

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

As at and for the period ended 31 March 2023
Condensed consolidated financial statements

**(Convenience translation of the report and
The 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 31 MARCH 2023

(Unless otherwise stated the amounts are in TL)

	Notes	Unreviewed 31 March 2023	Audited 31 December 2022
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	362.117.919	220.130.315
Trade Receivables		1.478.553.924	1.950.953.880
<i>Due from related parties</i>	22	78.399.648	70.128.043
<i>Trade receivables, third parties</i>	7	1.400.154.276	1.880.825.837
Other Receivables		3.264.897	3.125.482
<i>Other receivables, third parties</i>		3.264.897	3.125.482
Inventories	8	395.960.071	425.556.194
Contract Assets related to Goods and Services Provided		355.720.891	440.623.216
<i>Contract Assets related to Goods and Services Provided</i>	4	355.720.891	440.623.216
Prepaid Expenses		57.193.477	69.508.094
Current Income Tax Assets	20	40.639.948	39.417.852
Other Current Assets		22.721.544	47.361.272
Non-Current Assets			
Property, Plant and Equipment	9	96.310.739	104.419.220
Right of Use Assets	11	85.037.643	88.396.034
Financial Investments		25.977.775	25.360.788
Intangible Assets		463.541.954	458.907.627
<i>Goodwill</i>	10	351.041.918	342.704.462
<i>Other intangible assets</i>	10	112.500.036	116.203.165
Deferred Tax Assets	20	306.833.341	306.058.392
TOTAL ASSETS		3.693.874.123	4.179.818.366

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 MARCH 2023

(Unless otherwise stated the amounts are in TL)

	Notes	Unreviewed 31 March 2023	Audited 31 December 2022
LIABILITIES			
Short Term Liabilities		3.626.010.586	4.012.878.974
Short Term Borrowings		1.242.305.075	1.131.510.175
<i>Short Term Bank Loans</i>	6	1.242.305.075	1.131.510.175
Short-Term Portion of Long-Term Borrowings		151.710.783	157.312.811
<i>Short-Term Portion of Long-Term Bank Loans</i>	6	60.450.695	61.218.489
<i>Short-Term Portion of Long-Term Lease Liabilities</i>	6	91.260.088	96.094.322
Trade Payables		1.655.295.870	1.980.523.062
<i>Due to related parties</i>	22	797.235.721	757.233.720
<i>Trade payables, third parties</i>	7	858.060.149	1.223.289.342
Other Payables		4.896.153	93.396.310
<i>Other payables, third parties</i>		4.896.153	93.396.310
Employee Benefit Obligations	15	47.770.716	43.250.541
Contract Liabilities		423.733.868	451.692.035
<i>Contract Liabilities</i>	4	423.733.868	451.692.035
Provisions		95.106.310	150.506.216
<i>Provisions for Employee Benefits</i>	15	20.028.255	50.090.562
<i>Other Short Term Provisions</i>	13	75.078.055	100.415.654
Current Income Tax Liabilities	20	5.191.811	4.687.824
Long Term Liabilities		138.680.806	149.247.633
Long Term Financial Liabilities			
Long Term Borrowings		69.029.657	65.409.415
<i>Lease Liabilities</i>	6	69.029.657	65.409.415
Provisions		69.651.149	83.838.218
<i>Provisions for Employee Benefits</i>	15	69.651.149	83.838.218
SHAREHOLDERS' EQUITY			
Equity Attributable to Equity Holders of the Parent		(73.626.309)	13.401.817
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		11.991.133	9.570.710
<i>Currency Translation Differences</i>		11.991.133	9.570.710
Other comprehensive income not to be reclassified in profit and loss		534.450.376	538.278.161
<i>Remeasurement gain/ (loss) on defined benefit plans</i>		(41.158.337)	(41.158.337)
<i>Currency Translation Differences</i>		575.608.713	579.436.498
Restricted Reserves	16	34.897.360	34.897.360
Retained Earnings		(675.821.374)	(645.253.804)
Net Loss for the Period		(85.620.764)	(30.567.570)
Non-controlling interests		2.809.040	4.289.942
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3.693.874.123	4.179.818.366

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2023

(Unless otherwise stated the amounts are in TL)

	Notes	Unreviewed	
		1 January- 31 March 2023	1 January- 31 March 2022
INCOME OR LOSS FROM OPERATIONS			
Revenue	17	1.077.902.614	686.767.013
Cost of Sales (-)	4	(1.008.332.206)	(610.117.156)
GROSS PROFIT		69.570.408	76.649.857
Sales, Marketing and Distribution Expenses (-)	4	(41.787.813)	(34.604.754)
General Administrative Expenses (-)	4	(46.516.052)	(32.599.386)
Research and Development Expenses (-)	4	(553.648)	(2.203.227)
Other Income from Operating Activities	18	282.860	139.380
Other Expenses from Operating Activities (-)	18	(9.801.092)	(44.786.587)
OPERATING LOSS		(28.805.337)	(37.404.717)
Income from Investment Activities		150.604	67.321
Expenses from Investment Activities (-)		(907.513)	(621.648)
Income from Investments Accounted Using the Equity Method	3	-	267.226
OPERATING LOSS BEFORE FINANCE INCOME AND (EXPENSES)		(29.562.246)	(37.691.818)
Financial Income	19	18.630.892	44.206.903
Financial Expenses (-)	19	(69.034.286)	(49.939.643)
LOSS BEFORE TAX		(79.965.640)	(43.424.558)
Tax (Expenses)/ Income		(7.136.026)	(5.999.566)
<i>Current Tax Expenses</i>	20	<i>(1.091.323)</i>	<i>(109.592)</i>
<i>Deferred Tax Income</i>	20	<i>(6.044.703)</i>	<i>(5.889.974)</i>
NET LOSS FOR THE YEAR		(87.101.666)	(49.424.124)
Attributable to:			
<i>Non-controlling Interest</i>		<i>(1.480.902)</i>	<i>(1.155.566)</i>
<i>Equity Holders of the Parent</i>		<i>(85.620.764)</i>	<i>(48.268.558)</i>
<i>Earn/(Loss) per share</i>	21	<i>(1,3428)</i>	<i>(0,7620)</i>
OTHER COMPREHENSIVE INCOME/ (EXPENSES)			
Other comprehensive income or (expenses) that will not be reclassified subsequently to profit of loss		(3.827.785)	(2.052.366)
Foreign currency translation differences, excluding the translation of subsidiaries abroad		(3.827.785)	(2.065.951)
Actuarial gain/ (loss) arising from investment accounted using the equity method	3	-	13.585
Other comprehensive income or expenses that will be reclassified subsequently to profit of (loss)		2.420.423	845.943
Foreign currency translation differences, the translation of subsidiaries abroad		2.420.423	2.080.101
Currency translation differences from investments accounted using the equity method	3	-	(1.234.158)
OTHER COMPREHENSIVE INCOME/ (LOSS)		(1.407.362)	(1.206.423)
TOTAL COMPREHENSIVE LOSS		(88.509.028)	(50.630.547)
Attributable to:			
Non-controlling Interest		(2.961.804)	(1.155.566)
Equity Holders of the Parent		(85.547.224)	(49.474.981)

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2023

(Unless otherwise stated the amounts are in TL)

	Share Capital	Share Capital Adjustments	Other comprehensive income or expenses will be reclassified subsequently to profit or loss		Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		Restricted Reserves	Retained Earnings		Equity Holders of the Parent	Non-controlling Interest	TOTAL
			Currency Translation Differences	Currency Translation Differences	Currency Translation Differences	Remeasurement loss on defined benefit plans		Retained Earnings	Net (Loss) for the Period			
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	-	-	845.943	(2.065.951)	13.585	-	-	(48.268.558)	(49.474.981)	(1.155.566)	(50.630.547)	
<i>Net Loss for Period</i>	-	-	-	-	-	-	-	(48.268.558)	(48.268.558)	(1.155.566)	(49.424.124)	
<i>Other Comprehensive Income</i>	-	-	845.943	(2.065.951)	13.585	-	-	-	(1.206.423)	-	(1.206.423)	
Balance as at 31 March 2022	64.864.800	41.612.160	(4.004.283)	560.849.993	(17.249.239)	34.897.360	(645.253.804)	(48.268.558)	(12.551.571)	(2.670.700)	(15.222.271)	
Balance as at 1 January 2023	64.864.800	41.612.160	9.570.710	579.436.498	(41.158.337)	34.897.360	(645.253.804)	(30.567.570)	13.401.817	4.289.942	17.691.759	
Transfer	-	-	-	-	-	-	(30.567.570)	30.567.570	-	-	-	
Total comprehensive Expense	-	-	2.420.423	(3.827.785)	-	-	-	(85.620.764)	(87.028.126)	(1.480.902)	(88.509.028)	
<i>Selling of Associates</i>	-	-	-	-	-	-	-	(85.620.764)	(85.620.764)	(1.480.902)	(87.101.666)	
<i>Other Comprehensive expense</i>	-	-	2.420.423	(3.827.785)	-	-	-	-	(1.407.362)	-	(1.407.362)	
Balance as at 31 March 2023	64.864.800	41.612.160	11.991.133	575.608.713	(41.158.337)	34.897.360	(675.821.374)	(85.620.764)	(73.626.309)	2.809.040	(70.817.269)	

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2023

(Unless otherwise stated the amounts are in TL.)

	Notes	Current Period 1 January- 31 March 2023	Previous Period 1 January- 31 March 2022
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Net (Loss) for the Period		(87.101.666)	(49.424.124)
<i>Profit/(Loss) from Continuing Operations</i>		<i>(87.101.666)</i>	<i>(49.424.124)</i>
Adjustments to Reconcile Profit/Loss		58.483.012	(18.925.861)
Adjustments for Depreciation and Amortisation Expenses	9-10-11	23.950.495	20.412.991
Adjustments for (Reversal of) Impairment Loss Recognised in Profit or Loss		331.843	(139.380)
<i>Adjustments for (Reversal of) Provision of Receivables</i>	7	<i>(282.860)</i>	<i>(139.380)</i>
<i>Adjustment for Reversal of Provision of Inventory</i>	8	<i>614.703</i>	-
Adjustments For Provisions		(5.252.223)	(32.362.340)
<i>Adjustments for Provisions Related with Employee Benefits</i>		<i>21.838.810</i>	<i>17.742.951</i>
<i>Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions</i>		-	<i>1.393.805</i>
<i>Adjustments for (Reversal of) Other Provisions</i>		<i>(27.091.033)</i>	<i>(51.499.096)</i>
Adjustments for Interest (Income) and Expenses		49.094.109	29.215.625
<i>Adjustments for Interest Income</i>	19	<i>(2.078.358)</i>	<i>(1.610.349)</i>
<i>Adjustments for Interest Expense</i>	19	<i>53.049.511</i>	<i>30.825.974</i>
<i>Unearned Financial Loss/Income from Credit Sales</i>	18	<i>(1.877.044)</i>	-
Adjustments For Unrealised Foreign Exchange Losses (Gains)	19	(16.552.534)	(42.596.554)
Adjustments for Share of Profit of Investments Accounted for Using the Equity Method	3	-	93.852
Adjustments for Losses Tax Expense	20	6.044.703	5.889.974
Adjustments for (Gains)/Losses disposal of non-current assets		866.619	559.971
<i>Adjustments for (Gains)/Losses Arising From Sale of Property, Plant and Equipment</i>		<i>866.619</i>	<i>559.971</i>
Changes in Working Capital		197.052.527	251.341.222
Adjustments for Decrease / (Increase) in Trade Receivables		522.023.475	448.931.967
<i>Decrease (Increase) in Trade Receivables from Related Parties</i>		<i>(6.565.501)</i>	<i>2.736.861</i>
<i>Decrease (Increase) in Trade Receivables from Third Parties</i>		<i>528.588.976</i>	<i>446.195.106</i>
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		25.728.576	26.438.118
<i>Adjustments for Decrease (Increase) in Other Receivables Related with Operations from Third Parties</i>		<i>25.728.576</i>	<i>26.438.118</i>
Adjustments for Decrease / (Increase) in Inventories		39.334.528	151.824.714
Decrease / (Increase) in Prepaid Expenses		14.005.639	(20.752.848)
Adjustments for (Decrease) in Trade Payables		(373.410.179)	(392.945.939)
Increase (Decrease) in Trade Payables to Related Parties		21.579.705	(77.960.374)
(Decrease)/Increase in Trade Payables to Third Parties		(394.989.884)	(314.985.565)
Increase (Decrease) in Payables due to Employee Benefits		3.467.958	1.682.929
(Decrease)/Increase in Contract Assets		95.621.989	75.900.130
Adjustments for Decrease in Other Operating Payables		(90.772.341)	(73.675.239)
<i>(Decrease) in Other Operating Payables to Unrelated Parties</i>		<i>(90.772.341)</i>	<i>(73.675.239)</i>
(Decrease)/ Increase in Contract Liabilities		(38.947.118)	33.937.390
Cash Flows (Used in) Generated From Operations		168.433.873	182.991.237
Payments Related with Provisions for Employee Benefits		(66.088.186)	(25.333.697)
Income Taxes Paid	20	(718.109)	422.313
		101.627.578	158.079.853

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2023

(Unless otherwise stated the amounts are in TL.)

		Current Period 1 January- 31 March 2023	Previous Period 1 January- 31 March 2022
	Notes		
B.CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES			
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		41.111	3.756.222
<i>Proceeds from Sales of Property, Plant, Equipment</i>		41.111	2.215.571
<i>Proceeds from Intangible Assets</i>		-	1.540.651
Purchase of Property, Plant, Equipment and Intangible Assets		(993.305)	(3.357.496)
<i>Purchase of Property, Plant, Equipment</i>	9	(961.858)	(3.357.496)
<i>Purchase of Intangible Assets</i>	10	(31.447)	-
Interest Received	19	2.078.358	1.610.349
Other Outflows of Cash		(616.987)	(3.815.955)
		509.177	(1.806.880)
C.CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES			
Inflows from Borrowings	6	641.859.764	376.474.130
Outflows from Borrowings	6	(515.072.820)	(426.637.406)
Interest Paid		(48.778.769)	(26.929.197)
Payments of lease liabilities		(11.512.403)	(8.070.200)
		66.495.772	(85.162.673)
NET INCREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)			
		168.632.527	71.110.300
D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
		(26.644.923)	81.196.146
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)			
		141.987.604	152.306.446
E.CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	5	220.130.315	541.970.727
CASH AND CASH EQUIVALENTS AT END OF YEAR (A+B+C+D+E)			
	5	362.117.919	694.277.173

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 31 MARCH 2023

(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.

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.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2023

(Unless otherwise stated the amounts are in TL)

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

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

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

As of 31 March 2023, the Group has no blue-collar employees (31 December 2022: None). The average number of white-collar personnel employed in the Group as of 31 March 2023 is 1.785 (31 December 2022: 1.885).

Approval of Condensed Consolidated Financial Statements

The financial statements were approved by the Board of Directors on 5 May 2023. 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 31 March 2023, 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 2022.

b) Basis of presentation of condensed consolidated financial statements

The details of the Company's subsidiaries as of 31 March 2023 and 31 December 2022 are as follows:

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

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

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(Unless otherwise stated the amounts are in TL)

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

2.2 Basis of Presentation(Cont'd)

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

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

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

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

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

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

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

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

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

As of 31 March 2023 and 31 December 2022, the Group has no associates.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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(Unless otherwise stated the amounts are in TL)

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

2.1 Basis of Presentation(Cont'd)

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

The company uses the hierarchical consolidation method. In other words, the subsidiaries are first converted into the functional currency of the 'direct investing company' and consolidated in the functional currency of the Company, and then the conversion to the presentation currency is made as explained in item c) below. Translation differences from the functional currency of the subsidiaries to the functional currency of the Company, to the US Dollar, are presented under "other comprehensive income to be reclassified to profit or loss". Conversion differences that occur during the conversion of the consolidated financial statements prepared in US Dollars to TL, which is the presentation currency, are presented under "other comprehensive income that will not be reclassified in profit or loss". In the event of the sale of a subsidiary or associate, if there is a translation difference carried under "other comprehensive income to be reclassified to profit or loss", this amount is reclassified to the statement of profit or loss as part of sales profit or loss.

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 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.

The effect of the US dollar in reflecting the basic economic environment in which BDH is located in terms of market and operating elements has decreased, therefore, the change of the Company's functional currency from US Dollars to Turkish Lira has been taken into consideration on a Group basis. In line with the decision to make actual sales collections predominantly in Turkish Lira in 2022, the functional currency of BDH was permanently changed to Turkish Lira.

In line with the developments mentioned above, the Company Management has decided to change the functional currency of the Company, which is currently US Dollar, to Turkish Lira within the scope of TAS 21 "Effects of Exchange Rate Changes".

Consolidated financial statements are presented in TL, which is Netaş' presentation currency.

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(Unless otherwise stated the amounts are in TL)

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

2.1 Basis of Presentation(Cont'd)

c) Functional Currency and Reporting Currency

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

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

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

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

- Assets and liabilities have been translated to TL by using USD rate as of 31 March 2023 1 USD: 19,1532 TL (31 December 2022; 1 USD 18,6983 TL)
- Statements of profit or loss and statements of cash flows have been translated to TL by using three months average exchange rate (1 USD: 18,8573 TL) for the period ended 31 March 2023 (for the period ended 31 March 2022 1 USD: 13,9380 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 consolidated financial statements by converting into TL, the presentation currency of the consolidated financial statements. The functional currency of the Netaş Telecommunications Algeria Sarl LLC, a subsidiary of the Company operating in Algeria, is Algerian Dinar and included in the consolidated financial statements by converting into TL, the presentation currency of the consolidated financial statements. The functional currency of Netaş Telecommunication Malta Ltd., one of the subsidiaries of the Company operating in Malta, is European Euro, and it has been included in the accompanying consolidated financial statements by converting to TL, which is the presentation currency.

d) Adjustment of Financial Statements in High Inflation Periods

In the statement made by the Public Oversight Accounting and Standards Authority (KGK) on January 20, 2022, it was stated that businesses do not need to make any adjustments to their 2021 financial statements within the scope of TAS 29. On the other hand, no explanation has been made regarding the financial statements for the accounting period ending on 31 March 2023, whether adjustments will be made in the financial statements within the scope of TAS 29.

In this context, the application of inflation accounting is valid only for BDH and TAS 29 Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of a hyperinflationary economy to prepare their financial statements in terms of the measuring unit current at the end of the reporting period. TAS 29 describes characteristics that may indicate that an economy is hyperinflationary, and it requires all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. of the application required by TAS 29 throughout the country.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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

2.1 Basis of Presentation(Cont'd)

e) Adjustment of Financial Statements in High Inflation Periods(Cont'd)

Therefore, it is expected that TAS 29 will start to be applied simultaneously by all entities with the announcement of Public Oversight Accounting and Auditing Standards Authority to ensure consistency. However, the Authority has not published any announcement that determines entities would restate their financial statements for the accounting period ending on 31 March 2023 in accordance with TAS 29. In this context, TMS 29 is not applied and inflation adjustment has not been reflected in the financial statements as of March 31, 2023.

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 intangible assets amounting to 525.424 TL, which was shown construction in progress of fix assets in the statement of financial position prepared as of 31 March 2022

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 March 31, 2023 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 2023. 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 2023 are as follows:

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, POA issued amendments to TAS 8, in which it introduces a new definition of "accounting estimates". 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.

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 2023 are as follows(Cont'd)

Amendments to TAS 1 - Disclosure of Accounting Policies

In August 2021, POA issued amendments to TAS 1, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. 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 amendments did not have a significant impact on the 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, 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 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 amendments did not have a significant impact on the financial position or performance of the Group.

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

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

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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 1- Classification of Liabilities as Current and Non-Current Liabilities

In January 2020 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for periods beginning on or after 1 January 2024. The amendments must be applied retrospectively in accordance with TAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2023 amendments, and vice versa.

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

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

In January 2023, POA issued amendments to TFRS 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 TFRS 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 TFRS 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 TAS 8. A seller-lessee applies the amendments to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16.

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

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

2.5 Summary of Significant Accounting Policies

The condensed consolidated financial statements for the interim period ending on 31 March 2023 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, 2022. Therefore, the condensed consolidated financial statements should be evaluated together with the financial statements for the year ending on December 31, 2022.

2.6 Going Concern

As of 31 March 2023, the financial statements have been prepared on the basis of going concern. As of 31 March 2023, current assets of the Group are amounting to TL 2.716.172.671 and short term liabilities of the Company are amounting to TL 3.626.010.586, short term liabilities exceeded current assets TL 909.837.915. Besides the current period loss of the Group is TL 85.620.764 and accumulated loss is TL 761.442.138. 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 throughout 2022, some of these measures are focusing on new technology products and solutions with higher profit margins in 5 technology areas determined as target areas in system integration, Defense determined as strategic sectors. Focusing on domestic and national R&D solutions in the field of Telecommunication and Transportation, not taking projects with high financial and operational risks, not taking projects with high financing needs and currency risk, and saving on operational expenses. Relevant measures are continued in 2023 as well.

The Group's newly received orders continued to grow in 2023, and the total amount of orders received in 2023 increased by 91% compared to the same period of the previous year and reached TL 1.5 billion. As of the end of 2023, the Group's registered orders for future periods grew by 42% to reach TL 2.9 billion.

Actions were taken to reduce operational expenses, and the operating expenses for 2022 shrank in USD terms. The downsizing target continues in 2023 as well.

On the other hand, the Group has not had any problems in the payment of its loans in the past, anticipates that it will not face any payment problems in 2023 and the following years, and thinks that existing bank loans can be renewed in line with its cash needs. On the other hand, the Company management aims to reduce the total indebtedness in the next 12 months.

The financial statements do not contain any adjustments regarding the realizable values of the assets and the classification of their carrying values, or the amounts or classification of the 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 close the mentioned difference from the incomes that the Group will obtain within the year following the reporting period and with various financing methods in case of need.

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

2.7 Going Concern(Cont'd)

With the Communique of Ministry of Commerce regarding the regulation on loss of capital and excess of liabilities over assets in relation to Article 376 of Turkish Commercial Code numbered 6102, it has been decided that, unrealized foreign exchange losses incurred from the foreign exchange based financial liabilities which are not yet fulfilled can be excluded on the calculation of loss of capital and excess of liabilities over assets. With the amendment made dated on 26 December 2020 in the provisional article 1 of the Communique on the Procedures and Principles regarding the implementation of Article 376 of the Turkish Commercial Code, until 1 January 2023, in calculations regarding capital loss or being insolvent, all of the exchange difference losses arising from foreign currency liabilities that have not yet been performed. With the change made on 8 November 2022, the date of 1 January 2023 was changed to 1 January 2024. It has been arranged that half of the total of the expenses, depreciation and personnel expenses incurred 2020 and 2021 from leases may not be taken into account. In relation to this regulation, it is calculated that, unrealized foreign exchange losses recognised under retained earnings/(losses) amounting to TL 1.378.577.423 and recognised under consolidated statement of profit or loss amounting to TL 1.498.193, in total amounting to TL 1.380.075.616 will be excluded on the calculation of loss of capital and excess of liabilities over assets by adding back to the total equity. Accordingly, there is no existence of either issue of loss of capital or excess of liabilities over assets for the Group. The Group has been taking the necessary actions maintain its operations in a healthy financial structure within the framework of proactive approach.

3 FINANCIAL INVESTMENTS

Financial Investment Funds

The fair values of the investments in private equity ventures are determined over the net equity values determined on the basis of the fair value of the underlying asset determined by independent valuation experts.

The movement table of the Group's investments as of 31 March 2023 and 31 March 2022 is as follows:

	<u>2023</u>	<u>2022</u>
As of 1 January	25.360.788	17.926.217
Fair value increases	-	-
Foreign currency conversion differences	616.987	1.759.275
As of 31 March	<u>25.977.775</u>	<u>19.685.492</u>

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3 SEGMENT REPORTING

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

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

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

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

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

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2023**

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4 SEGMENT REPORTING(Cont'd)**31 March 2023**

For the period ended	Telecom	System Integration	Technology	BDH	Unallocated	Total
Revenue	315.976.884	644.414.276	-	117.511.454	-	1.077.902.614
Cost of sales (-)	(305.903.127)	(589.973.421)	-	(112.455.658)	-	(1.008.332.206)
Gross margin	10.073.757	54.440.855	-	5.055.796	-	69.570.408
Sales,marketing and distribution expenses (-)	(8.451.616)	(23.484.113)	-	(9.852.084)	-	(41.787.813)
General administrative expenses (-)	-	-	-	-	(46.516.052)	(46.516.052)
Research and development expenses (-)	-	-	(553.648)	-	-	(553.648)
Operating profit / (loss) of segment	1.622.141	30.956.742	(553.648)	(4.796.288)	(46.516.052)	(19.287.105)

31 March 2022

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

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4 SEGMENT REPORTING(Cont'd)

31 March 2023	Telecom	System Integration	Technology	BDH	Unallocated (*)	Total
Trade receivables	655.788.581	683.430.536	-	60.935.159	-	1.400.154.276
Due from related parties	78.399.648	-	-	-	-	78.399.648
Inventories	174.920.763	204.906.625	-	16.388.282	(255.599)	395.960.071
Contract assets	14.966.578	328.028.474	-	12.725.839	-	355.720.891
Segments assets	924.075.570	1.216.365.635	-	90.049.280	(255.599)	2.230.234.886
Trade payables (*)	48.482.712	689.487.056	-	78.839.828	41.250.553	858.060.149
Due to related parties	797.235.721	-	-	-	-	797.235.721
Contract liabilities	153.241.336	270.491.576	-	956	-	423.733.868
Other short term provision	-	62.293.974	-	-	12.784.081	75.078.055
Segment liabilities	998.959.769	1.022.272.606	-	78.840.784	54.034.634	2.154.107.793

31 December 2022	Telecom	System Integration	Technology	BDH	Unallocated (*)	Total
Trade receivables	719.243.945	1.086.626.248	-	73.863.692	1.091.952	1.880.825.837
Due from related parties	70.128.043	-	-	-	-	70.128.043
Inventories	169.610.229	237.223.842	-	18.437.072	285.051	425.556.194
Contract assets	385.366.586	55.256.630	-	-	-	440.623.216
Segments assets	1.344.348.803	1.379.106.720	-	92.300.764	1.377.003	2.817.133.290
Trade payables (*)	59.664.328	1.015.383.009	-	83.211.992	65.030.013	1.223.289.342
Due to related parties	757.233.720	-	-	-	-	757.233.720
Contract liabilities	127.679.378	323.861.236	-	151.421	-	451.692.035
Other short term provision	7.399.544	80.277.520	-	-	12.738.590	100.415.654
Segment liabilities	944.577.426	1.339.244.245	-	83.363.413	65.030.013	2.532.630.751

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2023**

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4 SEGMENT REPORTING(Cont'd)

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

	For the period ended 31 March 2023	For the period ended 31 December 2022
Operating (loss) of segment	(19.287.105)	7.242.490
Other (expenses)/income from operating activities (net)	(9.518.232)	(44.647.207)
Other (expenses)/income from investments (net)	(756.909)	(554.327)
Income from investments accounted using the equity method	-	267.226
Finance (expenses)/income (net)	(50.403.394)	(5.732.740)
(Loss) before tax	(79.965.640)	(43.424.558)

Assets	31 March 2023	31 December 2022
Segment assets	2.230.234.886	2.817.133.290
Other assets (*)	1.463.639.237	1.362.685.076
Total assets	3.693.874.123	4.179.818.366

Liabilities	31 March 2023	31 December 2022
Segment liabilities	2.154.107.793	2.532.630.751
Other liabilities (*)	1.610.583.599	1.629.495.856
Total liabilities	3.764.691.392	4.162.126.607

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

5 CASH AND CASH EQUIVALENTS

	31 March 2023	31 December 2022
Bank- demand deposits	218.317.919	143.830.315
Bank- time deposits	143.800.000	76.300.000
Credit card receivables	362.117.919	220.130.315

Currency	Original Currency Amount	Interest Rate %	Maturity	31 March 2023
TL	143.800.000	10,85-21,70	April 2023	143.800.000
				143.800.000

Currency	Original Currency Amount	Interest Rate %	Maturity	31 December 2022
TL	76.300.000	12,00	January 2023	76.300.000
				76.300.000

As of 31 March 2023, and 31 March 2022 there are no restriction / blockage on bank accounts.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2023**

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6 BORROWINGS

	<u>31 March 2023</u>	<u>31 December 2022</u>
Short term financial liabilities		
Short term unsecured loans	1.179.215.336	1.093.165.025
Financial borrowing from factoring transactions	63.089.739	38.345.150
	<u>1.242.305.075</u>	<u>1.131.510.175</u>

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

As of 31 March 2023, effective interest rate for TL loans is 17,57%, and effective interest rate for USD loans is 9,37%.(As of 31 December 2022, effective interest rate for TL loans is 17,06%, effective interest rate for USD loans is 8,1)

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

Original Currency				
Currency	Amount	Interest Rate(%) (*)	Maturity	31 March 2023
TL	691.204.464	14,75-39,00	April 2023-February 2024	691.204.464
USD	25.479.339	5,75-13,25	April 2023-January 2024	488.010.872
				<u>1.179.215.336</u>

Original Currency				
Currency	Amount	Interest Rate(%) (*)	Maturity	31 December 2022
TL	618.204.570	14,75-25,30	January 2023-December 2023	618.204.570
USD	25.401.264	4,90-13,25	January 2023-July 2023	474.960.455
				<u>1.093.165.025</u>

(*) Presents the lower and upper rates.

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

Original Currency				
Currency	Amount	Interest Rate(%) (*)	Maturity	31 March 2023
TRY	63.089.739	28,00-31,45	April 2023-September 2024	63.089.739
USD	-	-	-	-
				<u>63.089.739</u>

Original Currency				
Currency	Amount	Interest Rate(%) (*)	Maturity	31 December 2022
TL	34.881.064	28,00-35,50	January 2023-May 2023	34.881.064
USD	185.262	13,50	January 2023	3.464.086
				<u>38.345.150</u>

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6 BORROWINGS(Cont'd)

	<u>31 March 2023</u>	<u>31 December 2022</u>
Short-Term Portion of Long-Term Financial Liabilities		
Short-Term Portion of Long-Term Unsecured Bank Loans	60.450.695	61.218.489
Short-Term Portion of Long-Term Lease Liabilities	91.260.088	96.094.322
	<u>151.710.783</u>	<u>157.312.811</u>

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

Original Currency				
Currency	Amount	Interest Rate(%) (*)	Maturity	31 March 2023
TL	60.450.695	14,75	April 2023	<u>60.450.695</u>
				<u>60.450.695</u>

Original Currency				
Currency	Amount	Interest Rate(%) (*)	Maturity	31 December 2022
TL	61.218.489	9,00-14,75	February 2023-April 2023	<u>61.218.489</u>
				<u>61.218.489</u>

The Group has no collaterals given for bank loans as of 31 March 2023 and 2022.

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>2023</u>	<u>2022</u>
Opening-1 January	1.192.728.664	1.142.699.339
Cash inflow under within borrowings received	641.859.764	376.474.130
Cash pouflow under within borrowings received	(566.130.815)	(426.637.406)
Interest accruals changes	2.279.226	4.544.183
Currency translations changes	32.018.931	105.225.318
Closing-31 March	<u>1.302.755.770</u>	<u>1.202.305.564</u>

The reconciliation of the Group's debts from lease transactions for the three-month accounting periods ending on March 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Opening-1 January	161.503.737	115.041.653
Additions	3.322.097	7.232.632
Interest expenses and foreign exchange loss on lease liabilities	4.270.742	3.896.777
Lease payments	(11.512.403)	(8.070.200)
Foreign Currency Translation Difference	2.705.572	11.154.186
Closing-31 March	<u>160.289.745</u>	<u>129.255.048</u>

As of March 31, 2023, 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

Trade Receivables from Third Parties	31 March 2023	31 December 2022
Trade receivables	1.700.835.264	2.107.866.896
Discount on trade receivables (*)	(95.061.673)	(26.288.669)
Allowances for doubtful receivables (-)	(205.619.315)	(200.752.390)
	1.400.154.276	1.880.825.837

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

Movement of Allowance for Doubtful Receivables	2023	2022
Reported as of 1 January	(200.752.390)	(143.495.538)
Charge for the period	-	-
Provision no longer required	282.860	139.380
Currency translation differences	(5.149.785)	(14.206.289)
As of 31 March	(205.619.315)	(157.562.447)

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

Trade Payables to Third Parties	31 March 2023	31 December 2022
Trade payables	858.060.149	1.223.289.342
	858.060.149	1.223.289.342

8 INVENTORIES

	31 March 2023	31 December 2022
Raw materials	106.545.182	101.289.497
Finished goods	60.018.084	39.537.456
Trade goods	226.373.376	271.994.517
Right of return assets	4.815.131	13.874.351
Allowance for inventory impairment (-)	(1.791.702)	(1.139.627)
	395.960.071	425.556.194
Movement for allowance:	2023	2022
Opening-1 January	(1.139.627)	(68.436.157)
Released for the year	1.325.317	-
Provision	(1.940.020)	-
Foreign currency translation difference	(37.372)	(6.716.283)
Closing-31 March	(1.791.702)	(75.152.440)

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9 PROPERTY, PLANT AND EQUIPMENT

	Machinery and Equipment	Vehicles	Furniture and fixtures	Leasehold Improvements	Total
<u>Cost</u>					
1 January 2023	629.136.116	448.729	53.156.764	177.748.923	860.490.532
Translation difference	13.398.970	3.946	999.984	3.820.753	18.223.653
Purchases	651.021	-	4.156	306.681	961.858
Disposals	(59.633.808)	(4.183)	(1.398.139)	(748.525)	(61.784.655)
31 March 2023	583.552.299	448.492	52.762.765	181.127.832	817.891.388
<u>Accumulated Depreciation</u>					
1 January 2023	(552.512.405)	(359.331)	(45.305.835)	(157.893.741)	(756.071.312)
Translation difference	(12.251.873)	(3.947)	(903.167)	(3.714.190)	(16.873.177)
Period charge	(4.299.493)	(14.129)	(653.157)	(4.546.306)	(9.513.085)
Disposals	59.096.909	4.183	1.179.317	596.516	60.876.925
31 March 2023	(509.966.862)	(373.224)	(45.682.842)	(165.557.721)	(721.580.649)
Net book value at 31 March 2023	73.585.437	75.268	7.079.923	15.570.111	96.310.739

As of 31 March 2023, depreciation charge is TL 9.513.085 TL. TL 2.575.062 is accounted in cost of sales, TL 6.477.053 in general administrative expenses, TL 460.970 in sales, marketing, and distribution expenses.

As of 31 March 2023, 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 2022	484.272.315	402.153	44.441.552	132.463.853	661.579.873
Translation difference	49.410.957	39.467	4.361.467	12.999.922	66.811.813
Purchases	3.264.993	-	92.503	-	3.357.496
Disposals	(41.794.699)	-	(2.678.159)	(22.498)	(44.495.356)
31 March 2022	495.153.566	441.620	46.217.363	145.441.277	687.253.826
<u>Accumulated Depreciation</u>					
1 January 2022	(417.507.487)	(256.280)	(35.259.297)	(101.176.957)	(554.200.021)
Translation difference	(39.770.939)	(25.893)	(3.368.293)	(10.107.685)	(53.272.810)
Period charge	(4.130.942)	(14.774)	(658.179)	(3.559.485)	(8.363.380)
Disposals	39.222.428	-	2.493.176	4.210	41.719.814
31 March 2022	(422.186.940)	(296.947)	(36.792.593)	(114.839.917)	(574.116.397)
Net book value at 31 March 2022	72.966.626	144.673	9.424.770	30.601.360	113.137.429

As of 31 March 2022, depreciation charge is TL 8.363.380. TL. 1.766.345 is accounted in cost of sales, TL 6.227.198 in general administrative expenses, TL 369.837 in sales, marketing, and distribution expenses.

As of 31 March 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)

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>2023</u>	<u>2022</u>
Opening-1 January	342.704.462	244.295.352
Translation difference	8.337.456	23.974.998
Closing-31 March	<u>351.041.918</u>	<u>268.270.350</u>

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 2023 and 31 December 2027, 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 2022. 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 45 million and USD 57 million. Considering the Company's adjusted net debt level of USD 3.3 million as of the valuation date, the share value is estimated to be between USD 42 million and USD 54 million.

Considering the future cash flows of the Group, the Company Management concluded that there is no impairment in the goodwill amount as of 31 March 2023.

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 0,86 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 18% has been considered in the WACC calculation.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2023**

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

	1 January- 30 March 2023			
	Customer Relations (*)	Other Intangible Assets (**)	Construction in Progress	Total
Cost				
Opening balance	199.466.771	671.726.282	-	871.193.053
Translation difference	4.852.710	15.646.218	46	20.498.974
Additions	-	28.492	2.955	31.447
Transfers	-	-	-	-
Disposals	-	(20.563.674)	-	(20.563.674)
Closing balance	204.319.481	666.837.318	3.001	871.159.800
Accumulated amortization				
Opening balance	(199.466.771)	(555.523.117)	-	(754.989.888)
Translation difference	(4.852.710)	(12.948.545)	-	(17.801.255)
Period charge	-	(6.432.295)	-	(6.432.295)
Disposals	-	20.563.674	-	20.563.674
Closing balance	(204.319.481)	(554.340.283)	-	(758.659.764)
Net book value	-	112.497.035	3.001	112.500.036

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

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

As of 31 March 2023, amortization charge is TL 6.432.295. TL. 3.884.066 is accounted in cost of sales, TL 2.537.593 in general administrative expenses and TL 10.636 in sales, marketing and distribution expenses.

	1 January- 31 March 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	13.954.343	30.326.426	995.211	45.275.980
Additions	-	-	-	-
Transfers	-	10.610.574	(10.610.574)	-
Disposals	-	(26.722.659)	-	(26.722.659)
Closing balance	156.143.343	518.562.848	525.424	675.231.615
Accumulated amortization				
Opening balance	(142.189.000)	(412.222.899)	-	(554.411.899)
Translation difference	(13.954.343)	(20.276.086)	-	(34.230.429)
Period charge	-	(5.060.328)	-	(5.060.328)
Disposals	-	25.182.008	-	25.182.008
Closing balance	(156.143.343)	(412.377.305)	-	(568.520.648)
Net book value	-	106.185.543	525.424	106.710.967

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

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

As of 31 March 2022, amortization charge is TL 5.060.328. TL 3.006.395 is accounted in cost of sales, TL 2.052.344 in general administrative expenses and TL 1.589 in sales, marketing and distribution expenses.

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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 31 March 2023, and 2022 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 2023	157.616.557	104.840.101	262.456.658
Translation difference	3.034.205	1.392.363	4.426.568
Additions	2.324.090	998.007	3.322.097
31 March 2023	162.974.852	107.230.471	270.205.323
1 January 2023	(99.314.255)	(74.746.369)	(174.060.624)
Translation difference	(2.066.504)	(1.035.437)	(3.101.941)
Additions	(4.521.954)	(3.483.161)	(8.005.115)
31 March 2023	(105.902.713)	(79.264.967)	(185.167.680)
Net book value at 31 March 2023	57.072.139	27.965.504	85.037.643
	<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	9.576.241	7.988.557	17.564.798
Additions	6.228.000	1.004.632	7.232.632
31 March 2022	113.382.182	90.393.277	203.775.459
1 January 2022	(59.626.294)	(51.420.486)	(111.046.780)
Translation difference	(6.076.813)	(5.171.805)	(11.248.618)
Additions	(4.490.023)	(2.499.260)	(6.989.283)
31 March 2022	(70.193.130)	(59.091.551)	(129.284.681)
Net book value at 31 March 2022	43.189.052	31.301.726	74.490.778

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

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12 GOVERNMENT GRANTS

For the period ended 31 March 2023 the Group has received approved, well deserved and accrued incentive from TÜBİTAK TL 60.016 (31 December 2022: TL1.566.840)

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

As of 31 March 2023, the Group has a corporate tax benefit of TL 2.236.517.140 due to research and development disbursement and this amount has been transferred (As of 31 December 2022, the Group has a corporate tax benefit of TL 1.743.342.214 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 amounting to TL 1.743.342.214 (Note 20). The unused tax advantages of the Group related to research and development activities has unlimited maturity.

For the period ended 31 March 2023, the amount of income tax incentive within the scope of Act numbered 5746 is TL 3.632.809 (31 December 2022: TL 10.937.438) 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 4.897.762 (31 December 2022: TL 14.434.715).

13 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions	31 March 2023	31 December 2022
Executory Contracts (*)	57.478.843	73.802.713
Provisions for return	4.815.131	13.874.351
Provision for legal cases	12.784.081	12.738.590
	75.078.055	100.415.654

(*) 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 31 March 2023 and 31 December 2022 are as follows:

	31 March 2023	31 December 2022
Guarantee letters given (*)	861.180.067	1.993.110.781
	861.180.067	1.993.110.781

(*) The Group has no off-balance sheet commitments and contingencies in favor of subsidiaries which are fully consolidated as of 31 March 2023 and 31 December 2022.

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

	TL Equivalent	Original Currency		
		TL	USD	EURO
31 March 2023	861.180.067	61.414.610	37.372.932	4.027.547

	TL Equivalent	Original Currency		
		TL	USD	EURO
31 December 2022	1.993.110.781	221.973.009	81.564.029	5.916.317

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14 COMMITMENTS(Cont'd)**Guarantee Letters Given (Cont'd)**

The off-balance sheet commitments and contingencies as of 31 March 2023 and 31 December 2022 are as follows:

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

	<u>31 March 2023</u>	<u>31 December 2022</u>
A. Total amount of CPM is given on behalf of own legal personality	765.414.067	1.899.619.281
B. Total amount of CPM is given in favor of subsidiaries which are fully consolidated	95.766.000	93.491.500
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>861.180.067</u>	<u>1.993.110.781</u>

Guarantee Letters Received

	<u>TL Equivalent</u>	<u>Original Currency</u>		
		<u>TL</u>	<u>USD</u>	<u>EURO</u>
<u>31 March 2023</u>	<u>2.835.328</u>	300.000	23.538	100.000

	<u>TL Equivalent</u>	<u>Original Currency</u>		
		<u>TL</u>	<u>USD</u>	<u>EURO</u>
<u>31 December 2022</u>	<u>20.459.829</u>	2.368.513	967.538	-

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:

	31 March 2023	31 December 2022
Social security payables	47.404.735	42.670.140
Payables to employees	365.981	580.401
	47.770.716	43.250.541

Short Term and Long-Term Provisions for Employee Benefits:

Short Term	31 March 2023	31 December 2022
Provision for employee premiums	20.028.255	50.090.562
	20.028.255	50.090.562
Long Term		
Unused vacation provision	10.566.094	17.083.671
Provision for severance indemnity	58.697.853	66.376.541
Provision for retirement benefits	387.202	378.006
	69.651.149	83.838.218
Total		
Provision for employee premiums	20.028.255	50.090.562
Unused vacation provision	10.566.094	17.083.671
Provision for severance indemnity	58.697.853	66.376.541
Provision for retirement benefits	387.202	378.006
	89.679.404	133.928.780

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 2022. Expected interest and service charges for 2023 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.

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16 SHAREHOLDERS' EQUITY

Paid in Capital

Shareholding structure of Company as of 31 March 2023 and 31 December 2022 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 31 March 2023 and 31 December 2022:

	<u>31 March 2023</u>	<u>31 December 2022</u>
Primary legal reserves	11.997.507	11.997.507
Secondary legal reserves	22.899.853	22.899.853
Total	<u>34.897.360</u>	<u>34.897.360</u>

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

As of 31 March 2023, 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- 31 March 2023	1 January- 31 March 2022
Net domestic sales	1.033.317.711	648.037.372
Net export	44.584.903	38.729.641
Asia	39.397.324	21.992.829
Europe	1.908.127	7.992.187
Africa	86.882	6.837.577
United States	3.192.570	1.907.048
Total net sales	1.077.902.614	686.767.013

	1 January-31 March 2023				
Performance Obligations:	Telecom	System Integration	Technology	BDH	Total
Hardware performance obligation	287.430.386	206.737.078	-	-	494.167.464
Licence performance obligation	-	262.327.444	-	-	262.327.444
Maintenance performance obligation	6.097.332	63.700.579	-	117.511.454	187.309.365
Design performance obligation	3.254.664	19.733.937	-	-	22.988.601
Installation performance obligation	14.583.577	7.201.309	-	-	21.784.886
Other performance obligations	4.610.925	84.713.929	-	-	89.324.854
	315.976.884	644.414.276	-	117.511.454	1.077.902.614

Satisfaction of Performance Obligations:					
At a point in time	309.879.552	579.847.134	-	117.511.454	1.007.238.140
Overtime	6.097.332	64.567.142	-	-	70.664.474
	315.976.884	644.414.276	-	117.511.454	1.077.902.614

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

Satisfaction of Performance Obligations:					
At a point in time	189.694.601	383.085.669	-	75.677.857	648.458.127
Overtime	11.957.602	26.351.284	-	-	38.308.886
	201.652.203	409.436.953	-	75.677.857	686.767.013

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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% (2022: 35 %). Corporate tax rate in Kazakhstan is 20% (2022: 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>31 March 2023</u>	<u>31 December 2022</u>
Trade and unbilled receivables	(13.343.569)	(28.412.906)
Tangible and intangible assets	(39.988.256)	(51.994.926)
Trade payables and cost provisions	23.915.007	24.282.550
Carryforward tax losses and unused R&D tax exemption	350.850.912	350.850.912
Provision for unused vacation	1.075.614	2.377.074
Inventory and contract assets	(63.696.380)	(50.554.743)
Provisions for employee premiums	2.357.135	8.369.401
Deferred revenues	7.987	-
Contract liabilities	24.199.762	27.473.281
Legal provision	1.810.590	1.801.488
Severance indemnity and retirement provisions	20.187.863	21.010.220
Other	(543.324)	856.041
	<u>306.833.341</u>	<u>306.058.392</u>

	<u>31 March 2023</u>	<u>31 December 2022</u>
Deferred Tax Assets	<u>306.833.341</u>	<u>306.058.392</u>
Net Amount	<u>306.833.341</u>	<u>306.058.392</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:

	31 March 2023	31 March 2022
Balance as of January, 1	306.058.392	154.617.696
Current charge deferred tax income	(6.044.703)	(5.889.974)
Translation difference	6.819.652	14.749.434
Closing	306.833.341	163.477.156

	1 January- 31 March 2023	1 January- 31 March 2022
Current tax loss	(1.091.323)	(109.592)
Deferred tax income	(6.044.703)	(5.889.974)
Tax Income (Loss)/Income	(7.136.026)	(5.999.566)

	31 March 2023	31 December 2022
Corporate tax	1.091.323	-
Prepaid taxes	(36.539.460)	(34.730.028)
Current tax (liabilities) / Current income tax assets	(35.448.137)	(34.730.028)

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20 TAX ASSETS AND LIABILITIES(Cont'd)

Deferred Taxes(Cont'd)

Movement for deferred taxes as of 31 March 2023 and 2022 are as follows;

	1 January 2023	Charge to Period	Translation Difference	31 March 2023
Tangible and intangible assets	(51.994.926)	13.091.626	(1.084.956)	(39.988.256)
Trade receivables	(28.412.906)	15.537.144	(467.807)	(13.343.569)
Trade payables and cost provisions	24.282.550	(936.454)	568.911	23.915.007
Inventory and contract assets	(50.554.744)	(11.741.281)	(1.400.355)	(63.696.380)
Deferred revenue	-	7.861	126	7.987
Provisions for employee bonuses	8.369.401	(6.140.944)	128.678	2.357.135
Provision for unused vacation	2.377.074	(1.346.689)	45.229	1.075.614
Severance indemnity and retirement provisions	21.010.220	(1.189.849)	367.492	20.187.863
Contract liabilities	27.473.281	(3.880.999)	607.480	24.199.762
Carryforward tax losses and unused R&D tax exemption (Note 12)	350.850.911	(8.351.502)	8.351.503	350.850.912
Legal Provision	1.801.487	(34.188)	43.291	1.810.590
Other	856.044	(1.059.428)	(339.940)	(543.324)
	306.058.392	(6.044.703)	6.819.652	306.833.341

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

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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- 31 March 2023	1 January- 31 March 2022
Number of shares	64.864.800	64.864.800
Net profit/ (loss) for the period	(87.101.666)	(49.424.124)
(Loss) per share (kurus)	(1,3428)	(0,7620)

22 RELATED PARTY DISCLOSURES

Due from related parties as of 31 March 2023 and 31 December 2022 are as follows:

Due from Related Parties	31 March 2023	31 December 2022
ZTE İstanbul Telekomünikasyon(1)	77.506.875	69.276.530
ZTE Corporation(2)	892.773	851.513
	78.399.648	70.128.043

Due to Related Parties	31 March 2023	31 December 2022
ZTE İstanbul Telekomünikasyon(1)	585.274.534	538.866.535
ZTE Corporation(2)	211.961.187	218.367.185
	797.235.721	757.233.720

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

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22 RELATED PARTY DISCLOSURES(Cont'd)

Main transactions with related parties are as follows for the period ended 31 March 2023 and 2022.

	1 January- 31 March 2023	1 January- 31 March 2022
Sales		
ZTE İstanbul Telekomünikasyon(1)	12.721.603	25.235.472
ZTE Corporation(2)	-	13.499.560
	12.721.603	38.735.032
Purchases		
ZTE İstanbul Telekomünikasyon(1)	292.905.971	-
ZTE Corporation(2)	-	60.509.924
Kron Telekomünikasyon A.Ş.(3) (*)	-	733.433
	-	61.243.357

(*) As explained in note 1, the transfer of the shares owned in Kron Telekomünikasyon Hizmetleri A.Ş. was carried out on 29 April 2022.

(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 31 March 2023, total remuneration for the directors and management board of the Group is TL 16.456.864 (31 March 2022: TL 3.272.713). As of 31 March 2023, and 31 December 2022 there is no credit granted to the Group's Management.

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

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

As of 31 March 2023, and 31 December 2022 the Group's net debt / total equity ratios are as follows:

	31 March 2023	31 December 2022
Short-term and long-term borrowings (*)	1.302.755.770	1.192.728.664
Cash and cash equivalents	(362.117.919)	(220.130.315)
Net financial debt	940.637.851	972.598.349
Equity	(73.626.309)	13.401.817
Net financial debt/ Equity Ratio	(%1.278)	%7.257

(*) 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>31 March 2023</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)	78.399.648	1.400.154.276	355.720.891	3.264.897	362.117.919
Maximum risk guaranteed by collateral	-	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	78.399.648	1.075.209.738	355.720.891	3.264.897	362.117.919
(B) Net book value of overdue but not impaired financial assets	-	324.944.538	-	-	-
Guaranteed by collateral	-	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-	-
Overdue (gross book value)	-	205.619.315	-	-	-
Impairment (-)	-	(205.619.315)	-	-	-
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)

<u>31 December 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)	70.128.043	1.880.825.837	440.623.216	3.125.482	220.130.315
Maximum risk guaranteed by collateral	-	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	70.128.043	1.540.812.796	440.623.216	3.125.482	220.130.315
(B) Net book value of overdue but not impaired financial assets	-	340.013.041	-	-	-
Guaranteed by collateral	-	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-	-
Overdue (gross book value)	-	143.495.538	-	-	-
Impairment (-)	-	(143.495.538)	-	-	-
Guaranteed by collateral	-	-	-	-	-
Unexpired (gross book value)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
Guaranteed by collateral	-	-	-	-	-
(D) Off balance sheet risks	-	-	-	-	-

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2023**

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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:

31 March 2023	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	1.430.930.629	90.683.121	51.901.145	33.880.722	35.889.572	138.738.736
Expected credit loss	-	564.837	1.390.608	3.063.027	2.452.221	18.678.065

31 December 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	1.981.436.012	72.854.149	76.497.522	36.248.459	39.794.323	126.160.425
Expected credit loss	-	232.428	1.191.030	2.591.373	917.865	6.609.141

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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 31 March 2023 and 31 December 2022 is presented:

31 March 2023

<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>	3.123.237.538	3.151.841.667	1.713.678.288	1.335.619.422	98.740.084	3.803.873
Financial liabilities	1.302.755.770	1.327.483.305	32.836.094	1.294.647.211	-	-
Lease Liabilities	160.289.745	164.166.339	20.650.171	40.972.211	98.740.084	3.803.873
Due to related parties	797.235.721	797.235.721	797.235.721	-	-	-
Other trade payables to third parties	858.060.149	858.060.149	858.060.149	-	-	-
Other payables to third parties	4.896.153	4.896.153	4.896.153	-	-	-

31 December 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>	3.428.151.773	3.502.996.849	2.621.398.558	768.675.638	108.227.740	4.694.913
Financial liabilities	1.192.728.664	1.248.511.461	525.029.647	723.481.814	-	-
Lease Liabilities	161.503.737	180.566.016	22.449.539	45.193.824	108.227.740	4.694.913
Due to related parties	757.233.720	757.233.720	757.233.720	-	-	-
Other trade payables to third parties	1.223.289.342	1.223.289.342	1.223.289.342	-	-	-
Other payables to third parties	93.396.310	93.396.310	93.396.310	-	-	-

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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>31 March 2023</u>	<u>31 December 2022</u>
Fixed interest rate financial instruments	1.625.618.821	2.030.379.362
Cash and Cash Equivalents (*)	143.800.000	76.300.000
Trade Receivables	1.478.553.924	1.950.953.880
Other Receivables	3.264.897	3.125.482
Variable interest rate financial instruments	-	-
Fixed interest rate financial liabilities	3.062.786.843	3.366.933.284
Short and Long Term Unsecured Loans	1.242.305.075	1.131.510.175
Lease Liabilities	160.289.745	161.503.737
Trade Payables	1.655.295.870	1.980.523.062
Other Payables	4.896.153	93.396.310
Variable interest rate financial liabilities	-	-
Short and Long Term Unsecured Loans	-	-
Interest-free financial liabilities	-	-
Non Interest bearing unsecured spot loans	-	-

(*) As of 31 March 2023, and 31 December 2022 includes bank time deposits.

Foreign currency risk

The functional currency of the Group is US Dollars. Currency risk generally arises from the change in the value of the US Dollar against TL and other currencies. In order not to be affected by the appreciation or depreciation of the US Dollar against other currencies, the Group evaluates its assets in line with its liabilities to the extent possible and loads its contractual expenses in the contract currency to the extent possible.

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk(Cont'd)

As of 31 March 2023, and 31 December 2022 the Group's foreign currency position table is given below:

31 March 2023	TL Equivalent (*)	Original Currency			
		TL	Avro	USD	Other
Current Assets	592.961.791	455.543.575	1.394.218	1.936.124	25.712.194
Cash and cash equivalents	155.148.665	151.071.544	32.027	-	1.226.968
Trade receivables, third parties	434.548.229	301.207.134	1.362.191	1.936.124	24.485.226
Other receivables, third parties	3.264.897	3.264.897	-	-	-
TOTAL ASSETS (A)	592.961.791	455.543.575	1.394.218	1.936.124	25.712.194
Short Term Liabilities	646.978.249	699.256.397	(1.676.292)	(897.972)	(536.338)
Financial liabilities	691.204.464	691.204.464	-	-	-
Short term portion of long term financial liabilities	60.450.695	60.450.695	-	-	-
Lease liabilities	91.260.088	91.260.088	-	-	-
Trade payables, third parties	(200.833.151)	(148.555.003)	(1.676.292)	(897.972)	(536.338)
Other payables, third parties	4.896.153	4.896.153	-	-	-
Long Term Liabilities	69.029.657	69.029.657	-	-	-
Long term financial liabilities	-	-	-	-	-
Lease liabilities	69.029.657	69.029.657	-	-	-
TOTAL LIABILITIES (B)	716.007.906	768.286.054	(1.676.292)	(897.972)	(536.338)
Net Foreign Currency Asset / (Liability) Position (A-B)	(123.046.115)	(312.742.478)	3.070.510	2.834.095	26.248.532

(*) The functional currency of the Group is USD. The USD risk of those whose functional currency is other than USD is explained in the relevant column. In the table above, foreign currencies are shown with their original currency amounts, and their TL equivalents are calculated using period-end exchange rates.

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk(Cont'd)

31 December 2022	TL Equivalent (*)	Original Currency			
		TL	Avro	USD	Other
Current Assets	701.859.080	453.370.239	1.722.268	(2.737.785)	154.586.570
Cash and cash equivalents	98.961.560	93.988.991	38.466	-	7.925.202
Trade receivables, third parties	599.772.038	356.255.766	1.683.802	(2.737.785)	146.661.368
Other receivables, third parties	3.125.482	3.125.482	-	-	-
TOTAL ASSETS (A)	701.859.080	453.370.239	1.722.268	(2.737.785)	154.586.570
Short Term Liabilities	1.573.116.071	1.476.023.372	1.710.277	(1.064.576)	33.286.629
Financial liabilities	714.304.123	714.304.123	-	-	-
Lease liabilities	96.094.322	96.094.322	-	-	-
Trade payables, third parties	669.321.316	572.228.617	1.710.277	(1.064.576)	33.286.629
Other payables, third parties	93.396.310	93.396.310	-	-	-
Long Term Liabilities	65.409.415	65.409.415	-	-	-
Lease liabilities	65.409.415	65.409.415	-	-	-
TOTAL LIABILITIES (B)	1.638.525.486	1.541.432.787	1.710.277	(1.064.576)	33.286.629
Net Foreign Currency Asset / (Liability) Position (A-B)	(936.666.406)	(1.088.062.548)	11.991	(1.673.209)	121.299.941

(*) The functional currency of the Group is USD. The USD risk of those whose functional currency is other than USD is explained in the relevant column. In the table above, foreign currencies are shown with their original currency amounts, and their TL equivalents are calculated using period-end exchange rates.

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23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk(Cont'd)

Exchange Rate Sensitivity Table
31 March 2023

	<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	(31.274.248)	31.274.248
Hedged portion from TL risk (-)	-	-
(1) Net effect of TL	(31.274.248)	31.274.248
<i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i>		
Net asset / (liability) in EUR	6.400.477	(6.400.477)
Hedged portion from EUR risk (-)	-	-
(2) Net effect of EUR	6.400.477	(6.400.477)
<i>Effect of 10 % appreciation/devaluation in USD – TL exchange rate :</i>		
Net asset / (liability) in USD	193.612	(193.612)
Hedged portion from USD risk (-)	-	-
(3) Net effect of USD	193.612	(193.612)
<i>Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:</i>		
Net asset / (liability) in other currencies	7.113.595	(7.113.595)
Hedged portion from other currencies risk (-)	-	-
(4) Net effect of other currencies	7.113.595	(7.113.595)
TOTAL (1+2+3+4)	(17.566.564)	17.566.564

31 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	(108.806.255)	108.806.255
Hedged portion from TL risk (-)	-	-
(1) Net effect of TL	(108.806.255)	108.806.255
<i>Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :</i>		
Net asset / (liability) in EUR	23.902	(23.902)
Hedged portion from EUR risk (-)	-	-
(2) Net effect of EUR	23.902	(23.902)
<i>Effect of 10 % appreciation/devaluation in USD – TL exchange rate :</i>		
Net asset / (liability) in USD	167.321	(167.321)
Hedged portion from USD risk (-)	-	-
(3) Net effect of USD	167.321	(167.321)
<i>Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:</i>		
Net asset / (liability) in other currencies	2.941.228	(2.941.228)
Hedged portion from other currencies risk (-)	-	-
(4) Net effect of other currencies	2.941.228	(2.941.228)
TOTAL (1+2+3+4)	(105.673.804)	105.673.804

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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.