

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

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

INDEX	Page
Condensed Consolidated Statements of Financial Position	1-2
Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income	3
Condensed Consolidated Statement of Changes in Equity	4
Condensed Consolidated Statement of Cash Flows	5-6
Note 1 Organization and Operations of the Group	7-8
Note 2 Basis of Presentation of the Consolidated Financial Statements	8-16
Note 3 Shares in Associates	17-18
Note 4 Segment Reporting	19-22
Note 5 Cash and Cash Equivalents	23
Note 6 Short Term Borrowings	22-24
Note 7 Trade Receivables and Payables	25
Note 8 Inventories	25
Note 9 Property, Plant and Equipment	26-28
Note 10 Intangible Assets	28-30
Note 11 Right of Use Assets	30
Note 12 Government Grants	31
Note 13 Provisions, Contingent Assets and Liabilities	31
Note 14 Commitments	31-32
Note 15 Employee Benefits	33
Note 16 Shareholders' Equity	34-35
Note 17 Revenue and Cost of Sales	36
Note 18 Income and Expenses from Other Operating Activities	37
Note 19 Finance Income and Expenses	37
Note 20 Tax Assets and Liabilities	37-41
Note 21 Earnings Per Share	42
Note 22 Related Party Disclosures	42-43
Note 23 Financial Instruments and Risk Management	43-51
Note 24 Fair Value of Financial Instruments	52
Note 25 Subsequent Events	52
Note 26 Disclosures of Other Matters That May Affect Condensed Consolidated Financial Statements Significantly or is Necessary For Condensed Consolidated Financial Statements to be Clear, Interpretable and Comprehensible	53-54

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2022

(Unless otherwise stated the amounts are in TL)

	Notes	Reviewed 30 June 2022	Audited 31 December 2021
ASSETS			
Current Assets		2.858.306.346	2.948.964.059
Cash and Cash Equivalents	5	652.205.857	541.970.727
Financial Investments		2.665.967	-
Trade Receivables		1.158.626.852	1.348.616.225
<i>Due from related parties</i>	22	<i>16.849.161</i>	<i>16.530.090</i>
<i>Trade receivables, third parties</i>	7	<i>1.141.777.691</i>	<i>1.332.086.135</i>
Other Receivables		1.640.891	2.901.515
<i>Other receivables, third parties</i>		<i>1.640.891</i>	<i>2.901.515</i>
Inventories	8	312.304.825	379.632.146
Contract Assets related to Goods and Services Provided		565.998.845	572.161.427
<i>Contract Assets related to Goods and Services Provided</i>	4	<i>565.998.845</i>	<i>572.161.427</i>
Prepaid Expenses		107.643.485	36.731.381
Current Income Tax Assets	20	35.569.219	33.562.897
Other Current Assets		21.650.405	33.387.741
Non-Current Assets		865.183.940	717.962.787
Property, Plant and Equipment	9	119.224.962	107.379.852
Right of Use Assets	11	85.375.846	67.931.249
Financial Investments		22.407.981	17.926.217
Intangible Assets		420.906.312	346.561.747
<i>Goodwill</i>	10	<i>305.371.939</i>	<i>244.295.352</i>
<i>Other intangible assets</i>	10	<i>115.534.373</i>	<i>102.266.395</i>
Investments Accounted Using the Equity Method	3	-	8.621.337
Deferred Tax Assets	20	217.268.839	169.542.385
TOTAL ASSETS		3.723.490.286	3.666.926.846

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2022

(Unless otherwise stated the amounts are in TL)

	Notes	Reviewed 30 June 2022	Audited 31 December 2021
LIABILITIES			
Short Term Liabilities		3.579.503.769	3.508.145.330
Short Term Borrowings		1.211.801.812	1.115.963.022
<i>Short Term Bank Loans</i>	6	1.211.801.812	1.115.963.022
Short-Term Portion of Long-Term Borrowings		103.225.821	80.859.969
<i>Short-Term Portion of Long-Term Bank Loans</i>	6	13.329.654	12.919.150
<i>Short-Term Portion of Long-Term Lease Liabilities</i>	6	89.896.167	67.940.819
Trade Payables		1.549.452.063	1.599.413.559
<i>Due to related parties</i>	22	508.893.664	457.540.058
<i>Trade payables, third parties</i>	7	1.040.558.399	1.141.873.501
Other Payables		21.163.872	81.774.643
<i>Other payables, third parties</i>		21.163.872	81.774.643
Employee Benefit Obligations	15	33.200.072	26.272.106
Contract Liabilities		426.345.073	356.827.319
<i>Contract Liabilities</i>	4	426.345.073	356.827.319
Provisions		222.881.985	247.034.712
<i>Provisions for Employee Benefits</i>	15	23.549.130	26.573.697
<i>Other Short Term Provisions</i>	13	199.332.855	220.461.015
Current Income Tax Liabilities	20	11.433.071	-
Long Term Liabilities		112.555.853	123.373.240
Long Term Borrowings		63.103.520	60.918.001
<i>Bank Loans</i>	6	-	13.817.167
<i>Lease Liabilities</i>	6	63.103.520	47.100.834
Provisions		49.452.333	47.530.550
<i>Provisions for Employee Benefits</i>	15	49.452.333	47.530.550
Deferred Tax Liabilities	20	-	14.924.689
SHAREHOLDERS' EQUITY			
Equity Attributable to Equity Holders of the Parent		33.468.014	36.923.410
Share Capital	16	64.864.800	64.864.800
Share Capital Adjustments		41.612.160	41.612.160
Other comprehensive income to be reclassified in profit and loss		5.058.430	(4.850.226)
<i>Currency Translation Differences</i>		5.058.430	(4.850.226)
Other comprehensive income not to be reclassified in profit and loss		551.459.450	545.653.120
<i>Remeasurement gain/ (loss) on defined benefit plans</i>		(17.262.824)	(17.262.824)
<i>Currency Translation Differences</i>		568.722.274	562.915.944
Restricted Reserves	16	34.897.360	34.897.360
Retained Earnings		(645.253.804)	22.958.336
Net Loss for the Period		(19.170.382)	(668.212.140)
Non-controlling interests		(2.037.350)	(1.515.134)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3.723.490.286	3.666.926.846

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2022

(Unless otherwise stated the amounts are in TL)

	Notes	Reviewed		Unaudited	
		1 January- 30 June 2022	1 January- 30 June 2021	1 April- 30 June 2022	1 April- 30 June 2021
INCOME OR LOSS FROM OPERATIONS					
Revenue	17	1.579.467.897	979.462.027	892.700.884	487.685.408
Cost of Sales (-)	4	(1.418.148.536)	(939.335.371)	(808.031.380)	(464.759.945)
GROSS PROFIT		161.319.361	40.126.656	84.669.504	22.925.463
Sales, Marketing and Distribution Expenses (-)	4	(71.194.930)	(50.197.490)	(36.590.176)	(26.538.917)
General Administrative Expenses (-)	4	(70.756.270)	(49.889.570)	(38.156.884)	(22.190.826)
Research and Development Expenses (-)	4	(3.131.969)	(11.321.128)	(928.742)	(5.679.018)
Other Income from Operating Activities	18	371.167	7.287.230	231.787	148.749
Other Expenses from Operating Activities (-)	18	(71.178.030)	(82.460.505)	(26.391.443)	(38.397.396)
OPERATING LOSS		(54.570.671)	(146.454.807)	(17.165.954)	(69.731.945)
Income from Investment Activities		31.210.883	40.747.242	31.143.562	5.291.589
Expenses from Investment Activities (-)		(687.974)	(1.458.841)	(66.326)	(1.376.249)
Income from Investments Accounted Using the Equity Method	3	284.646	162.681	17.420	(85.729)
OPERATING LOSS BEFORE FINANCE INCOME AND EXPENSES		(23.763.116)	(107.003.725)	13.928.702	(65.902.334)
Financial Income	19	96.283.984	74.404.686	52.077.081	22.907.578
Financial Expenses (-)	19	(104.207.923)	(63.709.699)	(54.268.280)	(35.880.557)
LOSS BEFORE TAX		(31.687.055)	(96.308.738)	11.737.503	(78.875.313)
Tax (Expenses)/ Income		11.994.457	6.752.742	17.994.023	(5.232.856)
Current Tax Expenses	20	(9.344.816)	-	(9.235.224)	-
Deferred Tax Income	20	21.339.273	6.752.742	27.229.247	(5.232.856)
NET LOSS FOR THE YEAR		(19.692.598)	(89.555.996)	29.731.526	(84.108.169)
Attributable to:					
Non-controlling Interest		(522.216)	1.895.621	633.350	(449.611)
Equity Holders of the Parent		(19.170.382)	(91.451.617)	29.098.176	(83.658.558)
Earn/(Loss) per share	21	(0,3036)	(1,3807)	0,4584	(1,2967)
OTHER COMPREHENSIVE INCOME/ (EXPENSES)					
Other comprehensive income or expenses that will not be reclassified subsequently to profit of loss					
Currency translation differences		5.806.330	98.907.426	7.858.696	14.025.142
Actuarial gain/ (loss) arising from investment accounted using the equity method	3	-	-	7.872.281	14.025.142
Other comprehensive income or expenses that will be reclassified subsequently to profit of loss					
Currency translation differences		9.908.656	(11.709.210)	9.062.713	(10.480.056)
Currency translation differences from investments accounted	3	-	-	7.828.555	(10.480.056)
OTHER COMPREHENSIVE INCOME/ (LOSS)		15.714.986	87.198.216	16.921.409	3.545.086
TOTAL COMPREHENSIVE INCOME/ (LOSS)		(3.977.612)	(2.357.780)	46.652.935	(80.563.083)
Attributable to:					
Non-controlling Interest		(522.216)	(2.794.528)	633.350	(5.139.760)
Equity Holders of the Parent		(3.455.396)	436.748	46.019.585	(75.423.323)

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 CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2022

(Unless otherwise stated the amounts are in TL)

	Share Capital	Share Capital Adjustments	Other comprehensive income or expenses will be reclassified subsequently to profit or loss		Restricted Reserves	Retained Earnings		Equity Holders of the Parent	Non-controlling Interest	TOTAL	
			Currency Translation Differences	Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		Retained Earnings	Net (Loss) for the Period				
			Currency Translation Differences	Currency Translation Differences		Retained Earnings	Net (Loss) for the Period				
Balance as at 1 January 2021	64.864.800	41.612.160	(445.568)	432.782.727	(11.594.178)	34.897.360	94.088.563	(71.130.227)	585.075.637	695.408	585.771.045
Transfer	-	-	-	-	-	-	(71.130.227)	71.130.227	-	-	-
Total comprehensive expense	-	-	(7.019.061)	98.907.426	-	-	-	(91.451.617)	436.748	(2.794.528)	(2.357.780)
<i>Net Loss for Period</i>	-	-	-	-	-	-	-	(91.451.617)	(91.451.617)	1.895.621	(89.555.996)
<i>Other Comprehensive Income</i>	-	-	(7.019.061)	98.907.426	-	-	-	-	91.888.365	(4.690.149)	87.198.216
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
Balance as at 1 January 2022	64.864.800	41.612.160	(4.850.226)	562.915.944	(17.262.824)	34.897.360	22.958.336	(668.212.140)	36.923.410	(1.515.134)	35.408.276
Transfer	-	-	-	-	-	-	(668.212.140)	668.212.140	-	-	-
Total comprehensive Expense	-	-	9.908.656	5.806.330	-	-	-	(19.170.382)	(3.455.396)	(522.216)	(3.977.612)
<i>Selling of Associates</i>	-	-	12.999.534	-	-	-	-	30.469.943	43.469.477	-	43.469.477
<i>Other Comprehensive expense</i>	-	-	(3.090.878)	5.806.330	-	-	-	(49.640.325)	(46.924.873)	(522.216)	(47.447.089)
Balance as at 30 June 2022	64.864.800	41.612.160	5.058.430	568.722.274	(17.262.824)	34.897.360	(645.253.804)	(19.170.382)	33.468.014	(2.037.350)	31.430.664

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 CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2022

(Unless otherwise stated the amounts are in TL.)

Notes	Reviewed	
	Current Period 1 January- 30 June 2022	Previous Period 1 January- 30 June 2021
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Net (Loss) for the Period		
	(19.692.598)	(89.555.996)
	<i>(19.692.598)</i>	<i>(89.555.996)</i>
Adjustments to Reconcile Profit/Loss		
	(19.814.935)	55.541.789
	<i>(19.814.935)</i>	<i>55.541.789</i>
9-10-11	46.934.584	45.906.226
	(6.697.982)	6.413.084
7	(371.167)	4.758.017
8	(6.326.815)	1.655.067
	(24.525.346)	23.560.139
	35.090.904	22.745.894
	3.489.072	1.110.630
	(63.105.322)	(296.385)
	79.255.150	53.257.435
19	(2.334.376)	(1.244.539)
19	88.126.851	57.943.667
18	(6.537.325)	(3.441.693)
19	(93.949.608)	(73.160.147)
3	-	4.891.376
20	(21.339.273)	(6.752.742)
26	-	(88.574.295)
	507.540	1.426.418
	507.540	1.426.418
	(30.469.944)	-
Changes in Working Capital		
	261.963.075	(268.994.536)
	<i>261.963.075</i>	<i>(268.994.536)</i>
	534.067.099	116.261.630
	10.350.963	40.496.584
	523.716.136	75.765.046
	22.070.682	(1.343.330)
	22.070.682	(1.343.330)
	168.566.445	40.014.152
	(61.728.845)	(36.840.360)
	(449.832.885)	(235.606.854)
	(63.036.557)	(59.529.092)
	(386.796.328)	(176.077.762)
	359.644	(975.516)
	149.209.378	(61.637.979)
	(81.055.352)	(33.297.386)
	(19.693.091)	(55.568.893)
Cash Flows (Used in) Generated From Operations		
	191.985.598	(391.583.038)
	<i>191.985.598</i>	<i>(391.583.038)</i>
	(36.193.688)	(28.742.246)
20	9.426.749	1.477.597
	(833.523)	-
	164.385.136	(418.847.687)
	<i>164.385.136</i>	<i>(418.847.687)</i>

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 CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2022

(Unless otherwise stated the amounts are in TL.)

	Notes	Reviewed	
		Current Period 1 January- 30 June 2022	Previous Period 1 January- 30 June 2021
B.CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES			
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		2.893.363	2.059.495
<i>Proceeds from Sales of Property, Plant, Equipment</i>		2.611.721	2.059.495
<i>Proceeds from Intangible Assets</i>		281.642	-
Purchase of Property, Plant, Equipment and Intangible Assets		(5.270.312)	(30.048.539)
<i>Purchase of Property, Plant, Equipment</i>	9	(5.270.312)	(15.921.951)
<i>Purchase of Intangible Assets</i>	10	-	(14.126.588)
Cash inflows from the sale of subsidiaries		-	88.574.295
Interest Received	19	2.334.376	1.244.539
Other Outflows of Cash		(7.147.731)	(4.870.097)
		(7.190.304)	56.959.693
C.CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES			
Inflows from Borrowings	6	782.844.526	755.981.800
Outflows from Borrowings	6	(778.490.916)	(478.930.540)
Interest Paid		(79.993.321)	(47.919.220)
Payments of lease liabilities		(16.889.477)	(7.988.135)
		(92.529.188)	221.143.905
NET INCREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)			
		64.665.644	(140.744.089)
D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
		(6.510.612)	51.458.094
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)			
		58.155.032	(89.285.995)
E.CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	5	541.970.727	305.858.010
CASH AND CASH EQUIVALENTS AT END OF YEAR (A+B+C+D+E)			
	5	600.125.759	216.572.015

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
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

1 ORGANIZATION AND OPERATIONS OF THE GROUP

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

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

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

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

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

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

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

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

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

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

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

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

As of 31 March 2022, the Group has no blue-collar employees (31 December 2021: None). The average number of white-collar personnel employed in the Group as of 30 June 2022 is 1.974 (31 December 2021: 2.171).

Approval of Condensed Consolidated Financial Statements

The financial statements were approved by the Board of Directors on 18 August 2022. The General Assembly has the right to change the interim condensed consolidated financial statements.

2 BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

a) Statement of Compliance

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

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

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

For the period ended 30 June 2022, the Group prepared its condensed consolidated financial statements in accordance with the Turkish Accounting Standard No.34 Interim Financial Reporting. Condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group's annual financial statements as of 31 December 2021.

b) Basis of presentation of condensed consolidated financial statements

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

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

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

2.2 Basis of Presentation(Cont'd)

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

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

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

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

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

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

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

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

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

As of 30 June 2022, the Group has no associates.As of 31 December 2021 the details of associate of the Group are given below:

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

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

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

2.1 Basis of Presentation(Cont'd)

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

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

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

c) Functional Currency and Reporting Currency

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

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

2.1 Basis of Presentation(Cont'd)

c) Functional Currency and Reporting Currency

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

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

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

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

- Assets and liabilities have been translated to TL by using USD rate as of 30 June 2022 1 USD: 16,6614 TL (31 December 2021; 1 USD: 13,329 TL)
- Statements of profit or loss and statements of cash flows have been translated to TL by using six months average exchange rate (1 USD: 14,8467 TL) for the period ended 30 June 2022 (for the period ended 30 June 2021 1 USD: 7,8613 TL).

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

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

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

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

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

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

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

2.3 Change in Accounting Policies

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

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

2.4 The New Standards, Amendments, and Interpretations

The accounting policies adopted in preparation of the condensed consolidated financial statements as at June 30, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of 1 January 2022. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2022 are as follows:

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments must be applied prospectively.

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

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

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

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

Amendments to TAS 16 – Proceeds before intended use

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

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

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

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied prospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

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

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

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

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted

The Group will wait until the final amendment to assess the impacts of the changes.

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

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022

(Unless otherwise stated the amounts are in TL)

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

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

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

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, the POA issued amendments to TAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.

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

Amendments to TAS 1 - Disclosure of Accounting Policies

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

The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.**BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS(Cont'd)**

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

In August 2021, the POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

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

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

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

iii) Annual Improvements – 2018–2020 Cycle

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

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

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

2.5 Summary of Significant Accounting Policies

The condensed consolidated financial statements for the interim period ending on 31 March 2022 have been prepared in accordance with the TAS 34 standard for the preparation of the interim financial statements. Summary consolidated significant accounting used in the preparation of financial statements. The policies are consistent with the accounting policies explained in detail in the consolidated financial statements dated December 31, 2021. Therefore, the condensed consolidated financial statements should be evaluated together with the financial statements for the year ending on December 31, 2021.

2.6 Seasonality in Operations

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

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

2.7 Going Concern

As of 31 June 2022, the financial statements have been prepared on the basis of going concern. As of 31 June 2022, current assets of the Group are amounting to TL 2.858.306.346 and short term liabilities of the Company are amounting to TL 3.579.503.769, short term liabilities exceeded current assets TL 721.197.423. Besides the current period loss of the Group is TL 18.537.033 and accumulated loss is TL 663.790.837. These findings indicate the existence of a material uncertainty regarding the Group's ability to continue its operations in the foreseeable future.

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

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

Orders received by the Group continued to grow in 2022 In Q222, TL 1.618 million orders were received, up 73% from the same period the previous year. The Company's registered orders to be fulfilled in the coming periods increased by 60% to TL 2.123 million at the end of Q222. On the other hand, the Group, expects that the increasing trend in margins will continue for new orders received in 2022.

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

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

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

3 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

Associates

Details of significant associate:

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

Selling Price	52.080.098
Participation amount on the date of sale	8.610.621
Profit	43.469.477
Currency translation difference reclassified as profit or loss	(12.999.534)
Net Profit	30.469.944

As of 31 December 2021 the details of important associates are as in the following;

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

The summary financial information of Kron Telekomünikasyon Hizmetleri A.Ş. is explained below. The summary of associate's financial information derived from financial statements prepared in accordance with TFRS and presented in TL.

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

	31 December 2021
Current assets	99.732.161
Non-current assets	58.450.463
Short term liabilities	69.137.751
Long term liabilities	8.843.456
Net assets	80.201.417
Goodwill carried over at the group level	601.195
Share of the Group in net assets	8.020.142
Total	8.621.337
	1 January 2021- 30 June 2021
Revenue	22.757.405
Cost of sales (-)	(4.756.541)
Net profit	3.573.597
Other comprehensive expenses	(2.884.688)
Total comprehensive income	688.909
Share of the Group in total comprehensive income	68.891

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

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

Associates(Cont'd)

Details of significant associate: (Cont'd)

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

	<u>2021</u>
As of 1 January	11.507.883
Share from the profit of the period	68.891
Currency translation difference	<u>(4.960.267)</u>
As of 30 June	<u>6.616.507</u>

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022

(Unless otherwise stated the amounts are in TL)

4 SEGMENT REPORTING

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

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

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

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

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

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

For the period ended 30 June 2022	Telecom	System Integration	Technology	BDH	Unallocated	Total
Revenue	447.907.705	964.652.563	-	166.907.629	-	1.579.467.897
Cost of sales (-)	(426.367.171)	(852.299.065)	-	(139.482.300)	-	(1.418.148.536)
Gross margin	21.540.534	112.353.498	-	27.425.329	-	161.319.361
Sales,marketing and distribution expenses (-)	(19.785.573)	(33.523.474)	-	(17.885.883)	-	(71.194.930)
General administrative expenses (-)	-	-	-	-	(70.756.270)	(70.756.270)
Research and development expenses (-)	-	-	(3.131.969)	-	-	(3.131.969)
Operating profit / (loss) of segment	1.754.961	78.830.024	(3.131.969)	9.539.446	(70.756.270)	16.236.192

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022

(Unless otherwise stated the amounts are in TL)

4 SEGMENT REPORTING(Cont'd)

For the period ended 30 June 2021	Telecom	System Integration	Technology	BDH	Unallocated	Total
Revenue	197.326.392	661.944.710	22.768.893	97.422.032	-	979.462.027
Cost of sales (-)	(186.177.941)	(646.548.083)	(24.398.749)	(82.210.598)	-	(939.335.371)
Gross margin	11.148.451	15.396.627	(1.629.856)	15.211.434	-	40.126.656
Sales,marketing and distribution expenses (-)	(15.217.896)	(22.339.035)	-	(12.640.559)	-	(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	(4.069.445)	(6.942.408)	(12.950.984)	2.570.875	(49.889.570)	(71.281.532)

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022

(Unless otherwise stated the amounts are in TL)

4 SEGMENT REPORTING(Cont'd)

30 June 2022	System				Unallocated (*)	Total
	Telecom	Integration	Technology	BDH		
Trade receivables	330.936.030	763.166.020	-	40.839.391	6.836.250	1.141.777.691
Due from related parties	16.849.161	-	-	-	-	16.849.161
Inventories	84.438.779	203.486.762	-	21.313.578	3.065.706	312.304.825
Contract assets	42.926.637	517.573.855	-	5.498.353	-	565.998.845
Segments assets	475.150.607	1.484.226.637	-	67.651.322	9.901.956	2.036.930.522
Trade payables (*)	58.894.116	882.986.786	-	65.196.954	33.480.543	1.040.558.399
Due to related parties	508.893.664	-	-	-	-	508.893.664
Contract liabilities	72.370.221	350.250.683	-	76.778	3.647.391	426.345.073
Other short term provision	6.289.869	181.251.709	-	-	11.791.277	199.332.855
Segment liabilities	646.447.870	1.414.489.178	-	65.273.732	48.919.211	2.175.129.991
31 December 2021						
		System				
	Telecom	Integration	Technology	BDH	Unallocated (*)	Total
Trade receivables	479.539.242	816.204.121	342.124	35.151.763	848.885	1.332.086.135
Due from related parties	16.530.090	-	-	-	-	16.530.090
Inventories	183.103.048	186.597.921	2.153.219	7.777.958	-	379.632.146
Contract assets	37.136.737	517.333.476	-	17.691.214	-	572.161.427
Segments assets	716.309.117	1.520.135.518	2.495.343	60.620.935	848.885	2.300.409.798
Trade payables (*)	162.476.057	762.096.948	861.975	79.915.801	136.522.720	1.141.873.501
Due to related parties	457.540.058	-	-	-	-	457.540.058
Contract liabilities	92.028.083	260.272.053	2.323.799	1.177.739	1.025.645	356.827.319
Segment liabilities	712.044.198	1.022.369.001	3.185.774	81.093.540	137.548.365	1.956.240.878

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

4 SEGMENT REPORTING(Cont'd)

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

	For the period ended 30 June 2022	For the period ended 30 June 2021
Operating (loss) of segment	16.236.192	(71.281.532)
Other (expenses)/income from operating activities (net)	(70.806.863)	(75.173.275)
Other (expenses)/income from investments (net)	30.522.909	39.288.401
Income from investments accounted using the equity method	284.646	162.681
Finance (expenses)/income (net)	(7.923.939)	10.694.987
(Loss) before tax	(31.687.055)	(96.308.738)

	30 June 2022	31 December 2021
Assets		
Segment assets	2.036.930.522	2.300.409.798
Other assets (*)	1.686.559.764	1.366.517.048
Total assets	3.723.490.286	3.666.926.846

	30 June 2022	31 December 2021
Liabilities		
Segment liabilities	2.175.129.991	2.176.701.893
Other liabilities (*)	1.516.929.631	1.454.816.677
Total liabilities	3.692.059.622	3.631.518.570

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

5 CASH AND CASH EQUIVALENTS

	30 June 2022	31 December 2021
Bank- demand deposits	650.805.857	497.486.000
Bank- time deposits	1.400.000	44.484.727
Credit card receivables	652.205.857	541.970.727

Currency	Original Currency Amount	Interest Rate %	Maturity	30 June 2022
TL	1.400.000	13,00-17,00	July 2022	1.400.000
				1.400.000
Currency	Original Currency Amount	Interest Rate %	Maturity	31 December 2021
USD	89.000	6	January 2022	1.186.281
TL	43.298.446	4,75-25,5	January 2022	43.298.446
				44.484.727

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

6 BORROWINGS

	<u>30 June 2022</u>	<u>31 December 2021</u>
Short term financial liabilities		
Short term unsecured loans	1.008.115.695	929.999.574
Financial borrowing from factoring transactions	203.686.117	178.907.115
Non interest loans(*)	-	7.056.333
	<u>1.211.801.812</u>	<u>1.115.963.022</u>

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

As of 30 June 2022, effective interest rate for TL loans is 20,37%, and effective interest rate for USD loans is 4,54%.(As of 31 December 2021, effective interest rate for TL loans is 16,11%, effective interest rate for USD loans is 5,08)

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

<u>Currency</u>	<u>Original Currency Amount</u>	<u>Interest Rate(%) (*)</u>	<u>Maturity</u>	<u>30 June 2022</u>
TL	589.568.773	14,75-44,50	July 2022- May 2023	589.568.773
USD	25.120.753	4,9-9,0	July 2022- May 2023	418.546.922
				<u>1.008.115.695</u>

<u>Currency</u>	<u>Original Currency Amount</u>	<u>Interest Rate(%) (*)</u>	<u>Maturity</u>	<u>31 December 2021</u>
TL	334.237.975	9,0-20,0	January 2022-February 2022	334.237.975
USD	35.829.509	3,4-5,85	January 2022-February 2022	477.571.526
EURO	7.834.057	2,35-4,75	January 2022	118.190.073
				<u>929.999.574</u>

(*) Presents the lower and upper rates.

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

<u>Para cinsi</u>	<u>Original Currency Amount</u>	<u>Interest Rate(%) (*)</u>	<u>Maturity</u>	<u>30 June 2022</u>
USD	12.225.030	7,50-9,70	July 2022- October 2022	203.686.117
				<u>203.686.117</u>

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

	<u>30 June 2022</u>	<u>31 December 2021</u>
Short-Term Portion of Long-Term Financial Liabilities		
Short-Term Portion of Long-Term Unsecured Bank Loans	13.329.654	12.919.150
Short-Term Portion of Long-Term Lease Liabilities	89.896.167	67.940.819
	<u>103.225.821</u>	<u>80.859.969</u>

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

<u>Currency</u>	<u>Original Currency Amount</u>	<u>Interest Rate(%) (*)</u>	<u>Maturity</u>	<u>30 June 2022</u>
TL	7.215.650	9,00-22,50	December 2022-May 2023	7.215.650
USD	366.956	4,90	October 2022-April 2023	6.114.004
				<u>7.215.650</u>

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

6 BORROWINGS (cont'd)

	<u>30 June 2022</u>	<u>31 December 2021</u>
Long term financial liabilities		
Long term lease liabilities	63.103.520	47.100.834
Long term unsecured bank loans	-	13.817.167
	<u>63.103.520</u>	<u>60.918.001</u>

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

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

(*) Presents the lower and upper rates.

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

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

	<u>2022</u>	<u>2021</u>
Opening-1 January	1.142.699.339	526.499.281
Cash inflow under within borrowings received	782.844.526	755.981.800
Cash pouflow under within borrowings received	(869.251.036)	(478.930.540)
Interest accruals changes	10.766.799	971.828
Currency translations changes	158.071.838	22.662.607
Closing-30 June	<u>1.225.131.466</u>	<u>827.184.976</u>

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

	<u>2022</u>	<u>2021</u>
Opening-1 January	115.041.653	59.409.133
Additions	17.777.526	8.580.961
Interest expenses and foreign exchange loss on lease liabilities	8.133.530	10.026.184
Lease payments	(16.889.477)	(13.319.393)
Foreign Currency Translation Difference	28.936.455	7.289.165
Closing-30 June	<u>152.999.687</u>	<u>71.986.050</u>

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

7 TRADE RECEIVABLES AND PAYABLES

	<u>30 June 2022</u>	<u>31 December 2021</u>
Trade Receivables from Third Parties		
Trade receivables	1.355.098.936	1.502.504.348
Discount on trade receivables (*)	(34.431.460)	(26.922.675)
Allowances for doubtful receivables (-)	(178.889.785)	(143.495.538)
	<u>1.141.777.691</u>	<u>1.332.086.135</u>

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

Movement of Allowance for Doubtful Receivables	<u>2022</u>	<u>2021</u>
Reported as of 1 January	(143.495.538)	(76.357.553)
Charge for the period	-	(4.758.017)
Provision no longer required	371.167	2.993.481
Currency translation differences	(35.765.414)	(14.742.905)
As of 30 June	(178.889.785)	(92.864.994)

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

Trade Payables to Third Parties	<u>30 June 2022</u>	<u>31 December 2021</u>
Trade payables	1.040.558.399	1.141.873.501
	<u>1.040.558.399</u>	<u>1.141.873.501</u>

8 INVENTORIES

	<u>30 June 2022</u>	<u>31 December 2021</u>
Raw materials	126.536.326	90.074.269
Finished goods	59.607.403	47.390.287
Trade goods	196.496.504	274.244.621
Right of return assets	8.110.420	36.359.126
Allowance for inventory impairment (-)	(78.445.828)	(68.436.157)
	<u>312.304.825</u>	<u>379.632.146</u>

<u>Movement for allowance:</u>	<u>2022</u>	<u>2021</u>
Opening-1 January	(68.436.157)	(2.964.439)
Released for the year	7.950.272	-
Provision	(1.623.457)	(1.655.067)
Foreign currency translation difference	(16.336.486)	(728.799)
Closing-30 June	(78.445.828)	(5.348.305)

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022

(Unless otherwise stated the amounts are in TL)

9 PROPERTY, PLANT AND EQUIPMENT

	Machinery and Equipment	Vehicles	Furniture and fixtures	Leasehold Improvements	Total
<u>Cost</u>					
1 January 2022	484.272.315	402.153	44.441.552	132.463.853	661.579.873
Translation difference	123.261.582	100.543	10.727.542	33.127.507	167.217.174
Purchases	5.025.599	-	139.646	105.067	5.270.312
Transfers(*)	-	-	-	-	-
Disposals	(47.758.249)	-	(3.275.931)	(22.820)	(51.057.000)
30 June 2022	564.801.247	502.696	52.032.809	165.673.607	783.010.359
<u>Accumulated Depreciation</u>					
1 January 2022	(417.507.487)	(256.280)	(35.259.297)	(101.176.957)	(554.200.021)
Translation difference	(101.768.179)	(67.919)	(8.640.151)	(26.221.184)	(136.697.433)
Period charge	(11.869.907)	(31.460)	(1.345.510)	(7.578.805)	(20.825.682)
Disposals	45.155.446	-	2.777.809	4.484	47.937.739
30 June 2022	(485.990.127)	(355.659)	(42.467.149)	(134.972.462)	(663.785.397)
Net book value at 30 June 2022	78.811.120	147.037	9.565.660	30.701.145	119.224.962

As of 30 June 2022, depreciation charge is TL 20.825.682. TL 4.190.152 is accounted in cost of sales, TL 15.731.734 in general administrative expenses, TL 903.796 in sales, marketing, and distribution expenses.

The facility includes spare parts to be used in machinery and devices in the long term. The depreciation expense for spare parts is TL 3.589.276 and is completely included in general administrative expenses.

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022

(Unless otherwise stated the amounts are in TL)

9 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Machinery and Equipment	Vehicles	Furniture and fixtures	Leasehold Improvements	Total
<u>Cost</u>					
1 January 2021	270.918.613	397.627	31.993.436	86.158.219	389.467.895
Translation difference	17.497.039	73.927	4.711.016	12.673.687	34.955.669
Purchases	8.365.037	-	526.105	74.857	8.965.999
Transfers(*)	-	-	-	-	-
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	425.390.084
<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	77.478.106

As of 30 June 2021, depreciation charge is TL 13.947.999. TL. 4.485.205 is accounted in cost of sales, TL8.955.136 in general administrative expenses, TL 507.658 in sales, marketing, and distribution expenses.

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

9 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

	<u>Useful Lives</u>
Machinery and Equipment	10
Vehicles	5-10
Leasehold Improvements	5-10
Furniture and fixtures	5-15

10 INTANGIBLE ASSETS

Goodwill

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

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

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

Cost	2022	2021
Opening-1 January	244.295.352	134.537.477
Translation difference	61.076.587	25.012.369
Closing-30 June	305.371.939	159.549.846

With the estimated statement of profit or loss and potential projects of the future and revenue streams of Enterprise and BDH segments covering the period between 1 January 2022 and 31 December 2026, a valuation report has been prepared.

A valuation report has been prepared for the determination of the value to be used in the testing of impairment of goodwill as of 31 December 2021. The valuation report has been prepared by an independent valuation company. Income approach has been applied in the valuation study of Enterprise and BDH segments. The present value of cash flows expected to be generated by the Company in the future is calculated by discounting cash flows today using a discount rate appropriate to the Company's risk profile.

The result of income approach and sensitivity analysis indicates that, the firm value of Enterprise and BDH segments is between USD 46 million and USD 56 million. As of the valuation date, the value of the company calculated between USD 41 million and USD 51 million by considering the net debt of USD 15 million.

Considering the future cash flows of the Group, the Company Management concluded that there is no impairment in the goodwill amount as of 30 June 2022.

Significant assumptions used in discounted cash flow projections

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

10 INTANGIBLE ASSETS(Cont'd)

Other Intangible Assets

	1 January- 30 June 2022			
	Customer Relations (*)	Other Intangible Assets (**)	Construction in Progress	Total
Cost				
Opening balance	142.189.000	504.348.507	10.140.787	656.678.294
Translation difference	35.548.851	115.090.053	1.219.815	151.858.719
Additions	-	-	-	-
Transfers	-	10.762.512	(10.762.512)	-
Disposals	-	(27.105.314)	-	(27.105.314)
Closing balance	177.737.851	603.095.758	598.090	781.431.699
Accumulated amortization				
Opening balance	(142.189.000)	(412.222.899)	-	(554.411.899)
Translation difference	(35.548.851)	(92.081.768)	-	(127.630.619)
Period charge	-	(10.678.480)	-	(10.678.480)
Disposals	-	26.823.672	-	26.823.672
Closing balance	(177.737.851)	(488.159.475)	-	(665.897.326)
Net book value	-	114.936.283	598.090	115.534.373

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

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

As of 30 June 2022, amortization charge is TL 10.687.480. TL. 6.327.024 is accounted in cost of sales, TL 4.348.116 in general administrative expenses and TL 3.340 in sales, marketing and distribution expenses.

	1 January- 30 June 2021			
	Customer Relations (*)	Other Intangible Assets(**)	Construction in Progress	Total
Cost				
Opening balance	78.305.825	287.352.475	32.033.966	397.692.266
Translation difference	14.558.131	29.558.557	2.887.973	47.004.661
Additions	-	14.126.588	6.955.952	21.082.540
Transfers	-	34.057.018	(34.057.018)	-
Disposals	-	-	-	-
Closing balance	92.863.956	365.094.638	7.820.873	465.779.467
Accumulated amortization				
Opening balance	(72.432.888)	(173.463.133)	-	(245.896.021)
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	7.820.873	174.926.309

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

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

As of 30 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.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022

(Unless otherwise stated the amounts are in TL)

10 INTANGIBLE ASSETS(Cont'd)

Other Intangible Assets(Cont'd)

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

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

11 RIGHT OF USE ASSETS

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

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

	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
<u>Cost</u>			
1 January 2022	97.577.941	81.400.088	178.978.029
Translation difference	24.395.584	20.351.004	44.746.588
Additions	9.869.304	7.908.222	17.777.526
30 June 2022	131.842.829	109.659.314	241.502.143
1 January 2022	(59.626.294)	(51.420.486)	(111.046.780)
Translation difference	(16.055.966)	(13.593.129)	(29.649.095)
Additions	(9.398.063)	(6.032.359)	(15.430.422)
30 June 2022	(85.080.323)	(71.045.974)	(156.126.297)
Net book value at 30 June 2022	46.762.506	38.613.340	85.375.846
	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
<u>Cost</u>			
1 January 2021	58.951.108	35.420.257	94.371.365
Translation difference	642.205	1.317.439	1.959.644
Additions	2.812.111	5.768.850	8.580.961
30 June 2021	62.405.424	42.506.546	104.911.970
1 January 2021	(24.426.091)	(21.625.149)	(46.051.240)
Translation difference	(1.198.782)	(802.415)	(2.001.197)
Additions	(5.249.274)	(3.513.646)	(8.762.920)
30 June 2021	(30.874.147)	(25.941.210)	(56.815.357)
Net book value at 30 June 2021	31.531.277	16.565.336	48.096.613

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

12 GOVERNMENT GRANTS

For the period ended 30 June 2022 the Group has received approved, well deserved and accrued incentive from TÜBİTAK TL 161.755 (31 December 2021: TL7.857.752)

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

As of 30 June 2022, the Group has a corporate tax benefit of TL 1.444.802.970 due to research and development disbursement and this amount has been transferred (As of 31 December 2021, the Group has a corporate tax benefit of TL 877.420.853 due to research and development disbursement and amount is not utilized by the year end). The Group has booked deferred tax assets for unused R&D tax benefit (Note 20). The unused tax advantages of the Group related to research and development activities has unlimited maturity.

For the period ended 30 June 2022, the amount of income tax incentive within the scope of Act numbered 5746 is TL 3.871.096 (31 December 2021: TL 12.921.557) and the total amount of social premium incentive within the scope of Act numbered 5746 and Social Security and General Health Insurance Act numbered 5510 is TL 6.624.589 (31 December 2021: TL 14.557.898).

13 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions	30 June 2022	31 December 2021
Executory Contracts (*)	179.763.688	170.593.219
Provisions for return	8.110.420	36.359.126
Provision for legal cases	11.458.747	13.508.670
	199.332.855	220.461.015

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

14 COMMITMENTS

Guarantee Letters Given

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

	30 June 2022	31 December 2021
Guarantee letters given (*)	1.712.382.388	1.370.596.177
	1.712.382.388	1.370.596.177

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

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

	TL Equivalent	Original Currency		
		TL	USD	EURO
30 June 2022	1.712.382.388	186.682.101	79.479.148	11.598.460

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

14 COMMITMENTS(Cont'd)

Guarantee Letters Given (Cont'd)

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

Commitments, Pledges, Mortgages ("CPM") are given by the Company	30 June 2022	31 December 2021
A. Total amount of CPM is given on behalf of own legal personality	1.629.075.388	1.303.951.177
B. Total amount of CPM is given in favor of subsidiaries which are fully consolidated	83.307.000	66.645.000
C. Total amount of CPM is given for assurance of third party's debts in order to conduct of usual business activities	-	-
D. Total Amount of other CPM	-	-
i. Total amount of CPM is given in favor of parent company	-	-
ii. Total amount of CPM is given in favor of other group companies, which B and C doesn't include	-	-
iii. The amount of CPM is given in favor of third party which C doesn't include	-	-
	<u>1.712.382.388</u>	<u>1.370.596.177</u>

Guarantee Letters Received

	Original Currency			
	TL Equivalent	TL	USD	EURO
30 June 2022	21.528.332	3.534.081	967.538	107.870
31 December 2021	18.057.797	3.534.081	967.538	107.870

Guarantees Given

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

15 EMPLOYEE BENEFITS

Employee Benefit Obligations:

	30 June 2022	31 December 2021
Social security payables	33.032.569	26.079.772
Payables to employees	167.503	192.334
	33.200.072	26.272.106

Short Term and Long-Term Provisions for Employee Benefits:

	30 June 2022	31 December 2021
Short Term		
Provision for employee premiums	23.549.130	26.573.697
	23.549.130	26.573.697
Long Term		
Unused vacation provision	13.595.942	11.748.655
Provision for severance indemnity	35.519.564	35.512.436
Provision for retirement benefits	336.827	269.459
	49.452.333	47.530.550
Total		
Provision for employee premiums	23.549.130	26.573.697
Unused vacation provision	13.595.942	11.748.655
Provision for severance indemnity	35.519.564	35.512.436
Provision for retirement benefits	336.827	269.459
	73.001.463	74.104.247

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

Severance Indemnity

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

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

Special Retirement Benefit Plan Provision

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

16 SHAREHOLDERS' EQUITY

Paid in Capital

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

	Share %		Nominal Value	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
ZTE (*)	48,05	48,05	31.168.351	31.168.351
TSKGV (**)	15,00	15,00	9.729.720	9.729.720
Public	36,95	36,95	23.966.729	23.966.729
Total	100,00	100,00	64.864.800	64.864.800

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

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

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

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

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

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

Share Capital Adjustments

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

16 SHAREHOLDERS' EQUITY(Cont'd)

Legal Reserves

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

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

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

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

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

Retained Earnings (Losses)

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

17 REVENUE

	1 January- 30 June 2022	1 January- 30 June 2021	1 April- 30 June 2022	1 April- 30 June 2021
Net domestic sales	1.505.078.251	915.423.656	857.040.879	464.365.838
Net export	74.389.646	64.038.371	35.660.005	23.319.570
Asia	41.143.071	23.763.286	19.150.242	12.898.526
Europe	16.115.970	8.454.020	8.123.783	4.564.324
Africa	9.055.690	8.798.274	2.218.113	4.433.917
United States	8.074.915	23.022.791	6.167.867	1.422.803
Total net sales	1.579.467.897	979.462.027	892.700.884	487.685.408

	1 January-30 June 2022				
Performance Obligations:	Telecom	System Integration	Technology	BDH	Total
Hardware performance obligation	374.260.221	193.481.543	-	-	567.741.764
Licence performance obligation	-	461.384.086	-	-	461.384.086
Maintenance performance obligation	25.862.548	140.455.975	-	166.907.629	333.226.152
Design performance obligation	26.757.640	52.262.131	-	-	79.019.771
Installation performance obligation	16.256.507	11.031.741	-	-	27.288.248
Other performance obligations	4.770.789	106.037.087	-	-	110.807.876
	447.907.705	964.652.563	-	166.907.629	1.579.467.897

Satisfaction of Performance Obligations:

At a point in time	422.438.558	918.088.359	-	166.907.629	1.507.434.546
Overtime	25.469.147	46.564.204	-	-	72.033.351
	447.907.705	964.652.563	-	166.907.629	1.579.467.897

	1 January-30 June 2021				
Performance Obligations:	Telecom	System Integration	Technology	BDH	Total
Hardware performance obligation	157.694.589	242.828.744	22.768.893	-	423.292.226
Licence performance obligation	972.166	158.259.387	-	-	159.231.553
Maintenance performance obligation	5.270.380	155.821.978	-	97.422.032	258.514.390
Design performance obligation	6.657.001	34.957.375	-	-	41.614.376
Installation performance obligation	7.102.743	25.102.738	-	-	32.205.481
Other performance obligations	19.629.513	44.974.488	-	-	64.604.001
	197.326.392	661.944.710	22.768.893	97.422.032	979.462.027

Satisfaction of Performance Obligations:

At a point in time	195.474.719	548.814.363	22.768.893	97.422.032	864.480.007
Overtime	1.851.673	113.130.347	-	-	114.982.020
	197.326.392	661.944.710	22.768.893	97.422.032	979.462.027

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

18 INCOME AND EXPENSES FROM OTHER OPERATING ACTIVITIES

	1 January- 30 June 2022	1 January- 30 June 2021	1 April- 30 June 2022	1 April- 30 June 2021
Income from Other Operating Activities				
Reversal for doubtful receivables expenses	371.167	2.993.481	231.787	2.993.481
Discount income, net (*)	-	3.441.693	-	(3.587.164)
R&D Incentives	-	464.746	-	410.463
Other income and gains	-	387.310	-	331.969
	371.167	7.287.230	231.787	148.749
Expenses from Other Operating Activities				
Foreign exchange expenses, net	53.098.912	63.178.879	21.533.723	25.322.705
Other tax expenses	1.392.275	763.680	(3.181.339)	520.662
Discount loss on receivables, net (*)	6.537.325	-	1.502.151	-
Legal case expenses	3.435.677	3.427.470	1.566.296	621.784
Expenses for doubtful receivables provision	-	4.758.017	-	4.758.017
Other expenses and losses	6.713.841	10.332.459	4.970.612	7.174.228
	71.178.030	82.460.505	26.391.443	38.397.396

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

19 FINANCE INCOME / EXPENSES

Financial Income	1 January- 30 June 2022	1 January- 30 June 2021	1 April- 30 June 2022	1 January- 30 June 2021
Foreign exchange gains, net (*)	93.949.608	73.160.147	51.353.054	22.140.319
Interest income	2.334.376	1.244.539	724.027	767.259
	96.283.984	74.404.686	52.077.081	22.907.578

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

Financial Expenses	1 January- 30 June 2022	1 January- 30 June 2021	1 April- 30 June 2022	1 January- 30 June 2021
Bank interest expenses	79.993.321	47.919.220	43.533.592	28.002.028
Guarantee letter commissions	9.308.559	5.462.158	5.380.190	3.711.836
Interest and foreign exchange loss on leases	8.133.540	10.024.447	4.236.796	4.055.398
Bank loan commissions and expenses	4.585.830	-	-	-
Other financial expenses	2.186.673	303.874	620.026	111.295
	104.207.923	63.709.699	53.770.604	35.880.557

20 TAX ASSETS AND LIABILITIES

Corporate Tax

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

20 TAX ASSETS AND LIABILITIES(Cont'd)

Corporate Tax(Cont'd)

In Turkey, the corporate tax rate will be applied as 25% for the corporate earnings of the 2021 taxation period and 23% for the corporate earnings of the 2022 taxation period, with the regulation dated April 22, 2021. It will be applied as 20% after the taxation period of 2022. The corporate tax rate is applied to the net corporate income by adding the expenses that are not accepted as deductible in accordance with the tax laws to the commercial income of the corporations, and by deducting the exceptions and deductions in the tax laws. In Turkey, provisional tax is calculated and accrued on a quarterly basis.

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

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

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

Withholding tax

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

Deferred Taxes

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

20 TAX ASSETS AND LIABILITIES(Cont'd)

Deferred Taxes(Cont'd)

<u>Deferred tax assets</u>	<u>30 June 2022</u>	<u>31 December 2021</u>
Trade and unbilled receivables	(63.448.073)	(88.452.339)
Tangible and intangible assets	(56.122.247)	(43.352.596)
Trade payables and cost provisions	47.716.614	58.310.103
Unused R&D tax exemption	291.143.070	177.666.653
Provision for unused vacation	1.671.289	1.488.037
Inventory and contract assets	(36.579.621)	5.303.215
Provisions for employee premiums	3.061.112	4.463.247
Deferred revenues	(52.917)	438.431
Contract liabilities	19.928.334	28.002.883
Legal provision	524.368	2.539.641
Severance indemnity and retirement provisions	8.862.275	8.918.415
Other	564.635	(707.994)
	<u>217.268.839</u>	<u>154.617.696</u>
	<u>30 June 2022</u>	<u>31 December 2021</u>
Deferred Tax Assets	217.268.839	169.542.385
Deferred Tax Liabilities	-	(14.924.689)
Net Amount	<u>217.268.839</u>	<u>154.617.696</u>

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

20 TAX ASSETS AND LIABILITIES(Cont'd)

Deferred Taxes(Cont'd)

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

<u>Movement for deferred taxes is as follows:</u>	<u>30 June 2022</u>	<u>30 June 2021</u>
Balance as of January, 1	154.617.696	130.918.551
Current charge deferred tax income	21.339.273	(5.049.150)
Affiliate sales impact	-	11.801.892
Translation difference	41.311.870	12.950.789
Closing	<u>217.268.839</u>	<u>150.622.082</u>

	<u>1 January- 30 June 2022</u>	<u>1 January- 30 June 2021</u>	<u>1 April- 30 June 2022</u>	<u>1 April- 30 June 2021</u>
Current tax loss	(9.344.816)	-	(9.235.224)	-
Deferred tax income	21.339.273	6.752.742	27.229.247	(5.232.856)
Tax Income (Loss)/Income	<u>11.994.457</u>	<u>6.752.742</u>	<u>17.994.023</u>	<u>(5.232.856)</u>

	<u>30 June 2022</u>	<u>31 December 2021</u>
Corporate tax	(9.344.816)	-
Prepaid taxes	33.480.964	33.562.897
Current tax (liabilities) / Current income tax assets	<u>24.136.148</u>	<u>33.562.897</u>

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

20 TAX ASSETS AND LIABILITIES(Cont'd)

Deferred Taxes(Cont'd)

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

	1 January 2022	Charge to Period	Charge to Equity	Sales Effect of		30 June 2022
				NETRD	Translation Difference	
Tangible and intangible assets	(43.352.596)	(1.591.150)	-	-	(11.178.501)	(56.122.247)
Trade receivables	(88.452.339)	41.986.374	-	-	(16.982.108)	(63.448.073)
Trade payables and cost provisions	58.310.103	(22.472.301)	-	-	11.878.819	47.716.621
Inventory and contract assets	5.303.215	(38.502.552)	-	-	(3.380.283)	(36.579.620)
Deferred revenue	438.431	(535.505)	-	-	44.158	(52.916)
Provisions for employee bonuses	4.463.247	(2.611.044)	-	-	1.208.909	3.061.112
Provision for unused vacation	1.488.037	(416.673)	-	-	599.925	1.671.289
Severance indemnity and retirement provisions	8.918.415	(2.036.878)	-	-	1.980.738	8.862.275
Contract liabilities	28.002.883	(13.433.602)	-	-	5.359.054	19.928.335
Unused R&D tax exemption (Note 12)	177.666.653	62.022.429	-	-	51.453.988	291.143.070
Legal Provision	2.539.641	(2.361.560)	-	-	346.287	524.368
Other	(707.994)	1.291.735	-	-	(19.116)	564.625
	154.617.696	21.339.273	-	-	41.311.870	217.268.839

	1 January 2021	Charge to Period	Charge to Equity	Sales Effect of		30 June 2021
				NETRD	Translation Difference	
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)
	132.126.316	(6.140.226)	-	11.801.875	13.058.210	150.846.175

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

21 LOSS PER SHARE

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

	1 January- 30 June 2022	1 January- 30 June 2021
Number of shares	64.864.800	64.864.800
Net profit/ (loss) for the period	(19.692.598)	(89.555.996)
(Loss) per share (kurus)	(0,3036)	(1,3807)

22 RELATED PARTY DISCLOSURES

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

Due from Related Parties	30 June 2022	31 December 2021
ZTE Corporation(2)	10.312.081	-
ZTE İstanbul Telekomünikasyon(1)	6.537.080	16.530.090
	16.849.161	16.530.090
Due to Related Parties	30 June 2022	31 December 2021
ZTE Corporation(2)	464.541.598	441.757.867
ZTE İstanbul Telekomünikasyon(1)	44.352.066	11.472.963
Kron Telekomünikasyon A.Ş.(3) (*)	-	4.309.228
	508.893.664	457.540.058

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

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

(1) The company which controlled by main partner

(2) Main partner

(3) Associate

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

22 RELATED PARTY DISCLOSURES(Cont'd)

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

Sales	1 January- 30 June 2022	1 January- 30 June 2021
ZTE İstanbul Telekomünikasyon(1)	39.307.314	1.789.854
ZTE Kangxun Telecom (1)	-	1.915.144
ZTE Corporation(2)	14.379.622	1.773.667
Kron Telekomünikasyon A.Ş.(3) (*)	-	1.601.724
	<u>53.686.936</u>	<u>7.080.389</u>

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

Purchases	1 January- 30 June 2022	1 January- 30 June 2021
ZTE Corporation(2)	208.921.588	118.343.849
Kron Telekomünikasyon A.Ş.(3) (*)	824.104	31.061
ZTE İstanbul Telekomünikasyon(1)	24.962.642	2.454.044
	<u>234.708.333</u>	<u>120.828.954</u>

(1) The company which controlled by main partner

(2) Main partner

(3) Associate

Benefits to Top Management:

Top management of the Group comprised of, the members of the management and executive committee, General Managers and Deputy General Managers. For the period ended 30 June 2022, total remuneration for the directors and management board of the Group is TL 7.725.979 (30 June 2021: TL 17.887.913). As of 31 March 2022, and 31 December 2021 there is no credit granted to the Group's Management.

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

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

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

	30 June 2022	31 December 2021
Short-term and long-term borrowings (*)	1.225.131.466	1.142.699.339
Cash and cash equivalents	(652.205.857)	(541.970.727)
Net financial debt	572.925.609	600.728.612
Equity	33.468.014	36.923.410
Net financial debt/ Equity Ratio	%1.712	%1.627

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022

(Unless otherwise stated the amounts are in TL)

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(Cont'd)

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

Credit risk

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

30 June 2022	Trade Receivables		Contract Assets related to	Other Receivables	Deposits at Banks
	Related Parties	Other	Goods and Services Provided	Other	
Maximum credit risks as of balance sheet date (A+B+C+D)	16.849.161	1.141.777.691	565.998.845	1.640.891	652.205.857
Maximum risk guaranteed by collateral	-	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	16.849.161	754.966.896	565.998.845	1.640.891	652.205.857
(B) Net book value of overdue but not impaired financial assets	-	386.810.795	-	-	-
Guaranteed by collateral	-	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-	-
Overdue (gross book value)	-	178.889.785	-	-	-
Impairment (-)	-	(178.889.785)	-	-	-
Guaranteed by collateral	-	-	-	-	-
Unexpired (gross book value)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
Guaranteed by collateral	-	-	-	-	-
(D) Off balance sheet risks	-	-	-	-	-

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022

(Unless otherwise stated the amounts are in TL)

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(Cont'd)

Credit risk (Cont'd)

31 December 2021

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(Cont'd)

Credit risk (Cont'd)

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

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

30 June 2022	Undue	1-30 days overdue	1-3 months overdue	3-6 months overdue	6-12 months overdue	1-5 years overdue
Credit loss ratio (%)	0,6%	1,8%	2,8%	4,8%	8,8%	21,4%
As of period	1.355.618.497	62.524.505	40.414.300	17.483.657	9.953.363	271.838.242
Expected credit loss	34.652.756	130.144	382.649	572.909	107.329	14.210.241

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022

(Unless otherwise stated the amounts are in TL)

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(Cont'd)

Liquidity risk

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

30 June 2022

<u>Maturities due to agreements</u>	Carrying amount	Cash outflows				
		due to agreements	Up to 3 months	3-12 months	1-5 years	More than 5 years
<u>Non- derivative financial liabilities</u>	2.948.747.088	3.128.395.517	2.067.488.112	977.816.326	68.851.818	14.239.261
Financial liabilities	1.225.131.466	1.391.534.586	471.939.843	919.594.743	-	-
Lease Liabilities	152.999.687	166.244.996	24.932.334	58.221.583	68.851.818	14.239.261
Due to related parties	508.893.664	508.893.664	508.893.664	-	-	-
Other trade payables to third parties	1.040.558.399	1.040.558.399	1.040.558.399	-	-	-
Other payables to third parties	21.163.872	21.163.872	21.163.872	-	-	-

31 December 2021

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(Cont'd)

Interest rate risk

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

	30 June 2022	31 December 2021
Fixed interest rate financial instruments	1.161.667.743	1.396.002.467
Cash and Cash Equivalents (*)	1.400.000	44.484.727
Trade Receivables	1.158.626.852	1.348.616.225
Other Receivables	1.640.891	2.901.515
Variable interest rate financial instruments	2.665.967	-
Financial investments (**)	2.665.967	-
Fixed interest rate financial liabilities	2.575.649.642	2.617.612.110
Short and Long Term Unsecured Loans	852.034.020	821.382.255
Lease Liabilities	152.999.687	115.041.653
Trade Payables	1.549.452.063	1.599.413.559
Other Payables	21.163.872	81.774.643
Variable interest rate financial liabilities	359.767.792	308.397.934
Short and Long Term Unsecured Loans	359.767.792	308.397.934
Interest-free financial liabilities	-	7.056.333
Non Interest bearing unsecured spot loans	-	7.056.333

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

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

Foreign currency risk

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022

(Unless otherwise stated the amounts are in TL)

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk(Cont'd)

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

30 June 2022	TL Equivalent (*)	Original Currency		
		TL	Avro	Other
Current Assets	488.957.349	303.106.588	1.739.436	66.913.381
Cash and cash equivalents	187.723.795	74.538.576	302.009	46.320.887
Trade receivables, third parties	298.797.602	228.568.012	1.309.032	18.777.014
Other receivables, third parties	2.435.952	-	128.395	1.815.480
TOTAL ASSETS (A)	488.957.349	303.106.588	1.739.436	66.913.381
Short Term Liabilities	893.982.244	892.209.081	62.412	5.513.933
Financial liabilities	657.348.536	657.348.536	-	-
Short term portion of long term financial liabilities	7.215.650	7.215.650	-	-
Lease liabilities	89.896.167	89.896.167	-	-
Trade payables, third parties	118.358.019	116.584.856	62.412	5.513.933
Other payables, third parties	21.163.872	21.163.872	-	-
Long Term Liabilities	63.103.520	63.103.520	-	-
Long term financial liabilities	-	-	-	-
Lease liabilities	63.103.520	63.103.520	-	-
TOTAL LIABILITIES (B)	957.085.764	955.312.601	62.412	5.513.933
Net Foreign Currency Asset / (Liability) Position (A-B)	(468.128.415)	(652.206.013)	1.677.024	61.399.448

(*) 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.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022

(Unless otherwise stated the amounts are in TL)

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk(Cont'd)

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022
(Unless otherwise stated the amounts are in TL)

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk(Cont'd)

Exchange Rate Sensitivity Table
30 June 2022

	<u>Profit / (Loss)</u>	
	<u>Appreciation</u>	<u>Devaluation</u>
<i>Effect of 10 % appreciation/devaluation in TL -USD exchange rate :</i>		
Net asset / (liability) in TL	(65.220.601)	65.220.601
Hedged portion from TL risk (-)	-	-
(1) Net effect of TL	(65.220.601)	65.220.601
<i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i>		
Net asset / (liability) in EUR	2.913.007	(2.913.007)
Hedged portion from EUR risk (-)	-	-
(2) Net effect of EUR	2.913.007	(2.913.007)
<i>Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:</i>		
Net asset / (liability) in other currencies	(3.208.622)	3.208.622
Hedged portion from other currencies risk (-)	-	-
(3) Net effect of other currencies	(3.208.622)	3.208.622
TOTAL (1+2+3)	(65.516.216)	65.516.216

31 December 2021

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

24 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Financial Investments:

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

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

Financial Assets:

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

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

Financial Liabilities:

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

The Fair Value Measurement Hierarchy

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

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

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

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

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

25 SUBSEQUENT EVENTS

None.

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

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2022

(Unless otherwise stated the amounts are in TL)

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

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

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