NETAŞ TELEKOMÜNİKASYON A.Ş.
AND ITS' SUBSIDIARIES

AS AT AND FOR THE YEAR ENDED
31 DECEMBER 2021
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

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

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Netaş Telekomünikasyon Anonim Şirketi

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Netaş Telekomünikasyon Anonim Şirketi (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How the matter was addressed in the audit
Contract accounting and recognition of revenue	
As explained in Note 21 of the consolidated financial statements as of 31 December 2021, the Group recognised revenue amounting to TL 2.296.349.584. The Group's business involves entering into contractual relationships with customers to provide a range of services and/or goods with a significant proportion of the Group's revenues and results derived from long term contracts. The Group considers the goods or services that are promised within the scope of the contract and recognises revenue on contracts with customers when the Group satisfies the performance obligations by transferring the goods or services to the customer. The Group determines whether the identified performance obligations are satisfied over time or at a point in time, at the beginning of each contract. Due to the contracting nature of the business, revenue recognition involves a significant degree of judgement, with estimates being made mainly to: - assess the total contract costs; - assess the stage of completion of the contract; - identify the distinct performance obligations within the contract; - forecast the profit margin after taking consideration of expected completion date, and variable consideration; and - appropriately provide for loss making contracts. The outcome of these judgements could lead to different profit and revenue being reported in the consolidated financial statements. Accordingly, there are risks of miscalculation and misrecognition of revenue in the correct period due to inclusion of estimations of the management on the determination of revenue earned but not invoiced or invoiced but not earned and due to modifications of the contracts related to changes in price or scope of the contracts. For this reason, recognition of revenue in the correct period and in the correct amount requires significant judgment of the management and it is considered as a key audit matter.	Among others, the following procedures have been performed for the audit of revenue: The design, implementation and functioning of the internal controls related to recognition of revenue in the consolidated financial statements, have been tested and evaluated by the assistance of our information technology specialists. The appropriateness of the accounting policies applied by the management for the recognition of revenue for each type of revenue stream has been evaluated. Selected samples of the contracts with customers, reviewed and inquired with the management to test whether the performance obligations are satisfied over time or at a point in time and tested the amount of revenue recognized and the period it is recognized, with the help of supporting documents. Challenged whether provisions for onerous contracts appropriately reflect the expected contractual position, using the knowledge obtained from other testing and inquiring commercial responsibles. As part of substantive procedures, management's process of evaluation on revenue recognition has been examined, for the selected samples, contracts, invoices and payments are tested, analytical procedures have been applied, and the accuracy of the management's historical estimates has been evaluated by comparing the estimates made in the previous periods versus actuals. Confirmation letters have been received for the selected samples of outstanding balances with customers and examined conformity with the financial statements. In addition, the adequacy of the disclosures provided have been evaluated in accordance with the disclosure requirements of TFRSs.

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Key audit matter	How the matter was addressed in the audit
Goodwill impairment test	
As disclosed in Note 14 of the consolidated financial statements as of 31 December 2021, the Group has goodwill amounting to TL 244.295.352 provided in intangible assets. In accordance with TFRSs, the Group is required to test impairment of goodwill annually. Goodwill balance is significant to the consolidated financial statements in terms of the amount and besides the impairment tests conducted by the Group management includes significant estimates and assumptions. Such assumptions are; growth rate of earnings before interest tax depreciation and amortization (“EBITDA”), long term growth rate, rate used to discount cash flows to balance sheet date. The assumptions are highly sensitive to the expected future market or economic conditions. Thus, annual impairment testing of goodwill considered as a key audit matter.	Among others, the following procedures have been performed for the audit of goodwill impairment test: Assessment of appropriateness of cash generating units identified by the management has been performed. Discussion with Group management has been held for assessment related to the future projections, in the light of the macroeconomic data and sectoral developments. Assessment of the reasonableness of the cash flow projections for the cash generating unit and the comparison of the prior year actual financial performances has been performed. Assessment of the reasonableness of key assumptions incorporated in discounted cash flows such as long-term growth rates, discount rate has been evaluated by the comparison of these assumptions with the assumptions used in the sector with the support of our valuation specialist. The structure and the mathematical accuracy of the discounted cash flow model has been assessed. The sensitivity of the assumptions determined by the management to the market conditions has been performed. The adequacy of the disclosures provided including estimations and the judgements related to testing of and the results along with the sensitivities have been evaluated in accordance with the disclosure requirements of TFRSs.

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4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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B) Report on Other Legal and Regulatory Requirements

1) Auditors’ report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code (“TCC”) 6102 is submitted to the Board of Directors of the Company on 9 March 2022.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company’s bookkeeping activities for the period 1 January - 31 December 2021 and financial statements are not in compliance with laws and provisions of the Company’s articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Sinem Arı Öz.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Sinem Arı Öz, SMMM
Partner

9 March 2022
İstanbul, Türkiye

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AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2021 and 2020

(Unless otherwise stated the amounts are in TL).

	Notes	Audited 31 December 2021	Audited 31 December 2020
ASSETS			
Current Assets		**2.948.964.059**	**1.806.680.392**
Cash and Cash Equivalents	5	541.970.727	305.858.010
Trade Receivables		1.348.616.225	716.161.169
Due from related parties	*28*	*16.530.090*	*42.997.497*
Trade receivables, third parties	*7*	*1.332.086.135*	*673.163.672*
Other Receivables		2.901.515	571.632
Other receivables, third parties	*8*	*2.901.515*	*571.632*
Inventories	*9*	379.632.146	183.412.626
Contract Assets related to Goods and Services Provided		572.161.427	525.517.175
Contract Assets related to Goods and Services Provided	*11*	*572.161.427*	*525.517.175*
Prepaid Expenses	*10*	36.731.381	21.702.469
Current Income Tax Assets	*26*	33.562.897	33.957.039
Other Current Assets	*19*	33.387.741	19.500.272
Non-Current Assets		**717.962.787**	**604.413.687**
Trade Receivables		-	26.953.350
Trade receivables, third parties	*7*	-	*26.953.350*
Property, Plant and Equipment	*12*	117.520.639	106.867.551
Right of Use Assets	*13*	67.931.249	48.320.124
Financial Investments		17.926.217	6.837.555
Intangible Assets		336.420.960	254.299.756
Goodwill	*14*	*244.295.352*	*134.537.477*
Other intangible assets	*14*	*92.125.608*	*119.762.279*
Investments Accounted Using the Equity Method	*3*	8.621.337	11.507.883
Deferred Tax Assets	*26*	169.542.385	149.627.468
TOTAL ASSETS		**3.666.926.846**	**2.411.094.079**

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2021 and 2020

(Unless otherwise stated the amounts are in TL).

	Notes	Audited 31 December 2021	Audited 31 December 2020
LIABILITIES			
Short Term Liabilities		**3.508.145.330**	**1.700.482.641**
Short Term Borrowings		1.115.963.022	348.366.261
Short Term Bank Loans	*6*	*1.115.963.022*	*348.366.261*
Short-Term Portion of Long-Term Borrowings		*80.859.969*	*171.933.688*
Short-Term Portion of Long-Term Bank Loans	*6*	*12.919.150*	*156.756.600*
Short-Term Portion of Long-Term Lease Liabilities	*6*	*67.940.819*	*15.177.088*
Trade Payables		1.599.148.842	886.418.679
Due to related parties	*28*	*457.540.058*	*145.181.657*
Trade payables, third parties	*7*	*1.141.608.784*	*741.237.022*
Other Payables		81.774.643	40.309.890
Other payables, third parties	*8*	*81.774.643*	*40.309.890*
Employee Benefit Obligations	*18*	26.272.106	31.526.502
Contract Liabilities		356.827.319	184.710.227
Contract Liabilities	*11*	*356.827.319*	*184.710.227*
Provisions		*247.299.429*	*34.600.757*
Provisions for Employee Benefits	*18*	*26.573.697*	*25.684.627*
Other Short Term Provisions	*16*	*220.725.732*	*8.916.130*
Current Income Tax Liabilities	*26*	-	2.616.637
Long Term Liabilities		**123.373.240**	**124.840.393**
Long Term Borrowings		60.918.001	65.608.465
Bank Loans	*6*	*13.817.167*	*21.376.420*
Lease Liabilities	*6*	*47.100.834*	*44.232.045*
Provisions		47.530.550	40.523.011
Provisions for Employee Benefits	*18*	*47.530.550*	*40.523.011*
Deferred Tax Liabilities	*26*	14.924.689	18.708.917
SHAREHOLDERS' EQUITY			
Equity Attributable to Equity Holders of the Parent		**36.923.410**	**585.075.637**
Share Capital	*20*	64.864.800	64.864.800
Share Capital Adjustments		41.612.160	41.612.160
Other comprehensive income to be reclassed in profit and loss		(4.850.226)	(445.568)
Currency Translation Differences		*(4.850.226)*	*(445.568)*
Other comprehensive income not to be reclassed in profit and loss		545.653.120	421.188.549
Remeasurement gain/ (loss) on defined benefit plans		*(17.262.824)*	*(11.594.178)*
Currency Translation Differences		*562.915.944*	*432.782.727*
Restricted Reserves	*20*	34.897.360	34.897.360
Retained Earnings		22.958.336	94.088.563
Net Loss for the Period		(668.212.140)	(71.130.227)
Non-controlling interests		**(1.515.134)**	695.408
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**3.666.926.846**	**2.411.094.079**

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

AUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

(Unless otherwise stated the amounts are in TL).

	Notes	Current Period 1 January- 31 December 2021	Previous Period 1 January- 31 December 2020
INCOME OR LOSS FROM OPERATIONS			
Revenue	21	2.296.349.584	1.733.166.950
Cost of Sales (-)	21	(2.559.191.128)	(1.556.135.207)
GROSS PROFIT		**(262.841.544)**	**177.031.743**
Sales, Marketing and Distribution Expenses (-)	22	(109.354.192)	(100.689.126)
General Administrative Expenses (-)	22	(107.506.666)	(71.317.470)
Research and Development Expenses (-)	22	(14.707.778)	(5.657.782)
Other Income from Operating Activities	23	7.656.204	26.167.288
Other Expenses from Operating Activities (-)	23	(269.823.591)	(56.379.476)
OPERATING LOSS		**(756.577.567)**	**(30.844.823)**
Income from Investment Activities	24	39.599.284	65.042
Expenses from Investment Activities (-)	24	(3.119.582)	(263.073)
Income from Investments Accounted Using the Equity Method	3	(823.495)	1.059.025
OPERATING LOSS BEFORE FINANCE INCOME AND EXPENSES		**(720.921.360)**	**(29.983.829)**
Financial Income	25	233.193.653	76.525.759
Financial Expenses (-)	25	(138.668.200)	(115.509.177)
LOSS BEFORE TAX		**(626.395.907)**	**(68.967.247)**
Tax (Expenses)/ Income		**(44.026.775)**	**(1.965.756)**
Current Tax Expenses	26	-	(2.619.207)
Deferred Tax Income	26	*(44.026.775)*	653.451
NET LOSS FOR THE YEAR		**(670.422.682)**	**(70.933.003)**
Attributable to:			
Non-controlling Interest		*(2.210.542)*	*197.224*
Equity Holders of the Parent		*(668.212.140)*	*(71.130.227)*
Earn/(Loss) per share	27	*(10,3357)*	*(1,0936)*
OTHER COMPREHENSIVE INCOME/ (EXPENSES)			
Other comprehensive income or expenses that will not be reclassified subsequently to profit of loss		**124.464.571**	**120.756.461**
Currency translation differences		130.133.217	123.041.367
Remeasurement gain/ (loss) on defined benefit plans	18	(7.033.419)	(2.839.178)
Remeasurement gain/ (loss) on defined benefit plans, deferred ta	26	1.406.684	567.836
Actuarial gain/ (loss) arising from investment accounted using the equity method	3	(41.911)	(13.564)
Other comprehensive income or expenses that will be reclassified subsequently to profit of loss		**(4.404.658)**	(261.832)
Currency translation differences		(3.007.189)	(3.758)
Currency translation differences from investments accounted using the equity method	3	(1.397.469)	(258.074)
OTHER COMPREHENSIVE INCOME/ (LOSS)		**120.059.913**	**120.494.629**
TOTAL COMPREHENSIVE INCOME/ (LOSS)		**(550.362.769)**	**49.561.626**
Attributable to:			
Non-controlling Interest		(2.210.542)	376.719
Equity Holders of the Parent		(548.152.227)	49.184.907
Earn/(Loss) per share		(8,4848)	0,7641

			Other comprehensive income or expenses will be reclassified subsequently to profit or loss	Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss			Retained Earnings				
	Share Capital	**Share Capital Adjustments**	**Currency Translation Differences**	**Currency Translation Differences**	**Remeasurement loss on defined benefit plans**	**Restricted Reserves**	**Retained Earnings**	**Net (Loss) for the Period**	**Equity Holders of the Parent**	**Non-controlling Interest**	**TOTAL**
Balance as at 1 January 2020	**64.864.800**	**41.612.160**	**(4.241)**	**309.741.360**	**(9.309.272)**	**34.897.360**	**242.688.833**	**(148.600.270)**	**535.890.730**	**318.689**	**536.209.419**
Total comprehensive income	-	-	(441.327)	123.041.367	(2.284.906)	-	-	(71.130.227)	49.184.907	376.719	49.561.626
Transfer	-	-	-	-	-	-	(148.600.270)	148.600.270	-	-	-
Balance as at 31 December 2020	**64.864.800**	**41.612.160**	**(445.568)**	**432.782.727**	**(11.594.178)**	**34.897.360**	**94.088.563**	**(71.130.227)**	**585.075.637**	**695.408**	**585.771.045**
Balance as at 1 January 2021	**64.864.800**	**41.612.160**	**(445.568)**	**432.782.727**	**(11.594.178)**	**34.897.360**	**94.088.563**	**(71.130.227)**	**585.075.637**	**695.408**	**585.771.045**
Total comprehensive income	-	-	(4.404.658)	130.133.217	(5.668.646)	-	-	(668.212.140)	(548.152.227)	(2.210.542)	(550.362.769)
Transfer	-	-	-	-	-	-	(71.130.227)	71.130.227	-	-	-
Balance as at 30 December 2021	**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**

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

(Unless otherwise stated the amounts are in TL).

	Notes	Audited Current Period 1 January- 31 December 2021	Audited Previous Period 1 January- 31 December 2020
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Net (Loss) for the Period		**(670.422.682)**	**(70.933.003)**
Profit/(Loss) from Continuing Operations		*(670.422.682)*	*(70.933.003)*
Adjustments to Reconcile Profit/Loss		**312.403.278**	**135.695.621**
Adjustments for Depreciation and Amortisation Expenses	12-13-14	95.931.594	77.442.027
Adjustments for (Reversal of) Impairment Loss Recognised in Profit or Loss		143.376.231	4.974.996
Adjustments for (Reversal of) Provision of Receivables	*7*	*5.243.479*	*2.144.432*
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Other Intangible Assets	*14*	97.918.687	-
Adjustment for Reversal of Provision of Inventory	*9*	*40.214.065*	*2.830.564*
Adjustments For Provisions		186.385.182	47.730.054
Adjustments for Provisions Related with Employee Benefits		*45.267.484*	*44.354.194*
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions		*3.373.252*	*4.637.277*
Adjustments for (Reversal of) Other Provisions		*137.744.446*	*(1.261.417)*
Adjustments for Interest (Income) and Expenses		96.438.360	79.593.079
Adjustments for Interest Income	*25*	*(4.213.728)*	*(1.376.462)*
Adjustments for Interest Expense	*25*	*106.489.249*	*99.986.073*
Unearned Financial Loss/Income from Credit Sales	*25*	*(5.837.161)*	*(19.016.532)*
Adjustments For Unrealised Foreign Exchange Losses (Gains)	*25*	(228.979.925)	(75.149.297)
Adjustments for Share of Profit of Investments Accounted for Using the Equity Method	*3*	2.886.546	(1.059.025)
Adjustments for Losses Tax Expense	*26*	52.727.341	1.965.756
Adjustments for Losses (Gains) on Disposal of Subsidiaries or Joint Operations	*32*	(38.872.094)	-
Adjustments for (Gains)/Lossesdisposal of non-current assets		2.510.043	198.031
Adjustments for (Gains)/Losses Arising From Sale of Property, Plant and Equipment		*2.510.043*	*198.031*
Changes in Working Capital		**243.751.405**	**346.895.641**
Adjustments for Decrease / (Increase) in Trade Receivables		(54.573.263)	1.704.263
Decrease (Increase) in Trade Receivables from Related Parties		*67.382.630*	*(31.277.613)*
Decrease (Increase) in Trade Receivables from Third Parties		*(121.955.893)*	*32.981.876*
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		157.636	32.080.936
Adjustments for Decrease (Increase) in Other Receivables Related with Operations from Third Parties		*157.636*	*32.080.936*
Adjustments for Decrease / (Increase) in Inventories		(86.802.564)	(31.343.162)
Decrease / (Increase) in Prepaid Expenses		2.676.317	(6.520.949)
Adjustments for (Decrease) in Trade Payables		(8.612.021)	241.723.371
Increase (Decrease) in Trade Payables to Related Parties		193.916.830	28.191.761
(Decrease)/Increase in Trade Payables to Third Parties		*(202.528.851)*	*213.531.610*
Increase (Decrease) in Payables due to Employee Benefits		(21.490.531)	1.005.714
(Decrease)/Increase in Contract Assets		382.380.539	117.591.710
Adjustments for Decrease in Other Operating Payables		8.579.285	12.364.479
(Decrease) in Other Operating Payables to Unrelated Parties		*8.579.285*	*12.364.479*
(Decrease)/ Increase in Contract Liabilities		21.436.007	(16.776.883)
Other Adjustments for Other (Decrease)/ Increase in Working Capital		-	(4.933.838)
Cash Flows (Used in) Generated From Operations		**(114.267.999)**	**411.658.259**
Payments Related with Provisions for Employee Benefits		(43.039.521)	(39.529.212)
Income Taxes Paid	*26*	(2.222.495)	(34.396.646)
Payments Related with Lawsuits		(3.246.966)	(2.025.301)
		(162.776.981)	**335.707.100**

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

(Unless otherwise stated the amounts are in TL).

		Audited	
	Notes	**Current Period 1 January- 31 December 2021**	**Previous Period 1 January- 31 December 2020**
B.CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES			
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		15.498.894	328.115
Proceeds from Sales of Property, Plant, Equipment		*17.776.116*	*328.115*
Proceeds from Intangible Assets		(2.277.222)	-
Purchase of Property, Plant, Equipment and Intangible Assets		(66.794.907)	(93.037.752)
Purchase of Property, Plant, Equipment	*12*	*(25.278.055)*	*(42.185.228)*
Purchase of Intangible Assets	*14*	*(41.516.852)*	*(50.852.524)*
Cash inflows from the sale of subsidiaries	*32*	88.574.295	-
Interest Received	*25*	4.213.728	1.376.462
Other Outflows of Cash		(11.088.662)	-
		30.403.348	**(91.333.175)**
C.CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES			
Inflows from Borrowings	*6*	1.316.876.199	949.186.155
Outflows from Borrowings	*6*	(770.411.281)	(966.344.572)
Interest Paid		(85.988.928)	(93.983.562)
Payments of lease liabilities		(27.739.849)	(29.099.652)
		432.736.141	**(140.241.631)**
NET INCREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)		**300.362.508**	**104.132.294**
D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(64.249.791)	6.385.178
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**236.112.717**	**110.517.472**
E.CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*5*	305.858.010	195.340.538
CASH AND CASH EQUIVALENTS AT END OF YEAR (A+B+C+D+E)	*5*	**541.970.727**	**305.858.010**

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., Avea İletişim Hizmetleri A.Ş., Turkcell İletişim Hizmetleri A.Ş, service providers, corporate and governmental institutions in Turkey, to provide communications solutions and the infrastructure needed for modern communication systems. The Company is also engaged in research and development and provided design and development services to the foreign customers as well as to local customers.

Netaş Bilişim Teknolojileri A.Ş. ("Netaş Bilişim") which is the 100% subsidiary of the Group offers industrial solutions, system integration, outsourcing, support services, network solutions and consultancy services to its domestic customers. Netaş Bilişim founded in 1989, also provides value added solutions to international customers in Commonwealth of Independent States (CIS), mainly in Asia Pasific (Nepal), Kazakhstan, Azerbaijan, Algeria and Uzbekstan with strategic business partnerships.

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

Based on the decision of the Board of Directors of the Company dated 11 April 2012, a "Limited Liability Partnership" (Netas Telecom Liability Partnership) through the allocation of 161.800 Tenge (approximately 1.100 USD) of founding capital in Almaty, Kazakhstan has been established and its registration has been completed on 4 July 2012, as being effective on 25 June 2012.

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

In Malta, a company (Netaş Telecommunications Malta Ltd.) was established through the allocation of 1.200 Euro of founding capital, all of which belongs to 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.

NETRD Bilgi Teknolojileri ve Telekomünikasyon A.Ş. ("NETRD"), was founded with 100% ownership as of 29 August 2018 in Istanbul. The operations of the Company, including all kinds of information and telecommunication systems, hardware and software design and coding, research and development activities, product development, consultancy, including all kinds of information activities and services, technical support, technological solution, integration, VOIP to develop, install, service, operate and operate advanced communication technologies in Turkey or abroad, to provide business services and to carry out all these activities on behalf of its own customers or to the customers it serves.

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

In our disclosure made on 5 March 2021, it was disclosed that, our Board of Directors decided to transfer all the shares of NetRD Bilgi Teknolojileri ve Telekomünikasyon A.Ş. ("NetRD"), wholly owned by Netaş Bilişim Teknolojileri A.Ş., of which our Company is 100% shareholder, to MERA Switzerland AG which is a group company of US based Orion Innovation Group for USD 8.000.000 of equity value and net transaction value to be determined following closing agreements. Following the closing transactions related to sale, the share transfer was completed with a total value of USD 11.607.277. As a result of all these transactions, the Group achieved a profit of USD 4.802.776 (TL 35.429.117) from the sale of subsidiaries and reflected into profit or loss statements. This amount, which is shown in the item of income from investment activities, has been converted into TL by using three-month average rate between 1 January - 31 March 2021. (Note 33).

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 21.

As of 31 December 2021, the Group has no blue-collar employees (31 December 2020: None). The average number of white-collar personnel employed in the Group as of 31 December 2021 is 2.171 (31 December 2020: 2.544).

Approval of Consolidated Financial Statements

The financial statements were approved by the Board of Directors on 9 March 2022. The General Assembly and relevant regulatory bodies have the right to amend the consolidated financial statements.

2. BASIS OF PRESENTATION OF THE 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 consolidated financial statements are presented in accordance with the specified format in "TFRS Taxonomy Announcement", issued on 7 June 2019 by the POA, and "the Financial Statements Examples and Guidelines for Use", which is published by the Capital Markets Board of Turkey.

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

2.1 Basis of Presentation (Cont'd)

b) Basis of presentation of consolidated financial statements:

The details of the Company's subsidiaries as of 31 December 2021 and 31 December 2020 are as follows:

31 December 2021	Place and establishment of operation	Group's shares in capital and voting rights	Main operating activities
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 telecomunication equipment
Netas Telecommunications Algeria Sarl LLC (*)	Algeria	%49	Manufacture of small installation and electric lighting equipment

31 December 2020	Place and establishment of operation	Group's shares in capital and voting rights	Main operating activities
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 telecomunication equipment
NETRD Bilgi Teknolojileri ve Telekomünikasyon A.Ş.	Turkey	%100	Computer programming activities
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.

The 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
- has the ability to 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.

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

2.1 Basis of Presentation (Cont'd)

b) Basis of presentation of consolidated financial statements:

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 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 December 2021, and 2020 the details of associate of the Group are given below:

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

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

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or a joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or a joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or a joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

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

2.1 Basis of Presentation (Cont'd)

b) Basis of presentation of consolidated financial statements:

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of TFRS 9 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with TAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with TAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

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

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

2.1 Basis of Presentation (Cont'd)

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

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 subsidiaries 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.

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 consolidated financial statements and the notes in accordance with TAS 21, 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 December 2021 (1 USD: 13,329 TL), 31 December 2020; (1 USD: 7,3405 TL)

- Statements of profit or loss and statements of cash flows have been translated to TL by using twelve months average exchange rate (1 USD: 8,8969 TL) for the year ended 31 December 2021 (for the year ended 31 December 2020 1 USD: 7,009 TL).

Gains and losses of translation differences mentioned above are accounted under Equity as currency translation differences. The amount of capital and legal reserves are 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.

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

2.1 Basis of Presentation (Cont'd)

c) Functional Currency and Reporting Currency (Cont'd)

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 presentation converting principles. The functional currency of the Netas Telecommunications Algeria Sarl LLC, a subsidiary of the Company operating in Algeria, is Algerian Dinar and included in the consolidated financial statements by presentation converting principles.

d) Adjustment of Financial Statements in High Inflation Periods

In the statement made by the Public Oversight, Accounting and Auditing Standards Authority on January 20, 2022, since the cumulative change in the general purchasing power of the last three years according to the Consumer Price Index (CPI) is 74.41%, TAS 29 Financial Inflationary Economies in 2021 financial statements. It has been stated that there is no need to make any adjustments within the scope of the Reporting Standard. In this respect, no inflation adjustment was made in accordance with TAS 29 while preparing the consolidated financial statements as of 31 December 2021.

2.2 Comparative Information and Restatement of Prior Period Consolidated Financial Statements

Group's 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. There has no significant changes have occurred in the Group's accounting policies.

The Group has reclassified the amounting of TL 1.363.724 of credit card receivables in the money and cash accounts account in the statement of as of 31 December 2020.

The Group has reclassified the provision for unused vacation amounting to TL 5.609.830, which was shown in the provision for short-term provision of employee benefits to long-term provision of employee benefits in the statement of financial position prepared as of 31 December 2020.

The Group has reclassified advance balance amounting to TL 70.607.087, which was shown in the deferred revenue to contract liabilities in the statement of financial position prepared as of 31 December 2020.

The Group has reclassified unbilled receivables amounting to TL 352.347.313, which was shown in the trade receivables to contract assets in the statement of financial position prepared as of 31 December 2020.

2.3 Change in Accounting Policies

If changes in accounting estimates are related to only one period, they are recognized in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively. There have not been any significant changes in Group's accounting estimates.

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

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

2.4 Summary of Significant Accounting Policies

2.4.1 Revenue

The Group recognizes revenue when the control of an asset transferred (or transferring) to the customer or the service is rendered.

The Group, recognizes revenue when the control of an asset transferred (or transferring) to the customer, the asset has transferred if all criterias of account for a contract are met according to TFRS 15. The Group provides to customers design, equipment, installation, maintenance, guarantee, licence and other performance obligations. The Group may provide those performance obligations on S

The group recognizes revenue to depict the transfer of promised goods or services to customers in over time or at a point of time.

The Group accounts the performance obligations transferred over 3 months with the output method considering the value to the customer of the goods and services. When the Group use output method to recognize revenue, on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract have right to payment and revenue related to invoice is recognized. Accordingly, the Group uses the output method in such performance obligations.

When the time between the progress payments is longer than a reporting period, since a significiant performance is satisfied and the cost incurred are in proportion to the proress of the performance obligation, the input method is used for this performance obligations' revenue recognition.

Design Performance Obligation

Design is the output that for production the economic benefit for the customers. Customers can use it stand alone or together with other resources. Design performance obligation is stated explicityly or is an integral part of production in some contracts.

The Group stated that design is a separate performance obligation in contracts which the design expectation is explicitly stated and the intellectual rights and know-how is transfered. On the other hand, if the design is an integral part of the production process and the customer does not have a know-how transfer after delivery, the highly related and customized stage of the production process is regarded as a combined output as a production process and not considered as a separate performance obligation.

The customer has control over the design product as the design process continues. Additionally, design performance obligation is recognized at overtime due to the fact that the design is customer-specific and have no alternative use, and the Group has an enforceable right to payment for performance completed to date. Because of these criterias, in case of the Group can reasonably measure the progress towards complete satisfaction of design performance obligation, the revenue which is related with cost occurred in overtime is recognized by cost based input method.

The Group can provide a certain number of man / day service as determined by the R & D team and purchase orders that demanded from the customers. In this type of contracts, the design is evaluated as a separate performance obligation on behalf of the intellectual property rights of the design belong to customers. In such contracts, the best measuring progress method is specified as "Output Method"

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

2.4 Summary of Significant Accounting Policies

2.4.1 Revenue

Hardware Performance Obligation

Hardware performance obligation is committed in the contracts by its own or with system solution. Hardware performance obligation consists of products that the Group produces itself, as well as products that are supplied by other producers. Hardware integration can be a phase in a complex long term solution projects in which hardware is highly interrelated with installation or can be sold as stand-alone to the customers.

The Group recognized the hardware that are produced by its own or are sold as a phase in a complex and integrated Project as "overtime" for meeting the overtime criteria; the significant control in the integration process, no alternative use of the hardware of integration process, alternative use is restricted by the contract and the Group has an enforceable right to payment for performance completed to date.

Hardware which are more than one, produced afterwards and integrated and delivered are not concluded as separate performance obligations, but a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer are settled as single performance obligation.

The Group recognizes revenue at a point of time of the hardware which are not produced by the Group or does not need a significant integration process. The Group recognizes revenue when the control, collection right and the legal ownership of the hardware are transferred to the customers.

Installation Performance Obligation

Installation performance obligation is committed in the contracts with the hardware or by its own.
The Group provides installation services with the hardware sales together or provides installation service alone in accordance with customer requirements. The installation service can be obtained from other providers, or the customer can do it with its own facilities.

The group recognizes revenue for installation performance obligation at over time when the customer controls the process simultaneously. The Group recognizes revenue by cost with cost-based input method when it can reasonably measure the progress towards complete satisfaction of installation performance obligation.

When the customer does not have a significant control over installation process, and the Group has the collection right, the Group recognizes revenue at a point of time.

The Group accounts the installation performance obligation transferred less than 3 months with the output method considering the value to the customer of the goods and services. When the Group use output method to recognize revenue, based on direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract have right to payment and revenue related to invoice is recognized.

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

2.4 Summary of Significant Accounting Policies

2.4.1 Revenue

Maintenance Performance Obligation

Maintenance performance obligation is committed in the contracts with the hardware or by its own. The maintenance is not related to the equipment at a high level, it is also negotiated separately in the contracts and the customer can buy the maintenance service from other providers or the Company can maintain the equipment by itself.

Maintenance service can be offered in three different ways according to customer demands: periodic maintenance regularly, maintenance services provided on an adhoc based on customer requirements, and maintenance services provided for a period agreed upon as a service level agreement (SLA).

Maintenance service is recognized at over time since the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. In case of the Group can reasonably measure the progress towards complete satisfaction of maintenance performance obligation, the revenue which is related with cost occurred in overtime is recognized by cost-based input method.

At the same time, The Group recognizes revenue based on direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract with output method. When the group accounts for ad hoc and periodic maintenance with output method, in case of the customer acquires the collection right for a certain amount that in line with the value of the customer for the completed performance, the Group recognizes the revenue to be billed. For the service level agreements (SLAs), the output method is used for measuring progress towards complete satisfaction, but the collection cost is not measured by invoicing, it is measured by the cost incurred.

The Group sells support packages, which is provided from third parties, with the hardware. In cases of the Group is not directly responsible for the performance in the support packages provided by third party, the Group acts as an "agent". The Group accounts for the service provider, who performs the performance of the contracts in which acts an agent, as the commission income in the consolidated financial statements, after paying the amount collected by the customer for the maintenance services.

The Group determined standalone selling price of maintenance performance obligation using cost plus margin method considering management's best estimate and experience, observable prices of similar types of contracts. When the sum of the stand-alone selling prices of promised goods or services in the contract exceeds the promised consideration, the Group allocates a discount proportionately to all performance obligations in the contract.

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.1 Revenue (Cont'd)

Warranty Performance Obligation

Warranty performance obligation is committed by the Group for its own production. In case of the customer has a purchase the warranty separately in other words and the warranty is separately priced and negotiated in the contracts, the warranty is evaluated as a different service and recognized as a separate performance obligation.

Warranty income is recognized when the customer obtains the control of the hardware and accepts it. In other words, each hardware's warranty begins after its delivery and the revenue is recognized after the delivery.

Warranty is recognized at over time since the customer controls as the asset is created or enhanced and the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. The Group recognizes revenue based on direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract with output method.

Licence Performance Obligation

The Group sells licenses with three parties' contracts. In such contracts, the Group is acting as agent therefore the Group is not directly responsible for fulfilling the contract (e.g., license updates), the Group does not have inventory risk and the Group has restricted discretion in establishing prices. The Group recognizes the net amount after paying license fee to providers as commission income for the license contracts that the Group is acting as agent. License performance obligations' income is recognized as "a point of time" when the control of an asset is transferred.

Outsourcing and Support Services Performance Obligation

The Group provides outsourcing, support, and consultancy services in accordance with the customers' expectations. Outsourcing and some support and consultancy services are recognized at over time since the customer controls as the asset is created or enhanced and the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

In case of the Group can reasonably measure the progress towards complete satisfaction of outsourcing and support services performance obligations, the revenue which is related with cost occurred in overtime is recognized by cost-based input method. In the case of the Group cannot reasonably measure the progress towards complete satisfaction, the Group recognizes revenue to the extent of the right to bill by output method.

The Group recognizes revenue at "a point of time" when the control is transferred for short-term support services and one-off consultancy services.

The training services, which are in the goods and services, specified in the contracts and an integral part of production and integration, are recognized with ''Input Method'' with considering the total design, hardware, and training costs of the projects.

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.1 Revenue (Cont'd)

If a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract as a "deferred revenue" when the payment is made or the payment is due (whichever is earlier). Deferred revenue is Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. The Group defers associated costs until to deliver all contractual obligations and they are presented on the face of balance sheet under "Contract Assets and Liabilities" accounts.

If an entity performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the Group presents the contract as "unbilled receivables", excluding any amounts presented as a receivable. Unbilled receivables are an entity's right to consideration in exchange for goods or services that the Group has transferred to a customer. If the consideration is unconditional, it is recognized as "trade receivables".

Advance payments received on contracts, before corresponding works had been carried out, are booked in "Order Advances" account group under "Deferred Revenue". Costs incurred to date, adjusted by profits and losses recognized and progress billings, is determined on a contract-by-contract basis. If the amount is positive, it is included as asset under "unbilled receivables" under "Trade receivables" group.

The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group expects to recover those costs.

In the long contracts exceeding one year, depending on the level of materiality, the stamp tax that is paid for the contract and is expected to recover is capitalized as "Contract Costs" throughout the term of the contract and is amortized by depreciation method.
If the contract period or the redemption period of the asset, is one year or less, the stamp tax is recognized as an expense in the financial statements.

2.4.2 Inventories

Inventories are stated at the lower of cost and net realizable value and valued on monthly weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.3 Plant, Property and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Properties during construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss.

Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.4.4 Intangible Assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Licenses

Separately acquired licenses is carried at their acquisition costs. Licenses acquired in a business combination are accounted for at their fair values at the acquisition date. Licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives.

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.4 Intangible Assets (Cont'd)

Computer software

Acquired computer software licenses are capitalized based on the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (5-10 years).

Internally-generated intangible assets

Expenditure on research activities is recognized in the income statement in the period in which it is incurred. An internally-generated intangible asset arising from development is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development
- and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately

Computer software development costs recognized as assets are amortized over their estimated useful lives.

The useful life and depreciation method are regularly reviewed, and whether the depreciation method and duration applied are in line with the economic benefits to be obtained from the related assets.

Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the customer relationship.

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.5 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2.4.6 Borrowing Costs

Interest expenses directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recorded in the profit and loss statement in the period in which they are incurred.

2.4.7 Financial Instruments

Classification and Measurement

The Group classifies its financial assets in three categories as financial assets carried at amortized cost, financial assets carried at fair value though profit of loss, financial assets carried at fair value though other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

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

2.4 Summary of Significant Accounting Policies (Cont'd)

(a) Financial assets carried at amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded, and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables", "other receivables" and "cash and cash equivalents" in the statement of financial position. In addition, with recourse factoring receivables classified in trade receivables are classified as financial assets carried at amortized cost since collection risk for those receivables are not transferred to counterparty.

Impairment

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Group measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the experience of the Group and its expectation based on the macroeconomic indications.

(b) Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. Group make an irrevocable choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

Financial assets carried at fair value through profit or loss

The Group does not have any financial assets whose fair value is reflected to profit or loss.

Financial assets carried at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income comprise of "financial investment" in the statement of financial position. The Group measures these assets at their fair values. Gains or losses from related financial assets, other than impairment and foreign exchange income or expenses, are recognized in other comprehensive income. In case the assets with fair value difference recognized in other comprehensive income are sold, the valuation difference recognized in other comprehensive income is transferred to retained earnings.

The Group accounts for expected credit losses in accordance with TFRS 9 that are expected to be equal to their expected life-time losses for their trade receivables, in cases where the trade receivables are not impaired for some reason with realized impairment losses. Expected credit loss provision is based on the Group's past credit loss experience and expected credit loss ratio as determined based on forward-looking macroeconomic indicators. Expected credit loss reversals are recorded in other operating income/ (expenses).

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.7 Financial Instruments (Cont'd)

Financial liabilities

Financial liabilities are initially measured at fair value. During the initial measurement of financial liabilities other than fair value through profit or loss, transaction costs related to financial liability are included in the measurement of the fair value. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Credit risk

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. To measure the expected credit loss, the Group first classifies its trade receivables by considering 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.

Foreign currency risk

Due to its core business, the Group is subject to exchange rate volatility tied to the value change of foreign currencies. The Group's foreign currency risk for assets and liabilities has been disclosed in Note 30.

Liquidity risk

The Group is generally raising funds by liquidating its short-term financial instruments such as collecting its receivables and selling out securities. The Group's proceedings from these instruments generally approximates their fair values.

2.4.8 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.9 Effects of Change in Foreign Exchange Rates

The effects of change in foreign exchange rates on the financial statements have been disclosed in note 2 "Basis of Financial Statements" section 2.1.c "Functional and Reporting Currency". For the purpose of presentation of the consolidated financial statements as TL, balance sheet has been translated to TL by using Turkish Central Bank foreign exchange buying rates as of 31 December 2021 (1 USD = 13,329 TL, 1 EUR = 15,0867 TL, 1 CAD = 10,4579 TL, 1 GBP = 17,9667 TL and 1 BDT = 0,1510 TL, 1 AZN=7,7630, 1 DZD=0,0947).

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered to hedge certain foreign currency risks (see below for hedging accounting policies); and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

2.4.10 Earnings/ (Losses) per Share

Earnings per share disclosed in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares in existence during the year concerned. In Turkey, companies can raise their share capital by distributing "Bonus Shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

2.4.11 Subsequent Events

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information. The Group adjusts the amounts recognized in its consolidated financial statements if adjusting events occur after the reporting date.

The subsequent events that do not require correction after the reporting period are explained in the footnotes of the consolidated financial statements if they affect the economic decisions of the users of the financial statements.

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.4.12 Provisions, Contingent Liabilities and Assets

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Provisions for executory contracts

In cases where the current estimated total project cost is higher than the expected revenue, the Group makes provisions for these economically executory contracts. Estimated project costs include unavoidable costs. The cost of fulfilling a contract consists of costs directly related to the contract. Costs directly related to the contract, variable costs incurred to fulfill the contract (for example, direct labor and materials cost), and amounts allocated from other costs directly related to fulfilling the contract (for example, for an item of property, plant and equipment used, inter alia, to fulfill the contract in question) the amount distributed from the depreciation expense allocated). Estimates may change as new information emerges in parallel with the progress of the project.

Return provision

Within the scope of customer agreements, the obligation to refund is accounted for due to the obligation to return part or all of the price received from customers for products that have the right to return. The Group's return obligations stem from the customers' right to return. Liability is measured by the amount the Group expects to eventually return. The Group updates its estimates of repayment obligations at the end of each reporting period.

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.13 Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements.

a) A person or a close member of that person's family is related to a reporting entity if that person:

i) has control or joint control over the reporting entity;

ii) has significant influence over the reporting entity; or

iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary, and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity). A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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

2.4. Summary of Significant Accounting Policies (Cont'd)

2.4.14 Reporting of Financial Information on Segment Basis

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group Management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Operating segments are affected from different kinds of economic and geographical conditions and managed as the sole authority. While assessing the performance of the operating segments, Group Management is focused on their gross and operating profit.

The Group evaluates the performance of 6 segments to determine resource allocation. The segments of the Group are system enterprise, public, international, technology, telecom and BDH.

2.4.15 Government Grants and Incentives

Gains arising from incentives for investment and research and development activities together with government grants are recognized when there is a reasonable assurance for the necessary conditions to be fulfilled and incentive to be acquired by the Group.

Vested government grants related with expense or capitalization realized in previous accounting periods, are recognized in statements of profit or loss when collectible and grants relating to capital assets are accounted for as deferred income in the consolidated balance sheet and are credited to consolidated profit and loss statement on a straight-line basis over the expected lives of related assets.

Government grants are presented in the consolidated financial statements regardless of whether the grants are obtained in cash or by decreasing a liability to the government. Government grants are presented in Note 15.

2.4.16 Taxes Calculated on Corporation Earnings

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis. Tax expense form continues operation includes current year income tax expense and deferred income tax (expense) / benefit.

Current tax

Current year income tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.16 Taxes Calculated on Corporation Earnings (Cont'd)

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that expected to apply to the period when asset is realized, or the liability is settled.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the way the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

2.4.17 Employee Benefits

Termination and retirement benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per Turkish Accounting Standard No. 19 (revised) "Employee Benefits" ("TAS 19").

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.17 Employee Benefits (Cont'd)

The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income. .

Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Retirement Plans

The Group pays a special pension to employees who have worked over 15 years for the Group. The assumptions used in the calculation of future obligations are disclosed in Note 18.

2.4.18 Statements of Cash Flows

In statement of cash flows, cash flows are classified according to operating, investing, and financing activities. Cash flows related to operating activities show the cash flows used and obtained by the Group in its activities. Cash flows related to investment activities show the cash flows used and obtained by the Group in its investment activities (fixed asset investments and financial investments). Cash flows related to financing activities show the resources used by the Group in financing activities and repayments of these resources.

2.4.19 Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

2.4.21 Leasing

Group - as a lessee

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

2.4 Summary of Significant Accounting Policies (Cont'd)

Group considers following indicators for the assessment of whether a contract conveys the right to control the use of an identified asset for a period of time or not:

- The contract includes an identified asset (contract includes a definition of a specified asset explicitly or implicitly),
- A capacity portion of an asset is physically distinct or represents substantially all of the capacity of an asset (if the supplier has a substantive right to substitute the asset and obtain economic benefits from use of the asset, then the asset is not an identified asset),
- Group has the right to obtain substantially all of the economic benefits from use of the identified asset,
- Group has the right to direct the use of an identified asset.
- Group has the right to direct the use of the asset throughout the period of use only if either:

a) Group has the right to direct how and for what purpose the asset is used throughout the period of use or
b) Relevant decisions about how and for what purpose the asset is used are predetermined

i. Group has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or
ii. Group designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

Group recognises a right-of-use asset and a lease liability at the commencement date of the lease following the consideration of the above-mentioned factors.

Right-of-use asset
At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:
a) the amount of the initial measurement of the lease liability,
b) any lease payments made at or before the commencement date, less any lease incentives received,
c) any initial direct costs incurred by the Group, and
d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

When applying the cost model, Group measures the right-of-use asset at cost:
a) less any accumulated depreciation and any accumulated impairment losses; and
b) adjusted for any remeasurement of the lease liability. Group applies the depreciation requirements in TAS 16 Property, Plant and Equipment Standard in depreciating the right-of-use asset.

Group applies TAS 36 Impairment of Assets Standard to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.21 Leasing (Cont'd)

Lease liability

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease, if that rate can be readily determined, or by using the Group's incremental borrowing rate. The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:
a) fixed payments, less any lease incentives receivable,
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
c) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, Group measures the lease liability by:
a) increasing the carrying amount to reflect interest on the lease liability,
b) reducing the carrying amount to reflect the lease payments made, and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Practical expedients

The short-term lease agreements with a lease term of 12 months or less and agreements related to information technology equipment leases (mainly printer, laptop, mobile phone etc.), which are determined by the Group as low value, have been evaluated within the scope of practical expedients introduced by the TFRS 16 Leases Standard and related lease payments are recognised as an expense in the period in which they are incurred.

Group - as lessor

The Group does not have any significant activity as the lessor.

2.5 Significant Accounting Estimates, Judgements and Assumptions

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

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

2.5 Significant Accounting Estimates, Judgements and Assumptions

Information about significant areas at estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the consolidated financial statements is included in the following notes:

Note 7,29	Trade receivables and payables: Estimations and accounting judgments regarding to collectability of receivables. Trade receivables and payables: The Group allocates provision for doubtful receivables for the estimated losses caused by the inability of its customers to make the necessary payments. The Group calculates provision for doubtful receivables according to the prospective credit loss model. In this context, the loss is weighed according to the probabilities of realization and it evaluates how economic factors affect the expected credit loss. The provision is revised periodically. The provision expense calculated for trade receivables is calculated over the percentages determined for the aging group in which the receivable is included and increasing as the receivables age.
Note 9	Inventories: Estimations regarding to inventory provision. Inventories: When the net realizable value of the inventories falls below its cost, the inventories are reduced to their net realizable value and charged to the income statement in the year in cost. It also requires significant judgment whether inventories are unsaleable. According to the calculations based on the judgments and estimations of the Group Management, since the net realizable value of the inventories fell below its cost, a portion of the inventories was reduced to their net realizable value.
Note 12,14	Property, plant and equipment and intangible assets: If there is an indication of impairment of tangible and intangible assets, an impairment test is performed. In particular, in the analysis of intangible assets impairment, the actions taken by other market members and technological developments in the current period are taken into account. Assumptions on the balance sheet date, which have a certain risk that may cause significant adjustments to assets and liabilities in the next reporting period and are related to the future period, and sources of calculation uncertainty are explained below. In case of an indication of impairment, the Group determines whether there is impairment in property, plant and equipment by calculating the recoverable amount. This requires calculating the value in use of the cash-generating unit. Calculating the value in use requires the Group to calculate the estimated cash flows expected to be received in the future period of the cash generating unit and determine the appropriate discount rate to be used in calculating the present value of these cash flows.
Note 14	Goodwill: Estimations regarding to impairment of goodwill. Goodwill: The assumptions used by the Group during the impairment test of goodwill have been disclosed. The group determines the useful life of an asset by considering the estimated useful life of that asset. This assessment is based on the Group's experience with similar assets. The Group also considers additional impairment in case the assets become technically or commercially unusable as a result of changes and developments in the market. The useful lifes used by the Group are based on the judgment of Group Management and are disclosed in notes 12 and 14.

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

2.5 Significant Accounting Estimates, Judgements and Assumptions(Cont'd)

Note 16 Provisions: Estimations regarding to provision amounts. Provisions, contingent assets and liabilities: The Group has become a party to multiple investigations, examinations and lawsuits, both as defendant and plaintiff, within the scope of its ordinary activities during the period. All these investigations, investigations and lawsuits were evaluated by the Group Management in TAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and reflected in the consolidated financial statements or footnotes. Future results of these investigations, investigations and litigation may differ from the Group's assessments. As a result of the evaluations made under the current conditions as of the reporting date, the Group Management is of the opinion that the necessary information is presented in the accompanying consolidated financial statements in order to ensure that appropriate accounting criteria and measurement principles are applied to provisions, contingent liabilities and contingent assets, and that financial statement users understand their characteristics, timing and amounts.

Note 21 Revenue and cost of sales: Estimation of revenue and cost based on project based analysis. Sales and cost of sales: The percentage project completion rate method is used in the accounting of project contracts, and since the ratio of the contract expense realized until a certain date to the estimated total cost of the contract is calculated, the total estimated costs and project profitability of the projects are determined within the scope of TFRS 15, and the loss provision is calculated for the projects that are expected to end with a loss. .

Note 26 Tax Assets and liabilities: Estimations regarding to recoverability of deferred tax assets. Tax assets and liabilities: The Group recognizes deferred tax assets and liabilities for temporary timing differences arising from the differences between its tax base financial statements and its financial statements prepared in accordance with TFRS. Group companies have deferred tax assets consisting of unused tax losses and other deductible temporary differences that can be deducted from future profits. The partially or wholly recoverable amount of deferred tax assets has been estimated under current conditions. During the evaluation, the expiry dates of future profit projections, losses in current periods, unused losses and other tax assets and tax planning strategies that can be used when necessary are taken into consideration. As a result of the evaluation, as of 31 December 2021, corporate tax arising from R&D incentives amounting to 877,420,853 TL within the framework of the Law No. 5746 on the Support of Research and Development Activities, which can be foreseen on the temporary differences arising from tax deductions and that the right to tax deduction can be utilized within the period that the tax deduction right can continue. The Group has calculated a deferred tax asset over the corporate tax deduction arising from the R&D incentives that it has not used (Note 26). R&D incentives that have been vested but not yet used have an indefinite lifespan.

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

2.6 The New Standards, Amendments and Interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2021 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2021. 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 January 1, 2021 are as follows:**

Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

In December 2020, the POA issued Interest Rate Benchmark Reform – Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings. The amendments are effective for periods beginning on or after 1 January 2021.Earlier application is permitted and must be disclosed.

Amendments to IFRS 16 - Covid-19-Related Rent Concessions and Covid-19-Related Rent Concessions beyond 30 June 2021

In June 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. In April 7, 2021, POA extended the exemption to include concessions that cause a decrease in lease payments whose maturity expired on or before June 30, 2022.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 April 2021. Early application of the amendments is permitted. Overall, the Group expects no significant impact on its balance sheet and equity

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 consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

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

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

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (March 2018).

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

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

2.6 The New Standards, Amendments and Interpretations (Cont'd)

Amendments to TAS 16 – Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for the first-time adopters.

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

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

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a "directly related cost approach". Amendments must be applied retrospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.
The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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

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

Amendments to TAS 8 - Definition of Accounting Estimates

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

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

2.6 The New Standards, Amendments and Interpretations (Cont'd)

Amendments to TAS 1 - Disclosure of Accounting Policies

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

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

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

Annual Improvements – 2018–2020 Cycle

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

- *TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter:* The amendment permits a subsidiary tto measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.

- *TFRS 9 Financial Instruments – Fees in the "10 per cent test" for derecognition of financial liabilities:* The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.

- *TAS 41 Agriculture – Taxation in fair value measurements:* The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

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

2.6 The New Standards, Amendments and Interpretations (Cont'd)

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

2.7 Going Concern

As of 31 December 2021, the financial statements have been prepared on the basis of going concern. As of 31 December 2021, current assets of the Group are amounting to TL 2.948.964.059 and short term liabilities of the Company are amounting to TL 3.508.145.330, short term liabilities exceeded current assets TL 559.181.271. Besides the current period loss of the Group is TL 668.212.140 and accumulated loss is TL 645.253.804. These findings indicate the existence of a material uncertainty regarding the Group's ability to continue its operations in the foreseeable future.

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

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

Orders received by the Group continued to grow in 2021, with a total order value of USD 253 million orders received in 2021. The Group has a USD 159 million backlog, which will be realized in 2022 and subsequent years. When compared to margin realizations in 2021, the profit margin of new orders received in 2021 has increased significantly. On the other hand, the Group, expects that the increasing trend in margins will continue for new orders received in 2022.

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

Actions have been taken to reduce operational expenses, and a 17% decline in operating expenses in US dollar basis expects in 2022.

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

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

3. INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

Associates

Details of significant associate:

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

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

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

	31 December 2021	**31 December 2020**
Current assets	99.732.161	60.453.113
Non-current assets	58.450.463	41.291.822
Short term liabilities	69.137.751	39.494.312
Long term liabilities	8.843.456	2.735.504
Net assets	**80.201.417**	**59.515.119**
Goodwill carried over at the group level	601.195	601.195
Share of the Group in net assets	8.020.142	5.951.512
Total	**8.621.337**	**6.552.707**

	1 January 2021-31 December 2021	**1 January 2020-31 December 2020**
Revenue	84.439.676	53.352.586
Cost of sales (-)	(12.834.070)	(9.428.027)
Net profit	35.080.099	10.590.254
Other comprehensive expenses	(14.393.800)	(2.753.219)
Total comprehensive income	20.686.299	7.837.035
Share of the Group in total comprehensive income	2.068.630	783.704

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

	2021	**2020**
As of 1 January	11.507.883	9.401.553
Share from the profit of the period	3.508.010	1.059.025
Defined benefit plan remeasurement gans /(losses)	(41.911)	(13.564)
Currency translation difference	(6.352.645)	1.060.869
As of 31 December	**8.621.337**	**11.507.883**

Kron Telekomünikasyon A.Ş. traded in BIST. As of 31 December 2021 and 31 December 2020, the transaction price of the shares is 36.76 and 36.84 TL/share, respectively. The current value of the shares held by the Group, calculated over this price, is TL 52.451.053 as of 31 December 2021.

4. SEGMENT REPORTING

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

For the period ended 31 December 2021	**Telecom**	**System Integration**	**Technology**	**BDH**	**Unallocated**	**Total**
Revenue	748.673.680	1.301.065.012	25.768.452	220.842.440	-	2.296.349.584
Cost of sales (-)	(688.206.043)	(1.578.221.531)	(57.003.858)	(237.093.670)	1.333.974	(2.559.191.128)
Gross margin	**60.467.637**	**(277.156.519)**	**(31.235.406)**	**(16.251.230)**	**1.333.974**	**(262.841.544)**
Sales,marketing and distribution expenses (-)	(35.605.426)	(45.981.876)	-	(28.018.725)	251.835	(109.354.192)
General administrative expenses (-)	-	-	-	-	(107.506.666)	(107.506.666)
Research and development expenses (-)	-	-	(14.707.778)	-	-	(14.707.778)
Operating profit / (loss) of segment	**24.862.211**	**(323.138.395)**	**(45.943.184)**	**(44.269.955)**	**(105.920.857)**	**(494.410.180)**

4. SEGMENT REPORTING (Cont'd)

For the period ended 31 December 2020	**Telecom**	**System Integration**	**Technology**	**BDH**	**Unallocated**	**Total**
Revenue	283.676.795	1.169.418.742	124.991.516	155.079.897	-	1.733.166.950
Cost of sales (-)	(261.989.571)	(1.070.707.358)	(98.012.086)	(125.426.192)	-	(1.556.135.207)
Gross margin	**21.687.224**	**98.711.384**	**26.979.430**	**29.653.705**	**-**	**177.031.743**
Sales,marketing and distribution expenses (-)	(19.427.012)	(59.824.807)	-	(21.437.307)	-	(100.689.126)
General administrative expenses (-)	-	-	-	-	(71.317.470)	(71.317.470)
Research and development expenses (-)	-	-	(5.657.782)	-	-	(5.657.782)
Operating profit / (loss) of segment	**2.260.212**	**38.886.577**	**21.321.648**	**8.216.398**	**(71.317.470)**	**(632.635)**

4. SEGMENT REPORTING (Cont'd)

31 December 2021	Telecom	System Integration	Technology	BDH	Unallocated (*)	Total
Trade receivables	479.539.242	816.204.121	342.124	35.151.763	848.885	1.332.086.135
Due from related parties	16.530.090	-	-	-	-	16.530.090
Inventories	183.103.048	186.597.921	2.153.219	7.777.958	-	379.632.146
Contract assets	37.136.737	517.333.476	-	17.691.214	-	572.161.427
Segments assets	**716.309.117**	**1.520.135.518**	**2.495.343**	**60.620.935**	**848.885**	**2.300.409.798**
Trade payables (*)	162.476.057	762.096.948	861.975	79.915.801	136.258.003	1.141.608.784
Due to related parties	457.540.058	-	-	-	-	457.540.058
Contract liabilities	92.028.083	260.272.053	2.323.799	1.177.739	1.025.645	356.827.319
Other short term provision	-	206.952.345	-	-	13.773.387	220.725.732
Segment liabilities	**712.044.198**	**1.229.321.346**	**3.185.774**	**81.093.540**	**151.057.035**	**2.176.701.893**

31 December 2020	Telecom	System Integration	Technology	BDH	Unallocated (*)	Total
Trade receivables	175.658.046	455.689.117	42.358.632	19.302.310	7.108.917	700.117.022
Due from related parties	41.210.643	1.786.854	-	-	-	42.997.497
Inventories	59.126.986	120.115.560	1.077.266	5.036.657	(1.943.843)	183.412.626
Contract assets	3.233.240	473.046.582	3.459.644	45.777.709	-	525.517.175
Segments assets	**279.228.915**	**1.050.638.113**	**46.895.542**	**70.116.676**	**5.165.074**	**1.452.044.320**
Trade payables (*)	98.207.258	542.782.715	2.410.066	57.171.314	40.665.669	741.237.022
Due to related parties	116.062.280	24.138.506	17.676	-	4.963.195	145.181.657
Contract liabilities	44.424.423	137.099.302	41.523	2.573.337	571.642	184.710.227
Segment liabilities	**258.693.961**	**704.020.523**	**2.469.265**	**59.744.651**	**46.200.506**	**1.071.128.906**

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

4. SEGMENT REPORTING (Cont'd)

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

	For the period ended 31 Decembe 2021	For the period ended 31 December 2020
Operating (loss) of segment	(494.410.180)	(632.635)
Other (expenses)/income from operating activities (net)	(262.167.387)	(30.212.188)
Other (expenses)/income from investments (net)	36.479.702	(198.031)
Income from investments accounted using the equity method	(823.495)	1.059.025
Finance (expenses)/income (net)	94.525.453	(38.983.418)
(Loss) before tax	**(626.395.907)**	**(68.967.247)**

Assets	**31 December 2021**	**31 December 2020**
Segment assets	2.300.409.798	1.452.044.320
Other assets (*)	1.366.517.048	959.049.759
Total assets	**3.666.926.846**	**2.411.094.079**

Liabilities	**31 December 2021**	**31 December 2020**
Segment liabilities	2.176.701.893	1.071.128.906
Other liabilities (*)	1.454.816.677	754.194.128
Total liabilities	**3.631.518.570**	**1.825.323.034**

(*) 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 December 2021	**31 December 2020**
Bank- demand deposits	497.486.000	140.219.678
Bank- time deposits	44.484.727	165.638.332
Credit card receivables	**541.970.727**	**305.858.010**

Currency	**Original Currency Amount**	**Interest Rate %**	**Maturity**	**31 December 2021**
USD	89.000	6	January 2022	1.186.281
TL	43.298.445	4,75-25,5	January 2022	43.298.446
				44.484.727

Currency	**Original Currency Amount**	**Interest Rate %**	**Maturity**	**31 December 2020**
USD	20.651.479	1-11,25	January 2021-September 2021	151.592.184
TL	14.046.148	16-18,15	January 2021	14.046.148
				165.638.332

As of 31 December 2021, and 2020 there are no restriction / blockage on bank accounts.

6. BORROWINGS

	31 December 2021	31 December 2020
Short term financial liabilities		
Short term unsecured loans	929.999.574	341.910.612
Financial borrowing from factoring transactions	178.907.115	-
Non interest loans(*)	7.056.333	6.455.649
	1.115.963.022	**348.366.261**

As of 31 December 2021, effective interest rate for TL loans is 16,11 %, effective interest rate for USD loans is 5,08%, and effective interest rate for EUR loans is 3,55%. (31 December 2020: effective interest rate for TL loans is 14,81%, effective interest rate for USD loans is 5,40% and effective interest rate for EUR loans is 2,35%).

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

The details of short-term unsecured loans of the Group are given below;

Currency	Original Currency Amount	Interest Rate(%) (*)	Maturity	31 December 2021
TL	334.237.976	9,0-20,0	January 2022- February 2023	334.237.976
USD	35.829.509	3,4-5,85	January 2022-February 2022	477.571.526
EURO	7.834.057	2,35-4,75	January 2022	118.190.073
				929.999.574

Currency	Original Currency Amount	Interest Rate(%) (*)	Maturity	31 December 2020
TL	419.266.933	9,0-19,5	April 2021-December 2021	419.266.933
USD	4.540.000	4,75-5,5	Rotative	33.325.870
EURO	5.114.889	2,35	August 2021	46.074.409
				498.667.212

(*) Presents the lower and upper rates.

The details of the Group's payables from factoring transactions are given below:

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

6. BORROWINGS (Cont'd)

	31 December 2021	31 Aralık 2020
Short-Term Portion of Long-Term Financial Liabilities		
Short-Term Portion of Long-Term Unsecured Bank Loans	12.919.150	156.756.600
Short-Term Portion of Long-Term Lease Liabilities	67.940.819	15.177.088
	80.859.969	**171.933.688**

The details of short-term portion of long term unsecured bank loans of the Group are given below;

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

Currency	Original Currency Amount	Interest Rate(%) (*)	Maturity	31 December 2020
TL	156.756.600	9,00-10,00	December 2021	156.756.600
				156.756.600

	31 December 2021	31 December 2020
Long term financial liabilities		
Long term unsecured loans	13.817.167	21.376.420
	13.817.167	**21.376.420**

The detail of long-term unsecured loans of the Group is given below;

Currency	Original Currency Amount	Interest Rate(%) (*)	Maturity	31 December 2021
TL	13.817.167	9,00-10,00	December 2022- February 2023	13.817.167
				13.817.167

Currency	Original Currency Amount	Interest Rate(%) (*)	Maturity	31 December 2020
TL	21.376.420	9,00-10,00	December 2022- February 2023	21.376.420
				21.376.420

(*) Presents the lower and upper rates.

The Group has no collaterals given for bank loans as of 31 December 2021 and 2020.

The movement of borrowings 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 consolidated statement of cash flows.

	2021	2020
Opening-1 January	526.499.281	603.332.264
Cash inflow under within borrowings received	1.316.876.199	949.186.155
Cash pouflow under within borrowings received	(770.411.281)	(966.344.572)
Interest accruals changes	(29.491.487)	(16.164.337)
Currency translations changes	99.226.627	(43.510.229)
Closing-31 December	**1.142.699.339**	**526.499.281**

6. BORROWINGS (Cont'd)

The reconciliation of the Group's debts from lease transactions for the twelve-month accounting periods ending on December 31, 2021 and 2020 is as follows:

	2021	2020
Opening-1 January	59.409.133	56.937.920
Additions	21.802.911	15.946.422
Interest expenses and foreign exchange loss on lease liabilities	20.500.321	14.795.262
Lease payments	(27.739.849)	(29.099.652)
Foreign Currency Translation Difference	41.069.137	829.181
Closing-31 December	**115.041.653**	**59.409.133**

As of December 31, 2021, 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 21%. The maturity structure of debts arising from leasing transactions and the exchange rate risk carried over are presented in Note 29.

7. TRADE RECEIVABLES AND PAYABLES

Trade Receivables from Third Parties	**31 December 2021**	**31 December 2020**
Trade receivables	1.502.504.348	761.675.388
Discount on trade receivables (*)	(26.922.675)	(12.154.163)
Allowances for doubtful receivables (-)	(143.495.538)	(76.357.553)
	1.332.086.135	**673.163.672**

Movement of Allowance for Doubtful Receivables	**2021**	**2020**
Reported as of 1 January	**(76.357.553)**	**(57.401.650)**
Charge for the period	(5.746.502)	(2.144.432)
Provision no longer required	503.023	-
Currency translation differences	(61.894.506)	(16.811.471)
As of 31 December	**(143.495.538)**	**(76.357.553)**

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

As of 31 December 2021, the Company has been factoring transaction with its trade receivables amounting to TL 15.496.857. These receivables are carried in the trade receivables account in the balance sheet and the collections from the interlocutor are accounted for in the payables from factoring transactions account.

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.

7. TRADE RECEIVABLES AND PAYABLES(Cont'd)

Long Term Trade Receivables from Third Parties	**31 December 2021**	**31 December 2020**
Trade receivables	-	29.721.709
Discount on trade receivables (*)	-	(2.768.359)
	-	**26.953.350**

Trade Payables to Third Parties	**31 December 2021**	**31 December 2020**
Trade payables	1.141.608.784	741.237.022
	1.141.608.784	**741.237.022**

8. OTHER RECEIVABLES AND PAYABLES

	31 December 2021	**31 December 2020**
Receivable of tax return	1.596.316	-
Deposits and guarantees given	330.012	312.205
Other	975.187	259.427
	2.901.515	**571.632**

Short Term Other Payables	**31 December 2021**	**31 December 2020**
Taxes and duties payables	81.348.943	40.309.890
Other	425.700	-
	81.774.643	**40.309.890**

9. INVENTORIES

Inventories are stated at their cost values and allocated the provision for impairment on inventories.

	31 December 2021	**31 December 2020**
Raw materials	90.074.269	46.860.663
Finished goods	47.390.287	60.188.566
Trade goods	274.244.621	79.327.836
Right of return assets	36.359.126	-
Allowance for inventory impairment (-)	(68.436.157)	(2.964.439)
	379.632.146	**183.412.626**

Movement of inventory impairment provisions is as follows:

Movement for allowance:	**2021**	**2020**
Opening balance	(2.964.439)	-
Provision	(40.214.065)	(2.830.564)
Foreign currency translation difference	(25.257.653)	(133.875)
Closing balance	**(68.436.157)**	**(2.964.439)**

10. PREPAID EXPENSES

Short term prepaid expenses	**31 December 2021**	**31 December 2020**
Short term prepaid expenses	23.907.632	15.268.434
Advances given for inventories	12.823.749	6.434.035
	36.731.381	**21.702.469**

11. CONTRACT ASSETS AND LIABILITIES

Details of the contract assets are given below;

Customer	31 December 2021			31 December 2020		
	Short Term	Long Term	Total	Short Term	Long Term	Total
Telecom	37.136.737	-	37.136.737	3.233.240	-	3.233.240
System Integration	517.333.476	-	517.333.476	473.046.582	-	473.046.582
Technology	-	-	-	3.459.644	-	3.459.644
BDH	17.691.214	-	17.691.214	45.777.709	-	45.777.709
Other	-	-	-	-	-	0
	572.161.427	**-**	**572.161.427**	**525.517.175**	-	**525.517.175**

Details of the contract liabilities are given below;

Customer	31 December 2021			31 December 2020		
	Short Term	Long Term	Total	Short Term	Long Term	Total
Telecom	92.028.083	-	92.028.083	44.424.423	-	44.424.423
System Integration	260.272.053	-	260.272.053	137.099.302	-	137.099.302
Technology	2.323.799	-	2.323.799	41.523	-	41.523
BDH	1.177.739	-	1.177.739	2.573.337	-	2.573.337
Other	1.025.645	-	1.025.645	571.642	-	571.642
	356.827.319	**-**	**356.827.319**	**184.710.227**	**-**	**184.710.227**

Contract assets represent the Group's rightful consideration for goods or services transferred to the customer under ongoing customer contracts. The contract asset has been evaluated for impairment in accordance with TFRS 9 and as of 31 December 2021, an impairment of TL 31.819.935 has been recognized (31 December 2020: 12.951.424 TL).
Contractual obligations represent the Group's obligation to deliver goods and services in return for the price it collects from its customers.

12. PROPERTY, PLANT AND EQUIPMENT

	Machinery and Equipment	Vehicles	Furniture and fixtures	Leasehold Improvements	Construction in Progress	Total
Cost						
1 January 2021	**270.918.613**	**397.627**	**31.993.436**	**86.158.219**	**32.033.966**	**421.501.861**
Translation difference	207.045.626	324.395	26.100.769	70.289.285	25.891.422	329.651.497
Purchases	12.090.789	-	773.490	1.256.974	11.156.802	25.278.055
Transfers(*)	-	-	-	-	(57.744.393)	(57.744.393)
Disposals	(5.782.713)	(319.869)	(14.426.143)	(25.240.625)	(1.197.010)	(46.966.360)
31 December 2021	**484.272.315**	**402.153**	**44.441.552**	**132.463.853**	**10.140.787**	**671.720.660**
Accumulated Depreciation						
1 January 2021	**(230.754.241)**	**(285.136)**	**(24.258.350)**	**(59.336.583)**	**-**	**(314.634.310)**
Translation difference	(176.770.702)	(145.675)	(16.869.419)	(46.218.991)	-	(240.004.787)
Period charge	(11.658.754)	(38.977)	(2.072.120)	(9.226.410)	-	(22.996.261)
Disposals	1.676.210	213.508	7.940.592	13.605.027	-	23.435.337
31 December 2021	**(417.507.487)**	**(256.280)**	**(35.259.297)**	**(101.176.957)**		**(554.200.021)**
Net book value at 31 December 2021	**66.764.828**	**145.873**	**9.182.255**	**31.286.896**	**10.140.787**	**117.520.639**

(*) Assets with a cost of TL 57.744.393 were transferred from tangible fixed assets to other intangible assets (Note 14).

As of 31 December 2021, depreciation charge is TL 22.996.261. TL 228.866 is accounted in cost of sales, TL 21.635.887 in general administrative expenses, TL 1.131.508 in sales, marketing, and distribution expenses.

Machinery and equipment include of spare parts which will be used in long term. The total depreciation expenses for spare parts is TL 5.055.736, which is fully recognized under general administrative expenses (31 December 2020: The total depreciation expenses is TL 3.585.032, TL 2.736.132 is accounted in general administative expenses, TL 848.900 is accounted in the cost of sales).

As of 31 December 2021, The Group has a tangible fixed asset with a cost of TL 669.300, which is used but has expired.

There are not any mortgage and financial leasing on property, plant and equipment.

12. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Machinery and Equipment	Vehicles	Furniture and fixtures	Leasehold Improvements	Construction in Progress	Total
Cost						
1 January 2020	**267.597.945**	**444.556**	**26.261.977**	**68.706.537**	**6.539.629**	**369.550.644**
Translation difference	56.083.235	97.945	6.170.066	16.253.075	2.623.313	81.227.634
Purchases	16.225.285	-	1.747.734	537.424	23.674.785	42.185.228
Transfers(*)	(3.668.673)	-	955.356	661.183	(803.761)	(2.855.895)
Disposals	(65.319.179)	(144.874)	(3.141.697)	-	-	(68.605.750)
31 December 2020	**270.918.613**	**397.627**	**31.993.436**	**86.158.219**	**32.033.966**	**421.501.861**
Accumulated Depreciation						
1 January 2020	**(236.921.880)**	**(319.846)**	**(19.732.597)**	**(41.248.711)**	**-**	**(298.223.034)**
Translation difference	(49.146.781)	(70.427)	(4.646.196)	(10.101.402)	-	(63.964.806)
Period charge	(12.404.995)	(30.794)	(2.090.576)	(7.986.470)	-	(22.512.835)
Transfers(*)	2.654.365	-	(930.677)	-	-	1.723.688
Disposals	65.065.050	135.931	3.141.696	-	-	68.342.677
31 December 2020	**(230.754.241)**	**(285.136)**	**(24.258.350)**	**(59.336.583)**	**-**	**(314.634.310)**
Net book value at 31 December 2020	**40.164.372**	**112.491**	**7.735.086**	**26.821.636**	**32.033.966**	**106.867.551**

As of 31 December 2020, depreciation charge is TL 22.512.835. TL 11.629.832 is accounted in cost of sales, TL 10.151.137 in general administrative expenses, TL 731.866 in sales, marketing and distribution expenses.

As of 31 December 2020, The Group has tangible fixed assets with a cost of TL 9.665.320 that are used.

There are not any mortgage and financial leasing on property, plant and equipment.

(*) TL 2.855.895 has been transferred from tangible fixed assets to other intangible assets (Note 14).

12. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

	Useful lives
Machinery and Equipment	10
Vehicles	5-10
Leasehold Improvement	5-10
Furniture and fixtures	5-15

13. RIGHT OF USE ASSETS

The right of use asset is initially recognized at cost comprising of amount of the initial measurement of the lease liability, and any lease payments made at or before the commencement date, less any lease incentives received. The Group re-measures the right of use asset after netting-off depreciation and reducing impairment losses from the right of use asset and adjusted for certain re-measurements of the lease liability recognized at the present value.

As of 31 December 2021, and 2020 the details of the right of use assets that are accounted in the condensed consolidated financial statements are as follows:

	Buildings	Vehicles	Total
Cost			
1 January 2021	**58.951.108**	**35.420.256**	**94.371.364**
Translation difference	35.201.627	27.602.127	62.803.754
Additions	3.425.206	18.377.705	21.802.911
31 December 2021	**97.577.941**	**81.400.088**	**178.978.029**
1 January 2021	**(24.426.091)**	**(21.625.149)**	**(46.051.240)**
Translation difference	(22.030.275)	(20.178.655)	(42.208.930)
Additions	(13.169.928)	(9.616.682)	(22.786.610)
31 December 2021	**(59.626.294)**	**(51.420.486)**	**(111.046.780)**
Net book value at 31 December 2021	**37.951.647**	**29.979.602**	**67.931.249**

	Buildings	Vehicles	Total
Cost			
1 January 2020	**52.765.659**	**24.830.104**	**77.595.763**
Translation difference	636.189	192.990	829.179
Additions	5.549.260	10.397.162	15.946.422
31 December 2020	**58.951.108**	**35.420.256**	**94.371.364**
1 January 2020	**(12.606.972)**	**(12.737.170)**	**(25.344.142)**
Translation difference	(1.497.074)	(205.818)	(1.702.892)
Additions	(10.322.045)	(8.682.161)	(19.004.206)
31 December 2020	**(24.426.091)**	**(21.625.149)**	**(46.051.240)**
Net book value at 31 December 2020	**34.525.017**	**13.795.107**	**48.320.124**

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14. INTANGIBLE ASSETS

Goodwill

The shares transfer of Netaş Bilişim and its subsidiary 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	**2021**	**2020**
Opening Balance	134.537.477	108.872.627
Translation difference	109.757.875	34.233.240
Closing Balance	**244.295.352**	**143.105.867**

According to the accounting policies, provided in Note 2.4.8, Group performed impairment testing of goodwill.

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

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

The result of income approach and sensitivity analysis indicates that, the firm value of Enterprise and BDH segments is between USD 46 million and USD 56 million. As of the valuation date, the value of the company calculated between USD 41 million and USD 51 million by considering the net debt of USD 5 million.

14. INTANGIBLE ASSETS (Cont'd)

Goodwill (Cont'd)

Considering the future cash flows of the Group, the Company Management concluded that there is no impairment in the goodwill amount as of 31 December 2021.

Significant assumptions used in discounted cash flow projections

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

	1 January- 31 December 2021		
	Customer Relations (*)	**Other Intangible Assets (**)**	**Total**
Cost			
Opening balance	**78.305.825**	**287.352.475**	**365.658.300**
Additions	-	41.516.852	41.516.852
Transfers	-	57.744.393	57.744.393
Translation difference	63.883.175	117.734.787	181.617.962
Closing balance	**142.189.000**	**504.348.507**	**646.537.507**
Accumulated amortization			
Opening balance	**(72.432.888)**	**(173.463.133)**	**(245.896.021)**
Transfers	-	-	-
Impairments	-	(97.918.687)	(97.918.687)
Translation difference	(62.637.927)	(97.810.541)	(160.448.468)
Period charge	(7.118.185)	(43.030.538)	(50.148.723)
Closing balance	**(142.189.000)**	**(412.222.899)**	**(554.411.899)**
Net book value	**-**	**92.125.608**	**92.125.608**

(*) The purchase of shares of Netaş Bilişim and its subsidiary BDH was completed on 11 October 2011. The contractual customer portfolio amount is related to this purchase.

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

As of 31 December 2021, amortization charge is TL 50.148.723. TL 38.066.660 is accounted in cost of sales, TL 11.101.408 in general administrative expenses and TL 163.033 in sales, marketing, and distribution expenses and TL 817.622 in Research and Development expenses.

14. INTANGIBLE ASSETS (Cont'd)

Other Intangible Assets

	Customer Relations (*)	Other Intangible Assets(**)	Total
Cost			
Opening balance	**63.367.926**	**187.027.112**	**250.395.038**
Additions	**-**	50.852.524	50.852.524
Transfers	**-**	2.855.895	2.855.895
Translation difference	14.937.899	46.616.994	61.554.893
Closing balance	**78.305.825**	**287.352.525**	**365.658.350**
Accumulated amortization			
Opening balance	**(52.278.539)**	**(116.257.855)**	**(168.536.394)**
Transfers	-	(1.723.688)	(1.723.688)
Translation difference	(12.677.399)	(28.736.446)	(41.413.845)
Period charge	(7.476.950)	(26.745.144)	(34.222.094)
Closing balance	**(72.432.888)**	**(173.463.133)**	**(245.896.021)**
Net book value	**5.872.937**	**113.889.392**	**119.762.329**

As of 31 December 2020, amortization charge is TL 34.222.094. TL 24.909.113 is accounted in cost of sales, TL 6.866.616 in general administrative expenses and TL 532.196 in sales, marketing, and distribution expenses.

(*) The purchase of shares of Netaş Bilişim Teknolojileri Anonim Şirketi ("Netaş Bilişim") and its subsidiary BDH Bilişim Destek Hizmetleri Sanayi ve Ticaret A.Ş. ("BDH") was completed on 11 October 2011. The contractual customer portfolio amount is related to this purchase.

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

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

	Depreciation Ratio (%)
Software	20
Customer Portfolio	10
Licenses	3-15
Rights	20

15. GOVERNMENT GRANTS

For the year ended 31 December 2021 the Group has received approved and accrued incentive from TÜBİTAK TL 7.857.752 (31 December 2020: TL 8.990.067).

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 December 2021, the Group has a corporate tax benefit of TL 887.420.853 due to research and development disbursement and amount is not utilized by the year end (As of 31 December 2021, the Group has a corporate tax benefit of TL 662.568.796 due to research and development disbursement and TL 33.102.990 amount is utilized by the year end). The Group has booked deferred tax assets for unused R&D tax benefit (Note 26). The unused tax advantages of the Group related to research and development activities has unlimited maturity.

For the year ended 31 December 2021, the amount of income tax incentive within the scope of Act numbered 5746 is TL 12.921.557 (31 December 2020: TL 18.008.980) 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 14.557.898 (31 December 2020: TL 16.230.680).

16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions	**31 December 2021**	**31 December 2020**
Executory Contracts (*)	170.593.219	-
Provisions for return	36.359.126	-
Provision for legal cases	13.508.670	8.445.859
Other provisions (**)	264.717	470.271
	220.725.732	**8.916.130**

For the year ended 31 December 2021, the Group has cash outflows of TL 3.246.966 for legal cases during the year (31 December 2020: TL 2.025.301).

	Executory Contracts (*)	**Provision for returns**	**Provision for Legal Cases**	**Other Provisions (**)**	**Total**
1 January 2021	-	-	8.445.859	470.271	8.916.130
Provision booked and released	113.868.537	24.269.197	3.373.252	(393.288)	141.117.698
Payments	-	-	(3.246.966)	-	(3.246.966)
Currency translations	56.724.682	12.089.929	4.936.525	187.734	73.938.870
31 December 2021	**170.593.219**	**36.359.126**	**13.508.670**	**264.717**	**220.725.732**

	Provision for Legal Cases	**Other Provisions (**)**	**Total**
1 January 2020	5.833.883	1.442.505	7.276.388
Provision booked and released	4.637.277	(1.261.417)	3.375.860
Payments	(2.025.301)	-	(2.025.301)
Currency translations	-	289.183	289.183
31 December 2020	**8.445.859**	**470.271**	**8.916.130**

(*) 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.

(**) Dues, electricity, fuel, water, gasoline, communication etc. consists of provisions for general administration expenses.

17. COMMITMENTS

The Group's off-balance sheet commitments and contingencies as of 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Guarantee letters given (*)	1.370.596.177	851.841.084
	1.370.596.177	**851.841.084**

(*) The Group has no off-balance sheet commitments and contingencies in favor of subsidiaries which are fully consolidated as of 31 December 2021 and 2020.

Maturities and the currencies of the letters of guarantees given are given below:

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

		Original Currency		
	TL Equivalent	**TL**	**USD**	**EURO**
31 December 2020	**851.841.084**	209.453.485	74.890.486	10.285.859

The off-balance sheet commitments and contingencies as of 31 December 2021 and 2020 are as follows:

Commitments, Pledges, Mortgages ("CPM") are given by the Company	**31 December 2021**	**31 December 2020**
A. Total amount of CPM is given on behalf of own legal personality	1.303.951.177	851.841.084
B. Total amount of CPM is given in favor of subsidiaries which are fully consolidated	66.645.000	-
C. Total amount of CPM is given for assurance of third party's debts in order to conduct of usual business activities	-	-
D. Total Amount of other CPM	-	-
i. Total amount of CPM is given in favor of parent company	-	-
ii. Total amount of CPM is given in favor of other group companies, which B and C doesn't include	-	-
iii. The amount of CPM is given in favor of third party which C doesn't include	-	-
	1.370.596.177	**851.841.084**

CPMs given are for the financial debts used by the components included in the scope of consolidation. These financial liabilities are included in short- and long-term borrowings in the consolidated financial statements.

17. COMMITMENTS (Cont'd)

Currencies of letters of guarantees received are given below:

Guarantee Letters Received

		Original Currency		
	TL Equivalent	**TL**	**USD**	**EURO**
31 December 2021	**18.057.797**	3.534.081	967.538	107.870

		Original Currency		
	TL Equivalent	**TL**	**USD**	**EURO**
31 December 2020	**2.673.639**	1.600.068	23.538	100.000

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.

18. EMPLOYEE BENEFITS

Employee Benefit Obligations:

	31 December 2021	31 December 2020
Payables to employees	192.334	18.589.854
Social security payables	26.079.772	12.936.648
	26.272.106	**31.526.502**

18. EMPLOYEE BENEFITS(Cont'd)

Short- Term and Long-Term Provisions for Employee Benefits:

Short Term	**31 December 2021**	**31 December 2020**
Provision for employee premiums	26.573.697	25.684.627
	26.573.697	**25.684.627**
Long Term		
Unused vacation provision	11.748.655	15.486.403
Provision for severance indemnity	35.512.436	24.888.216
Provision for retirement benefits	269.459	148.392
	47.530.550	**40.523.011**
Total		
Provision for employee premiums	26.573.697	25.684.627
Unused vacation provision	11.748.655	15.486.403
Provision for severance indemnity	35.512.436	24.888.216
Provision for retirement benefits	269.459	148.392
	74.104.247	**66.207.638**

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

Severance Indemnity

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

The provision is made in respect of all eligible employees, at a rate of 30 days gross pay for each year of service. The retirement pay provision ceiling at the respective balance sheet dates, is subject to a maximum of TL 8.284,51 per year as of 31 December 2021. (31 December 2020: TL 7.117,17). The provision for employee termination benefits is not funded, as there is no funding requirement.

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.

18. EMPLOYEE BENEFITS (Cont'd)

Severance Indemnity

The movement for severance indemnity provision is as follows:

	31 December 2021	31 December 2020
Present value of severance indemnity provision	35.512.436	24.888.216
Net liability in balance sheet	**35.512.436**	**24.888.216**
Current service cost	4.690.040	3.547.409
Interest cost	3.307.313	2.390.322
Extra payment or loss / (gain)	1.298.787	677.925
Period charge at 31 December	**9.296.140**	**6.615.656**

Movement for severance indemnity provision:	**2021**	**2020**
1 January	24.888.216	19.799.908
Period charge	9.296.140	6.615.656
Severance indemnity paid	(5.705.338)	(4.386.359)
Actuarial (gain)/ loss	7.033.418	2.859.011
31 December	**35.512.436**	**24.888.216**

Special Retirement Benefit Plan Provision

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

The assumption calculated to determine present value of severance indemnity and retirement benefit provision as of 31 December 2021 and 2020 are as follows:

Assumptions	**31 December 2021**	**31 December 2020**
Annual inflation rate	14,80%	9,50%
Annual discount rate	18,80%	12,80%
Net discount rate	3,48%	3,01%

18. EMPLOYEE BENEFITS (Cont'd)

Provision for Employee Bonus and Unused Vacation

The movement for employee bonus provision is as follows:

Movement for employee bonus provision:	2021	2020
1 January	25.684.627	23.875.917
Period charge	30.593.264	33.944.831
Payments	(29.704.194)	(32.136.121)
31 December	**26.573.697**	**25.684.627**

The movement for unused vacation provision is as follows:

Movement for unused vacation provision:	2021	2020
1 January	15.486.403	14.492.893
Period charge	3.892.241	3.758.071
Payments	(7.629.989)	(2.764.561)
31 December	**11.748.655**	**15.486.403**

19. OTHER ASSETS

Other Current Assets	31 December 2021	31 December 2020
VAT receivable	26.080.619	18.651.655
Personnel and business advances	239.248	438.052
Other	7.067.874	410.565
	33.387.741	**19.500.272**

20. SHAREHOLDERS' EQUITY

Paid in Capital

Shareholding structure of Company as of 31 December 2021 and 2020 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 Communique 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 of these shares constitute the registered (A) group of shares, and 31.783.752 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.

20. SHAREHOLDERS' EQUITY (Cont'd)

Share Capital Adjustments (cont'd)

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 consolidated statement of financial position under "Share Capital Adjustments" in the Shareholders' Equity.

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 consolidated financial statements in accordance with TFRS are associated with retained earnings.

The details of restricted reserves are as follows as of 31 December 2021 and 2020.

	31 December 2021	**31 December 2020**
Primary legal reserves	11.997.507	11.997.507
Secondary legal reserves	22.899.853	22.899.853
Total	**34.897.360**	**34.897.360**

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

As of 31 December 2021, 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

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.

21. REVENUE AND COST OF SALES

Revenue:

	1 January- 31 December 2021	1 January- 31 December 2020
Net domestic sales	**2.176.294.872**	**1.550.389.284**
Net export	**120.054.712**	**182.777.666**
United States	28.429.995	126.216.257
Asia	56.197.804	27.178.469
Africa	17.640.870	16.941.725
Europe	17.786.043	12.441.215
Total net sales	**2.296.349.584**	**1.733.166.950**

Cost of Sales:

	1 January- 31 December 2021	1 January- 31 December 2020
Equipment expenses	1.416.737.744	916.527.955
Personnel expenses	410.826.225	302.894.122
Service/Support expenses	501.301.086	267.351.513
Impairment of tangible assets	97.918.687	-
Depreciation and amortization expenses	51.123.095	48.441.062
Impairment of provision in inventory	40.750.178	0
Transportation expenses	9.912.414	3.716.015
Other	30.621.699	17.204.540
	2.559.191.128	**1.556.135.207**

21. REVENUE AND COST OF SALES (Cont'd)

	1 January-31 December 2021				
Performance Obligations:	**Telecom**	**System Integration**	**Technology**	**BDH**	**Total**
Hardware performance obligation	568.173.887	283.485.073	-	-	851.658.960
Licence performance obligation	46.245.672	463.241.880	-	-	509.487.552
Maintenance performance obligation	37.693.037	326.017.116	-	220.842.440	584.552.593
Design performance obligation	20.425.905	78.025.920	25.768.452	-	124.220.277
Installation performance obligation	25.336.891	44.035.601	-	-	69.372.492
Other performance obligations	50.798.288	106.259.422	-	-	157.057.710
	748.673.680	**1.301.065.012**	**25.768.452**	**220.842.440**	**2.296.349.584**
Satisfaction of Performance Obligations:					
At a point in time	736.851.396	1.057.198.031	25.768.452	220.842.440	2.040.660.319
Overtime	11.822.284	243.866.981	-	-	255.689.265
	748.673.680	**1.301.065.012**	**25.768.452**	**220.842.440**	**2.296.349.584**

21.REVENUE AND COST OF SALES (Cont'd)

	1 January-31 December 2020				
Performance Obligations:	**Telecom**	**System Integration**	**Technology**	**BDH**	**Total**
Hardware performance obligation	226.273.781	282.094.625	-	-	508.368.406
Licence performance obligation	7.233.700	449.241.817	-	-	456.475.517
Maintenance performance obligation	16.919.983	168.215.632	-	155.079.897	340.215.512
Design performance obligation	947.375	72.311.559	124.991.516	-	198.250.450
Installation performance obligation	10.332.932	83.613.171	-	-	93.946.103
Other performance obligations	21.969.024	113.941.938	-	-	135.910.962
	283.676.795	**1.169.418.742**	**124.991.516**	**155.079.897**	**1.733.166.950**

Satisfaction of Performance Obligations:					
At a point in time	257.168.890	790.934.793	124.991.516	155.079.897	1.328.175.096
Overtime	26.507.905	378.483.949	-	-	404.991.854
	283.676.795	**1.169.418.742**	**124.991.516**	**155.079.897**	**1.733.166.950**

22. RESEARCH AND DEVELOPMENT, SALES, MARKETING AND DISTRIBUTION, AND GENERAL ADMINISTRATIVE EXPENSES

The details of research and development, sales, marketing and distribution and general administrative expenses are as in the following:

	1 January- 31 December 2021	1 January- 31 December 2020
Sales, marketing and distribution expenses	109.354.192	100.689.126
General administrative expenses	107.506.666	71.317.470
Research and development expenses	14.707.778	5.657.782
	231.568.636	**177.664.378**

Personnel expenses	139.850.017	110.361.885
Depreciation and amortization expenses	44.808.499	29.000.965
Consultancy, audit and legal expenses	18.970.425	12.867.698
Software expenses	10.353.529	4.632.520
Fair and advertising expenses	2.546.808	2.983.369
Severance indemnity and pension provision expenses	1.432.386	2.977.469
Communication expenses	3.207.707	2.566.237
Travel and meeting expenses	1.664.164	1.826.496
Electricity,water and gas expenses	1.014.043	1.713.433
Private health insurance expenses	1.489.045	1.615.426
Personnel transportation expenses	1.871.762	1.557.558
Training expenses	722.441	1.543.658
Cafeteria expenses	757.264	1.407.905
Maintenance expenses	2.203.192	1.091.643
Other	677.354	1.518.116
	231.568.636	**177.664.378**

Personnel expenses:	1 January- 31 December 2021	1 January- 31 December 2021
Cost of sales	410.826.225	302.894.122
Sales, marketing and distribution expenses	68.958.090	62.546.256
General administrative expenses	57.398.886	44.301.117
Research and development expenses	13.493.041	3.514.511
	550.676.242	**413.256.006**

Depreciation and amortization expenses:	1 January- 31 December 2021	1 January- 31 December 2021
Cost of sales	51.123.095	48.441.062
Sales, marketing and distribution expenses	5.541.397	2.030.068
General administrative expenses	38.449.481	26.970.897
Research and development expenses	817.621	-
	95.931.594	**77.442.027**

23. INCOME AND EXPENSES FROM OTHER OPERATING ACTIVITIES

Income from Other Operating Activities	1 January-31 December 2021	1 January-31 December 2020
Discount income, net (*)	5.837.161	19.016.532
R&D Incentives	-	4.599.472
Reversal for doubtful receivables expenses	503.023	-
Other income and gains	1.316.020	2.551.284
	7.656.204	**26.167.288**

Expenses from Other Operating Activities	1 January-31 December 2021	1 January-31 December 2020
Foreign exchange expenses, net	239.591.330	41.052.468
Legal case expenses	5.161.787	8.465.001
Expenses for doubtful receivables provision	5.746.502	2.144.432
Other tax expenses	3.017.987	1.196.985
Expenses of other consumables	462.640	
Other expenses and losses	15.843.345	3.520.590
	269.823.591	**56.379.476**

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

24. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from Investing Activities	1 January-31 December 2021	1 January-31 December 2020
Subsidiary sales profit	38.872.094	-
Income from sales of property, plant and equipment	609.539	45.399
Income from scrap sales	117.651	19.643
	39.599.284	**65.042**

Expenses from Investing Activities	1 January-31 December 2021	1 January-31 December 2020
Loss from sales of tangible assets	3.119.582	263.073
	3.119.582	**263.073**

25. FINANCE INCOME / (EXPENSES)

Financial Income	**1 January- 31 December 2021**	**1 January- 31 December 2020**
Foreign exchange gains, net (*)	228.979.925	75.149.297
Interest income	4.213.728	1.376.462
	233.193.653	**76.525.759**

Financial Expenses	**1 January- 31 December 2021**	**1 January- 31 December 2020**
Bank interest expenses	85.988.928	90.505.597
Interest and foreign exchange loss on leases	20.500.321	14.795.262
Guarantee letter commissions	11.186.053	8.093.733
Other financial expenses	20.992.898	2.114.585
	138.668.200	**115.509.177**

(*) Foreign exchange gain and loss related to cash and cash equivalents, borrowings, and other financial liabilities.

26. TAX ASSETS AND LIABILITIES

Corporate Tax

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

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

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 consolidated tax returns of the Company and its subsidiaries. Therefore, provisions for taxes, as included in the consolidated financial statements, it has been calculated based on individual companies.

Corporate tax rate in Malta is 35% (2020: 35 %). Corporate tax rate in Kazakhstan is 20% (2020: 20 %). Corporate tax rate in Algeria is 26% (2020: 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.

26. TAX ASSETS AND LIABILITIES (Cont'd)

Deferred tax assets	31 December 2021	31 December 2020
Trade and unbilled receivables	(88.452.339)	(79.448.602)
Tangible and intangible assets	(43.352.596)	(23.364.493)
Trade payables and cost provisions	95.495.006	(2.885.749)
Carryforward tax losses	-	50.744.135
Unused R&D tax exemption	177.666.653	131.847.448
Provision for unused vacation	1.488.037	3.097.280
Inventory and contract assets	(31.881.688)	26.338.977
Provisions for employee premiums	4.463.247	5.136.926
Deferred revenues	438.431	9.081.490
Contract liabilities	28.002.883	5.198.006
Legal provision	2.539.641	1.194.776
Severance indemnity and retirement provisions	8.918.415	5.186.122
Other	(707.994)	(1.207.765)
	154.617.696	**130.918.551**

	31 December 2021	31 December 2020
Deferred Tax Assets	169.542.385	149.627.468
Deferred Tax Liabilities	(14.924.689)	(18.708.917)
Net Amount	**154.617.696**	**130.918.551**

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

Movement for deferred taxes is as follows:	31 December 2021	31 December 2020
Balance as of January, 1	**130.918.551**	**104.770.576**
Restatement Effect	-	-
Balance as of January, 1 (Restated)	**130.918.551**	**104.770.576**
Current charge deferred tax income	(44.026.775)	653.451
Affiliate sales impact	(10.107.250)	-
Accounting under equity	1.406.684	567.836
Translation difference	76.426.486	24.926.688
Closing	**154.617.696**	**130.918.551**

	1 January- 31 December 2021	1 July- 31 December 2020
Current tax loss	-	(2.619.207)
Deferred tax income	(44.026.775)	653.451
Tax Income (Loss)/Income	**(44.026.775)**	**(1.965.756)**

	31 December 2021	31 December 2020
Corporate tax	-	2.619.207
Prepaid taxes	(33.562.897)	(33.959.609)
Current tax liabilities/ (Current income tax assets)	**(33.562.897)**	**(31.340.402)**

26. TAX ASSETS AND LIABILITIES (Cont'd)

Movement for deferred taxes as of 31 December 2021 and 2020 are as follows;

	1 January 2021	Charge to Period	Charge to Equity	Sales Effect of NETRD	Translation Difference	31 December 2021
Tangible and intangible assets	(23.364.493)	(1.485.615)	-	479.994	(18.982.485)	(43.352.599)
Trade receivables	(79.448.602)	37.253.535	-	-	(46.257.271)	(88.452.338)
Trade payables and cost provisions	(2.885.749)	67.235.357	-	-	30.956.971	95.306.579
Inventory and contract assets	26.338.977	(53.204.241)	-	-	(5.016.425)	(31.881.689)
Deferred revenue	9.081.490	(10.714.406)	-	-	2.071.346	438.430
Provisions for employee bonuses	5.136.926	(1.381.304)	-	(755.793)	1.463.417	4.463.246
Provision for unused vacation	3.097.280	(2.771.321)	-	(294.377)	1.456.455	1.488.037
Severance indemnity and retirement provisions	5.186.122	(1.175.772)	1.406.684	-	3.501.372	8.918.406
Contract liabilities	5.198.006	12.391.377	-	-	10.413.499	28.002.882
Unused R&D tax exemption (Note 12)	131.847.448	(30.764.328)	-	(9.537.059)	86.309.022	177.855.083
Carryforward tax losses	50.744.135	(61.503.490)	-	-	10.759.355	-
Legal Provision	1.194.776	1.102.135	-	-	242.730	2.539.641
Other	(1.207.765)	991.298	-	(15)	(491.500)	(707.982)
	130.918.551	**(44.026.775)**	**1.406.684**	**(10.107.250)**	**76.426.486**	**154.617.696**

	1 January 2020	Charge to Period	Charge to Equity	Translation Difference	31 December 2020
Tangible and intangible assets	(16.354.654)	(2.743.256)	-	(4.266.583)	(23.364.493)
Trade receivables	(66.230.393)	2.286.331	-	(15.504.540)	(79.448.602)
Trade payables and cost provisions	(1.324.732)	(1.192.341)	-	(368.676)	(2.885.749)
Inventory and contract assets	21.990.689	(797.901)	-	5.146.189	26.338.977
Deferred revenue	2.595.808	5.608.504	-	877.178	9.081.490
Provisions for employee bonuses	5.252.699	(1.292.859)	-	1.177.086	5.136.926
Provision for unused vacation	3.188.438	(804.717)	-	713.559	3.097.280
Severance indemnity and retirement provisions	4.034.934	(808.978)	567.836	1.392.330	5.186.122
Contract liabilities	9.231.839	(5.929.631)	-	1.895.798	5.198.006
Unused R&D tax exemption (Note 15)	111.071.314	(5.162.836)	-	25.938.970	131.847.448
Carryforward tax losses	31.897.095	10.816.278	-	8.030.762	50.744.135
Other	(582.461)	674.857	-	(105.385)	(12.989)
	104.770.576	**653.451**	**567.836**	**24.926.688**	**130.918.551**

26. TAX ASSETS AND LIABILITIES (Cont'd)

Reconciliation between tax expenses for the years ended 31 December 2021 and 2020 and calculated tax expense using corporate tax rate in Turkey (25%) is as follows:

	31 December 2021	**31 December 2020**
Tax reconciliation		
(Loss) before tax	(626.395.907)	(68.967.247)
Tax rate	25%	22%
Computed tax expense	156.598.977	15.172.794
Tax effects of:		
Non-deductible expenses	(33.095.278)	(11.675.753)
Used R&D deduction	-	7.282.658
Unused R&D deduction	-	(27.411.163)
Effect of legal tax rate change on deferred tax balance	(13.445.017)	6.642.065
Affiliate sales impact	(9.718.024)	-
Usable losses for which no deferred tax has been calculated	(86.292.165)	-
Adjustments for which no deferred tax has been calculated	(29.214.610)	-
Other adjustment and monetary loss/gain	(28.860.658)	8.023.643
Total tax (loss)/ income	**(44.026.775)**	**(1.965.756)**

As of 31 December 2021, the Company has TL 877.420.853 unused R&D tax exemption provided by Support of Research and Development Act, numbered 5746 and the tax exemption is unlimited (31 December 2020: TL 629.465.806)

27. (LOSS) PER SHARE

	1 January- 31 December 2021	1 January- 31 December 2020
Number of shares	64.864.800	64.864.800
Net profit/ (loss) for the period	(670.422.682)	(70.933.003)
(Loss) per share (kurus)	(10,3357)	(1,0936)

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.

28. RELATED PARTY DISCLOSURES

Due from and due to related parties as of 31 December 2021 and 2020 is as follows:

Due from Related Parties	**31 December 2021**	**31 December 2020**
ZTE İstanbul Telekomünikasyon(1)	16.530.090	41.210.643
ZTE Corporation(2)	-	1.786.854
	16.530.090	**42.997.497**

Due to Related Parties	**31 December 2021**	**31 December 2020**
ZTE Corporation(2)	441.757.867	117.460.722
ZTE İstanbul Telekomünikasyon(1)	11.472.963	27.243.179
Kron Telekomünikasyon A.Ş.(3)	4.309.228	477.756
	457.540.058	**145.181.657**

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) Other related party
(2) Main partner
(3) Associate

28. RELATED PARTY DISCLOSURES (Cont'd)

Main transactions with related parties are as follows for the year ended 31 December 2021 and 2020;

Sales	**1 January- 31 December 2021**	**1 January- 31 December 2020**
ZTE İstanbul Telekomünikasyon(1)	58.830.242	52.048.640
ZTE Kangxun Telecom (1)	1.957.322	-
ZTE Corporation(2)	8.728.767	3.341.874
Kron Telekomünikasyon A.Ş.(3)	177.618	198.939
	69.693.949	**55.589.453**

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

Purchases	**1 January- 31 December 2021**	**1 January- 31 December 2020**
ZTE Corporation(2)	440.135.851	140.747.021
ZTE İstanbul Telekomünikasyon(1)	8.012.458	30.630.357
Kron Telekomünikasyon A.Ş.(3)	3.950.347	723.429
	452.098.656	**172.100.807**

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 year ended 31 December 2021, total remuneration for the directors and management board of the Group is TL 27.083.362 (31 December 2020: TL 22.387.576). As of 31 December 2021, and 2020 there is no credit granted to the Group's Management.

29. 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 December 2021, and 2020 the Group's net debt / total equity ratios are as follows:

	31 December 2021	**31 December 2020**
Short-term and long-term borrowings (*)	1.142.699.339	526.499.281
Cash and cash equivalents	(541.970.727)	(305.858.010)
Net financial debt	600.728.612	220.641.271
Equity	36.923.410	585.075.637
Net financial debt/ Equity Ratio	**1627%**	**38%**

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

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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:

31 December 2021	**Trade Receivables**		**Contract Assets related to Goods and Services Provided**	**Other Receivables**	
	Related Parties	**Other**	**Other**	**Other**	**Deposits at Banks**
Maximum credit risks as of balance sheet date (A+B+C+D)	**16.530.090**	**1.332.086.135**	**603.981.362**	**2.901.515**	**541.970.727**
Maximum risk guaranteed by collateral	-	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	16.530.090	1.093.295.295	572.161.427	2.901.515	541.970.727
(B) Net book value of overdue but not impaired financial assets	-	238.790.840	31.819.935	-	-
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	-	-	-	-	-

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Credit risk (Cont'd)

31 December 2020	**Trade Receivables**		**Contract Assets related to Goods and Services Provided**	**Other Receivables**	
	Related Parties	**Other**	**Other**	**Other**	**Deposits at Banks**
Maximum credit risks as of balance sheet date (A+B+C+D)	**42.997.497**	**700.117.022**	**538.468.599**	**571.632**	**305.858.010**
Maximum risk guaranteed by collateral	-	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	42.997.497	525.237.936	525.517.175	571.632	305.858.010
(B) Net book value of overdue but not impaired financial assets	-	174.879.086	12.951.424	-	-
Guaranteed by collateral	-	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-	-
Overdue (gross book value)	-	76.357.553	-	-	-
Impairment (-)	-	(76.357.553)	-	-	-
Guaranteed by collateral	-	-	-	-	-
Unexpired (gross book value)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
Guaranteed by collateral	-	-	-	-	-
(D) Off balance sheet risks	-	-	-	-	-

29. 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. To measure the expected credit loss, the Group first classifies its trade receivables by considering 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 December 2021	Undue	1-30 days overdue	1-3 months overdue	3-6 months overdue	6-12 months overdue	1-5 years overdue
Credit loss ratio (%)	0,5%	1,4%	2,1%	3,6%	6,6%	16,1%
As of period	1.425.145.838	63.026.814	10.714.653	5.929.469	2.598.242	191.322.310
Expected credit loss	19.777.264	108.565	94.202	12.152	357.314	2.408.480

31 December 2020	Undue	1-30 days overdue	1-3 months overdue	3-6 months overdue	6-12 months overdue	1-5 years overdue
Credit loss ratio (%)	0,5%	1,4%	2,1%	3,6%	6,6%	16,1%
As of period	856.028.640	57.538.314	14.352.567	6.398.219	10.719.533	107.427.062
Expected credit loss	7.129.189	290.357	136.131	125.918	336.370	7.716.409

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Liquidity risk (Cont'd)

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 December 2021 and 2020 is presented on the next page. In addition, information on how the Group will manage its liquidity position within the 12-month period following the balance sheet date is explained in Note 2.7.

31 December 2021

Maturities due to agreements	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years	More than 5 years
Non- derivative financial liabilities	**2.938.664.477**	**2.962.829.997**	**2.682.429.784**	**195.219.300**	**72.993.244**	**12.187.669**
Financial liabilities	1.142.699.339	1.155.272.252	986.945.199	154.509.886	13.817.167	-
Lease Liabilities	115.041.653	126.634.260	14.561.100	40.709.414	59.176.077	12.187.669
Due to related parties	457.540.058	457.540.058	457.540.058	-	-	-
Other trade payables to third parties	1.141.608.784	1.141.608.784	1.141.608.784	-	-	-
Other payables to third parties	81.774.643	81.774.643	81.774.643	-	-	-

31 December 2020:

Maturities due to agreements	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years	More than 5 years
Non- derivative financial liabilities	**1.512.636.983**	**1.552.422.739**	**1.088.836.884**	**391.307.505**	**63.778.350**	**8.500.000**
Financial liabilities	526.499.281	555.412.321	154.691.124	372.179.938	28.541.259	-
Lease Liabilities	59.409.133	70.281.849	7.417.191	19.127.567	35.237.091	8.500.000
Due to related parties	145.181.657	145.181.657	145.181.657	-	-	-
Other trade payables to third parties	741.237.022	741.237.022	741.237.022	-	-	-
Other payables to third parties	40.309.890	40.309.890	40.309.890	-	-	-

29. 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.

	31 December 2021	31 December 2020
Fixed interest rate financial instruments	**1.937.973.194**	**1.215.182.493**
Cash and Cash Equivalents (*)	586.455.454	471.496.342
Trade Receivables	1.348.616.225	743.114.519
Other Receivables	2.901.515	571.632
Fixed interest rate financial liabilities	**2.623.210.210**	**1.351.855.464**
Short and Long Term Unsecured Loans	827.245.072	365.717.762
Lease Liabilities	115.041.653	59.409.133
Trade Payables	1.599.148.842	886.418.679
Other Payables	81.774.643	40.309.890
Variable interest rate financial instruments	**308.397.934**	**154.325.870**
Short and Long Term Unsecured Loans	308.397.934	154.325.870
Interest-free financial liabilities	**7.056.333**	**6.455.649**
Non Interest bearing unsecured spot loans	7.056.333	6.455.649

(*) As of 31 December 2021, and 2020 includes bank time deposits.

If the interest rate of the variable rate loans of the Group is 100 basis points higher / lower on December 31, 2021 and all other variables remain constant, the pre-tax profit effect of the high / low interest expense arising from the variable interest rate loans will be 308.398 TL (2020: 154.329 TL).

Foreign currency risk

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

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk (Cont'd)

As of 31 December 2021, and 2020, the Group's foreign currency position table is given below:

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

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

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk (Cont'd)

		Original Currency		
31 December 2020	**TL Equivalent (*)**	**TL**	**Avro**	**Other**
Current Assets	**530.143.637**	**391.586.399**	**13.083.999**	**247.399.415**
Cash and cash equivalents	71.872.394	44.302.306	2.098.897	148.582.313
Trade receivables, third parties	457.897.806	347.251.011	10.958.509	97.001.623
Other receivables, third parties	373.438	33.082	26.592	1.815.480
TOTAL ASSETS (A)	**530.143.637**	**391.586.399**	**13.083.999**	**247.399.415**
Short Term Liabilities	**626.474.532**	**558.139.766**	**7.014.760**	**79.282.095**
Financial liabilities	471.796.991	425.722.582	5.114.889	-
Lease liabilities	15.177.088	15.177.088	-	-
Trade payables, third parties	99.190.563	78.031.817	1.899.871	16.080.061
Other payables, third parties	40.309.890	39.208.279	-	63.202.034
Long Term Liabilities	**65.608.465**	**65.608.465**	**-**	**-**
Long term financial liabilities	21.376.420	21.376.420	-	-
Lease liabilities	44.232.045	44.232.045	-	-
TOTAL LIABILITIES (B)	**692.082.997**	**623.748.231**	**7.014.760**	**79.282.095**
Net Foreign Currency Asset / (Liability) Position (A-B)	**(161.939.360)**	**(232.161.832)**	**6.069.239**	**168.117.320**

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

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk (Cont'd)

31 December 2021	Profit /(Loss)	
	Appreciation	Devaluation
Effect of 10 % appreciation/devaluation in TL -USD exchange rate :		
Net asset / (liability) in TL	(9.928.555)	9.928.555
Hedged portion from TL risk (-)	-	-
(1) Net effect of TL	**(9.928.555)**	**9.928.555**
Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :		
Net asset / (liability) in EUR	(44.087.560)	44.087.560
Hedged portion from EUR risk (-)	-	-
(2) Net effect of EUR	**(44.087.560)**	**44.087.560**
Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:		
Net asset / (liability) in other currencies	18.222.803	(18.222.803)
Hedged portion from other currencies risk (-)	-	-
(3) Net effect of other currencies	**18.222.803**	**(18.222.803)**
TOTAL (1+2+3)	**(35.793.312)**	**35.793.312**

31 December 2020	Profit / (Loss)	
	Appreciation	Devaluation
Effect of 10 % appreciation/devaluation in TL -USD exchange rate :		
Net asset / (liability) in TL	(23.216.183)	23.216.183
Hedged portion from TL risk (-)	-	-
(1) Net effect of TL	**(23.216.183)**	**23.216.183**
Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :		
Net asset / (liability) in EUR	5.467.110	(5.467.110)
Hedged portion from EUR risk (-)	-	-
(2) Net effect of EUR	**5.467.110**	**(5.467.110)**
Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:		
Net asset / (liability) in other currencies	1.555.137	(1.555.137)
Hedged portion from other currencies risk (-)	-	-
(3) Net effect of other currencies	**1.555.137**	**(1.555.137)**
TOTAL (1+2+3)	**(16.193.936)**	**16.193.936**

30. 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 2
Financial Assets:

It is anticipated that the recorded values of financial assets, which are shown at cost including cash and cash equivalents, 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.

31. SUBSEQUENT EVENTS

The tension between Russia and Ukraine since January 2022 has turned into a crisis and a hot conflict as of the date of the report. The Group does not carry out any activities in the two countries that are subject to the crisis. Considering the geographies in which the Group operates, no impact is expected on Group operations. Since the course of the crisis is uncertain as of the report date, the effects of possible global developments on the Group's operations cannot be reasonably estimated

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

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

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

Before the sale, NetRD was presented under operating segment Technology in the segment reporting note.

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

33. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR / INDEPENDENT AUDITOR'S

As of 31 December 2021, the Company's independent audit fee for the reporting period is TL 775.000 TL. (31 December 2020: TL 551.760).