

NETAŞ TELEKOMÜNİKASYON A.Ş.
Financial Report
Consolidated
2018 - 2. 3 Monthly Notification

General Information About Financial Statements

Independet Audit Comment

Independent Audit Company	KPMG BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Audit Type	Limited
Audit Result	Positive

Review Report on Inetrim Condensed Financial Information

To the Board of Directors of Netaş Telekomünikasyon Anonim Şirketi,

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Netaş Telekomünikasyon Anonim Şirketi (the "Company") and its subsidiaries (the "Group") as at 30 June 2018, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with Turkish Accounting Standards 34 *Interim Financial Reporting* ("TAS 34") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with TAS 34 *Interim Financial Reporting*.

Emphasis of matter

Without qualifying our conclusion, we would like to draw your attention to below issue:

Nortel Networks Corporation, the ultimate parent of Nortel Networks International Finance and Holding B.V. which is holding 53,13% shares of the Company until 22 December 2010 (see note 7), has announced that Nortel Networks Limited, which was another indirect parent of the Company, and certain of its other Canadian subsidiaries have obtained an order from the Ontario Superior Court of Justice for creditor protection under the Companies' Creditors Arrangement Act in Canada filed as of 14 January 2009. Nortel Networks UK Limited, and certain subsidiaries of the Nortel Group incorporated in the EMEA region, obtained an administration order from the English High Court of Justice under the Insolvency Act 1986.

As detailed in Note 7, the Group's receivables from Nortel Group companies amounted to TL 30.103.814 as of 30 June 2018 (31 December 2017: TL 25.824.055). On 24 January 2017, the final revised plan is presented to Nortel Networks Inc., Delaware Region High Court of Justice about the payments which will be made to debtors as part of protection from the bankruptcy. According to this plan, Nortel Networks Inc. predicted that payments can be made from sales of different assets that belong to Nortel with the total estimated unsecured receivables between the range of 55,1%-61,2%. In the frame of this plan, the Company management booked a provision of 50% against for Nortel receivables on a net basis amounted to TL 30.126.202 in the accompanying condensed consolidated financial statements (31 December 2017: TL 25.842.571). The Group filed a lawsuit against Nortel for its receivables on 10 March 2017 amounting to USD 14.3 millions based on the invoices issued. Based on the lawyer letter obtained as of 30 June 2018, due to the uncertainty the outcome of lawsuit of defending against the Claim Objection Motion can not be assessed. The Group signed a preliminary protocol with Nortel Networks Inc. Amounting of USD 4.4 m. In the Board of Directors meeting dated August 15, 2018, it was decided to sign a settlement agreement with provisions of the Pre-Reconciliation.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2017 and as at and for the six-month period ended 30 June 2017 were audited and reviewed by the another auditor who expressed an unmodified opinion and an unmodified conclusion on 9 March 2018 and 17 August 2017 respectively.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

A member firm of KPMG International Cooperative

Hatice Nesrin Tuncer, SMMM

Partner

15 August 2018

İstanbul, Türkiye

Statement of Financial Position (Balance Sheet)

Presentation Currency	TL
Nature of Financial Statements	Consolidated

	Footnote Reference	Current Period 30.06.2018	Previous Period 31.12.2017
Statement of Financial Position (Balance Sheet)			
Assets [abstract]			
CURRENT ASSETS			
Cash and cash equivalents	5	231.353.417	187.212.070
Trade Receivables		798.222.473	806.226.238
Trade Receivables Due From Related Parties	20	17.559	0
Trade Receivables Due From Unrelated Parties	7	798.204.914	806.226.238
Other Receivables		1.612.843	1.479.485
Other Receivables Due From Unrelated Parties		1.612.843	1.479.485
Receivables from Ongoing Construction or Service Contracts	4	289.314.127	165.497.546
Inventories	8	94.243.062	70.801.802
Prepayments	9	18.992.027	11.457.890
Other current assets		46.944.570	43.642.600
SUB-TOTAL		1.480.682.519	1.286.317.631
Total current assets		1.480.682.519	1.286.317.631
NON-CURRENT ASSETS			
Financial Investments		3.814.951	2.928.818
Trade Receivables		101.721.642	83.903.835
Trade Receivables Due From Unrelated Parties	7	101.721.642	83.903.835
Investments accounted for using equity method	3	6.955.362	6.155.424
Property, plant and equipment	10	44.194.286	36.598.628
Intangible assets and goodwill		118.537.607	103.327.185
Goodwill	11	83.589.002	69.131.791
Other intangible assets	11	34.948.605	34.195.394
Prepayments	9	589.373	416.766
Deferred Tax Asset	18	22.148.559	11.294.492
Other Non-current Assets		21.329.980	18.909.728
Other Non-Current Assets Due From Unrelated Parties		21.329.980	18.909.728
Total non-current assets		319.291.760	263.534.876
Total assets		1.799.974.279	1.549.852.507
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Current Borrowings	6	636.895.775	302.073.547
Trade Payables		212.934.514	382.578.302
Trade Payables to Related Parties	20	1.849.026	1.715.824
Trade Payables to Unrelated Parties	7	211.085.488	380.862.478
Employee Benefit Obligations		12.715.111	11.623.440
Other Payables		9.456.541	10.710.962
Other Payables to Unrelated Parties		9.456.541	10.710.962
Deferred Income	4	101.711.054	55.182.524
Current tax liabilities, current		0	2.994.379
Current provisions		24.391.734	27.300.712
Current provisions for employee benefits		18.022.311	21.736.094
Other current provisions	13	6.369.423	5.564.618
Other Current Liabilities	4	56.233.810	52.676.354
SUB-TOTAL		1.054.338.539	845.140.220
Total current liabilities		1.054.338.539	845.140.220
NON-CURRENT LIABILITIES			
Long Term Borrowings	6	0	24.044.293
Trade Payables		51.994	46.357
Trade Payables To Unrelated Parties	7	51.994	46.357
Non-current provisions		28.081.825	24.974.362
Non-current provisions for employee benefits		28.081.825	24.974.362
Deferred Tax Liabilities	18	17.294.118	11.040.651
Total non-current liabilities		45.427.937	60.105.663
Total liabilities		1.099.766.476	905.245.883
EQUITY			
Equity attributable to owners of parent		700.207.803	644.606.624
Issued capital		64.864.800	64.864.800

Inflation Adjustments on Capital		41.612.160	41.612.160
Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss		394.963.534	282.205.103
Gains (Losses) on Revaluation and Remeasurement		-8.901.434	-8.901.434
Gains (Losses) on Remeasurements of Defined Benefit Plans		-8.901.434	-8.901.434
Exchange Differences on Translation		403.864.968	291.106.537
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		10.961.738	6.008.477
Exchange Differences on Translation		10.961.738	6.008.477
Restricted Reserves Appropriated From Profits		34.897.360	34.897.360
Prior Years' Profits or Losses		175.927.647	161.500.522
Current Period Net Profit Or Loss		-23.019.436	53.518.202
Total equity		700.207.803	644.606.624
Total Liabilities and Equity		1.799.974.279	1.549.852.507

Statement of Profit or Loss and Other Comprehensive Income

Presentation Currency	TL
Nature of Financial Statements	Consolidated

	Footnote Reference	Current Period 01.01.2018 - 30.06.2018	Previous Period 01.01.2017 - 30.06.2017	Current Period 3 Months 01.04.2018 - 30.06.2018	Previous Period 3 Months 01.04.2017 - 30.06.2017
Statement of Profit or Loss and Other Comprehensive Income					
PROFIT (LOSS)					
Revenue	15	407.900.763	493.302.768	218.691.981	325.424.531
Cost of sales		-371.103.650	-440.809.637	-202.110.381	-290.479.877
GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS		36.797.113	52.493.131	16.581.600	34.944.654
GROSS PROFIT (LOSS)		36.797.113	52.493.131	16.581.600	34.944.654
General Administrative Expenses		-17.838.557	-15.514.549	-8.393.446	-8.515.890
Marketing Expenses		-28.249.062	-26.312.389	-15.035.153	-13.214.334
Research and development expense		-4.878.328	0	0	0
Other Income from Operating Activities	16	3.655.221	1.794.185	1.430.344	2.898.060
Other Expenses from Operating Activities	16	-41.949.393	-1.842.407	-37.377.248	-1.037.405
PROFIT (LOSS) FROM OPERATING ACTIVITIES		-52.463.006	10.617.971	-42.793.903	15.075.085
Investment Activity Income		12.380	262.250	12.380	246.039
Investment Activity Expenses		-15.850	-12.393	-7.484	-12.393
Share of Profit (Loss) from Investments Accounted for Using Equity Method	3	135.768	71.082	339.555	22.658
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)		-52.330.708	10.938.910	-42.449.452	15.331.389
Finance income	17	69.596.571	5.008.810	56.989.358	1.880.285
Finance costs	17	-35.506.312	-21.651.110	-21.327.014	-15.891.596
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		-18.240.449	-5.703.390	-6.787.108	1.320.078
Tax (Expense) Income, Continuing Operations		-4.778.987	13.094.621	-13.521.635	5.293.275
Current Period Tax (Expense) Income	18	-77.410	0	-77.410	0
Deferred Tax (Expense) Income	18	-4.701.577	13.094.621	-13.444.225	5.293.275
PROFIT (LOSS) FROM CONTINUING OPERATIONS		-23.019.436	7.391.231	-20.308.743	6.613.353
PROFIT (LOSS)		-23.019.436	7.391.231	-20.308.743	6.613.353
Profit (loss), attributable to [abstract]					
Non-controlling Interests		0	0	0	0
Owners of Parent		-23.019.436	7.391.231	-20.308.743	6.613.353
Earnings per share [abstract]					
Earnings per share [line items]					
Basic earnings per share					
Basic Earnings (Loss) Per Share from Continuing Operations					
Pay Başına (kayıp) / kazanç	19	-0,35490000	0,11390000	-0,31310000	0,10200000
Diluted Earnings Per Share					
OTHER COMPREHENSIVE INCOME					
Other Comprehensive Income that will not be Reclassified to Profit or Loss		120.933.367	-1.983.984	89.334.909	-1.979.109
Exchange Differences on Translation		120.933.367	-1.983.984	89.334.909	-1.979.109
Other Comprehensive Income That Will Be Reclassified to Profit or Loss		4.953.261	953.595	-11.342.106	-18.314.726
Exchange Differences on Translation		4.953.261	953.595	-11.342.106	-18.314.726
OTHER COMPREHENSIVE INCOME (LOSS)		125.886.628	-1.030.389	77.992.803	-20.293.835
TOTAL COMPREHENSIVE INCOME (LOSS)		102.867.192	6.360.842	57.684.060	-13.680.482
Total Comprehensive Income Attributable to					
Non-controlling Interests		0	0		0
Owners of Parent		102.867.192	6.360.842	57.684.060	-13.680.482

Statement of cash flows (Indirect Method)

Presentation Currency	TL
Nature of Financial Statements	Consolidated

	Footnote Reference	Current Period 01.01.2018 - 30.06.2018	Previous Period 01.01.2017 - 30.06.2017
Statement of cash flows (Indirect Method)			
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		-192.580.026	9.696.525
Profit (Loss)		-23.019.436	7.391.231
Profit (Loss) from Continuing Operations		-23.019.436	7.391.231
Adjustments to Reconcile Profit (Loss)		30.778.456	32.102.011
Adjustments for depreciation and amortisation expense	10,11	13.834.296	13.189.560
Adjustments for Impairment Loss (Reversal of Impairment Loss)		1.655.262	1.080.803
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Receivables	7	1.655.262	1.077.019
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	8	0	3.784
Adjustments for provisions		15.130.202	17.472.025
Adjustments for (Reversal of) Provisions Related with Employee Benefits		13.109.270	17.732.098
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	13	1.599.159	120.762
Adjustments for (Reversal of) Other Provisions	13	421.773	-380.835
Adjustments for Interest (Income) Expenses		27.870.215	18.033.129
Adjustments for Interest Income	17	-3.263.473	-526.452
Adjustments for interest expense	17	32.629.585	19.713.894
Unearned Financial Income from Credit Sales	16	-1.495.897	-1.154.313
Adjustments for unrealised foreign exchange losses (gains)	17	-32.358.208	-2.166.199
Adjustments for fair value losses (gains)		0	-2.316.163
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		0	-2.316.163
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method	3	-135.768	-71.082
Adjustments for Tax (Income) Expenses	18	4.778.987	-13.094.621
Adjustments for losses (gains) on disposal of non-current assets		3.470	-25.441
Adjustments for Losses (Gains) Arised From Sale of Tangible Assets	10	3.470	-25.441
Changes in Working Capital		-177.801.452	-8.224.072
Adjustments for decrease (increase) in trade accounts receivable		185.328.646	-9.801.897
Decrease (Increase) in Trade Accounts Receivables from Related Parties	20	-15.732	7.113.420
Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties	7	185.344.378	-16.915.317
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		5.376.379	-749.356
Decrease (Increase) in Other Unrelated Party Receivables Related with Operations		5.376.379	-749.356
Adjustments for decrease (increase) in inventories	8	-7.736.243	-12.618.082
Decrease (Increase) in Prepaid Expenses	9	-4.679.884	982.664
Adjustments for increase (decrease) in trade accounts payable		-207.534.300	51.060.117
Increase (Decrease) in Trade Accounts Payables to Related Parties	20	-202.142	1.778.769
Increase (Decrease) in Trade Accounts Payables to Unrelated Parties	7	-207.332.158	49.281.348
Increase (Decrease) in Employee Benefit Liabilities		-1.199.736	-1.782.581
Increase (Decrease) in Payables Due to Ongoing Construction or Service Contracts	4	-108.049.411	-15.266.376
Adjustments for increase (decrease) in other operating payables		-3.130.722	748.053
Increase (Decrease) in Other Operating Payables to Unrelated Parties		-3.130.722	748.053
Increase (Decrease) in Deferred Income	4	-30.868.422	-10.457.543
Other Adjustments for Other Increase (Decrease) in Working Capital		-5.307.759	-10.339.071
Cash Flows from (used in) Operations		-170.042.432	31.269.170
Payments Related with Provisions for Employee Benefits		-21.180.171	-21.209.269
Other inflows (outflows) of cash	13	-1.357.423	-363.376
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		-4.467.729	-2.839.208
Proceeds from sales of property, plant, equipment and intangible assets		12.380	37.834
Proceeds from sales of property, plant and equipment	10	12.380	37.834
Purchase of Property, Plant, Equipment and Intangible Assets		-6.857.449	-3.419.014
Purchase of property, plant and equipment	10	-6.168.964	-3.016.495

Purchase of intangible assets	11	-688.485	-402.519
Dividends received		0	236.809
Interest received	17	3.263.473	526.452
Other inflows (outflows) of cash		-886.133	-221.289
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		278.148.350	-61.271.608
Proceeds from borrowings	6	303.510.412	-47.763.238
Interest paid	6	-25.362.062	-13.508.370
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		81.100.595	-54.414.291
Effect of exchange rate changes on cash and cash equivalents		-36.959.248	2.705.923
Net increase (decrease) in cash and cash equivalents		44.141.347	-51.708.368
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		187.212.070	115.641.750
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		231.353.417	63.933.382

[illegible]

	Increase (Decrease) through Treasury Share Transactions															
	Increase (Decrease) through Share-Based Payment Transactions															
	Acquisition or Disposal of a Subsidiary															
	Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity															
	Transactions with noncontrolling shareholders															
	Increase through Other Contributions by Owners															
	Amount Removed from Reserve of Cash Flow Hedges and Included in Initial Cost or Other Carrying Amount of Non-Financial Asset (Liability) or Firm Commitment for which Fair Value Hedge Accounting is Applied															
	Amount Removed from Reserve of Change in Value of Time Value of Options and Included in Initial Cost or Other Carrying Amount of Non-Financial Asset (Liability) or Firm Commitment for which Fair Value Hedge Accounting is Applied															
	Amount Removed from Reserve of Change in Value of Forward Elements of Forward Contracts and Included in Initial Cost or Other Carrying Amount of Non-Financial Asset (Liability) or Firm Commitment for which Fair Value Hedge Accounting is Applied															
	Amount Removed from Reserve of Change in Value of Foreign Currency Basis Spreads and Included in Initial Cost or Other Carrying Amount of Non-Financial Asset (Liability) or Firm Commitment for which Fair Value Hedge Accounting is Applied															
	Increase (decrease) through other changes, equity					120,933,367		4,953,261						125,886,628		125,886,628
	Equity at end of period		64,864,800	41,612,160		403,864,968	-9,901,434	10,961,738			34,897,360	175,927,647	-23,019,436	700,207,803		700,207,803