

**NETAŞ TELEKOMÜNİKASYON A.Ş. BOARD OF DIRECTORS INTERIM
REPORT
FOR THE PERIOD ENDED 30 JUNE 2021**

Trade Registration Number: 94955/403045

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NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED 30 JUNE 2021

ORGANIZATION AND OPERATIONS OF THE GROUP

Netaş Telekomünikasyon A.Ş. (the “Company”) and its’ subsidiaries (together the “Group”) are 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 headquarter of the Group was registered at Yenişehir Mah. Osmanlı Bulvarı No:11 34912 Kurtköy-Pendik/İstanbul at Istanbul Trade Registry Office as of 23 July 2013.

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. 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.

Specialized in all IT services, BDH Bilişim Destek Hizmetleri San. Tic.A.Ş. (“BDH”) was founded in April 2006 in order to provide consultancy, strategic outsourcing, data center and support services.

According to Board of Directors resolution as at 11 April 2012, foundation of a “Limited Liability Partnership” (Netaş Telecom Limited Liability Partnership) was completed in Kazakhstan Almaty. The amount of capital which solely belongs to Netaş is 161.800 Tenge (approximately 1.100 American USD). Registration was made on 25 June 2012 and it became valid starting from 4 July 2012.

As of 28 November 2013, an agreement is signed between Kron Telekomünikasyon Hizmetleri A.Ş. (“KRONT”) and the Company for the acquisition of 10 % of A group is TL 1.700.000.

The Company has established an organization in Malta (Netaş Telecommunications Malta Ltd.) and holds all of its share capital (100%) amounting to 1.200 EUR. Registration processes were completed in date of 4 November 2014.

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

The Company which is amounted TRY 50.000 registration of NETRD Bilgi Teknolojileri ve Telekomünikasyon A.Ş. has been established organization in date of 29 August 2018 in Istanbul. The subject of the Company, including all kinds of information and telecommunication systems, hardware and software design and coding, research and development activities, product development, consultancy, including all kinds of information activities and services, technical support, technological solution, integration, VOIP to develop, install, service, operate and operate advanced communication technologies in Turkey or abroad, to provide business services and to carry out all these activities on behalf of its own customers or to the customers it serves.

NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED 30 JUNE 2021

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

The Company which is amounted DZD 23.800.000 registration of Netas Telecommunications Algerie Sarl LLC has been established organization in date of 31 March 2019 in Algeria between the Company and Mohamed Karim Faraoun. The management control of the company, which is owned %49, belongs to Netas Telecommunications A.Ş. in accordance with the agreement and Netas Telecommunications Algerie Sarl LLC is consolidated for this reason.

As of June 30, 2021, The Group's largest and the controlling shareholder is ZTE Cooperatief U.A.

The average number of personnel employed in the Group as of June 30, 2021 is 2.265 white-collar (31 December 2020: 2.544), and the Group has no blue-collar employees for both periods, June 30, 2021 and December 31, 2020.

The Company's participations and affiliates are as follows:

- **Netaş Bilişim Teknolojileri A.Ş.**

Global competition is constantly increasing and companies now begin to operate on a service-and customer oriented basis rather than simply focusing on the products. This mandates companies including Netaş Bilişim to closely follow and use IT technologies more effectively. From industrial solutions to business solutions and from systems integration and outsourcing to care and maintenance services, network solutions and consultancy, "Netaş Bilişim" has been providing a wide range of services in international markets since 1989. The Company has 100% shares of Netaş Bilişim Teknolojileri A.Ş.

- **BDH**

BDH offers brand-independent consultancy, strategic outsourcing, hardware and support services in the IT sector to a wide range of customers from small-medium sized enterprises to large ones and public institutions. With a service team of experienced and certified professionals specializing in different areas of IT, BDH provides with 18 branches and 45 partners to its customers throughout Turkey.

Centers located in Istanbul, Ankara, Izmir, Bursa and Samsun offer hardware support for all kinds of IT products including servers, storage units, handheld devices, printers and more. The Company indirectly has 100% shares of BDH.

- **Netaş Telecom LLP**

Founded in Almaty, Kazakhstan, in 2012, Netaş Telecom LLP operates in line with Netaş's vision of becoming "Regional System Integrator". Netaş Telecom LLP is fully owned (100%) by the Company.

NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED 30 JUNE 2021

• Netaş Telecommunication Malta

“Netaş Telecommunications Malta Ltd” was established with an initial capital of 1.200 Euros on 4 November 2014 for the purpose of improving operational efficiency. Netaş Telecommunication Malta is fully owned by the Company.

• Netaş Telecommunication Algeria

“Netaş Telecommunications Algeria Sarl LLC” was established in Algeria, field of activity of the company is manufacturing of small installation and electric lighting equipments; registration of the company completed on 31 March 2019. In accordance with the agreement, Netaş Telecommunication A.S owns 49% of “Netaş Telecommunication Algeria” and has the management control.

• Kron

Kron Telekomünikasyon Hizmetleri A.Ş. produces software solutions for national and regional telecoms operators and service providers. The Company acquired the company’s Group A shares in 2013 in line with its strategic growth goal and for the purpose of offering innovative solutions to its customers. Having strengthened its systems integration capabilities by acquiring Kron, the Company now provides a wider range of end to-end solutions to its customers in Turkey and the region. The Company has 10% shares of Kron.

SHAREHOLDER’S STRUCTURE

Shareholder’s structure of the Company as of June 30, 2021 and December 31, 2020 is as follows:

	June 30, 2021		December 31, 2020	
	Share Amount (TL)	Share Amount (%)	Share Amount (TL)	Share Amount (%)
ZTE Cooperatief U.A.	31.168.351	48.05%	31.168.351	48.05%
Turkish Armed Forces Foundation (TFF)	9.729.720	15.00%	9.729.720	15.00%
Free Float	23.966.729	36.95%	23.966.729	36.95%
Paid in Capital	64.864.800		64.864.800	
Ticker	NETAS		NETAS	

BOARD OF DIRECTORS

The Members of Board of Directors as of June 30, 2021 are as follows:

Aiguang Peng	Chairperson
Şuay Alpay	Vice-Chairperson
Ding Minzhongxia	Member
Ming Li	Member
Bowen Mei *	Member
Ali Zülfü Tigrel	Independent Member
Özer Karabulut	Independent Member

* Bowen Mei was appointed as a member of the Board of Directors at the board meeting on March 5, 2021 and approved by the general assembly held on June 30, 2021.

NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED 30 JUNE 2021

THE GROUP'S MANAGEMENT:

Ali Emir Eren	Chief Executive Officer
M. İlker Çalışkan	Chief Finance Officer/Deputy CEO
Bilgehan Çataloğlu	Chief Digital Officer
Börgehan Köksal	Chief Compliance Officer
Buket Okumuş	Chief Communications Officer
Koray Otyam	BDH General Manager
Mei Bowen	COO
Bülent Kemal Mutlu	R&D General Manager
Selda Parin	Netaş Bilişim General Manager
Sinan Dumlu	Corporate, Public, International Business Units General Manager
Dr. Xi Guang Qing	CTO

VISION, CORE VALUES, QUALITY POLICY

Vision

Becoming Turkey's and Region's #1 systems integrator working as per global standards.

Core Values

- Courage
- Passion
- Perseverance
- Innovativeness
- Sharing
- Nationalism
- Being a Family

Quality Policy

Continuous improvement to ensure the sustainability of our quality management system established in accordance with international standards aiming for "Excellence" and based on data for the purpose of creating added value for our customers in line with our vision. All Netaş/Netaş Bilişim Teknolojileri employees are responsible for ensuring "Excellence" through continuous improvement.

Research & Development (R&D) Studies

Netas R&D Center, with the knowledge and skills of 508 researchers provides solutions that has power to compete and lead globally. Netas R&D center contributes to economic growth of the Turkey and to companies for them to become global brands by its patent applications for ongoing projects and products in the field of mobile communication, cyber security, defense, multimedia, cloud computing, data center, managed services and IoT technology. Netas leads digital transformation of the companies and public institutions with its developed R&D projects.

NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED 30 JUNE 2021

Netaş actively participates in the studies (mainly related to 5G) of 3GPP and ETSI in the European Union, to follow the latest developments and to contribute. Moreover, Netaş is a member of 5GIA infrastructure association and the company had been chosen for executive council of NetWorld200 platform which is one of the most effective European Union platform that direct studies like 5G and others. Netaş, is in the vice president role in the Celtic Plus organization for 4 years, which manages technological cooperation in the field of ICT and Telecom, has been actively participating to organizations of all these working groups.

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

According to the Turkishtime magazine's study of "R&D 250, Turkish companies making the most R&D spending" Netaş become prominent in information technology sector in 2018 with making the largest R&D investment and providing employment. 12% of Netaş's R&D Engineers completed their graduate studies and doctorate, whilst 5% continues to their graduate and postgraduate education.

Netaş Operates its R&D studies in 6 Main Domains:

- 1) International R&D (*International R&D operations mainly realized by NetRD which was sold to MERA Switzerland AG in 1Q21.*)
- 2) Information Technologies R&D
- 3) Defense R&D
- 4) Research & Development Services
 - Netaş Test Center
 - Netaş Managed Services
 - Cyber Security Operations Center (SOC)
 - Network Operations Center (NOC)

1) NetRD* - International R&D – Provided R&D solutions and technology transfers more than 80 countries

** 100% shares of NetRD was sold to MERA Switzerland AG based on BOD's decision dated March 5, 2021.*

366 researchers work in the R&D company, NetRD. This unit consists of three main teams; software development, software testing and customer support. Thanks to R&D expertise and service quality, in addition to skills of Turkish engineers and Turkey's central and strategic position, NetRD is establishing long-term partnerships with its customers in international markets.

NetRD software solutions are being used by more than 200 operators worldwide and its largest international R&D customer is USA-based Ribbon Communications. The products of Ribbon Communications, the world leader in VoIP (Voice over Internet Protocol), are being used by more than 800 service providers and companies in more than 80 countries. NetRD engineers both develop products and provide customer support services, NetRD is Ribbon Communications' largest R&D and innovation lab. With a proven-track record of over 40 years, NetRD continues to cooperate with Ribbon

NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED 30 JUNE 2021

Communications and therefore, NetRD is one of the most important technology transfer hubs on a global scale. In 2020, Ribbon transferred Kandy Cloud Solutions to American Virtual Cloud Technologies (AVCT). AVCT is a company that provides comprehensive and innovative cloud-based Information Technology solutions for more than 350 managed service customers and more than 900 corporate customers. NetRD has started to develop the Kandy product family for its new customer AVCT and continues to work as the R&D unit of two international companies.

NetRD – (International R&D) unit consists of three main teams:

- Cloud communication team “Kandy”,
- Unified communication team "A2" and
- "C20" team working on the modernization and adaptation of existing telecommunication systems.

Kandy R&D

- **UCaaS:** As the R&D owner, NetRD increased its capability and pace on feature development and stability improvements on the UCaaS (Unified Communications As A Service) platform. Three new releases have been published in Q3-2020.
- **SMB Solution:** Loop Live SMB (Small Medium Business) solution is a unique Cloud UC (Unified Communications) offer in Australia market. R&D teams successfully delivered a release in Q3 for SMB solution.
- **Smart Office (SO):** Expansion of capabilities and customer deployments continue in NA and Gulf region in both private and public sectors. With increased capabilities in user authorization and an enhanced UX developed in Q3, Smart Office is on its way to become a top tier client.
- **CIM:** A new CIM Release is delivered to the customers including improvements for voicemail, fax and virtual receptionist features. A new language support is also introduced in this release. Testing activities completed in Q3.
- **SO Collab:** Single Sign On functionality has been introduced for one of the important customers. In addition to SSO, account dunning feature has been implemented and deployed to the same customer.
- **SPiDR/WebRTC Gateway (Kandy Link):** Customer upgrades with SPiDR / WebRTC Gateway new releases that includes security, quality, virtualization improvements and contact center enhancements are being continued. SPiDR / WebRTC Gateway R&D team is on track to deliver their new release in Dec 2020.
- **Mobile SDK:** World leader North America operator launched their tele-health Concierge app on top of CPaaS Mobile SDK, to empower their apps with real time communication capability which brings great flexibility for remote health services.
- **CPaaS:** Program is expanding its solution with Microsoft Teams Direct Routing Solution for a world leader North America operator. On platform side, team continues to work on the robustness and enhancement of the CPaaS Platform system. As team gained experience on several areas; actively worked on production upgrades as well as adding new enhancements such as Lvol expansion, CI/CD pipeline and auto backup and restore.

A2 R&D

- AS 14.0 load is released in April with new content as planned.
- AS 14.0 MR minor load is released with content developed for North American and European customers in October.
- For December, AS 14.1 minor release is planned with new two features for an European customer.

NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED 30 JUNE 2021

- Next Major release AS 15.0 is being planned for June 2021 with major re-architecture of database and platform.
- There will be another minor release in February 2021 which is being planned.

C20 R&D

- Next C20 release, R21 that is planned to be delivered in this year and contains large content that will evolve C20 product to hardware independent, fully virtualized, cloud compliant SW only product is completed all design and development and test phases successfully and it is ready to ship to sites
- Additionally, four urgent advanced features are developed and delivered to key customers from US, United Kingdom (UK) and Canada successfully by using fast feature development process.

Customer support

- Helped to Ribbon Communication to achieve its first half targets by fixing the acceptance blocking problems of telecom operators from all over the world.
- More than 7700 customer problems have been fixed. More than 560 software fixes have been developed and more than 350 critical customer revenue affecting problems have been addressed on time.
- Quick and quality solutions have been developed for the acceptance phase of the highly critical projects.

2) Information Technologies (ICT) R&D – One of the largest software exporter of Turkey.

New Technologies R&D – Our portfolio enriches with high-tech and value-added products

Netas focuses on enriching its portfolio with high-tech and value-added products, competitive on a global scale. Netas focuses on developing innovative solutions in the areas including but not limited to 4/5G, IoT and GSM, in order to offer higher connectivity and mobility.

4G/5G solutions

In 2015, Netas was the first company to have established a 4G laboratory after the operators, within the scope of its studies to develop 4G LTE Advanced technology. Studies to develop in 4/5G technologies continues.

The development of MEC (Multi-Access Edge Computing) product that can provide one of the critical components of 4G LTE and 5G network security "Authentication, Authorization and Accounting" (AAA) server, Network slicing for QoE and QoS improvement in 5G network, location and delay sensitive services, network monitoring were completed in Netas R&D Center. The development of On Board Unit (OBU) and roadside unit (RSU) products for C-V2X (Cellular-Vehicle-to-Everything) applications also continue in Netas R&D Center.

ULAK Project

Works on the development of ULAK, Turkey's first domestically developed 4.5G macro base station, continued. The project aims to reduce Turkey's dependency of on imports, through the development of local communications software and hardware components. The base stations designed for ULAK, serves over 1,600 site in "Evrensel" and commercial mobile operators network. While the delivery of the new base stations continues, field support is provided to the base stations in-service.

NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED 30 JUNE 2021

Netas IoT solution

The Internet of Things (IoT-Internet of Things), a network of physical objects that are connected to each other or larger systems, has been developing rapidly in recent years. The IoT market is expected to accelerate and grow, especially with the work done on 5G technologies and Industry 4.0 issues. Parameters such as data width, high speed and low latency to be provided by 5G technology are the key technology for M2M and IoT solutions. Netas provides solutions in line with this target and reflects its technological competence to the field in accordance with industrial designs.

Netaş IoT platform, ION by Netas: Developed 100 percent local by Netas, ION by Netas provides all device and data management services for large IoT networks. The platform was designed to ensure the end-to-end data security of IoT applications and to be automatically self-scalable depending on the changes of intensity in data traffic.

ION by Netas has been built in horizontal architecture to enable different IoT devices and application providers to operate under a common roof. ION by Netas, which can be installed on the cloud or in local systems, can easily adapt and customize any stitch with its customizable structure. Furthermore, IoT provides an easy-to-use interface to network and service managers.

The number of brands and patents are increasing rapidly

As Netas prioritizes the protection of intellectual property of the original products and ideas, and sharing the results of its R&D studies on scientific platforms, the Company filed 29 patent application, one of which was international, in 2020. As such, the total patent applications of Netaş since 2012 reached 516, while by the first half of 2021 the number of its registered patents totaled 152. In 2021, Netaş filed 1 brand application. The number of its brand applications increased to 135, while the number of its registered trademark to 59, both since 1984.

In “Turkey’s Patent Report” published by Patenteffect company Netaş;

- 1) is in top 10 according to patent applications published by the end of 2020 and is 4th among the companies growing their patent portfolios mostly,
- 2) is 6th according to patent applications published in 2020,
- 3) is 3rd according to increasing rate of patent applications published with respect to the previous year,
- 4) is 4th according to patents published in Cyber Security area and has entered into top 10 in 7 further different areas.

Patent applications of Netaş also continue in 2021.

As Netaş R&D, one of the ways for gaining ground in the national and international arena is the publishment of scientific journals completed by our researchers. Netaş researchers published 82 scientific publications over the past four years, 4 of which are national, while the number of scientific publications since 2014 reached 172.

Cyber Security R&D - Cybersecurity solution set is expanding

The NOVA Technology Development Group in Netas, which developed Turkey's first next-generation telecom and mobile media security products, is working to design cyber security products for the ever-increasing customer needs in reply to rapidly changing technology.

NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED 30 JUNE 2021

• NOVA S/COM

Nova S/COM provides security for both inter-client communication and client-server communication. The S/COM Signaling Server, developed internally is able to perform all signaling operations including initiating calls and sending messages. The Nova S/COM Signaling Server, developed by Netas, carries out all signaling operations such as initiating calls and sending messages. Providing secure communication services for standard smartphones and providing services for all companies that need end-to-end secure communication, this product provides a secure environment for many industries from logistics to education with its secure vehicle tracking system and secure whiteboard application features.

One of the largest software exporters of Turkey:

Netaş proudly continues to develop local software and to be the largest software exporter of Turkey. The company design software solutions tailored for major projects and integrate them into different systems. Some homegrown R&D examples of Netas are as follows:

• TFF-Smart Stadium Project

Netas implemented e-ticketing infrastructure for more than 50 stadiums within the scope of the Smart Stadium Project carried out with Turkish Football Federation (TFF) since 2014.

• AFAD - Disaster Management and Decision Support System (AYDES)

Disaster Management and Decision Support System (AYDES), which was started in 2013, was commissioned in 2018. Developed to manage all stages of a disaster in a digital environment and to use resources efficiently, AYDES is among the few disaster management systems in the world. 2nd phase of the project, which started at the end of 2019, has been continuing successfully.

• TRNC - e-government transformation projects

Within the scope of e-government transformation projects of TRNC; 'e-Registration System Project', was launched. Maintenance and support phase of the project is ongoing. Other two important projects of the TRNC e-government digital transformation, e-Corporate (Central Registration System for e-Companies) Project and e-Customs - CIS (Customs Information System) Project are also successfully carried out by Netas.

• T.C. Ministry of Health - 112 Emergency Call Management System Project

Within the scope of the Turkish Ministry of Health's 112 Emergency Line Management Systems project; supply of software, hardware, infrastructure, setup, test, and start-up activities were completed.

• Automatic Train Supervision (ATS) Project

The design and development of the ATS (Automatic Train Supervision) system, which is the sub-system of the Gayrettepe-Istanbul New Airport Rail System line signaling system, is being carried out.

3) Defense R&D – High-tech communication solutions tailored for Turkish Armed Forces and Public Institutions

Applying all its expertise into defense, Netas became the company that designs the most competent defense communications equipment provider not only in Turkey, but in the region as well. Having achieved a competitive advantage in communication devices for land, air and naval forces, the Company has demonstrated its difference with its fast and high-quality service.

NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED 30 JUNE 2021

Netas develops IP/ATM/ISDN switching and routing products, user terminals transmission devices, and power units, with local design and production capabilities to provide the audio, data and video communication for the Turkish Armed Forces. Developed by Netas engineers, these products come forward with their operability in the harshest environmental conditions of a tactical field.

Some of the prominent projects of Netas are as follows:

- **Projects for the Turkish Naval Forces Command**
Implementation works of the local Communication Control System (CCS), which includes hardware, software design, and manufacturing activities developed for all new and modernized platforms of Turkish Naval Forces, were carried out. (TCG Anadolu Ship – LHD Project, Test and Training Ship – TVEG Project, MOSHIP/KURYED Submarine Rescue & Towing Ship Project, New Type Submarine ship – YTDA project, Barbaros frigates project and Preveze Class Submarine Half-Life Modernization Project, Pakistan Frigate ships, DİMDEG Replenishment At Sea & Combat Support Ship project, MİLGEM 5 ship project.)
- **Identification Friend or Foe System (IFF)**
Netas continued to produce its own local Mod 5/S Identification Friend or Foe system, for Turkish Armed Forces.
- **Tactical Field Communication Systems**
Studies for Tactical Field Communication Systems were continued. The systems are designed to meet all communication requirements in the tactical field, offering a compact, portable, expandable, secure and easy to use solution to its users.
- **Transfer of technology to Algeria**
Netaş's production facility in Algeria with the Ministry of National Defense was commissioned. IP and standard phones were started to be produced in the completed facility.

4) Research & Development Services – *Privileged and distinctive R&D services*

Netaş Test Center

Netas has been providing testing services since 2011 with its international R&D competency and experience. The company established its Test Center back in 2015, and currently conducts testing services with its team of more than 550 experts for 30 companies in different sectors including 3 telecom operators and top 4 banks in Turkey.

Netas Test Center, which supports customers in many industries from finance to telecom, or from retail to energy, insurance, and e-commerce, the services include software development support, quality checks and performance tests on the highest possible number of devices for mobile and internet applications developed on different platforms. Providing a large part of these services at its customer locations, Netas is flexible to offer services periodically as well as continuously. One of the most important factors that differentiate Netas Test Center in the industry is that it develops its own test solutions and takes responsibility in every stage of the service it provides by working as a part of companies, passing beyond the conventional service, in which only personnel is provided.

NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED 30 JUNE 2021

Having strengthened its presence in finance industry by starting to provide Banking Practice Test Services to İş Bank, Softech and also by starting provide outsource resources to Garanti Technology, Netas strengthened its successful cooperation with Akbank by setting up Device Farm solution within Akbank.

In Finance Industry, in addition to contract renewals of İşbank and Ziraat Teknoloji, the test service with Akbank was extended for 2 years on 01.06.2021. While maintaining its strong presence in the finance industry, Netaş Test Seviles enriched its service with in-house developed solutions and products, especially the Visium Farm (Mobile Device Farm).

Beta version for Visium Manage product, which is being developed by Netaş Test Center is ready as controlled availability to customers. Pilot usage of Visium Manage has been initiated in one of Turkey's largest financial institutions.

Netaş Test Center has developed a product (Visium Load) and has used this solution for different customers in different industries like insurance, e-commerce beside telecommunication and finance. It was used by leading companies in the sector such as AXA, AkSigorta, MKK (Central Registration Agency) and SBM (Insurance Information Monitoring Center).

Netas increased its effectiveness in the insurance industry by starting to provide service AVIVASA in addition other other leading companies in the industry such as Ak Sigorta, Mapfre and HDI. Netaş Test Center also supports CarrefourSA and Central Bank of Turkey by developing different projects for these institutions.

Netaş Test Center continues to serve all three operators in the telecom industry by extending service diversity and capability. Within the service scope, Visium Farm installations were completed in Vodafone Turkey and Türk Telekom. In this period, the scope of Türk Telekom Test Automation Service agreement was expanded and renewed for another year.

Netaş continued its successful cooperation with Turkcell's Digital Services and Solutions, Digital Channel Applications with Test, Automation and Crowd Testing services and extended to new products and applications.

Pentest services within Netaş Test Center have been touching to customers not only in Turkey, but also in international markets. Within local market, pentest services have been provided to Decathlon, SunExpress, Sahibinden.com and MNG Airlines, Yıldız Holding, Bantaş, Klimasan, Tekfen, Global Menkul Değerler. Beside those, in all subsidiaries of Ziraat Finance Group, Netaş continues to provide security and pentest services.

Netas now have “Domestic Goods Certificate” for its three products – VISIUM LOAD (Performance Tests), VISIUM SERV (Service Virtualization), VISIUM 5G (Telco Protocols Automation) - which are designed within ICT ARGE and being used as a part of tests services for the customers.

So far, Visium LOAD has been used in our 18 customers, Visium FARM has been used in 9 different customers and Visium GO has been used as a solution for our 6 different customers.

NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED 30 JUNE 2021

Netas Test Center Product and Services

VISIUM GO (Test Automation Platform): Visium GO provides test automation platform for web, mobile and desktop applications of its customers. Visium GO can be also integrated with Visium FARM (Device Farm) solution which enables test automation of applications with various kind of mobile phones.

VISIUM FARM (Device Farm): In 2018, Netas commissioned its device farm, which allows mobile apps to be tested on different devices. Performance tests of all types of mobile and internet applications developed on different platforms can be run on maximum number of devices at Netaş Test Center, which also identifies the system and security gaps of the applications.

VISIUM LOAD (Performance): With the help of this product designed by Netaş Test Center, it is possible to see operating performances of software and it helps determining response behaviors and time under excessive traffic conditions.

VISIUM MANAGE (Test Management): Visium Manage is a test management product designed by Netaş Test Center. With the help of this product, it is possible to manage test scenarios and suits, to make test plans, to correlate requirements with test scenarios and to track risks.

Testing Outsourcing Service: Providing test services at world-class standards, NETAS TestCenter reduces project costs and allows for the efficient use of resources and technologies.

Software Services: Software Testing service offers software tests for various platforms, including web, desktop, server, embedded software ad business applications software.

M2M/IoT and Mobile Terminal Tests: Netas tests phones, tablets, M2M/IoT devices, PCs, modems and routers.

Penetration Tests: Netaş Penetration Testing (Pentest) Service analyses the status of the IT infrastructure and the steps to be taken in order to create a secure IT infrastructure.

Mobile Application Tests: Netaş Mobile Application Testing Service ensures increased end-user satisfaction through comprehensive tests on different mobile devices, using the maximum number of mobile devices available.

Netas Managed Services

Netas Managed Services Unit, taking the responsibility for managing companies' IT assets, provides proactive based management and control, to reduce the operational costs and improve the operational quality of enterprises.

In the scope of Smart Stadium Project of the Turkish Football Federation (TFF), Netas Managed Services Unit laid the IT infrastructure of data centers in more than 40 locations, including the installation of all components such as cameras and turnstile card reader, and managed the operation in relationship with more than 20 product suppliers. This Unit has implemented and managed the IT systems of Turkey's largest and most critical infrastructure investments, such as Yozgat and Adana City Hospitals. The unit began to provide services in Elazığ City Hospital in 2018.

In 2020, the Netas Managed Services Unit will focus on maintaining the vision of ensuring the companies focus only on their core business, as Netas manages all their systems in an end-to-end manner, from installation to monitoring, and resolving critical end-user issues. The team, which is agile in developing solutions even for the most exceptional cases, aims to maintain a high-performance uninterrupted service.

NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED 30 JUNE 2021

Cybersecurity with the eye of Netaş

One of the fastest changing areas in this process is cybersecurity. In terms of cyberattacks and defense strategies, every technological development pushes cyberattacks and defense strategies to the next level. In parallel with the digital transformation tide, developments in areas such as artificial intelligence, the Internet of Things (IoT), and automation technologies are changing businesses' risk tolerance levels. The nature of risks is changing, and attacks are becoming more sophisticated, which leads to greater organizational exposure to cybersecurity risks.

In order to meet these market needs and increase the efficiency of organizations security investments with their own human resources, as a Netaş we approach holistic cyber security take in account "Technology, Human-Process" triangle.

Within these scope, Netaş Cyber Security Ecosystem is categorized into 3 main domains which are Cyber Security Operation Center (CSOC) Managed Security Services and Consultancy Services. These services are operated according to global standardizations and integrated with global technology partners and leading technologies.

Cyber Security Operation Center (CSOC)

In the SOC infrastructure, which we have successfully maintained for years, Netaş SOC services are not only monitor classic SIEMs but also integrate new technologies into its systems such as; Machine learning; aided by analytical, artificial intelligence, cyber intelligence. In these way, we aim to holistic security operation center that can access all security nerve endpoints, both endpoint and end user. Netaş Cyber Security Center goes beyond traditional SOC's by including cyber threat intelligence which collects data from different sources, Endpoint Detection and Response (EDR), User Behavior Analytics (UBA) and national products such as NOVA.

In addition to SIEM management, Checkup, Training and Consultancy services, we offer advanced solutions to our customer such as; Red and Blue Team, Vulnerability Management, Manage Detection and Response (MDR), Incident Response (IR) and Phishing Awareness.

Managed Security Services

Netaş Managed Security Services provide industry-specific solutions, we provide flexible and scalable managed security services to corporations while focusing on new generation technologies (such as cloud, endpoint and end-user security). We offer experienced management or partial professional support services according to the needs, as well as avoiding the cost of establishing security teams within the organization and providing experienced security expert teams to work for them.

Netaş Managed Security Services are provide industry-specific and flexible solutions while focusing on new generation technologies (such as cloud, endpoint and end-user security). We offer experienced management or partial professional support services according to customer needs, as well as avoiding the cost of establishing security teams within the organization.

Netaş Managed Security Services are as follows; Infrastructure Security, Data Security, End User and Endpoint Security, Threat and Security Management, Access and Identity Security and Application and Code Management.

NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED 30 JUNE 2021

Consultancy and Test Services

Netaş Cyber Security Consultancy team work in accordance with the Turkey's regulatin authority such as EPDK, BTK and KVKK. In this sense, projects are develop to meet the regulations and supervision of the applied security conditions.

Testing, monitoring and information are essential in security. In test services, it is aim that detecting vulnerabilities and provide evidence of access to systems.

With our experienced team, GAP Analysis and Security Tightening Program, KVKK and GDPR Consultancy, Risk and Compliance Management (ISO 27001, PCI / DSS etc.) and Advanced Testing Services (Function, Load, Source Code, DDoS, VoIP, intrusion testing) services can be customized or bundle according to organizations' needs.

Netas Network Operation Center (NOC)

For all companies, managing daily IT operations as well as relationships with multiple services and product suppliers are very difficult and tiring processes. Companies receive all the information and communication technology environment from a reliable service provider, which gives them great productivity. Netas provides privileged and high-quality services to companies according to their specific needs.

Netas Network Operation Center (NOC), provides 24/7 network monitoring and management services to companies to provide the highest quality service by keeping the necessary infrastructure installation and employment costs of staff in the most economical level. In this center, the system and network infrastructures that enable all business data of customers are constantly and centrally monitored. The necessary actions are taken as soon as possible, and a proactive approach is taken to manage network and system infrastructure in terms of business continuity.

GOVERNMENT GRANTS

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

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

As of June 30, 2021, the Group has a corporate tax benefit of TL 731.184.363 due to research and development disbursement and whole of this amount was transferred to upcoming periods (As of December 31, 2020, the Group has a corporate tax benefit of TL 662.568.796 due to research and development disbursement and 33.102.990 TL has been utilized by December 31, 2020). The Group has booked deferred tax assets for unused R&D tax benefit (Note 19). The lifetime of vested but not yet used R&D incentives is unlimited.

For the period ended June 30, 2020, the amount of income tax incentive within the scope of Act numbered 5746 is TL 2.928.773 (For the period ended 31 December 2020: TL 18.008.980) and the total amount of social premium incentive within the scope of Act numbered 5746 and Social Security and General Health Insurance Act numbered 5510 is TL 10.441.703 (For the period ended 31 December 2020: TL 16.230.680).

NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED 30 JUNE 2021

DONATIONS MADE DURING THE PERIOD

The Group made donations amounting to 18.333 TL, for the interim period ended June 30, 2021.

REMUNERATION PROVIDED FOR BOD & TOP MANAGEMENT

Total remuneration provided for the board of directors, executive committee members, general managers and deputy general managers for the period ended June 30, 2021 is 17.887.913 TL. (June 30, 2020; 13.549.217 TL.) As of June 30, 2021 and 31 December 2020 there is no credit ranted to the Group's management.

FINANCIAL PERFORMANCE

1H 2021 Summary;

- Sales revenues increased by 35% and reached to 979 million TL,
- Consolidated orders booked was 936 million TL with a 51% increase,
- Orders on hand was 1.3 billion TL with 55% growth.

In 1H21, the Company's orders, orders on hand and sales revenues increased significantly. While sales revenues grew by 35% and reached 979 million TL; due to intense competition in the sector, the depreciation of TL against foreign currencies and its negative impact on costs caused the Group's profit margins to remain under pressure. The Group's gross profit in 1H21 was 40 million TL, while EBITDA was negative 23 million TL in the same period.

Financial Highlights

TL Million	1H2021	1H2020	y/y %
Revenue	979	727	35%
Cost of Sales	(939)	(653)	44%
Gross Profit	40	75	(46%)
<i>Gross margin %</i>	<i>4%</i>	<i>10%</i>	<i>(612)</i>
Operating Expenses	(111)	(79)	41%
General Administrative Expenses	(50)	(31)	61%
Sales, Marketing & Distribution Expense	(50)	(46)	8%
Research & Development Expenses	(11)	(1)	702%
Incentives	0	2	-
EBIT	(70)	(3)	2.483%
<i>EBIT margin %</i>	<i>-7,2%</i>	<i>0%</i>	<i>(682)</i>
Depreciation	48	35	37%
EBITDA	(23)	32	(170%)
<i>EBITDA margin %</i>	<i>-2,3%</i>	<i>4,4%</i>	<i>(674)</i>

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

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

EBITDA= EBIT + Depreciation and Amortization

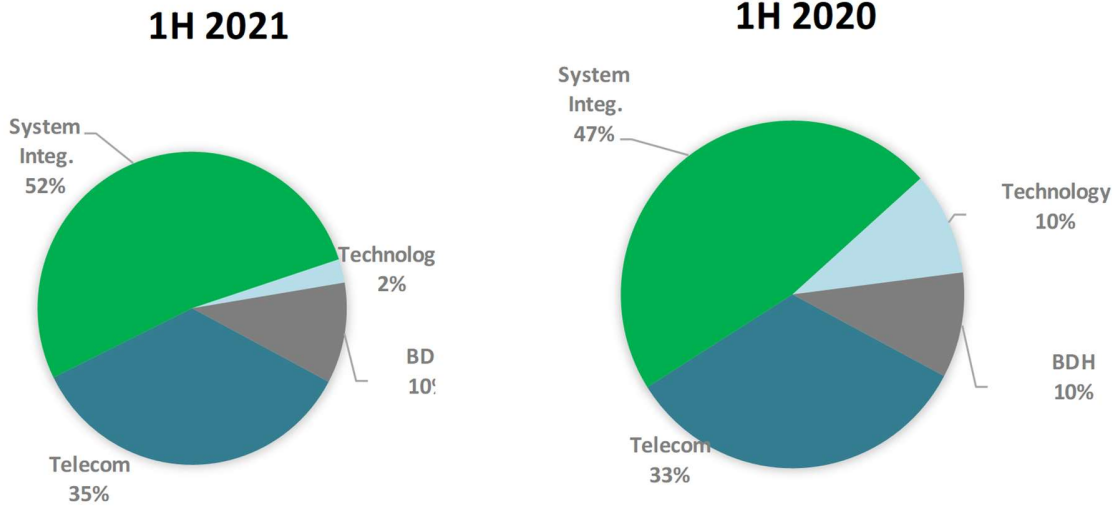
NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED 30 JUNE 2021

Orders & Sales Revenue

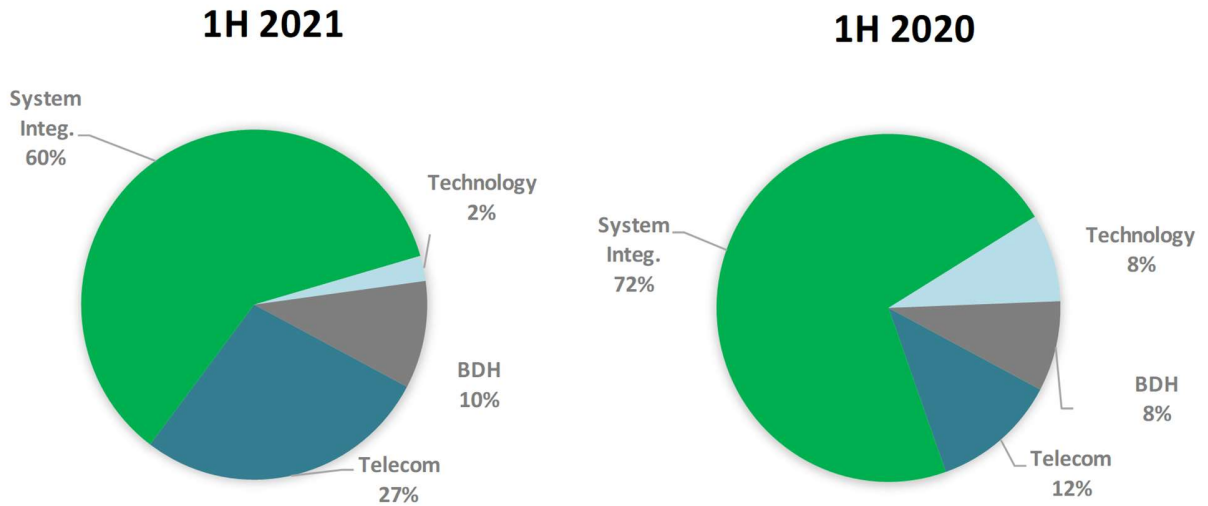
Orders: Orders booked in the first half of 2021 increased 51% year over year and recorded as 936 million TL (119,10 million USD). Orders on hand were realized as 1.3 billion TL (169 million USD) in 1H21, with a 55% growth.

Sales Revenue: In 1H21 Consolidated Group revenues was recorded at 979 million TL with a sharp 35% increase, y-o-y.

Orders Breakdown



Revenues Breakdown



NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED 30 JUNE 2021

CONSOLIDATED FINANCIAL PERFORMANCE

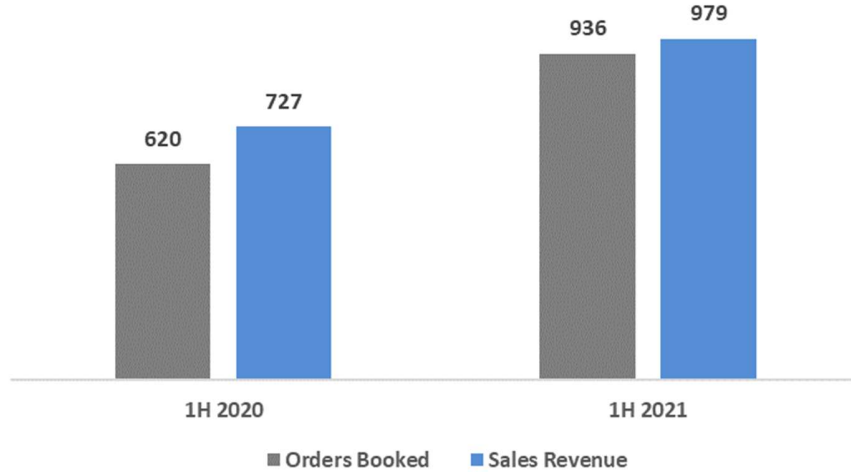
In the current period, the Group changed the way of its segment reporting and started to follow the order and sales breakdowns in the following segments;

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

Group's consolidated order booking performance was reported as 936 million TL in 1H 2021 with a sound 51% increase from 620 million TL in the same period of the previous year. SI was the main contributor to booked orders with its 52% share.

While SI has the largest share with 52% in the total orders received, it also stands out as the segment with highest y-o-y growth. Orders received from SI segment increased by 67% y-o-y in the first half of 2021. In 1H21, system integration was followed by telecom segment with a share of 35% in orders. SI and telecom segments made up 87% of the Group's consolidated orders.

The consolidated sales revenues of the Group increased by 35% on an annual basis in 1H21 and rose from TL 727 million to TL 979 million. System integration was the main contributor among all segments with its 60% share in total sales revenues and it was followed by the telecom segment with its 27% share. In 1H21, BDH and technology segments' contribution to sales revenues were realized as 10% and 2%, respectively.



NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED 30 JUNE 2021

Despite sound growth in orders and sales revenues, recent conditions created by the pandemic, increasing competitive pressure and cost hikes in parallel with the increases in exchange rates resulted a pressure on the company's profits margins. In 1H21, the Group's gross profits were realized as 40 million TL with a declining margin to 4% from 10%, comparatively.

In 1H21, due to 82 million TL of other expenses from operating activities mainly attributable to fx losses, the Group had a negative operating line.

The Group had a net financial income of 10.7 million TL and income from investment activities of 40.747.242 TL arising from the sale of NetRD shares in March 2021.

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

In 1H21, the Group announced a net loss of 89.555.996 million TL.

**NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF
DIRECTORS FOR THE PERIOD ENDED 30 JUNE 2021**

SEGMENT BASED FINANCIAL PERFORMANCE

1H 2021 (Million TL)	Telecom	System Integration	Technology	BDH	Unallocated	Total
Orders Booked	327,0	489,0	22,8	97,5	-	936,3
Sales Revenue	269,3	590,0	22,8	97,4	-	979,5
Cost of Sales	(252,7)	(580,7)	(24,4)	(82,2)	0,7	(939,3)
Gross Profit	16,6	9,3	(1,6)	15,2	0,7	40,1
Sales, marketing and distribution	(15,5)	(22,0)	-	(12,6)	-	(50,2)
General administrative expenses	-	-	-	-	(49,9)	(49,9)
Research and development expenses	-	-	(11,3)	-	-	(11,3)
Operating profit/ (loss) of segment	1,0	(12,7)	(13,0)	2,6	(49,2)	(71,3)
Operating profit margin	0%	-2%	-57%	3%		-7%

1H 2020 (Million TL)	Telecom	System Integration	Technology	BDH	Unallocated	Total
Orders Booked	206,1	293,3	59,4	60,7	-	619,6
Sales Revenue	85,8	520,9	59,4	61,0	-	727,2
Cost of Sales	(80,3)	(473,4)	(47,9)	(51,1)	-	(652,7)
Gross Profit	5,5	47,5	11,6	10,0	-	74,6
Sales, marketing and distribution	(9,0)	(28,0)	-	(9,3)	-	(46,4)
General administrative expenses	-	-	-	-	(31,1)	(31,1)
Research and development expenses	-	-	(1,4)	-	-	(1,4)
Operating profit/ (loss) of segment	(3,5)	19,5	10,2	0,6	(31,1)	(4,2)
Operating profit margin	-4%	4%	17%	1%		-1%

System Integration

In 1H21, received orders and sales revenues for the system integration segment increased by 67% and 13%, respectively. While the order amount of the relevant segment was realized as 489 million TL, the system integration segment made up the biggest part of the consolidated sales with its sales revenues of 590 million TL and had a share of 60% in total sales. The gross profitability of the relevant segment was realized as TL 9.3 million in 1H21.

Telecom Segment

Volume of the telecom segment is growing with the contribution of projects received with ZTE products. Orders booked of telecom segment increased 59% y-o-y in 1H21 and reached 327 million TL. Sales revenue of the segment was up by 214% y-o-y and realized as 269 million TL. The share of the telecom segment in total sales was realized as 27%, and the telecom segment took the second largest share in sales after system integration. In current period, the gross profit of the segment was realized as 16.6 million TL.

NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED 30 JUNE 2021

Technology Segment

In the technology segment, the amount of orders received and sales revenues decreased by 62% in the first half of 2021 to TL 22.8 million. Drop in the related segment has occurred due to the sale of NetRD in the first quarter of 2021.

BDH

The amount of orders received and sales revenues of BDH increased by 60% y-o-y and realized as 97 million TL. The segment made the biggest contribution to the gross profitability of the Group with a gross profit of 15.2 million TL. The relevant segment also stood out as the segment with the highest operating profit margin with an operating profit margin of 3%.

DEBT STRUCTURE & NET WORKING CAPITAL

Group's cash and cash equivalents was 217.7 million TL in 1H21.

Net debt of the Group was at 609 million TL (70 mn USD) as of end 1H21. In 2020 year-end, net debt was standing at 219.3 million TL (30 mn USD).

(million TL)	Consolidated Total Financial Debt	Cash and Cash Equivalents	Net Debt
1H 2021	827,2	217,7	609,4
YE2020	526,5	307,2	219,3

In 1H21, the Group's total financial debt stood at 827 million TL, 52% of which is in TL, 39% is in US Dollars and the remaining 10% is in Euro. As of June 30, 2021, almost all of the Group's total consolidated financial debt has a maturity less than one year.

1H21	TL mn.	USD mn.
Short Term Financial Debt (Bank Loans)	815,8	93,7
Long Term Financial Debt (Bank Loans)	11,4	1,3
Total Debt	827,2	95,0

Group's net working capital* (incl. non-current trade receivables and trade payables) requirement for the financing of continuing projects was realized as 672 million TL as of 1H21 (2020 YE: 341 million TL).

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

NETAŞ TELEKOMÜNİKASYON A.Ş. INTERIM REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD ENDED 30 JUNE 2021

RISK MANAGEMENT

a) **Credit risk**

Collection risk of the Group may be arising from delays in the collection of commercial receivables or lower interest rates applicable to assets in banks as compared to the market revenues. Commercial receivables are evaluated by the Group based on previous experience and current economic situation, a suitable amount is reserved for doubtful receivables and clearly indicated on the balance sheet.

Group management does not see any additional risk regarding the receivables other than the reserved amount. A credit limit is assigned to each customer and transactions are kept within such limits. The Group has a significant amount of assets in banks. In this sense, the Group assigns a credit limit to each bank and transactions are kept within such limits. Financial Audit and Treasury Department of the Group controls whether or not transactions are kept within such limits.

b) **Liquidity risk**

The Group holds adequate sources to be able to fulfill its current and future liabilities. As of June 30, 2021 and 31 December 2020 liquidity risk are presented in the audit report.

c) **Foreign currency risk**

Functional currency of the Group is USD and therefore, currency risk is associated for the most part with the shifts of USD value against TL and other currencies. With the purpose of limiting the effects of appreciation or depreciation of USD against other currencies, the Group makes use of its assets in compliance with its liabilities to the extent possible and undertakes contracted expenditures in the contract currency.

d) **Interest rate risk**

Interest rate-sensitive financial assets are placed in short term instruments in order to avoid any possible interest rate fluctuations. Interest bearing liabilities constitute 84% of the total liabilities.