4.210	-	41.719.814
31 March 2022	(422.186.940)	(296.947)	(36.792.593)	(114.839.917)	-	(574.116.397)
Net book value at 31 March 2022	72.966.626	144.673	9.424.770	30.601.360	525.424	113.662.853

As of 31 March 2022, depreciation charge is TL 8.363.380.

TL 1.766.345 is accounted in cost of sales, TL 6.227.198 in general administrative expenses, TL 369.837 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 1.421.358 and is completely included in general administrative expenses..

As of 31 March 2022, there are not any mortgage and financial leasing on property, plant and equipment.

(*) TL 10.610.574 is transferred from property, plant and equipment to other intangible assets (Note 10).

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

(Unless otherwise stated the amounts are in TL).

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

	Machinery and Equipment	Vehicles	Furniture and fixtures	Leasehold Improvements	Construction in Progress	Total
Cost						
1 January 2021	270.918.613	397.627	31.993.436	86.158.219	32.033.966	421.501.861
Translation difference	5.094.626	53.386	3.334.337	8.918.924	702.145	18.103.418
Purchases	3.930.475	-	173.885	59.055	5.168.137	9.331.552
Transfers(*)	-	-	-	-	(31.958.049)	(31.958.049)
Disposals	(1.102.457)	-	(79.188)	(150.842)	-	(1.332.487)
31 March 2021	278.841.257	451.013	35.422.470	94.985.356	5.946.199	415.646.295
Accumulated Depreciation						
1 January 2021	(230.754.241)	(285.136)	(24.258.350)	(59.336.583)	-	(314.634.310)
Translation difference	(711.256)	(39.326)	(2.883.129)	(6.873.619)	-	(10.507.330)
Period charge	(4.050.593)	(8.114)	(552.341)	(2.113.721)	-	(6.724.769)
Disposals	166.577	-	36.744	140.684	-	344.005
31 March 2021	(235.349.513)	(332.576)	(27.657.076)	(68.183.239)	-	(331.522.404)
Net book value at 31 March 2021	43.491.744	118.437	7.765.394	26.802.117	5.946.199	84.123.891

As of 31 March 2021, depreciation charge is TL 6.724.769.

TL 4.361.441 is accounted in cost of sales, TL 2.127.226 in general administrative expenses, TL 236.102 in sales, marketing, and distribution expenses.

As of 31 March 2021, there are not any mortgage and financial leasing on property, plant and equipment.

(*) TL 31.958.049 is transferred from property, plant and equipment to other intangible assets (Note 10).

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2022
(Unless otherwise stated the amounts are in TL).

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

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

	Useful lives
Machinery and Equipment	10
Vehicles	5-10
Leasehold Improvement	5-10
Furniture and fixtures	5-15

10. INTANGIBLE ASSETS

Goodwill

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

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

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

Cost	2022	2021
Opening Balance	244.295.352	134.537.477
Translation difference	23.974.998	18.062.350
Closing Balance	268.270.350	152.599.827

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.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2022
(Unless otherwise stated the amounts are in TL).

10. INTANGIBLE ASSETS (Cont'd)

Goodwill (Cont'd)

Considering the future cash flows of the Group, the Company Management concluded that there is no impairment in the goodwill amount as of 31 March 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.

	1 January- 31 March 2022		
	Customer Relations (*)	Other Intangible Assets (**)	Total
Cost			
Opening balance	142.189.000	504.348.507	646.537.507
Translation difference	13.954.343	30.326.426	44.280.769
Additions	-	-	-
Transfers	-	10.610.574	10.610.574
Disposals	-	(26.722.659)	(26.722.659)
Closing balance	156.143.343	518.562.848	674.706.191
Accumulated amortization			
Opening balance	(142.189.000)	(412.222.899)	(554.411.899)
Translation difference	(13.954.343)	(20.276.086)	(34.230.429)
Period charge	-	(5.060.328)	(5.060.328)
Disposals	-	25.182.008	25.182.008
Impairments	-	-	-
Closing balance	(156.143.343)	(412.377.305)	(568.520.648)
Net book value	-	106.185.543	106.185.543

(*) 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 31 March 2022, amortization charge is TL 5.060.328.

TL 3.006.395 is accounted in cost of sales, TL 2.052.344 in general administrative expenses and TL 1.589 in sales, marketing and distribution expenses.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022**

(Unless otherwise stated the amounts are in TL).

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

	1 January- 31 March 2021		
	Customer Relations (*)	Other Intangible Assets(**)	Total
Cost			
Opening balance	78.305.825	287.352.475	365.658.300
Translation difference	10.512.961	15.511.823	26.024.784
Additions	-	4.608.075	4.608.075
Transfers	-	31.958.049	31.958.049
Disposals	-	-	-
Closing balance	88.818.786	339.430.422	428.249.208
Accumulated amortization			
Opening balance	(72.432.888)	(173.463.133)	(245.896.021)
Translation difference	(9.977.632)	772.836	(9.204.796)
Period charge	(1.967.327)	(9.563.455)	(11.530.782)
Impairments	-	-	-
Closing balance	(84.377.847)	(182.253.752)	(266.631.599)
Net book value	4.440.939	157.176.670	161.617.609

(*) 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 31 March 2021, amortization charge is TL 11.530.782.

TL 7.827.599 is accounted in cost of sales, TL 3.663.090 in general administrative expenses and TL 40.093 in sales, marketing and distribution expenses.

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

	Depreciation Ratio (%)
Software	20
Customer Portfolio	10
Licenses	3-15
Rights	20

11. RIGHT OF USE ASSETS

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2022
(Unless otherwise stated the amounts are in TL).

11. RIGHT OF USE ASSETS (CONT'D)

As of 31 March 2022, and 2021 the movement table of the right of use assets is as follows:

	Buildings	Vehicles	Total
<u>Cost</u>			
1 January 2022	97.577.941	81.400.088	178.978.029
Translation difference	9.576.241	7.988.557	17.564.798
Additions	6.228.000	1.004.632	7.232.632
31 March 2022	113.382.182	90.393.277	203.775.459
1 January 2022	(59.626.294)	(51.420.486)	(111.046.780)
Translation difference	(6.076.813)	(5.171.805)	(11.248.618)
Additions	(4.490.023)	(2.499.260)	(6.989.283)
31 March 2022	(70.193.130)	(59.091.551)	(129.284.681)
Net book value at 31 March 2022	43.189.052	31.301.726	74.490.778
	Buildings	Vehicles	Total
<u>Cost</u>			
1 January 2021	58.951.108	35.420.257	94.371.365
Translation difference	7.476	408.231	415.707
Additions	48.208	2.632.472	2.680.680
31 March 2021	59.006.792	38.460.960	97.467.752
1 January 2021	(24.426.091)	(21.625.149)	(46.051.240)
Translation difference	(333.248)	(293.646)	(626.894)
Additions	(2.148.951)	(1.893.574)	(4.042.525)
31 March 2021	(26.908.290)	(23.812.369)	(50.720.659)
Net book value at 31 March 2021	32.098.502	14.648.591	46.747.093

12. GOVERNMENT GRANTS

For the period ended 31 March 2022 the Group has received approved, well deserved and accrued incentive from TÜBİTAK TL 55.448 (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 31 March 2022, the Group has a corporate tax benefit of TL 893.316.438 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 31 March 2022, the amount of income tax incentive within the scope of Act numbered 5746 is TL 1.709.564 (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 3.420.564 (31 December 2021: TL 14.557.898).

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2022
(Unless otherwise stated the amounts are in TL).

13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions	31 March 2022	31 December 2021
Executory Contracts (*)	170.157.634	170.593.219
Provisions for return	1.612.906	36.359.126
Provision for legal cases	16.035.367	13.508.670
Other provisions (**)	1.700.680	264.717
	189.506.587	220.725.732

(*) 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.

(**) Dues, electricity, fuel, water, gasoline, communication etc. consists of provisions for general administration

14. COMMITMENTS

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

	31 March 2022	31 December 2021
Guarantee letters given (*)	1.473.812.480	1.370.596.177
	1.473.812.480	1.370.596.177

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

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

	TL Equivalent	Original Currency		
		TL	USD	EURO
31 March 2022	1.473.812.480	202.440.010	75.593.540	10.125.711

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2022
(Unless otherwise stated the amounts are in TL).

14. COMMITMENTS (Cont'd)

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

Commitments, Pledges, Mortgages ("CPM") are given by the Company	31 March 2022	31 December 2021
A. Total amount of CPM is given on behalf of own legal personality	1.400.626.980	1.303.951.177
B. Total amount of CPM is given in favor of subsidiaries which are fully consolidated	73.185.500	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	-	-
	1.473.812.480	1.370.596.177

Guarantee Letters Received

31 March 2022	Original Currency			
	TL Equivalent	TL	USD	EURO
	19.452.748	3.534.081	967.538	107.870

31 December 2021	Original Currency			
	TL Equivalent	TL	USD	EURO
	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.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2022
(Unless otherwise stated the amounts are in TL).

15. EMPLOYEE BENEFITS

Employee Benefit Obligations:

	31 March 2022	31 December 2021
Social security payables	30.373.841	26.079.772
Payables to employees	159.523	192.334
	30.533.364	26.272.106

Short Term and Long-Term Provisions for Employee Benefits:

Short Term	31 March 2022	31 December 2021
Provision for employee premiums	18.175.059	26.573.697
	18.175.059	26.573.697
Long Term		
Unused vacation provision	13.631.848	11.748.655
Provision for severance indemnity	34.397.104	35.512.436
Provision for retirement benefits	295.905	269.459
	48.324.857	47.530.550
Total		
Provision for employee premiums	18.175.059	26.573.697
Unused vacation provision	13.631.848	11.748.655
Provision for severance indemnity	34.397.104	35.512.436
Provision for retirement benefits	295.905	269.459
	66.499.916	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.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022**

(Unless otherwise stated the amounts are in TL).

16. SHAREHOLDERS' EQUITY**Paid in Capital**

Shareholding structure of Company as of 31 March 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.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2022
(Unless otherwise stated the amounts are in TL).

16. SHAREHOLDERS' EQUITY (Cont'd)

Share Capital Adjustments (cont'd)

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

Legal Reserves

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

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

	<u>31 March 2022</u>	<u>31 December 2021</u>
Primary legal reserves	11.997.507	11.997.507
Secondary legal reserves	22.899.853	22.899.853
Total	<u>34.897.360</u>	<u>34.897.360</u>

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

As of 31 March 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

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.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022**

(Unless otherwise stated the amounts are in TL).

17. REVENUE

	1 January- 31 March 2022	1 January- 31 March 2021
Net domestic sales	648.037.372	451.057.818
Net export	38.729.641	40.718.801
Asia	21.992.829	10.864.760
Europe	7.992.187	3.889.696
Africa	6.837.577	4.364.357
United States	1.907.048	21.599.988
Total net sales	686.767.013	491.776.619

	1 January-31 March 2022				
Performance Obligations:	Telecom	System Integration	Technology	BDH	Total
Hardware performance obligation	164.247.197	77.051.918	-	-	241.299.115
Licence performance obligation	-	183.579.438	-	-	183.579.438
Maintenance performance obligation	12.298.148	63.016.279	-	75.677.857	150.992.284
Design performance obligation	16.035.427	36.254.357	-	-	52.289.784
Installation performance obligation	7.025.179	4.284.872	-	-	11.310.051
Other performance obligations	2.046.252	45.250.089	-	-	47.296.341
	201.652.203	409.436.953	-	75.677.857	686.767.013

**Satisfaction of Performance
Obligations:**

At a point in time	189.694.601	383.085.669	-	75.677.857	648.458.127
Overtime	11.957.602	26.351.284	-	-	38.308.886
	201.652.203	409.436.953	-	75.677.857	686.767.013

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022**

(Unless otherwise stated the amounts are in TL).

17.REVENUE (Cont'd)**1 January-31 March 2021**

Performance Obligations:	Telecom	System Integration	Technology	BDH	Total
Hardware performance obligation	98.363.405	131.804.645	-	-	230.168.050
Licence performance obligation	764.983	58.212.497	-	-	58.977.480
Maintenance performance obligation	730.872	71.809.908	-	49.580.115	122.120.895
Design performance obligation	-	12.611.501	21.365.752	-	33.977.253
Installation performance obligation	1.561.221	14.977.100	-	-	16.538.321
Other performance obligations	-	29.994.620	-	-	29.994.620
	101.420.481	319.410.271	21.365.752	49.580.115	491.776.619

Satisfaction of Performance Obligations:

At a point in time	101.420.481	264.394.119	21.365.752	49.580.115	436.760.467
Overtime	-	55.016.152	-	-	55.016.152
	101.420.481	319.410.271	21.365.752	49.580.115	491.776.619

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2022
(Unless otherwise stated the amounts are in TL).

18. INCOME AND EXPENSES FROM OTHER OPERATING ACTIVITIES

	1 January- 31 March 2022	1 January- 31 March 2021
Income from Other Operating Activities		
Reversal for doubtful receivables expenses	139.380	-
Discount income, net (*)	-	7.028.857
R&D Incentives	-	54.283
Other income and gains	-	55.341
	139.380	7.138.481

	1 January- 31 March 2022	1 January- 31 March 2021
Expenses from Other Operating Activities		
Foreign exchange expenses, net	31.565.189	37.856.174
Discount loss on receivables, net (*)	5.035.174	-
Other tax expenses	4.573.614	243.018
Legal case expenses	1.869.381	2.805.686
Other expenses and losses	1.743.229	3.158.231
	44.786.587	44.063.109

(*) 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- 31 March 2022	1 January- 31 March 2021
Financial Income		
Foreign exchange gains, net (*)	42.596.554	51.019.828
Interest income	1.610.349	477.280
	44.206.903	51.497.108

	1 January- 31 March 2022	1 January- 31 March 2021
Financial Expenses		
Bank interest expenses	26.929.197	17.160.759
Bank loan expenses	5.288.015	2.756.433
Guarantee letter commissions	3.928.369	1.750.322
Interest and foreign exchange loss on leases	3.896.744	5.969.049
Other financial expenses	9.897.318	192.579
	49.939.643	27.829.142

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

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.

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.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2022
(Unless otherwise stated the amounts are in TL).

20. TAX ASSETS AND LIABILITIES (Cont'd)

<u>Deferred tax assets</u>	<u>31 March 2022</u>	<u>31 December 2021</u>
Trade and unbilled receivables	(61.018.173)	(88.452.339)
Tangible and intangible assets	(41.106.489)	(43.352.596)
Trade payables and cost provisions	48.957.508	58.310.103
Unused R&D tax exemption	180.845.760	177.666.653
Provision for unused vacation	1.670.294	1.488.037
Inventory and contract assets	(8.832.085)	5.303.215
Provisions for employee premiums	1.986.307	4.463.247
Deferred revenues	(155.783)	438.431
Contract liabilities	30.411.503	28.002.883
Legal provision	2.714.026	2.539.641
Severance indemnity and retirement provisions	8.424.157	8.918.415
Other	(419.869)	(707.994)
	<u>163.477.156</u>	<u>154.617.696</u>
	<u>31 March 2022</u>	<u>31 December 2021</u>
Deferred Tax Assets	163.477.156	169.542.385
Deferred Tax Liabilities	-	(14.924.689)
Net Amount	<u>163.477.156</u>	<u>154.617.696</u>

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

<u>Movement for deferred taxes is as follows:</u>	<u>31 March 2022</u>	<u>31 March 2021</u>
Balance as of January, 1	154.617.696	130.918.551
Current charge deferred tax income	(5.889.974)	697.797
Affiliate sales impact	-	11.287.800
Accounting under equity	-	-
Translation difference	14.749.434	14.933.352
Closing	<u>163.477.156</u>	<u>157.837.500</u>
	<u>1 January- 31 March 2022</u>	<u>1 January- 31 March 2021</u>
Current tax loss	(109.592)	-
Deferred tax income	(5.889.974)	11.985.598
Tax Income (Loss)/Income	<u>(5.999.566)</u>	<u>11.985.598</u>
	<u>31 March 2022</u>	<u>31 December 2021</u>
Corporate tax	109.592	-
Prepaid taxes	(33.250.176)	(33.562.897)
Current tax liabilities/ (Current income tax assets)	<u>(33.140.584)</u>	<u>(33.562.897)</u>

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2022
(Unless otherwise stated the amounts are in TL).

20. TAX ASSETS AND LIABILITIES (Cont'd)

Movement for deferred taxes as of 31 March 2022 and 2021 are as follows;

	1 January 2022	Charge to Period	Charge to Equity	Sales Effect of NETRD	Translation Difference	31 March 2022
Tangible and intangible assets	(43.352.596)	6.244.580	-	-	(3.998.473)	(41.106.489)
Trade receivables	(88.452.339)	34.390.019	-	-	(6.955.853)	(61.018.173)
Trade payables and cost provisions	58.310.103	(14.232.061)	-	-	4.879.466	48.957.508
Inventory and contract assets	5.303.215	(13.955.811)	-	-	(179.489)	(8.832.085)
Deferred revenue	438.431	(606.807)	-	-	12.593	(155.783)
Provisions for employee bonuses	4.463.247	(2.929.819)	-	-	452.879	1.986.307
Provision for unused vacation	1.488.037	(69.732)	-	-	251.989	1.670.294
Severance indemnity and retirement provisions	8.918.415	(1.304.099)	-	-	809.841	8.424.157
Contract liabilities	28.002.883	(323.349)	-	-	2.731.969	30.411.503
Unused R&D tax exemption (Note 12)	177.666.653	(13.372.135)	-	-	16.551.242	180.845.760
Carryforward tax losses	-	-	-	-	-	-
Legal Provision	2.539.641	(71.279)	-	-	245.664	2.714.026
Other	(707.994)	340.519	-	-	(52.394)	(419.869)
	154.617.696	(5.889.974)	-	-	14.749.434	163.477.156

	1 January 2021	Charge to Period	Charge to Equity	Sales Effect of NETRD	Translation Difference	31 March 2021
Tangible and intangible assets	(23.364.493)	(8.399.024)	-	(536.261)	(4.090.590)	(36.390.368)
Trade receivables	(79.448.602)	(15.966.973)	-	-	(12.720.914)	(108.136.489)
Trade payables and cost provisions	(2.885.749)	5.089.004	-	-	267.394	2.470.649
Inventory and contract assets	26.338.977	37.912.437	-	-	8.414.476	72.665.890
Deferred revenue	9.081.490	(20.656.279)	-	-	(1.438.683)	(13.013.472)
Provisions for employee bonuses	5.136.926	(2.061.181)	-	844.390	224.548	4.144.683
Provision for unused vacation	3.097.280	(353.422)	-	328.885	292.493	3.365.236
Severance indemnity and retirement provisions	5.186.122	66.635	-	-	644.053	5.896.810
Contract liabilities	5.198.006	8.423.701	-	-	1.781.768	15.403.475
Unused R&D tax exemption (Note 15)	131.847.448	(5.152.341)	-	10.650.769	14.516.892	151.862.768
Carryforward tax losses	50.744.135	(3.942.007)	-	-	6.305.429	53.107.557
Other	(12.989)	5.737.247	-	17	736.486	6.460.761
	130.918.551	697.797	-	11.287.800	14.933.352	157.837.500

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2022
(Unless otherwise stated the amounts are in TL).

21. (LOSS) PER SHARE

	1 January- 31 March 2022	1 January- 31 March 2021
Number of shares	64.864.800	64.864.800
Net profit/ (loss) for the period	(49.424.124)	(5.447.827)
(Loss) per share (kurus)	(0,7620)	(0,0840)

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.

22. RELATED PARTY DISCLOSURES

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

Due from Related Parties	31 March 2022	31 December 2021
ZTE Corporation(2)	11.438.735	-
ZTE İstanbul Telekomünikasyon(1)	3.976.747	16.530.090
	15.415.482	16.530.090
Due to Related Parties	31 March 2022	31 December 2021
ZTE Corporation(2)	407.486.637	441.757.867
ZTE İstanbul Telekomünikasyon(1)	12.598.913	11.472.963
Kron Telekomünikasyon A.Ş.(3)	4.396.839	4.309.228
	424.482.389	457.540.058

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2022
(Unless otherwise stated the amounts are in TL).

22. RELATED PARTY DISCLOSURES (Cont'd)

Main transactions with related parties are as follows for the period ended 31 March 2022 and 2021.

	1 January- 31 March 2022	1 January- 31 March 2021
Sales		
ZTE İstanbul Telekomünikasyon(1)	25.235.472	1.789.854
ZTE Corporation(2)	13.499.560	-
	38.735.032	1.789.854
Purchases		
ZTE Corporation(2)	60.509.924	42.231.298
Kron Telekomünikasyon A.Ş.(3)	733.433	1.309.103
ZTE İstanbul Telekomünikasyon(1)	-	284.686
	61.243.357	43.825.087

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

Benefits to Top Management:

Top management of the Group comprised of, the members of the management and executive committee, General Managers and Deputy General Managers. For the period ended 31 March 2022, total remuneration for the directors and management board of the Group is TL 3.272.713 (31 March 2021: TL 13.644.642). As of 31 March 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 31 March 2022, and 31 December 2021 the Group's net debt / total equity ratios are as follows:

	31 March 2022	31 December 2021
Short-term and long-term borrowings (*)	1.202.305.564	1.142.699.339
Cash and cash equivalents	(694.277.173)	(541.970.727)
Net financial debt	508.028.391	600.728.612
Equity	(12.551.571)	36.923.410
Net financial debt/ Equity Ratio	-4048%	1627%

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022**

(Unless otherwise stated the amounts are in TL).

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Credit risk

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

<u>31 March 2022</u>	Trade Receivables		Contract Assets related to Goods and Services Provided	Other Receivables	Deposits at Banks
	Related Parties	Other	Other	Other	
Maximum credit risks as of balance sheet date (A+B+C+D)	15.415.482	1.016.760.537	552.412.873	2.554.096	694.277.173
Maximum risk guaranteed by collateral	-	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	15.415.482	634.746.187	552.412.873	2.554.096	694.277.173
(B) Net book value of overdue but not impaired financial assets	-	382.014.350	-	-	-
Guaranteed by collateral	-	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-	-
Overdue (gross book value)	-	157.562.447	-	-	-
Impairment (-)	-	(157.562.447)	-	-	-
Guaranteed by collateral	-	-	-	-	-
Unexpired (gross book value)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
Guaranteed by collateral	-	-	-	-	-
(D) Off balance sheet risks	-	-	-	-	-

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

(Unless otherwise stated the amounts are in TL).

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

Credit risk (Cont'd)

31 December 2021

	Trade Receivables		Contract Assets related to Goods and Services Provided	Other Receivables	Deposits at Banks
	Related Parties	Other	Other	Other	
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	-	-	-	-	-

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2022
(Unless otherwise stated the amounts are in TL).

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:

31 March 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 (%)	0,5%	1,4%	2,1%	3,6%	6,6%	16,1%
As of period	1.220.439.631	53.296.812	87.604.439	9.891.535	3.614.903	240.281.193
Expected credit loss	33.280.571	115.082	768.913	299.193	115.192	11.376.152

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022**

(Unless otherwise stated the amounts are in TL).

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

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 31 March 2022 and 31 December 2021 is presented:

31 March 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>	2.710.827.734	2.734.225.097	2.180.293.834	486.230.481	55.750.997	11.949.785
Financial liabilities	1.202.305.564	1.218.424.449	781.772.680	436.651.769	-	-
Lease Liabilities	129.255.048	136.533.526	19.254.032	49.578.712	55.750.997	11.949.785
Due to related parties	424.482.389	424.482.389	424.482.389	-	-	-
Other trade payables to third parties	938.660.015	938.660.015	938.660.015	-	-	-
Other payables to third parties	16.124.718	16.124.718	16.124.718	-	-	-

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>	2.938.664.477	2.962.829.997	2.682.429.784	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	1.141.608.784	1.141.608.784	1.141.608.784	-	-	-
Other payables to third parties	81.774.643	81.774.643	81.774.643	-	-	-

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2022
(Unless otherwise stated the amounts are in TL).

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.

	31 March 2022	31 December 2021
Fixed interest rate financial instruments	1.174.055.115	1.396.002.467
Cash and Cash Equivalents (*)	139.325.000	44.484.727
Trade Receivables	1.032.176.019	1.348.616.225
Other Receivables	2.554.096	2.901.515
Fixed interest rate financial liabilities	2.389.867.789	2.617.347.393
Short and Long Term Unsecured Loans	881.345.619	821.382.255
Lease Liabilities	129.255.048	115.041.653
Trade Payables	1.363.142.404	1.599.148.842
Other Payables	16.124.718	81.774.643
Variable interest rate financial instruments	310.856.756	308.397.934
Short and Long Term Unsecured Loans	310.856.756	308.397.934
Interest-free financial liabilities	7.619.982	7.056.333
Non Interest bearing unsecured spot loans	7.619.982	7.056.333

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

Foreign currency risk

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022**

(Unless otherwise stated the amounts are in TL).

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

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

31 March 2022	TL Equivalent (*)	Original Currency		
		TL	Avro	Other
Current Assets	573.693.024	337.561.992	2.345.642	95.526.461
Cash and cash equivalents	280.085.392	142.981.962	514.133	64.026.850
Trade receivables, third parties	291.312.444	194.561.711	1.703.114	29.684.131
Other receivables, third parties	2.295.188	18.319	128.395	1.815.480
TOTAL ASSETS (A)	573.693.024	337.561.992	2.345.642	95.526.461
Short Term Liabilities	900.199.331	850.460.273	2.636.029	115.459.344
Financial liabilities	561.980.112	529.413.628	1.999.723	-
Short term portion of long term financial liabilities	10.103.189	10.103.189	-	-
Lease liabilities	76.789.871	76.789.871	-	-
Trade payables, third parties	235.201.441	218.028.867	636.306	115.459.344
Other payables, third parties	16.124.718	16.124.718	-	-
Long Term Liabilities	52.465.177	52.465.177	-	-
Long term financial liabilities	-	-	-	-
Lease liabilities	52.465.177	52.465.177	-	-
TOTAL LIABILITIES (B)	952.664.508	902.925.450	2.636.029	115.459.344
Net Foreign Currency Asset / (Liability) Position (A-B)	(378.971.484)	(565.363.458)	(290.387)	(19.932.883)

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

(Unless otherwise stated the amounts are in TL).

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.

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2022
(Unless otherwise stated the amounts are in TL).

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

Foreign currency risk (Cont'd)

Exchange Rate Sensitivity Table
31 March 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	(56.536.346)	56.536.346
Hedged portion from TL risk (-)	-	-
(1) Net effect of TL	(56.536.346)	56.536.346
<i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i>		
Net asset / (liability) in EUR	(472.910)	472.910
Hedged portion from EUR risk (-)	-	-
(2) Net effect of EUR	(472.910)	472.910
<i>Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:</i>		
Net asset / (liability) in other currencies	(3.208.622)	3.208.622
Hedged portion from other currencies risk (-)	-	-
(3) Net effect of other currencies	(3.208.622)	3.208.622
TOTAL (1+2+3)	(60.217.878)	60.217.878

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2022
(Unless otherwise stated the amounts are in TL).

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 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.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

(Unless otherwise stated the amounts are in TL).

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.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2022
(Unless otherwise stated the amounts are in TL).

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