

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

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

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2022

(Unless otherwise stated the amounts are in TL)

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2022

(Unless otherwise stated the amounts are in TL)

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL)

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

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL)

	Share Capital	Share Capital Adjustments	Other comprehensive income or expenses will be reclassified subsequently to profit or loss		Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		Retained Earnings		Equity Holders of the Parent	Non-controlling Interest	TOTAL
			Currency Translation Differences	Translation Differences	Currency Translation Differences	Remeasurement loss on defined benefit plans	Restricted Reserves	Retained Earnings			
Balance as at 1 January 2021	64.864.800	41.612.160	(445.568)	432.782.727	(11.594.178)	34.897.360	94.088.563	(71.130.227)	585.075.637	695.408	585.771.045
Transfer	-	-	-	-	-	-	(71.130.227)	71.130.227	-	-	-
Total comprehensive expense	-	-	553.511	98.202.107	-	-	-	(136.852.046)	(38.096.428)	(2.258.842)	(40.355.270)
<i>Net Loss for Period</i>	-	-	-	-	-	-	-	(136.852.046)	(136.852.046)	1.428.039	(135.424.007)
<i>Other Comprehensive Income</i>	-	-	553.511	98.202.107	-	-	-	-	98.755.618	(3.686.881)	95.068.737
Balance as at 30 September 2021	64.864.800	41.612.160	107.943	530.984.834	(11.594.178)	34.897.360	22.958.336	(136.852.046)	546.979.209	(1.563.434)	545.415.775
Balance as at 1 January 2022	64.864.800	41.612.160	(4.850.226)	562.915.944	(17.262.824)	34.897.360	22.958.336	(668.212.140)	36.923.410	(1.515.134)	35.408.276
Transfer	-	-	-	-	-	-	(668.212.140)	668.212.140	-	-	-
Total comprehensive Expense	-	-	13.550.406	4.822.739	-	-	-	(50.687.352)	(32.314.207)	199.529	(32.114.678)
<i>Selling of Associates</i>	-	-	12.999.534	-	-	-	-	30.469.943	43.469.477	-	43.469.477
<i>Other Comprehensive expense</i>	-	-	550.872	4.822.739	-	-	-	(81.157.295)	(75.783.684)	199.529	(75.584.155)
Balance as at 30 September 2022	64.864.800	41.612.160	8.700.180	567.738.683	(17.262.824)	34.897.360	(645.253.804)	(50.687.352)	4.609.203	(1.315.605)	3.293.598

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL.)

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

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL.)

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

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

(Unless otherwise stated the amounts are in TL)

1 ORGANIZATION AND OPERATIONS OF THE GROUP

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

The Group works with major clients such as Aselsan Elektronik Sanayi ve Ticaret A.Ş., Türk Telekomünikasyon A.Ş., Vodafone İletişim Hizmetleri A.Ş., TT Mobil İletişim Hizmetler 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).

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

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

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

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

Approval of Condensed Consolidated Financial Statements

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

2 BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

a) Statement of Compliance

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

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

The condensed consolidated financial statements and explanatory notes of the Group are presented in accordance with the formats provided in Examples of Financial Statements and User guide published on 4 September 2022 by POA.

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

b) Basis of presentation of condensed consolidated financial statements

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

	Kuruluş ve faaliyet yeri	Grup'un sermayedeki pay oranı ve oy kullanma hakkı oran	Ana faaliyet alanı
Netaş Bilişim Teknolojileri A.Ş.	Türkiye	% 100	Proje kurulum danışmanlığı ve ağ çözümleri
BDH Bilişim Destek Hizmetleri Sanayi ve Ticaret A.Ş.	Türkiye	% 100	Teknik destek ve bakım onarım hizmetleri
Netaş Telecom Limited Liability Partnership	Kazakistan	% 100	Proje kurulum danışmanlığı, tasarım ve teknik destek hizmetleri
Netaş Telecommunications Malta Ltd	Malta	% 100	Telekom ekipmanları tedarigi
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.

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

2.2 Basis of Presentation(Cont'd)

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

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

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

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

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

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

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

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

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

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

	<u>Main Operating</u> <u>Activity</u>	<u>Acquisition Date</u>	<u>Acquired Share of</u> <u>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.

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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.

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

2.1 Basis of Presentation(Cont'd)

c) Functional Currency and Reporting Currency

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

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

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

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

- Assets and liabilities have been translated to TL by using USD rate as of 30 September 2022 1 USD: 18,5187 TL (31 December 2021; 1 USD: 13,329 TL)
- Statements of profit or loss and statements of cash flows have been translated to TL by using nine months average exchange rate (1 USD: 15,8594 TL) for the period ended 30 September 2022 (for the period ended 30 September 2021 1 USD: 8,0775 TL).

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

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

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

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

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

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

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

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

2.3 Change in Accounting Policies

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

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

2.4 The New Standards, Amendments, and Interpretations

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

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

Amendments to TFRS 3 – Reference to the Conceptual Framework

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

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

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

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

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.

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

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

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

Amendments to TAS 8 - Definition of Accounting Estimates

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

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

Amendments to TAS 1 - Disclosure of Accounting Policies

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

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

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

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

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

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

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

iii) Annual Improvements – 2018–2020 Cycle

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

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

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

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

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

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

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

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

2.5 Summary of Significant Accounting Policies

The condensed consolidated financial statements for the interim period ending on 30 September 2022 have been prepared in accordance with the TAS 34 standard for the preparation of the interim financial statements. Summary consolidated significant accounting used in the preparation of financial statements. The policies are consistent with the accounting policies explained in detail in the consolidated financial statements dated December 31, 2021. Therefore, the condensed consolidated financial statements should be evaluated together with the financial statements for the year ending on December 31, 2021.

2.6 Seasonality in Operations

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

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

2.7 Going Concern

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

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

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

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

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

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

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

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

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3 INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

Associates

Details of significant associate:

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

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

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

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

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

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

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

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

Associates(Cont'd)

Details of significant associate: (Cont'd)

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

	<u>2021</u>
As of 1 January	11.507.883
Share from the profit of the period	35.517
Currency translation difference	<u>(4.960.272)</u>
As of 30 September	<u>6.583.128</u>

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4 SEGMENT REPORTING

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

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

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

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

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

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

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

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4 SEGMENT REPORTING(Cont'd)

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

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4 SEGMENT REPORTING(Cont'd)

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

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

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

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4 SEGMENT REPORTING(Cont'd)

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

	For the period ended 30 September 2022	For the period ended 30 September 2021
Operating (loss) of segment	18.758.648	(101.897.286)
Other (expenses)/income from operating activities (net)	(107.276.399)	(88.664.590)
Other (expenses)/income from investments (net)	30.503.293	39.571.277
Income from investments accounted using the equity method	304.063	40.791
Finance (expenses)/income (net)	(22.703.719)	(11.234.660)
(Loss) before tax	(80.414.114)	(162.184.468)
Assets	30 September 2022	31 December 2021
Segment assets	2.404.889.174	2.300.409.798
Other assets (*)	1.356.430.091	1.366.517.048
Total assets	3.761.319.265	3.666.926.846
Liabilities	30 September 2022	31 December 2021
Segment liabilities	2.317.280.143	2.176.701.893
Other liabilities (*)	1.440.745.524	1.454.816.677
Total liabilities	3.758.025.667	3.631.518.570

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

5 CASH AND CASH EQUIVALENTS

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

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

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

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6 BORROWINGS

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

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

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

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

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

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

(*) Presents the lower and upper rates.

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

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

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

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

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

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

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

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6 BORROWINGS (cont'd)

	<u>30 September 2022</u>	<u>31 December 2021</u>
Long term financial liabilities		
Long term lease liabilities	70.604.859	47.100.834
Long term unsecured bank loans	-	13.817.167
	<u>70.604.859</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 September 2022 and 2021.

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

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

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

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

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

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7 TRADE RECEIVABLES AND PAYABLES

	<u>30 September 2022</u>	<u>31 December 2021</u>
Trade Receivables from Third Parties		
Trade receivables	1.623.018.999	1.502.504.348
Discount on trade receivables (*)	(42.598.418)	(26.922.675)
Allowances for doubtful receivables (-)	(198.279.112)	(143.495.538)
	<u>1.382.141.469</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	-	(7.216.207)
Provision no longer required	634.377	923.822
Currency translation differences	(55.417.951)	(11.495.403)
As of 30 September	<u>(198.279.112)</u>	<u>(94.145.341)</u>

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 September 2022</u>	<u>31 December 2021</u>
Trade payables	1.168.902.681	1.141.873.501
	<u>1.168.902.681</u>	<u>1.141.873.501</u>

8 INVENTORIES

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

Movement for allowance:	<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)	(1.700.577)
Foreign currency translation difference	(25.081.095)	(768.135)
Closing-30 September	<u>(87.190.437)</u>	<u>(5.433.151)</u>

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9 PROPERTY, PLANT AND EQUIPMENT

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

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

The facility includes spare parts to be used in machinery and devices in the long term. The depreciation expense for spare parts is TL 5.719.239 and is completely included in general administrative expenses.

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

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9 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

As of 30 September 2021, depreciation charge is TL 21.483.032. TL. 6.666.679 is accounted in cost of sales, TL 14.030.198 in general administrative expenses, TL 786.155 in sales, marketing, and distribution expenses.

The facility includes spare parts to be used in machinery and devices in the long term. The depreciation expense for spare parts is TL 5.525.165 and is completely included in cost of sales.

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

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9 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

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

10 INTANGIBLE ASSETS

Goodwill

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

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

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

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

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

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

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

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

Significant assumptions used in discounted cash flow projections

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

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10 INTANGIBLE ASSETS(Cont'd)

Other Intangible Assets

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

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

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

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

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

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

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

As of 30 September 2021, amortization charge is TL 35.651.363. TL 25.816.867 is accounted in cost of sales, TL 9.713.805 in general administrative expenses and TL 120.691 in sales, marketing and distribution expenses.

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10 INTANGIBLE ASSETS(Cont'd)

Other Intangible Assets(Cont'd)

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

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

11 RIGHT OF USE ASSETS

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

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

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

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12 GOVERNMENT GRANTS

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

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

As of 30 September 2022, the Group has a corporate tax benefit of TL 1.743.342.214 due to research and development disbursement and this amount has been transferred (As of 31 December 2021, the Group has a corporate tax benefit of TL 877.420.853 due to research and development disbursement and amount is not utilized by the year end). The Group has booked deferred tax assets for unused R&D tax benefit (Note 20). The unused tax advantages of the Group related to research and development activities has unlimited maturity.

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

13 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

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

14 COMMITMENTS

Guarantee Letters Given

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

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

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

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

	TL Equivalent	Original Currency		
		TL	USD	EURO
30 September 2022	1.910.494.923	189.657.532	80.793.767	12.384.126
	1.370.596.177	194.422.377	76.915.193	10.006.907
31 December 2021	1.370.596.177	194.422.377	76.915.193	10.006.907

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14 COMMITMENTS(Cont'd)

Guarantee Letters Given (Cont'd)

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

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

	<u>30 September 2022</u>	<u>31 December 2021</u>
A. Total amount of CPM is given on behalf of own legal personality	1.817.901.423	1.303.951.177
B. Total amount of CPM is given in favor of subsidiaries which are fully consolidated	92.593.500	66.645.000
C. Total amount of CPM is given for assurance of third party's debts in order to conduct of usual business activities	-	-
D. Total Amount of other CPM	-	-
i. Total amount of CPM is given in favor of parent company	-	-
ii. Total amount of CPM is given in favor of other group companies, which B and C doesn't include	-	-
iii. The amount of CPM is given in favor of third party which C doesn't include	-	-
	<u>1.910.494.923</u>	<u>1.370.596.177</u>

Guarantee Letters Received

	Original Currency			
	TL Equivalent	TL	USD	EURO
<u>30 September 2022</u>	<u>20.286.059</u>	2.368.513	967.538	-

	Original Currency			
	TL Equivalent	TL	USD	EURO
<u>31 December 2021</u>	<u>18.057.797</u>	3.534.081	967.538	107.870

Guarantees Given

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

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

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15 EMPLOYEE BENEFITS

Employee Benefit Obligations:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Social security payables	36.711.751	26.079.772
Payables to employees	622.041	192.334
	<u>37.333.792</u>	<u>26.272.106</u>

Short Term and Long-Term Provisions for Employee Benefits:

Short Term and Long Term Provisions for Employee Benefits:

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

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

Severance Indemnity

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

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

Special Retirement Benefit Plan Provision

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

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16 SHAREHOLDERS' EQUITY

Paid in Capital

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

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

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

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

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

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

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

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

Share Capital Adjustments

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

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

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16 SHAREHOLDERS' EQUITY(Cont'd)

Legal Reserves

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

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

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

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

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

Retained Earnings (Losses)

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

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17 REVENUE

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

1 January-30 September 2022

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

Satisfaction of Performance

Obligations:	Telecom	System Integration	Technology	BDH	Total
At a point in time	715.907.812	1.520.557.045	-	279.586.865	2.516.051.722
Overtime	37.302.765	76.710.749	-	-	114.013.514
	753.210.577	1.597.267.794	-	279.586.865	2.630.065.236

1 January-30 September 2021

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

Satisfaction of Performance

Obligations:	Telecom	System Integration	Technology	BDH	Total
At a point in time	369.000.951	736.842.036	23.395.146	153.868.563	1.283.106.696
Overtime	5.413.587	175.319.030	-	-	180.732.617
	374.414.538	912.161.066	23.395.146	153.868.563	1.463.839.313

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18 INCOME AND EXPENSES FROM OTHER OPERATING ACTIVITIES

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

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

19 FINANCE INCOME / EXPENSES

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

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

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

20 TAX ASSETS AND LIABILITIES

Corporate Tax

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

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

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20 TAX ASSETS AND LIABILITIES(Cont'd)

Corporate Tax(Cont'd)

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

The corporate tax rate is applied to the net corporate income by adding the expenses that are not accepted as deductible in accordance with the tax laws to the commercial income of the corporations, and by deducting the exceptions and deductions in the tax laws. In Turkey, provisional tax is calculated and accrued on a quarterly basis.

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

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

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

Withholding tax

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

Deferred Taxes

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

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

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20 TAX ASSETS AND LIABILITIES(Cont'd)

Deferred Taxes(Cont'd)

Deferred tax assets

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

	<u>30 September 2022</u>	<u>31 December 2021</u>
Deferred Tax Assets	264.997.087	169.542.385
Deferred Tax Liabilities	-	(14.924.689)
Net Amount	<u>264.997.087</u>	<u>154.617.696</u>

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20 TAX ASSETS AND LIABILITIES(Cont'd)

Deferred Taxes(Cont'd)

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

Movement for deferred taxes is as follows:

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

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

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

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20 TAX ASSETS AND LIABILITIES(Cont'd)

Deferred Taxes(Cont'd)

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

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

	1 January 2021	Charge to Period	Charge to Equity	Sales Effect of NETRD	Translation Difference	30 September 2021
Tangible and intangible assets	(23.364.493)	(5.658.665)	-	(569.579)	(4.653.484)	(34.246.221)
Trade receivables	(79.448.602)	(2.578.602)	-	-	(16.509.770)	(98.536.974)
Trade payables and cost provisions	(2.885.749)	(4.020.373)	-	-	(971.967)	(7.878.089)
Inventory and contract assets	26.338.977	42.536.053	-	-	1.969.876	70.844.906
Deferred revenue	9.081.490	(7.703.358)	-	-	1.128.864	2.506.996
Provisions for employee bonuses	5.136.926	(1.518.967)	-	896.852	602.837	5.117.648
Provision for unused vacation	3.097.280	(933.392)	-	349.319	426.878	2.940.085
Severance indemnity and retirement provisions	5.186.122	544.607	-	-	1.020.684	6.751.413
Contract liabilities	5.198.006	4.826.778	-	-	1.521.807	11.546.591
Unused R&D tax exemption (Note 12)	131.847.448	2.082.096	-	11.312.509	23.345.347	168.587.400
Carryforward tax losses	50.744.135	(14.358.624)	-	-	9.027.346	45.412.857
Legal Provision	1.194.776	197.211	-	-	242.730	1.634.717
Other	(1.207.765)	1.356.578	-	18	(118.654)	30.177
	132.126.316	13.414.764	-	11.989.101	17.151.148	174.681.329

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21 LOSS PER SHARE

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

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

22 RELATED PARTY DISCLOSURES

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

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

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

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

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

(1) The company which controlled by main partner

(2) Main partner

(3) Associate

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22 RELATED PARTY DISCLOSURES(Cont'd)

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

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

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

(1) The company which controlled by main partner

(2) Main partner

(3) Associate

Benefits to Top Management:

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

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

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

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

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

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

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(Cont'd)

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

Credit risk

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

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

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(Cont'd)

Credit risk (Cont'd)

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	-	-	-	-	-

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(Cont'd)

Credit risk (Cont'd)

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

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

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

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

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(Cont'd)

Liquidity risk

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

30 September 2022

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

31 December 2021

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

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(Cont'd)

Interest rate risk

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

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

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

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

Foreign currency risk

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

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk(Cont'd)

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

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

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

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk(Cont'd)

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

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

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk(Cont'd)

Exchange Rate Sensitivity Table
30 December 2022

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

31 December 2021

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

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

(Unless otherwise stated the amounts are in TL)

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.

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

(Unless otherwise stated the amounts are in TL)

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 SEPTEMBER 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