

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

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

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

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2021

(Unless otherwise stated the amounts are in TL).

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2021

(Unless otherwise stated the amounts are in TL).

	Notes	Reviewed 30 June 2021	Audited 31 December 2020
LIABILITIES			
Short Term Liabilities		1.929.672.735	1.706.092.471
Short Term Borrowings		866.312.584	520.299.949
<i>Bank Loans</i>	6	815.763.707	505.122.861
<i>Lease Liabilities</i>		50.548.877	15.177.088
Trade Payables		815.609.260	886.418.679
<i>Due to related parties</i>	21	112.643.834	145.181.657
<i>Trade payables, third parties</i>	7	702.965.426	741.237.022
Other Payables		14.506.667	40.309.890
<i>Other payables, third parties</i>		14.506.667	40.309.890
Employee Benefit Obligations	14	36.412.197	31.526.502
Contract Liabilities		86.886.145	114.103.140
<i>Contract Liabilities</i>	4	86.886.145	114.103.140
Provisions		33.350.519	40.210.587
<i>Provisions for Employee Benefits</i>	14	23.620.144	31.294.457
<i>Other Short Term Provisions</i>		9.730.375	8.916.130
Deferred Revenue	4	76.595.363	70.607.087
Current Income Tax Liabilities	19	-	2.616.637
Long Term Liabilities		108.094.933	119.230.563
Long Term Borrowings		32.858.442	65.608.465
<i>Bank Loans</i>	6	11.421.269	21.376.420
<i>Lease Liabilities</i>		21.437.173	44.232.045
Provisions		36.591.142	34.913.181
<i>Provisions for Employee Benefits</i>	14	36.591.142	34.913.181
Deferred Tax Liabilities	19	38.645.349	18.708.917
SHAREHOLDERS' EQUITY			
Equity Attributable to Equity Holders of the Parent		585.512.385	585.075.637
Share Capital	15	64.864.800	64.864.800
Share Capital Adjustments		41.612.160	41.612.160
Other comprehensive income to be reclassified in profit and loss		(7.464.629)	(445.568)
<i>Currency Translation Differences</i>		(7.464.629)	(445.568)
Other comprehensive income not to be reclassified in profit and loss		520.095.975	421.188.549
<i>Remeasurement gain/ (loss) on defined benefit plans</i>		(11.594.178)	(11.594.178)
<i>Currency Translation Differences</i>		531.690.153	432.782.727
Restricted Reserves	15	34.897.360	34.897.360
Retained Earnings		22.958.336	94.088.563
Net Loss for the Period		(91.451.617)	(71.130.227)
Non-controlling interests		(2.099.120)	695.408
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2.621.180.933	2.411.094.079

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2021

(Unless otherwise stated the amounts are in TL).

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

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL).

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

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL).

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

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2021

(Unless otherwise stated the amounts are in TL).

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

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL).

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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

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

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

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

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

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

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL).

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

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

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

The Group's largest shareholder and the controlling shareholder is ZTE Cooperatief U.A. The capital structure of the Group is presented in Note 15.

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

Approval of Condensed Consolidated Financial Statements

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

2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

a) Statement of Compliance

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

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

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

For the period ended 30 June 2021, the Group prepared its condensed consolidated financial statements in accordance with the Turkish Accounting Standard No.34 Interim Financial Reporting. Condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group's annual financial statements as of 31 December 2020.

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL).

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

2.1 Basis of Presentation (Cont'd)

b) Basis of presentation of condensed consolidated financial statements:

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

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

(*) The control of the management of this Company, in which the Company owned 49% of the shares, belongs to Netaş Telekomünikasyon A.Ş. in accordance with the agreement between the parties and therefore, Netas Telecommunications Algeria Sarl LLC is accounted with full consolidated method. The condensed consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company and other parties;
- rights arising from other contractual arrangements; and

Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL).

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

2.1 Basis of Presentation (Cont'd)

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

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

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

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

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

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

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

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

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

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

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL).

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

2.1 Basis of Presentation (Cont'd)

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

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

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

c) Functional Currency and Reporting Currency

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

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

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

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL).

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

2.1 Basis of Presentation (Cont'd)

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

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

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

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

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

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

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

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

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

2.3 Change in Accounting Policies

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

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL).

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

2.4 The New Standards, Amendments, and Interpretations

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

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

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

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

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

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

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

Relief from discontinuing hedging relationships

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

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

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

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

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL).

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

2.4 The New Standards, Amendments, and Interpretations

Separately identifiable risk components

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

Additional disclosures

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

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

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

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

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

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

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL).

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

2.4 The New Standards, Amendments, and Interpretations

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

Amendments to IFRS 3 – Reference to the Conceptual Framework

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

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

Amendments to IAS 16 – Proceeds before intended use

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

There is no transition relief for the first time adopters.

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

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

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL).

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

2.4 The New Standards, Amendments, and Interpretations

iii) *Annual Improvements – 2018–2020 Cycle*

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

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

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

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

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

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

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

Amendments to IAS 8 - Definition of Accounting Estimates

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL).

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

2.4 The New Standards, Amendments, and Interpretations

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

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

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

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

2.5 Summary of Significant Accounting Policies

The condensed consolidated financial statements for the interim period ending on 30 June 2021 have been prepared in accordance with the TAS 34 standard for the preparation of the interim financial statements. Summary consolidated significant accounting used in the preparation of financial statements. The policies are consistent with the accounting policies explained in detail in the consolidated financial statements dated December 31, 2020. Therefore, the condensed consolidated financial statements should be evaluated together with the financial statements for the year ending on December 31, 2020.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL).

3. INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

Associates

Details of significant associate:

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

	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.

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

Share of the Group in net assets	6.020.403	5.951.512
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	1 January 2021- 30 June 2021	1 January 2020- 30 June 2020
Net profit	3.573.597	1.771.325
Other comprehensive expenses	(2.884.688)	(1.819.158)
Total comprehensive income	688.909	(47.833)
Share of the Group in total comprehensive income	68.891	(4.783)

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL).

4. SEGMENT REPORTING

There are 4 business segments containing information that Group Management evaluates performance and uses to decide on resource allocation. The following table shows the information about each segment. The operational profit and breakdowns below are regularly considered in evaluating the performance of segments. To reach the operating profit/ loss amount used to evaluate the performance of the segment, other income and expenses from operating activities are deducted from the condensed consolidated operating profit/ loss amount presented in the condensed consolidated financial statements.

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

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4. SEGMENT REPORTING (Cont'd)

30 June 2021	Telecom	System Integration	Technology	BDH	Unallocated (*)	Total
Trade receivables	186.010.074	943.753.229	7.850.723	21.110.427	3.873.428	1.162.597.881
Due from related parties	10.246.479	3.688.811	-	1.143	-	13.936.433
Inventories	39.968.920	129.865.657	1.485.390	5.982.201	(1.459.829)	175.842.339
Contract assets	10.953.958	171.023.027	4.105.423	80.920.094	-	267.002.502
Segments assets	247.179.431	1.248.330.724	13.441.536	108.013.865	2.413.599	1.619.379.155
Trade payables (*)	133.607.321	429.999.580	1.304.573	92.557.630	45.496.322	702.965.426
Due to related parties	111.100.994	1.536.497	-	-	6.343	112.643.834
Contract liabilities	34.043.117	50.280.307	-	2.562.721	-	86.886.145
Deferred revenue	244.560	75.478.505	49.242	76.778	746.278	76.595.363
Segment liabilities	278.995.992	557.294.889	1.353.815	95.197.129	46.248.943	979.090.768
31 December 2020	Telecom	System Integration	Technology	BDH	Unallocated (*)	Total
Trade receivables	176.003.387	807.691.089	42.358.632	19.302.310	7.108.917	1.052.464.335
Due from related parties	41.210.643	1.786.854	-	-	-	42.997.497
Inventories	59.126.986	120.115.560	1.077.266	5.036.657	(1.943.843)	183.412.626
Contract assets	2.887.899	121.044.610	3.459.644	45.777.709	-	173.169.862
Segments assets	279.228.915	1.050.638.113	46.895.542	70.116.676	5.165.074	1.452.044.320
Trade payables (*)	98.207.258	542.782.715	2.410.066	57.171.314	40.665.669	741.237.022
Due to related parties	116.062.280	24.138.506	17.676	-	4.963.195	145.181.657
Contract liabilities	44.354.285	66.673.672	-	2.573.337	501.846	114.103.140
Deferred revenue	70.138	70.425.630	41.523	-	69.796	70.607.087
Segment liabilities	258.693.961	704.020.523	2.469.265	59.744.651	46.200.506	1.071.128.906

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

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4. SEGMENT REPORTING (Cont'd)

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

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

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

5. CASH AND CASH EQUIVALENTS

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

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

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

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5. CASH AND CASH EQUIVALENTS (Cont'd)

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

6. BORROWINGS

	30 June 2021	31 December 2020
Short term bank loans		
Short term unsecured loans	808.400.830	498.667.212
Non interest loans(*)	7.362.877	6.455.649
	815.763.707	505.122.861

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

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

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

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

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

	30 June 2021	31 December 2020
Long term bank loans		
Long term unsecured loans	11.421.269	21.376.420
	11.421.269	21.376.420

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

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

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

(*) Presents the lower and upper rates.

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6. BORROWINGS (Cont'd)

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

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

	2021	2020
1 January	526.499.281	603.332.264
Cash inflow under within borrowings received	755.981.800	656.895.015
Cash pouflow under within borrowings received	(478.930.540)	(714.361.500)
Interest accruals changes	971.828	(14.779.792)
Currency translations changes	22.662.607	22.239.914
30 June	827.184.976	553.325.901

7. TRADE RECEIVABLES AND PAYABLES

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

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

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

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

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

Trade Payables to Third Parties	30 June 2021	31 December 2020
Trade payables	702.965.426	741.237.022
	702.965.426	741.237.022

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8. INVENTORIES**INVENTORIES**

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

Movement for allowance:

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

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9. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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

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

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

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

10. INTANGIBLE ASSETS

Goodwill

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

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

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

Cost	2021	2020
Opening balance	134.537.477	108.872.627
Translation difference	25.012.369	10.553.325
Closing balance	159.549.846	119.425.952

With the estimated statement of profit or loss and potential projects of the future and revenue streams of Enterprise and BDH segments covering the period between 1 January 2020 and 31 December 2025, a valuation report has been prepared.

A valuation report has been prepared for the determination of the value to be used in the testing of impairment of goodwill as of 31 December 2020. The valuation report has been prepared by an independent valuation company. Income approach has been applied in the valuation study of Enterprise and BDH segments. The present value of cash flows expected to be generated by the Company in the future is calculated by discounting cash flows today using a discount rate appropriate to the Company's risk profile.

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

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10. INTANGIBLE ASSETS (Cont'd)**Goodwill (Cont'd)**

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

Significant assumptions used in discounted cash flow projections

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

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

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

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

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

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

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

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

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

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

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

	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.

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11. RIGHT OF USE ASSETS (CONT'D)

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

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

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

12. GOVERNMENT GRANTS

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

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

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

For the period ended 30 June 2021, the amount of income tax incentive within the scope of Act numbered 5746 is TL 2.928.773 (31 December 2020: TL 18.008.980) and the total amount of social premium incentive within the scope of Act numbered 5746 and Social Security and General Health Insurance Act numbered 5510 is TL 10.441.703 (31 December 2020: TL 16.230.680).

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13. COMMITMENTS

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

	30 June 2021	31 December 2020
Guarantee letters given (*)	930.782.558	851.841.084
	930.782.558	851.841.084

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

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

	TL Equivalent	Original Currency		
		TL	USD	EURO
30 June 2021	930.782.558	206.253.265	72.223.348	9.244.112
31 December 2020	851.841.084	209.453.485	74.890.486	10.285.859

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

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

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

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13. COMMITMENTS (Cont'd)**Guarantees Given**

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

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

14. EMPLOYEE BENEFITS**Employee Benefit Obligations:**

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

Short Term and Long-Term Provisions for Employee Benefits:

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

An actuarial valuation was performed by an independent and authorized company for the Company's total liability for severance indemnity and retirement benefit as of 30 June 2020. Expected interest and service charges for 2021 have also been calculated by the actuarial firm. Expected service and interest charges will be amortized on a periodic basis during the year.

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

Shareholding structure of Company as of 30 June 2021 and 31 December 2020 are as follows:

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

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

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

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

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

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

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

Share Capital Adjustments

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

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15. SHAREHOLDERS' EQUITY (Cont'd)

Share Capital Adjustments (cont'd)

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

Legal Reserves

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

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

	30 June 2021	31 December 2020
Primary legal reserves	11.997.507	11.997.507
Secondary legal reserves	22.899.853	22.899.853
Total	34.897.360	34.897.360

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

As of 31 December 2020, the primary legal reserve amount of the group is 18% of the paid-in capital and there is no limit to the secondary legal reserve amount. These reserves can only be used to cover losses, to maintain the company in times when things are not going well, or to prevent unemployment and to mitigate the effects of such losses, unless they exceed half of the paid-in capital of the company.

Retained Earnings

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

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16. REVENUE

Revenue:

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

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16. REVENUE (Cont'd)

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

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

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

Satisfaction of Performance**Obligations:**

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

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17. INCOME AND EXPENSES FROM OTHER OPERATING ACTIVITIES

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

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

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

18. FINANCE INCOME / (EXPENSES)

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

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

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

19. TAX ASSETS AND LIABILITIES

Corporate Tax

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

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

The Corporate Tax rate in Turkey is the Temporary 13 Law added to the Corporate Tax Law no. With the third article, it will be applied as 25% for corporate earnings for the 2021 taxation period and 23% for corporate earnings for the 2022 taxation period. This change will be valid for the taxation of corporate earnings for the periods starting from January 1, 2021, starting with the declarations that must be submitted as of July 1, 2021. (31 December 2020: 22%). The corporate tax rate is applied to the net corporate income by adding the expenses that are not accepted as deductible in accordance with the tax laws to the commercial income of the corporations, and by deducting the exceptions and deductions in the tax laws. In Turkey, provisional tax is calculated and accrued on a quarterly basis.

Accumulated losses can be carried 5 years maximum to be deducted from the taxable profit of the following years. However, accumulated losses cannot be deducted from the profit occurred in the prior years retroactively.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the fiscal year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years. Tax legislation in Turkey does not allow to fill condensed consolidated tax returns of the Company and its subsidiaries. Therefore, provisions for taxes, as included in the condensed consolidated financial statements, it has been calculated based on individual companies.

Corporate tax rate in Malta is 35% (2020: 35 %). Corporate tax rate in Kazakhstan is 20% (2020: 20 %). Corporate tax rate in Algeria is 26%.

Withholding tax

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

Deferred Taxes

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

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19. TAX ASSETS AND LIABILITIES (Cont'd)

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

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

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

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

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

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

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19. TAX ASSETS AND LIABILITIES (Cont'd)

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

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

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

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20. (L OSS) PER SHARE

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

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

21. RELATED PARTY DISCLOSURES

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

Due from Related Parties	30 June 2021	31 December 2020
ZTE İstanbul Telekomünikasyon(1)	10.042.544	41.210.643
ZTE Kangxun Telecom (1)	1.915.149	-
ZTE Corporation(2)	1.773.667	1.786.854
Kron Telekomünikasyon A.Ş.(3)	205.073	-
	13.936.433	42.997.497

Due to Related Parties	30 June 2021	31 December 2020
ZTE Corporation(2)	108.814.870	117.460.722
ZTE İstanbul Telekomünikasyon(1)	2.454.047	27.243.179
Kron Telekomünikasyon A.Ş.(3)	1.374.917	477.756
	112.643.834	145.181.657

According to “IAS 24 Related Party Disclosures”, providers of finance, trade unions, public utilities, departments, and agencies of a government that does not control, jointly control or significantly influence the reporting entity, and a customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business, simply by virtue of the resulting economic dependence are not evaluated as related parties. The Group has a significant business relation with Aselsan Elektronik Sanayi ve Ticaret A.Ş. (“Aselsan”) and evaluated in that context.

(1) Other related party

(2) Main partner

(3) Associate

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21. RELATED PARTY DISCLOSURES (Cont'd)

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

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

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

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

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

Benefits to Top Management:

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

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

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

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

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

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

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22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Credit risk

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

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

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

Credit risk (Cont'd)

31 December 2020

	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)	42.997.497	1.051.100.612	173.169.862	571.632	307.221.733
Maximum risk guaranteed by collateral	-	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	42.997.497	863.270.102	173.169.862	571.632	307.221.733
(B) Net book value of overdue but not impaired financial assets	-	187.830.510	-	-	-
Guaranteed by collateral	-	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-	-
Overdue (gross book value)	-	76.357.553	-	-	-
Impairment (-)	-	(76.357.553)	-	-	-
Guaranteed by collateral	-	-	-	-	-
Unexpired (gross book value)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
Guaranteed by collateral	-	-	-	-	-
(D) Off balance sheet risks	-	-	-	-	-

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

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

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

30 June 2021	Undue	1-30 days overdue	1-3 months overdue	3-6 months overdue	6-12 months overdue	1-5 years overdue
Credit loss ratio (%)	0,5%	1,4%	2,1%	3,6%	6,6%	16,1%
As of period	1.016.562.685	14.395.070	11.160.257	2.745.488	2.638.686	115.095.695
Expected credit loss	15.622.864	9.862	165.002	108.449	407.389	9.322.698

31 December 2020	Undue	1-30 days overdue	1-3 months overdue	3-6 months overdue	6-12 months overdue	1-5 years overdue
Credit loss ratio (%)	0,5%	1,4%	2,1%	3,6%	6,6%	16,1%
As of period	854.664.917	57.538.314	14.352.567	6.398.219	10.719.533	107.427.062
Expected credit loss	7.129.189	290.357	136.131	125.918	336.370	7.716.409

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

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

30 June 2021

<u>Maturities due to agreements</u>	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years	More than 5 years
<u>Non- derivative financial liabilities</u>	1.729.286.953	1.765.367.477	1.184.199.799	539.648.272	33.369.181	8.150.225
Financial liabilities	827.184.976	853.342.238	346.677.869	493.513.513	13.150.856	-
Lease Liabilities	71.986.050	81.909.312	7.406.003	46.134.759	20.218.325	8.150.225
Due to related parties	112.643.834	112.643.834	112.643.834	-	-	-
Other trade payables to third parties	702.965.426	702.965.426	702.965.426	-	-	-
Other payables to third parties	14.506.667	14.506.667	14.506.667	-	-	-

31 December 2020

<u>Maturities due to agreements</u>	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years	More than 5 years
<u>Non- derivative financial liabilities</u>	1.512.636.983	1.552.422.739	1.088.836.884	391.307.505	63.778.350	8.500.000
Financial liabilities	526.499.281	555.412.321	154.691.124	372.179.938	28.541.259	-
Lease Liabilities	59.409.133	70.281.849	7.417.191	19.127.567	35.237.091	8.500.000
Due to related parties	145.181.657	145.181.657	145.181.657	-	-	-
Other trade payables to third parties	741.237.022	741.237.022	741.237.022	-	-	-
Other payables to third parties	40.309.890	40.309.890	40.309.890	-	-	-

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

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

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

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

Foreign currency risk

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

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

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

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

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

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

Foreign currency risk (Cont'd)

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

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

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

Foreign currency risk (Cont'd)

30 June 2021

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

31 December 2020

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

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23. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The following methods and assumptions are used to estimate the fair value of financial instruments:

Financial Assets:

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

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

Financial Liabilities:

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

The Fair Value Measurement Hierarchy

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

- Level 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Level 2: The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: The fair value of the financial assets and financial liabilities where there is no observable market data.

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

24. SUBSEQUENT EVENTS

None.

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

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

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

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

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

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