

**Kron**



**2016**  
**ANNUAL REPORT**

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# Chairman's Message



**Lütfi Yenel**  
*Chairman of the Board*

Dear Shareholders, Clients,  
Business Partners and Colleagues,

Despite all the inconveniences we encountered within the year, we concluded year 2016 with results far beyond our plans and expectations. I am extremely happy to share these results with our shareholders and colleagues.

As you will recall, in my message in the year 2015 annual report, I had pointed out that we were very excited about the software and technology sector despite our pessimistic expectations for the world and our country. That excitement and our passion for work were the most important drivers of our success in 2016. In 2016 we endeavored to increase customer satisfaction and loyalty, as a basis for higher financial returns and sustainable growth. On the other hand, we created strategies that will make us a global company, and to that end, we improved our infrastructure and organization.

We initiated a sectoral expansion and started to improve our channel sales structure to lead us to higher volume revenue.

We covered a significant distance on matters like the 4th industrial revolution, internet of things (IOT), cyber security and artificial intelligence. While strengthening our internal knowledge and competencies, we developed domestic and foreign strategies and while growing our ecosystem.

Looking ahead, we have a long way to go. Even when we combine the characteristics and quality of our cutting-edge products with our presence in countries like North America, Latin America, Dubai, Pakistan, it is sufficient, in its own right, to make us a global player even today. The current state of our development does not only increase our responsibilities, but also leads us to harder and more competitive work in order to grow into a global company.

Apart from the telecommunications industry, entities in other industries also started to prefer Kron solutions to increase their operational security and efficiency. This development started to open new areas of income.

We are continuing our effort among the companies that create cutting-edge technologies in Telecommunications, one of the sectors to which we attach the highest importance.

We hope to make important statement about developments regarding NFV (Network Functions Virtualization) and Cloud technologies also in 2017.

I would like to extend my thanks to all my colleagues who played the biggest role in our achievements in 2016. I would like to extend my gratitude to our valued shareholders for their trust and support, and hope to see a similar success in 2017.

**Lütfi Yenel**  
Chairman of the Board

## SECTION 1

# About Kron

## Corporate Profile

Kron has been providing high-tech solutions to meet requirements of telecommunication operators, service providers and large businesses since its establishment in 2007.

Kron markets its products and services to the entire world by adopting innovative approaches towards infrastructure, business and security problems for the new markets that are spawned by the Internet—now the world's most effective technological transformation platform.

As a high-tech company, Kron's flat organizational structure consists of esteemed and knowledgeable engineers and researchers sharing the values of the company including team spirit, innovation, curiosity, communication, passion, judgement, impact, courage, sincerity and anti-discrimination.

The company has set human resource as its strategic priority in developing next-generation technologies and carries out successful projects in a liberal environment.

Kron is striving to hit a perfect balance among speed, reliability, flexibility and robustness in its operations.

To achieve this and to develop high-tech industrial solutions, the company continuously renews and develops its staff, who are responsible for delivering in-depth and cross-sectional analyses through mutual consideration of innovation and market realities.

## Capital and Shareholder Structure

Kron's paid capital is TL 14,268,513 consisting of 14,268,513 shares, each registered with a nominal price of TL 1.

Capital distribution of the Company as of December 31, 2016 is as follows:

Shareholders	Share Group	Share Value (TL)	Equity Ratio
NETAŞ Telekomünikasyon A.Ş.	A	1.426.852	10,00%
Lütfi Yenel	B	3.717.800	26,06%
Free Float	B	9.123.862	63,94%
<b>TOTAL</b>		<b>14.268.513</b>	<b>100,00%</b>

# Values

As a high-tech company, Kron's flat organizational structure consists of esteemed and knowledgeable engineers and researchers sharing the values of the company including team spirit, innovation, curiosity, communication, passion, judgement, impact, courage, sincerity and anti-discrimination.

The company has set human resource as its strategic priority in developing next-generation technologies and carries out successful projects in a liberal environment.

Kron is striving to hit a perfect balance among speed, reliability, flexibility and robustness in its operations. To achieve this and to develop high-tech industrial solutions, the company continuously renews and develops its staff, who are responsible for delivering in-depth and cross-sectional analyses through mutual consideration of innovation and market realities.

01. **Judgement**  
Effective Judgement Skills
02. **Communication**  
Communication Skills
03. **Passion**  
Being Passionate
04. **Impact**  
Making an Impact
05. **Curiosity**  
Being Curious
06. **Innovation**  
Being an Innovator
07. **Courage**  
Being Courageous
08. **Honesty**  
Being Honest
09. **Selflessness**  
Being Unselfish
10. **Garbage Collection**  
Embracing Unattended Problems
11. **Anti-Discrimination**  
Opposing Discrimination
12. **Productivity**  
Being productive

# Sustainability

Operating in an environmentally-friendly and economically-sensitive way, Kron considers technological dimension of sustainability on its operations.

Kron develops algorithms for each aspect contributing to its sustainable success and incorporates them into its corporate culture, in order to encourage improvement and renewal.

This approach, enabling flexibility and creativity for innovative companies, is called "algorithmic business".

The "algorithmic business" approach, as a self-challenging and self-renewing mechanism, is practiced by all our employees. This process involves data-driven decision-making mechanisms and represents the technological dimension of sustainability.

In addition, as a publicly traded company, Kron's financial and reporting processes are performed in a process-driven way ensuring economic sustainability.

Thanks to the "bimodal" company organization, innovation and financial discipline are combined in a sustainable structure.

# Highlights from Kron

## Our key activities in 2016

Our revenue increased by **87%**.

Net profit soared to **102%** on year-on-year analysis.

We raised the proportion of our license revenues in our sales from **63%** to **77%**.

We significantly reduced our financial debt.

We have embraced a next-generation, flat and leadership-based human resources management model.

We have strongly increased our market share in Turkey's Privileged Access Management area (USD 512 M global market size in 2014, Gartner).

We increased the market share of "CG-Logger", our new high-performance data processing product.

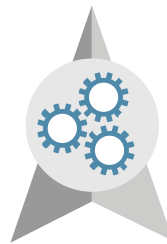
We made a successful entry to the market with our "Single Fi" and "Smart Wi-Fi" products.

We consolidated our presence in Etisalat with 2 new contracts.

We have updated our high-tech assets and improved our competitive features.

We have reduced our dependence on the third-parties to a minimum.

Incorporated a company in New York to target North and South America Market in July 2016.



Our revenue increased by **87%**



Net profit soared to **102%** on year-on-year analysis



Our gross profit increased by **104%** on year-on-year



We raised the proportion of our license revenues in our sales from **63%** to **77%**

## SECTION 2

# 2017 Outlook



# Message from the CEO



Dear Shareholders, Customers, Business Partners and Colleagues,

The year 2016 was a time Kron started to enjoy the return on its dedicated investments in R&D and human resource. Increasing its revenues through its investments in sales channels, Kron also improved efficiency by adopting new generation human resource approaches.

Therefore, we left behind twelve-months of dramatic achievements in all financial and operational metrics. Apart from all these developments, Kron centered its distinctive technology and know-how, its ability to do business with telecom giants, and its portfolio of solutions around operational security and efficiency, and completed its investments that enabled to make such capabilities available for use by the corporate business market within 2016.

As it is listed in the search lists of the entities that are considered to be the best and most respected in their fields in the world, it had the opportunity to pronounce its global target at a louder tone.

After opening an office in New York to carry out better global sales operations, Kron dedicated time to establish a healthy infrastructure in the continent of America, notably in USA and Canada, and hence was able to pronounce its assertion also in those territories.

With our long-winded efforts, we believe that we will attain the healthy growth that we achieved in the recent years while we continue to support new customers in all countries where we have presence through our technology, thus lead our story of success in 2017.

With the achievements of the previous year and the excitement of the new period, we extend our warmest greetings to all our shareholders, customers, business partners and colleagues who put their trust in us.

**Osman Erkan**  
CEO

## 2017 Outlook

Entities are expected to focus on and allocate more budget to the security issues in 2017.

Companies will manage their security better and at the same time look for solutions that will increase their efficiency. It is exactly at this point where Kron's solutions offer choices superior to those of its competitors.

Kron aims to become a reliable business partner to companies on their path to increase their operational security and increase their efficiency. Kron aims to extend its experience in global markets, notably the American market as well as other countries.

For Kron, the year 2017 will be a year to grow into a global company, using the motto "Operational security and efficiency".

## SECTION 3

# 2016 Activities

# 2016 Activities

## Reporting Period

This report covers Kron's activities from 1 January 2016 - 31 December 2016.

## Corporate Identity

<b>Commercial Title</b>	: Kron Telekomünikasyon Hizmetleri Anonim Şirketi
<b>Headquarters</b>	: İ.T.Ü. Ayazağa Yerleşkesi, Koru Yolu, ARI-3 Binası, No:B-401, 34467, Maslak-ISTANBUL T: +90 212 286 5122; F: +90 212 286 5343
<b>Ankara Branch</b>	: Bilkent Cyberpark, C-Blok, K:3, No:321, Bilkent – ANKARA
<b>Dubai Branch</b>	: Building 12, No:207-208, Dubai Internet City, UAE
<b>Krontech</b>	: 50 West 47th Street, Suite 2016, New York, NY, 10036, USA
<b>Trade Registration Number</b>	: 547587
<b>Internet Address</b>	: www.kron.com.tr
<b>Email Address</b>	: yatirimci@kron.com.tr
<b>Traded on the following Exchange</b>	: Borsa İstanbul A.Ş.
<b>The date of listing on the stock exchange</b>	: 27 May 2011
<b>Exchange Symbol</b>	: KRONT
<b>Trading Market</b>	: Primary Market

## Field of Activity

Kron designs and develops high-tech software products to meet the IT- and information-related requirements of telecommunication service providers and large businesses.

Rising continuously on a year-to-year basis, internet use grows exponentially with the proliferation of smart phones, while mobile applications are becoming the main engine of telecommunications and IT industries. The transformation from smart phones to smart applications has also caused radical changes in telecommunication services infrastructure.

In addition to smart applications, cost reduction in chip sets and small computers form very powerful drivers behind IoT (Internet of Things) technologies and digitalization—a trend growing in an accelerated fashion. Smarter end points are triggering new business, income and service models. That's why, we are witnessing one of the fastest transformations in the industrial history.

In parallel with these developments, a shift in end-user behavior from loyalty to opportunism has become clearly visible. Issues including user experience, service continuity, call center services and activation duration have started to manifest themselves as sensitive stress points.

Cloud services make the competition even fiercer between OTT service providers and telecommunication service providers. Even though the future of cloud services and related income models become increasingly clear, cloud services are not yet completely reliable in cases where it cannot be globally scaled. Increasing security needs, cyber-attacks, legal and regulatory requirements constitute other important motivation points.

All these complicated and variable circumstances have increased the need for more innovative high-technology products among Kron's clients. Besides operating in Turkey, Kron globally markets its products in the above-mentioned fields primarily in developing markets. Kron has been carrying out its activities with a competitive vision to become a global company through technologies produced in Turkey. High-tech and engineering products developed by Kron also receive TUBITAK (The Scientific and Technological Research Council of Turkey) and TTGV (Technology Development Foundation of Turkey) support.

Kron's innovations in communication technologies for the last eight years have been deployed in critical infrastructures points of global telecommunication giants such as Vodafone, Turkcell Group, Turk Telekom Group and Etisalat Group. These products have enhanced the broadband internet experience for over 100 million internet users, and have provided a reliable infrastructure.

## Company in Brief

Kron is a high-tech company established in 2007. Kron produces and integrates advanced technology software and hardware products to meet the needs of internet technology-focused large businesses in the fields of Service Activation, Quality Assurance Systems, ICT, Access Control Systems, Next-generation Logging, High Performance Real Time Data Processing, Next-generation Security and Audit. The company is in a rapid growth process thanks to its efficient solutions meeting the needs of ICT (Information and Communication Technology) market and the added value it creates for its target clients -including regulatory bodies and Tier-1 service providers- across the world.

Consisting of knowledgeable and experienced engineers, the Kron team has made Kron a preferred producer among the large players in the market through their expertise in software development and project management and innovative approach and the team forms the Company's main competitive force.

With headquarters in Istanbul and offices in Ankara and Dubai, Kron has a favorable location to access the markets in Asia-Pacific, Europe and America, where there is an increasing need for products and solutions in telecommunication industry investments.

## Products and Solutions

The innovative products provided by Kron to the industry are listed below.



Eliminating the problems encountered in the activation of next-generation services, Single Command enables daily operational actions to be automated in line with regulations, standards and company policies.

This product comes with outstanding features such as “command-builder”, which enables processes to be handled rapidly, reliably and at a low cost through new technologies. It has been developed to offer solutions for a series of complex problems caused by multivendor IP infrastructures in particular.

Innovations on the modeling and configuration of DSN and NFV networks were integrated to the product in 2015.



## QUALITY ASSURANCE

Kron's All-in-One Quality Assurance solution ensures the problems are quickly diagnosed and solved thanks to the easy-to-understand and detailed reports obtained by the network operator via hardware and software probes.

Kron's licensed and innovative Distributed Network Application Program (DNAP) consists of the following modules:

IPQM (IP Quality Management)

MMQM (Multimedia Quality Management)

NSQM (Network Services Quality Management)

ISQM (Internet Services Quality Management)

RPQM (Resource and Performance Quality Management)

VVQM (Video and Audio Quality Metric)

TWAMP (Core network quality measurement standard for LTE networks)

LTE Testing (Testing with sim card via LTE modem)



Single Connect enables telecommunications, banking and finance companies to manage access to devices in network and service infrastructure and also subjects' access to devices to a multi-layered authorization.

Single Connect provides single-point solutions for security, real-time and retrospective traceability and auditing. The need for such a platform, called "Privileged Access Management", has been rapidly growing in the market.

Kron's Single Connect is listed in the Gartner's "Privileged Access Management Market Guide" report within all the competitors in the world market.





## SINGLE MONITOR

It is an AD-R (Autodiscovery and Reconciliation) solution required in industries such as telecommunication, banking and finance, for high-performance collection of IP network-related inventory information including next-generation services, configuration, device, topology, location, number and IP via live network and for reconciliation with the available logs.

Backed by Kron's next-generation technologies and innovations, this product provides service providers with agility in decision making, support and operational support (OSS) systems.



### Real Time Network Intelligence

Telecommunication networks nowadays must have a more flexible structure than ever. And this requires the deployment of technologies like virtualization (NFV) or adaptation of programmable networks (SDN) and cloud structures.

Decisions on the network rules also start to become distributed on an authorization area basis, instead of single-point control.

CG-Logger, the high-performance data processing platform has been developed by Kron throughout many years and is recognized with an innovation award from TESID (Turkish Electronics Industrialists Association), Upon its enhancement on real-time decision making it has been presented to the industry following.

Through this product, end-user can now be introduced to next-generation networks via functions such as impact analysis, performance management (NUPM) and security management (SIEM).



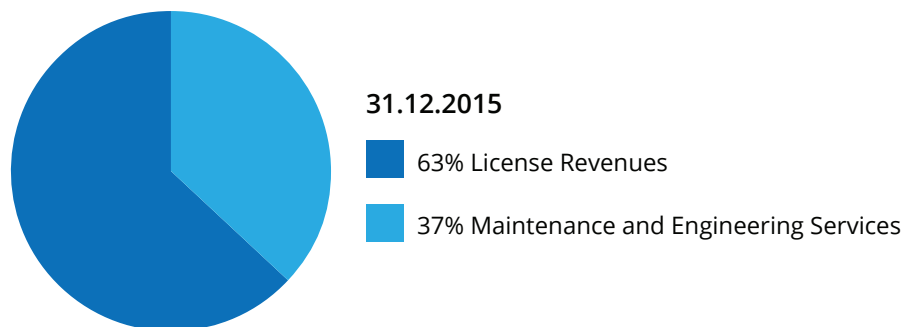
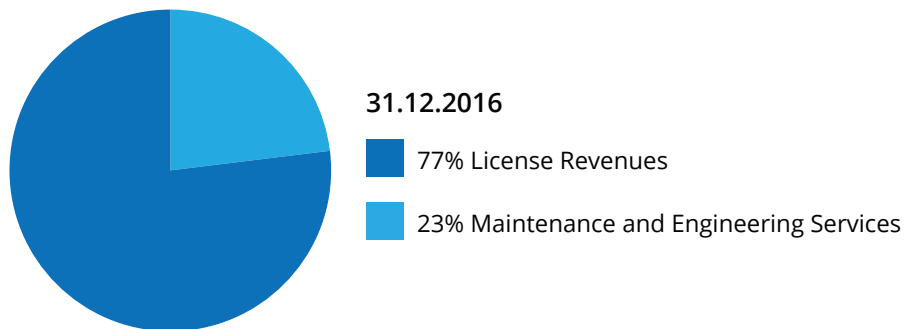
Micro networks formed via Wi-Fi have enabled replication of telecommunication service provision on a small-scale with applications in places such as stadiums or restaurant chains.

Being a Wi-Fi PCRF solution, Single Control ensures complete and sound management of Wi-Fi networks in medium and large businesses in line with standards and specific country regulations.

Single Fi also enables creation of new income models thanks to new services such as connection of existing Wi-Fi networks to each other, and location or advertisement integration.

## Distribution of Sales by Revenue Type

The following charts show distribution of Kron's 2016 sales by revenue type.



At Kron, our primary target is to increase revenues from product licenses and professional services. To achieve this target, we increased the share of license revenues in our total sales from 63% to 77% as a result of our extensive R&D efforts to diversify our software products. In 2016, company revenue increased by 87% year-on-year despite the fact that no 3rd party software or hardware products were sold, as part of the company strategy.

In 2016, a 103% year-on-year increase in license and professional services revenues were achieved. This rise in the share of "License and Professional Service" revenues in total sales have also resulted in a rise in our gross, operating and net profit .

The share of our international sales increased by 44% compared to sales in 2015 with the contribution of our international sales team.

Kron increased its gross profit by 104% year-on-year, as a result of its effort to extend its in-house developed product range preserving intellectual property rights. Gross profit and net profit increased by 104% and 102% year-on-year respectively, also backed by effective expenditure control.

## Information on the Financial Structure

Information on Kron's 2016 financial structure is listed below:

<b>Financial Results TL</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
<b>Net Sales Revenues</b>	27.236.114	14.571.945
<b>Gross Profit</b>	22.522.970	11.059.746
Operating Expenses	-9.968.613	-5.822.670
Other Operating Income	4.608.899	4.666.668
Other Operating Expenses	-4.552.815	-2.749.614
<b>Operating Profit/Loss</b>	12.610.441	7.154.130
Financial Expenses	-398.488	-1.011.914
<b>Profit/Loss before Tax</b>	12.211.953	6.142.216
Current Tax Income/Expense	-	-
Deferred Tax Income/ Expense	334.553	74.064
<b>Profit/Loss for the Period</b>	12.546.506	6.216.280

<b>Profitability Ratios</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Gross Profit Margin	83%	76%
Operating Profit Margin	46%	49%
Net Profit Margin	46%	43%

<b>Condensed Balance Sheet TL</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
<b>Total Current Assets</b>	31.660.181	18.060.465
<b>Cash and Cash Equivalents</b>	1.969.738	3.819.029
Trade Receivables	27.974.207	13.878.928
Tangible Assets (Net)	236.115	273.040
Intangible Assets (Net)	9.158.400	7.270.993
<b>Total Assets</b>	42.701.859	27.191.890
<b>Short-term Borrowings</b>	2.519.204	3.574.301
<b>Equity</b>	32.573.223	20.002.227

<b>Liquidity Ratios</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Current Ratio	3,32	2,73
Liquidity Ratio	3,19	2,62

<b>Fiscal Structure Ratios</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
Equity/Total Liabilities	76%	74%
Current Liabilities/Total Liabilities	22%	24%
Non-current Liabilities/Total Liabilities	1%	2%

## SECTION 4

# Social Responsibility and Environmental Awareness

# Social Responsibility and Environmental Awareness

## Social Responsibility

Kron's biggest asset are its intellectual property rights as well as a team of young, dynamic researchers and engineers producing the intellectual property. In this context, our country's development and escape from the middle income trap as well as better living conditions for individuals depend on developing products with high added value.

Acting with this awareness, our company is in close cooperation with universities with an aim to develop information and technology and to train engineers for the industry. Therefore, Kron established its work places within the techno-parks at Istanbul Technical University and Bilkent University campuses. Cooperation is also sustained with other universities in addition to these two distinguished institutions. Kron has been in cooperation with the experts and academics at the universities for technology development while striving to help raising high-quality engineers. The interns hired by Kron in 2015 constituted 10% of its total number of employees and the company also took steps to improve its relations with universities.

Kron is also a member of industrial associations and participates intensively in various activities held by these associations to make significant contributions to the ecosystem.

The series of seminars attended by our general manager were repeated at the Computer and Electronics Engineering Departments of Turkey's 6 leading universities.

Our youth have benefited from an efficient educational program that will prepare them for the industry.

## Environmental Awareness

Prioritizing environmental awareness in all its activities, Kron develops technologies to ensure optimal processing of a large amounts of data through high-performance systems. As a result of performance optimization, CPU/processor use has been reduced.

As CPU is the highest energy consuming component in a computer system, improvements in this component, as a result of its efficiency contributions, fight against global warming. Improvements in this area offer global environmental benefits to humanity and nature. Kron designs its technologies with a focus on green energy.

## SECTION 5

# Kron Board of Directors



# Kron Board of Directors

## Board of Directors and Resumes

The Chairman and the Board Members are vested with the authorities stated in Clauses 10 and 11 of the Articles of Incorporation and the related articles of Turkish Commercial Code, while members of the Supervisory Board are vested with the authorities stated in the provisions of Clause 25 of CMB's Declaration (Serial: X, No: 22) and these authorities and responsibilities are defined by Clause 22 of the Articles of Incorporation.

Name and Surname	Title	Term of Office - Start Date	-	End Date
Lütfi Yenel	Chairman of the Board	27.4.2015		27.4.2018
Cemil Müjdat Altay	Vice President of the Board	27.4.2015		27.4.2018
Mehmet İlker Çalışkan	Board Member	27.4.2015		27.4.2018
Öner Tekin	Board Member	13.8.2015		27.4.2018
Hüseyin Çağatay Özdoğru	Board Member (Independent)	27.4.2015		27.4.2018
Prof. Dr. Kemal Cılız	Board Member (Independent)	28.12.2015		27.4.2018

## Committees

### CORPORATE GOVERNANCE COMMITTEE

Name and Surname	Title
Prof. Dr. Kemal Cılız	Committee President
Öner Tekin	Member

### AUDIT COMMITTEE

Name and Surname	Title
Hüseyin Çağatay Özdoğru	Committee President
Prof. Dr. Kemal Cılız	Member

### EARLY RISK DETECTION AND MANAGEMENT COMMITTEE

Name and Surname	Title
Hüseyin Çağatay Özdoğru	Committee President
Mehmet İlker Çalışkan	Member

## Resumes of the Board Members

Kron's Board of Directors consists of six members.  
Following are the resumes of the members of our Board of Directors.



**Lütfi Yenel**  
*Chairman of the Board*

### Lütfi Yenel

Chairman of the Board

Lütfi Yenel, also one of Kron's founding partners, serves as Kron's Chairman. Joining Alcatel in 1995, Mr Yenel served as Alcatel-Lucent Turkey's Chairman and CEO and also as Alcatel-Lucent International's Vice-President, responsible for Turkey & the CIS & Middle East Alcatel. He left the company before establishing Kron. Prior to Alcatel, Mr. Yenel served as the Chairman of Vestel and as a Board Member in Sansui/Japan. He also served as a Board Member at Sabancı Holding, Turkish Industry and Business Association (TUSIAD) and International Investors Association (YASED), as the Vice President of Turkey Quality Association (KALDER) and as an Electronic Business and Telecommunications Committee member in International Chamber of Commerce (ICC). He is still a Board Member of Turkish Electronic Industrialist Association (TESID). Lütfi Yenel holds Master's degrees in Electronics Engineering and Business Administration.



**Müjdat Altay**  
*Vice Chairman of the Board*

### Müjdat Altay

Vice Chairman of the Board

Müjdat Altay holds a BS degree in Electronics and Communications, Istanbul Technical University and a Master's degree from Boğaziçi University. Mr. Altay started his career as an R&D Engineer at Netaş in 1981. Working at different levels within the R&D department for 16 years, Mr. Altay played key roles in the company's growth by successfully launching his department's unique product design projects. Working as the R&D Group Director from 1992-1997, he joined Nortel England Group in 1997. Returning to Netaş in 1998 as the Licensed Operators Group Director he was awarded with "Masters" prize by Nortel in 2001 due to his remarkable effort for turning company into a Licensed Operator and increasing the number activities in this direction. Mr. Altay has been serving as the CEO in Netaş since 2004 and contributes to the activities of several NGOs as a member. Altay, who serves a Board Member in Turkey's Technology Development Foundation (TTGV), is also the Chairman of the Technology Awards Executive Board organized by TUBITAK (Scientific and Technological Research Council of Turkey), TTGV and TUSIAD (The Turkish Industry and Business Association).



**M. İlker Çalışkan**  
*Board Member*

### M. İlker Çalışkan

Board Member

After graduating from Department of Business Administration (English), Marmara University in 1993, Çalışkan started his professional career at Deloitte Istanbul working at various levels of the firm for ten years, 18 months of which he spend in Deloitte's London office. Mr. Çalışkan started to work as the Director of Accounting and Control in Netaş in 2005 and he has been serving as the CFO since 2008. Mr. Çalışkan also holds the Independent Accountant and Financial Advisor title. A Board Member at Probil and BDH, he is also the Chairman of the Board at Netaş Öksüz ve Yetimlerini Koruma Vakfı (Netaş Orphans Protection Foundation).



**Öner Tekin**  
Board Member

## Öner Tekin

Board Member

Öner Tekin was born in Istanbul in 1978. He graduated from the Department of Electronics and Communications, Istanbul Technical University in 1998. Mr. Tekin also holds a Master's degree from Boğaziçi University (2002). He started his career as a hardware design engineer at Netaş in 1998. He worked as an expert, administrator and director in engineering services settings and communication product design projects carried out for international telecommunication customers at the company's R&D department. Mr. Tekin currently maintains the IT R&D Leadership and Executive Board Membership assuming the task of developing technology product families in industries other than telecommunication – in accordance with the company's strategy to become a leading technology firm in informatics. Mr. Tekin has left his mark on important achievements in product portfolio and employment leading the way in innovative and completely domestic technology products for several industries.

Mr. Tekin is a visiting lecturer at Yeditepe University and a member of the advisory boards of 12 universities and Technology Transfer Offices across the country. He serves in various NGOs in the industry; he is a board member of Electronics Industry Specialization Center Foundation and Netaş Orphans Education Foundation, and a member of ITU-ETA Foundation Supervisory Board.



**Hüseyin Çağatay Özdoğru**  
Independent Board Member

## Hüseyin Çağatay Özdoğru

Independent Board Member

Born in 1966, İstanbul, Çağatay Özdoğru received his BS degree in Electronics and Communication Engineering from Istanbul Technical University in 1989 and his Master's degree in Telecommunications from George Washington University in 1991. Before joining Esas Holding, he worked for Sabancı Holding as the Chairman of Information & Telecommunication Companies from 2002-2005 and at Global One from 1997-2001. He was then assigned as the Vice President responsible for REEMEA (Russia-East Europe-Middle East-Africa) Region.

Mr. Özdoğru joined Esas Holding in June 2005 as a Board Member and managed the holding's health and retail industries. He was a part of Electroworld Turkey's founding team maintaining the group's new business development activities. Mr. Özdoğru was appointed to Esas Group's CEO in February 2010. He serves as a Board Member of Turkey Informatics Foundation and a National Advisory Board Member at the School of Engineering & Applied Sciences of George Washington University. Mr. Özdoğru is also the Chairman of Turkish-Croatian Business Council in Foreign Economic Relations Board and Vice Chairman of ITU Alumni Council.



**Kemal Ciliz**  
*Independent Board Member*

## **Kemal Ciliz**

Independent Board Member

Prof Dr. M. Kemal Ciliz received his B.S degree from Middle East Technical University, Turkey and M.S. and Ph.D. Degrees in Electrical Engineering, from Syracuse University, USA. He also received an M.A. Degree in International Economics from Yale University, USA. Mr. Ciliz worked as a System Engineer from 1989-1990 at the Engineering Department of Borg Warner company in New York. Returning to Turkey in 1991, Mr. Ciliz started to work at the Electrical and Electronics Engineering Department of Boğaziçi University as an associate professor and receiving the Professor title in 2004.

He started consulting to companies operating in IT, automation and telecommunication industries as early as 1992 and worked as a researcher at University of California, Berkeley and Yale University from 1993-1994. Prof. Dr. Ciliz was one of the founding partners of two companies founded in 1995, a network and information security services provider and an Internet Service Provider.

Prof. Dr. Ciliz was one of the founders of Tursign Inc., a private company working as Turkey's first Certificate Authority for Digital Signatures and he worked in the foundation of Global One Turkey as the Director of Sales Support, Engineering and Operations Services from 1997-2000. He was in the management of Comnet Inc., from 2000-2002. He was one of the founding partners of Callpex Call Center in 2009.

He is still the Chairman of the Board of Callpex, which employs approximately 1500 people in its İstanbul, Bingöl and Yozgat operations. Prof. Dr. Ciliz has presented assertions on information technologies, automation systems and network/information security at international conferences and published academic papers in these areas in international journals.

Having served as the Chairman of TUBISAD (Informatics Industry Association) from 2012-2015, he is also a Board Member of TBV (Turkish Informatics Foundation) and a senior member of IEEE. Professor Dr. Ciliz continues to serve as the Chairman of Infonet, which he established as a Founding Partner and carries on academic studies at Boğaziçi University.

## **Other Executives**

<b>Title</b>	<b>Name and Surname</b>	<b>Email Address</b>
General Manager	Halis Osman Erkan	osman.erkan@kron.com.tr
Vice President (Finance)	Fuat Altıoğlu	fuat.altioglu@kron.com.tr

KRON TELEKOMÜNİKASYON  
HİZMETLERİ A.Ş

**CORPORATE  
GOVERNANCE  
COMPLIANCE  
REPORT**

# Corporate Governance Compliance Declaration

## Corporate Governance Declaration

Established in 2005, Kron Telekomünikasyon Hizmetleri A.Ş. applied to the Capital Markets Board of Turkey for a public offering in 2011 and following the company's listing on the İstanbul Stock Exchange this, it accelerated effort for implementing corporate governance principles. Global developments reveal that companies' healthy growth and sustainability can be ensured not only with financial performance but also with successful implementation of corporate governance. Kron carries out its operations keeping this philosophy in mind. Kron complies with the majority of the principles in the Corporate Governance Principles published by the Capital Markets Board of Turkey.

The company started its preliminary compliance activities pursuant to the CMB's Declaration IV, No: 56 on "Corporate Governance Rules and Implementation", which took effect following its publication in the Turkey's Official Gazette (dated: December 30, 2011 and no: 28158). Following are Kron's statements on compliance activities regarding the mandatory liabilities as per the above Declaration:

## Shareholders

### Investor Relations Department

An Investor Relations Department was established under the Board pursuant to the Capital Markets Board's Declaration on "Corporate Governance , no II-17.1 published in the Turkey's Official Gazette on January 3, 2014.

The following company employees have been assigned as Investor Relations Department Director and Officer:

#### **Onur ÇELİK - Director, Investor Relations Department**

Contact Information :

Tel +90 212 286 51 22, Fax +90 212 286 53 43

Email: onur.celik@kron.com.tr

#### **Ebru Bingül - Officer, Investor Relations Department**

Contact Information

Tel: +90 212 286 51 22, Fax: +90 212 286 53 43

Email: ebru.bingul@kron.com.tr

Main duties of the unit are listed as :

- To keep shareholders' records in an accurate, reliable and up-to-date fashion,
- To meet shareholders' information requests (excluding confidential information and commercial secrets) about the Company pursuant to Capital Markets Board legislation,
- To ensure duly organization of the General Assembly meetings,
- To prepare the documents to be presented to the shareholders in General Assembly meetings,
- To ensure the meeting minutes are appropriately taken,
- To monitor and ensure every issue about public disclosure is handled in compliance with legislations.

During the year, information requests from the shareholders were collected by phone and e-mail by the relevant department. These requests were mostly related to new projects and developments in the industry. Requests on issues not considered as trade secrets were replied immediately to the extent permitted by the privacy rules and the legislation.

## Exercise of Shareholder Rights to Obtain Information

Our Company treats every shareholder equally regarding the use of right to information. Information requests from shareholders can only be denied by the Company to protect company's commercial secrets and to maintain equal dissemination of information among all shareholders. Questions from our shareholders in this period have been generally about our Company's share price performance. We have actively used the company website to inform investors. Shareholders' information requests throughout the year are meticulously addressed by the Investor Relations Department.

Request for assignment of a private auditor is not specifically addressed in the Articles of Incorporation. However, depending on future developments, requests for the appointment of a private auditor will be evaluated as an individual right in the Articles of Incorporation. There has been no request to our company for the appointment of a private auditor to date.

## General Assembly

Our Company organized its annual Ordinary General Assembly on May 4, 2016. We informed the investors by declaring General Assembly minutes on KAP (Public Disclosure Platform) and the company website the same day. No Extraordinary General Assembly was held in 2016.

## Voting Rights and Minority Rights

As stated clearly in the Articles of Incorporation, each share has the right to one vote. Group A shares hold concession for nominating individuals to the Board of Directors. There are no mutual shareholding relations in the Company's capital. Although minority shares are not represented in the management, the company pays utmost attention to the use of minority rights. There are no requests or criticisms directed at the Company by the minority shareholders.

## Dividend Distribution Policy and Period

There are no concessions about profit sharing in our company. The "dividend policy" prepared by our company's Board of Directors is explained below:

"In profit distribution, a balanced and consistent policy is pursued between the interests of the shareholders and the interests of the Company in compliance with the Corporate Governance Principles. It is concluded that at least 20% of the distributable net profit of the period are to be distributed to the partners as dividend, after it is calculated by our Company's Board of Directors taking into consideration general economic conditions, long-term investment, financing and business plans and profitability, in compliance with Turkish Commercial Code (TCC), Capital Markets Board of Turkey (CMB) as well as our Articles of Incorporation. The distributed dividend can be paid in cash or in the form of share capital increase or a combination of these two. In cases where calculable dividend is less than the 5% of the paid-in capital, the amount in question can be kept within the partnership without distribution as dividend. This dividend policy is to be reviewed annually by the Board of Directors."

Our Company acts on the principle that the dividend distribution should be conducted within the periods stated in Capital Markets Board legislation and CMB regulations and within the period determined by the relevant declaration following the General Assembly.

## Transfer of Shares

There are no restricting provisions regarding the assignment of shares in the Articles of Incorporation.

# Public Disclosure and Transparency

## Company Information Policy

Our company's Information policy on public disclosure was prepared and made public by our Board of Directors. Our Information Policy is to inform our shareholders and stakeholders equally, fairly and accurately as required by openness and transparency principles. We have prepared procedures to announce the information to shareholders, stakeholders and all the other relevant parties.

The information will be shared according to the regulations stated in the Capital Markets Board regulation No: 2499 and Declaration VIII, No. 54 issued by CMB regarding the "Principles on Public Disclosure of Material Circumstances" and other declarations. The Board of Directors is responsible for preparing, reviewing and developing the Information Policy of the Company.

As a part of the Inform of the Information Policy, the list of individuals who have access to internal information is included in the annual report. Individuals assigned with the conduct and monitoring of the Information Policy in the Investor Relations Department under the Directorate of Finance are listed below:

**Investor Relations Department Director: Onur Çelik**

## Corporate Website and its Contents

Our company website, [www.kron.com.tr](http://www.kron.com.tr) is actively used for public disclosure. The website is available in both Turkish and in English.

In addition to information covered in CMB Corporate Governance Principles, Section II, Article 1.11.5, It includes the following titles:

- Company Information
- General Assembly Information
- Corporate Governance
- Public Offering Information
- Material Disclosure Announcements
- Fiscal Tables
- Contact Information

## Annual Report

Kron Annual Report is prepared to the extent to ensure public access to complete and accurate information on Company's activities and in accordance with the points stated in the legislation.

Our Company's Annual Report includes items that must be included as per the Article 2.3 of "Public Disclosure and Transparency" clause of CMB Declaration on Corporate Governance Principles (Serial: IV, No:56).



# Stakeholders

## Disclosure to Stakeholders

Company stakeholders are constantly informed via Material Disclosures and company website. Company stakeholders can request information in written form as well as via Company's website using the [yatirimci@kron.com.tr](mailto:yatirimci@kron.com.tr) address.

## Human Resources Policy

Our company has a documented human resources policy. Kron is aware that intellectual accumulation is the most critical competitive factor in information and communication industry it operates in. In line with this, our company strives to ensure the sustainability of a creative, knowledgeable, proactive, active, effective and productive Kron team. Our company acknowledges the importance of employee satisfaction in ensuring sustainability. Areas including provision of a safe and peaceful work environment which is respectful to employees' individual rights and prevention of discrimination receive particular attention in our company.

Our company acts on the principle that equal opportunities should be provided for individuals in equal circumstances during recruitment and career planning processes. There is no appointed representative to maintain relations with employees. Effective internal communication channels eliminated the necessity for such an appointment. The company management have not received any complaints from the employees on discrimination.

Kron v2.0 applications are intrinsically value- and human-oriented.

Our new Human Resources Policy involves;

- Recruiting A+ employees who comply with company values,
- Reinforcing formation of an open-minded and transparent organizational culture,
- Enabling all employees to comfortably provide feedback to each other in accordance with the Company values and supporting employees in potential development areas,
- Recruiting employees and interns from different cultural backgrounds,
- Strengthening our communication with universities and youth,
- Making the recruitment processes more objective and evidence-based.

## Codes of Conduct and Social Responsibility

Kron is a socially responsible company in line with its vision. The Company attaches great importance to social responsibility through charitable activities and projects on environmental and human rights protection and education. In this context, the Company supports Istanbul Technical University (ITU) students by carrying out projects contributing to their personal development and career planning. Kron will also financially support ITU's dormitory construction project as part of its social responsibility.

There is no lawsuit against the Company concerning environmental hazards within the reporting period. As the Company operates in information technologies industry, there is no need for environmental impact assessment report.

Ethical codes of the Company are communicated to new recruits through orientation programs. Company ethical rules are also explained in the contracts of new recruits.

There has been no public disclosure on this issue.

# Board of Directors

## Structure and Formation of the Board of Directors

Kron Board of Directors consists of six members appointed by the General Assembly. The names, surnames and qualifications of the Chairman and the Board members are listed below:

Members of the Board	Title	Status	Independence
Lütfi Yenel	Chairman of the Board	Executive	Not Independent
Cemil Müjdat Altay	Vice President of the Board	Non-Executive	Not Independent
Mehmet İlker Çalışkan	Board Member	Non-Executive	Not Independent
Öner Tekin	Board Member	Non-Executive	Not Independent
Hüseyin Çağatay Özdoğru	Board Member	Non-Executive	Independent
Prof. Dr. Kemal Cılız	Board Member	Non-Executive	Independent

There are two independent members in our Board. Five of our members are not executives. The distinction between the Chairman of the Board and the CEO was made in our company on March 6, 2012. The Audit Committee presented one independent candidate matching the independence criteria to the approval of the Board of Directors on 22.12.2015.

The Board of Directors presented appointment of the new member for the approval of the General Assembly as per the decision made on December 28, 2015. There are no rules preventing the Board members in the present organization from taking offices outside the Company. There is no need for such a restriction due to the opinion that the members will duly perform their company duties. There is no female member left in the Board of Directors as a result of the transfer of our group A shares on November 28,2015.

Board members will include at least one female member pursuant to Corporate Governance Principles when the current Board's term of office terminates. The Company will also comply with the decisions in principle to be made by the CMB in the coming years.

## Operating Principles of the Board of Directors

Our Chairman sets meeting agenda based on discussions with other Board members and briefings from the General Manager and Deputy General Managers. Kron Board of Directors held 22 meetings in 2015. The Board of Directors meet in accordance with the TCC provisions and business requirements.

Principally, Board members attend the meetings in person. However, as stated in the Articles of Incorporation, the Board of Directors can also take a decision without holding a meeting unless one of the members ask for further discussions. All the decisions made in the Board of Directors meetings are recorded in the meeting minutes book. A secretariat has been established and serves all Board members.

## Number, Structure and Independence of the Committees Formed within the Board of Directors

Corporate governance and early risk detection committees have been formed to ensure the Board of Directors truly performs its duties and responsibilities, in compliance with the current CMB legislation. The Audit Committee takes all the necessary precautions for any internal and independent external audit to be conducted adequately and transparently while fulfilling the duties assigned by the Capital Markets Board legislation.

The operating principles of the committee are set out in line with CMB Corporate Governance Principles and announced on the company website. The Corporate Governance Committee will review and evaluate the Company's current and future systems and processes designed for Company performance improvement and will make recommendations. Additionally, the duties of Nomination Committee and Remuneration Committee defined in the Corporate Governance Principles will also be fulfilled by the Corporate Governance Committee. Early Risk Detection Committee's objective is making recommendations and advising the Board of Directors on the issues that could affect the Company activities. These issues can be listed as identification and definition of risks and opportunities in strategic, financial or operational areas; prioritization, monitoring and review of their impact and probability; management of these risk and opportunities in parallel with the Company's risk profile and appetite; and reporting and reflection of these in decision making mechanisms.

### Audit Committee

Name and Surname	Title	Status	Independence
Hüseyin Çağatay Özdoğru	Committee	Not Executive	Independent
Prof. Dr. Kemal Cılız	President Member	Not Executive	Independent

### Corporate Governance Committee

Name and Surname	Title	Status	Independence
Prof. Dr. Kemal Cılız	Committee President	Not Executive	Independent
Öner Tekin	Member	Not Executive	Not Independent

### Early Risk Detection Committee

Name and Surname	Title	Status	Independence
Hüseyin Çağatay Özdoğru	Committee	Not Executive	Independent
Mehmet İlker Çalışkan	President Member	Not Executive	Not Independent

### Risk Management and Internal Audit Mechanism

Seeking opinions of relevant Board Committees, the Board of Directors forms the internal control systems including information system and process controls; and risk management activities minimizing the risks which could affect the stakeholders, particularly the shareholders.

Within this scope, the Board of Directors formed the Early Risk Detection Committee consisting of two independent members within its body. The Early Risk Detection Committee presents problems and solution proposals on risk management and internal audit methods to the Board of Directors when required.

The Corporate Governance Committee, through continuous mutual communication with the Audit Committee and in light of information on internal controls management, is responsible for early detection of risks and for submitting them to the Board of Directors.

### Strategic Company Goals

The Board of Directors have defined its vision and mission and publicly disclosed them on [www.kron.com.tr](http://www.kron.com.tr).

The Board of Directors formed by the directors in line with the Company mission and vision is the top-level decision making body which evaluates and the strategic objectives that are approved in board meetings.

The Board members compare the targets with delivered activities and reviews the latest situation in periodic meetings. Quarterly performance is monitored in this way. New strategies are formed, when necessary.

### Remuneration of the Board of Directors and Senior Executives

Every right, benefit and salaries paid to the Board members are determined at the Company General Assembly. Our company does not provide a performance-based remuneration for its Board Members. The Board of Directors and Key Executives were paid a total of TL 1,111,839 in 2016. Our Company does not provide any direct or indirect loans or credit facilities to any member or the director of the Board.

# Kron

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