NETAŞ TELEKOMÜNİKASYON A.Ş.
AND ITS' SUBSIDIARIES

AS AT AND FOR THE YEAR ENDED
31 DECEMBER 2020
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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AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2020 and 2019

(Unless otherwise stated the amounts are in TL).

	Notes	Audited 31 December 2020	Audited 31 December 2019
ASSETS			
Current Assets		**1.806.680.392**	**1.511.828.338**
Cash and Cash Equivalents	5	307.221.733	195.340.538
Trade Receivables		1.067.144.759	871.112.583
Due from related parties	*29*	*42.997.497*	*8.287.038*
Trade receivables, third parties	*7*	*1.024.147.262*	*862.825.545*
Other Receivables		571.632	531.110
Other receivables, third parties	*8*	*571.632*	*531.110*
Inventories	9	183.412.626	124.259.454
Contract Assets related to Goods and Services Provided		173.169.862	239.795.554
Contract Assets related to Goods and Services Provided	*11*	*173.169.862*	*239.795.554*
Prepaid Expenses		21.702.469	10.409.097
Current Income Tax Assets	27	33.957.039	32.967.279
Other Current Assets	20	19.500.272	37.412.723
Non-Current Assets		**604.413.687**	**494.362.377**
Trade Receivables		26.953.350	42.312.492
Trade receivables, third parties	*7*	*26.953.350*	*42.312.492*
Property, Plant and Equipment	12	106.867.551	71.327.610
Right of Use Assets	13	48.320.124	52.251.621
Financial Investments		6.837.555	5.533.199
Intangible Assets		254.299.756	190.731.271
Goodwill	*14*	*134.537.477*	*108.872.627*
Other intangible assets	*14*	*119.762.279*	*81.858.644*
Investments Accounted Using the Equity Method	3	11.507.883	9.401.553
Prepaid Expenses		-	1.626.760
Deferred Tax Assets	27	149.627.468	121.177.871
TOTAL ASSETS		**2.411.094.079**	**2.006.190.715**

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2020 and 2019

(Unless otherwise stated the amounts are in TL).

	Notes	Audited 31 December 2020	Audited 31 December 2019
LIABILITIES			
Short Term Liabilities		**1.706.092.471**	**1.198.142.317**
Short Term Borrowings		520.299.949	434.015.226
Bank Loans	*6*	*505.122.861*	*407.122.680*
Lease Liabilities	*6*	*15.177.088*	*26.892.546*
Trade Payables		886.418.679	512.397.434
Due to related parties	*29*	*145.181.657*	*93.593.477*
Trade payables, third parties	*7*	*741.237.022*	*418.803.957*
Other Payables		40.309.890	22.141.209
Other payables, third parties	*8*	*40.309.890*	*22.141.209*
Employee Benefit Obligations	18	31.526.502	24.660.041
Contract Liabilities		114.103.140	106.554.998
Contract Liabilities	*11*	*114.103.140*	*106.554.998*
Provisions		*40.210.587*	*36.704.941*
Provisions for Employee Benefits	*18*	*31.294.457*	*29.428.553*
Other Short Term Provisions	*16*	*8.916.130*	*7.276.388*
Deferred Revenue	19	70.607.087	61.319.303
Current Income Tax Liabilities	27	2.616.637	349.165
Long Term Liabilities		**119.230.563**	**271.838.979**
Long Term Borrowings		65.608.465	226.254.958
Bank Loans	*6*	*21.376.420*	*196.209.584*
Lease Liabilities	*6*	*44.232.045*	*30.045.374*
Trade Payables		-	61.801
Trade payables, third parties	7	-	*61.801*
Provisions		34.913.181	29.114.925
Provisions for Employee Benefits	*18*	*34.913.181*	*29.114.925*
Deferred Tax Liabilities	27	18.708.917	16.407.295
SHAREHOLDERS' EQUITY			
Equity Attributable to Equity Holders of the Parent		**585.075.637**	**535.890.730**
Share Capital	21	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		(445.568)	(4.241)
Currency Translation Differences		*(445.568)*	*(4.241)*
Other comprehensive income not to be reclassed in profit and loss		421.188.549	300.432.088
Remeasurement gain/ (loss) on defined benefit plans		*(11.594.178)*	*(9.309.272)*
Currency Translation Differences		*432.782.727*	*309.741.360*
Restricted Reserves	21	34.897.360	34.897.360
Retained Earnings		94.088.563	242.688.833
Net Loss for the Period		(71.130.227)	(148.600.270)
Non-controlling interests		**695.408**	318.689
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2.411.094.079**	**2.006.190.715**

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

(Unless otherwise stated the amounts are in TL).

	Notes	Current Year 1 January- 31 December 2020	Previous Year 1 January- 31 December 2019
INCOME OR LOSS FROM OPERATIONS			
Revenue	22	1.733.166.950	1.327.640.194
Cost of Sales (-)	22	(1.556.135.207)	(1.167.599.493)
GROSS PROFIT		**177.031.743**	**160.040.701**
Sales, Marketing and Distribution Expenses (-)	23	(100.689.126)	(97.234.551)
General Administrative Expenses (-)	23	(71.317.470)	(87.612.151)
Research and Development Expenses (-)	23	(5.657.782)	(7.405.105)
Other Income from Operating Activities	24	26.167.288	14.807.993
Other Expenses from Operating Activities (-)	24	(56.379.476)	(44.448.943)
OPERATING LOSS		**(30.844.823)**	**(61.852.056)**
Income from Investment Activities	25	65.042	85.437
Expenses from Investment Activities (-)	25	(263.073)	(316.717)
Income from Investments Accounted Using the Equity Method	3	1.059.025	1.000.942
OPERATING LOSS BEFORE FINANCE INCOME AND EXPENSES		**(29.983.829)**	**(61.082.394)**
Financial Income	26	76.525.759	72.110.488
Financial Expenses (-)	26	(115.509.177)	(189.265.051)
LOSS BEFORE TAX		**(68.967.247)**	**(178.236.957)**
Tax (Expenses)/ Income		**(1.965.756)**	**29.457.192**
Current Tax Expenses	*27*	*(2.619.207)*	*(437.037)*
Deferred Tax Income	*27*	*653.451*	*29.894.229*
NET LOSS FOR THE YEAR		**(70.933.003)**	**(148.779.765)**
Attributable to:			
Non-controlling Interest		*197.224*	*(179.495)*
Equity Holders of the Parent		*(71.130.227)*	*(148.600.270)*
Earn/(Loss) per share		*(1,0936)*	*(2,2937)*
OTHER COMPREHENSIVE INCOME/ (EXPENSES)			
Other comprehensive income or expenses that will not be reclassified subsequently to profit of loss		**120.756.461**	**66.796.896**
Currency translation differences		123.041.367	68.244.161
Remeasurement gain/ (loss) on defined benefit plans		(2.839.178)	(1.809.081)
Remeasurement gain/ (loss) on defined benefit plans, deferred tax		567.836	361.816
Actuarial gain/ (loss) arising from investment accounted using the equity method	3	(13.564)	-
Other comprehensive income or expenses that will be reclassified subsequently to profit of loss		**(261.832)**	**38.499**
Currency translation differences		(3.758)	38.499
Currency translation differences from investments accounted using the equity method		(258.074)	-
OTHER COMPREHENSIVE INCOME/ (LOSS)		**120.494.629**	**66.835.395**
TOTAL COMPREHENSIVE INCOME/ (LOSS)		**49.561.626**	**(81.944.370)**
Attributable to:			
Non-controlling Interest		376.719	(179.495)
Equity Holders of the Parent		49.184.907	(81.764.875)

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 2020

(Unless otherwise stated the amounts are in TL).

			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 2019	**64.864.800**	**41.612.160**	**28.564.108**	**495.474.961**	**(7.862.007)**	**34.897.360**	**175.927.647**	**(19.814.091)**	**813.664.938**	**-**	**813.664.938**
Restatement effects	-	-	(28.606.848)	(253.977.762)	-	-	150.970.128	(64.394.851)	(196.009.333)	-	(196.009.333)
(Restated) as of 1 January 2019(*)	**64.864.800**	**41.612.160**	(42.740)	**241.497.199**	**(7.862.007)**	**34.897.360**	**326.897.775**	**(84.208.942)**	**617.655.605**	**-**	**617.655.605**
Total comprehensive income	**-**	**-**	**38.499**	**68.244.161**	**(1.447.265)**	**-**	**-**	**(148.600.270)**	**(81.764.875)**	**(179.495)**	**(81.944.370)**
Additions to the scope of consolidation	-	-	-	-	-	-	-	-	-	498.184	498.184
Transfer	-	-	-	-	-	-	(84.208.942)	84.208.942	-	-	-
Balance as at 31 December 2019	**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**
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**

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Unless otherwise stated the amounts are in TL).

	Notes	Current Period 1 January- 31 December 2020	Previous Period 1 January- 31 December 2019
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Net (Loss) for the Period		**(70.933.003)**	**(148.779.765)**
Profit/(Loss) from Continuing Operations		*(70.933.003)*	*(148.779.765)*
Adjustments to Reconcile Profit/Loss		**135.695.621**	**168.560.397**
Adjustments for Depreciation and Amortisation Expenses	12-13-14	77.442.027	61.430.161
Adjustments for (Reversal of) Impairment Loss Recognised in Profit or Loss		4.974.996	-
Adjustments for (Reversal of) Provision of Receivables	*7*	*2.144.432*	-
Adjustment for Reversal of Provision of Inventory	*9*	*2.830.564*	-
Adjustments For Provisions		47.730.054	40.077.918
Adjustments for Provisions Related with Employee Benefits	*18*	*44.354.194*	*40.560.967*
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	*16*	*4.637.277*	*1.557.603*
Adjustments for (Reversal of) Other Provisions	*16*	*(1.261.417)*	*(2.040.652)*
Adjustments for Interest (Income) and Expenses		79.593.079	159.550.893
Adjustments for Interest Income	*26*	*(1.376.462)*	*(9.838.767)*
Adjustments for Interest Expense	*26*	*99.986.073*	*179.721.554*
Unearned Financial Loss/Income from Credit Sales	*24*	*(19.016.532)*	*(10.331.894)*
Adjustments For Unrealised Foreign Exchange Losses (Gains)	*26*	(75.149.297)	(62.271.721)
Adjustments for Share of Profit of Investments Accounted for Using the Equity Method	*3*	(1.059.025)	(1.000.942)
Adjustments for Losses Tax Expense	27	1.965.756	(29.457.192)
Adjustments for (Gains)/Lossesdisposal of non-current assets		198.031	231.280
Adjustments for (Gains)/Losses Arising From Sale of Property, Plant and Equipment	25	*198.031*	*231.280*
Changes in Working Capital		**348.259.364**	**150.599.894**
Adjustments for Decrease / (Increase) in Trade Receivables		3.067.986	50.882.255
Decrease (Increase) in Trade Receivables from Related Parties		*(31.277.613)*	*(7.903.507)*
Decrease (Increase) in Trade Receivables from Third Parties		*34.345.599*	*58.785.762*
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		32.080.936	(3.600.368)
Adjustments for Decrease (Increase) in Other Receivables Related with Operations from Third Parties		*32.080.936*	*(3.600.368)*
Adjustments for Decrease / (Increase) in Inventories		(31.343.162)	(4.120.001)
Decrease / (Increase) in Prepaid Expenses		(6.520.949)	(14.651.748)
Adjustments for (Decrease) in Trade Payables		241.723.371	136.708.210
Increase (Decrease) in Trade Payables to Related Parties		28.191.761	88.968.206
(Decrease)/Increase in Trade Payables to Third Parties		*213.531.610*	*47.740.004*
Increase (Decrease) in Payables due to Employee Benefits		1.005.714	(575.461)
(Decrease)/Increase in Contract Assets		117.591.710	(13.700.613)
Adjustments for Decrease in Other Operating Payables		12.364.479	2.743.312
(Decrease) in Other Operating Payables to Unrelated Parties		*12.364.479*	*2.743.312*
(Decrease)/ Increase in Contract Liabilities		(16.776.883)	11.304.944
Other Adjustments for Other (Decrease)/ Increase in Working Capital		(4.933.838)	(14.390.636)
Cash Flows (Used in) Generated From Operations		**413.021.982**	**170.380.526**
Payments Related with Provisions for Employee Benefits	18	(39.529.212)	(41.705.721)
Income Taxes Paid	27	(34.396.646)	(21.562.770)
Payments Related with Lawsuits	16	(2.025.301)	(1.076.899)
		337.070.823	**106.035.136**

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

(Unless otherwise stated the amounts are in TL).

	Notes	Current Period 1 January- 31 December 2020	Previous Period 1 January- 31 December 2019
B.CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES			
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		328.115	85.437
Proceeds from Sales of Property, Plant, Equipment		*328.115*	*85.437*
Purchase of Property, Plant, Equipment and Intangible Assets		(93.037.752)	(31.040.671)
Purchase of Property, Plant, Equipment	*12*	*(42.185.228)*	*(28.604.207)*
Purchase of Intangible Assets	*14*	*(50.852.524)*	*(2.436.464)*
Interest Received	26	1.376.462	9.838.767
		(91.333.175)	**(21.116.467)**
C.CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES			
Inflows from Borrowings	6	949.186.155	1.704.704.159
Outflows from Borrowings	6	(966.344.572)	(1.603.129.163)
Interest Paid		(93.983.562)	(161.164.661)
Payments of lease liabilities	6	(29.099.652)	(31.089.861)
		(140.241.631)	**(90.679.526)**
NET INCREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)		**105.496.017**	**(5.760.857)**
D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		6.385.178	8.313.712
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**111.881.195**	**2.552.855**
E.CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5	195.340.538	192.787.683
CASH AND CASH EQUIVALENTS AT END OF YEAR (A+B+C+D+E)	5	**307.221.733**	**195.340.538**

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 1.700.000 TL, 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.

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

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. In line with the decision taken by Company's Board of Directors on 14 March 2019, the Company Management was authorized for the sales of NETRD. Negotiations are still ongoing within this scope and an exclusivity agreement was signed with Orion Parent LLC to evaluate strategic alternatives for the sale of NETRD's shares. As of the balance sheet date, there is no sale. Information on the financial results of the subsidiary planned to be sold is presented in 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 2020, the Group has no blue-collar employees (31 December 2019: None). The average number of white-collar personnel employed in the Group as of 31 December 2020 is 2.544 (31 December 2019: 2.478).

Approval of Consolidated Financial Statements

The financial statements were approved by the Board of Directors on 5 March 2021. 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 2020 are as follows:

	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.

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.

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)

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 2020, and 2019 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.

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.

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)

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

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

c) Functional Currency and Reporting Currency

The Company maintains its books of account in accordance with accounting principles set by Turkish Commercial Code ("TCC") and tax legislation. The 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.

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)

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 2020 (1 USD: 7,3405 TL), 31 December 2019; (1 USD: 5,9402 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: 7,009 TL) for the year ended 31 December 2020 (for the year ended 31 December 2019 1 USD: 5,6708 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.

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.

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.

Classifications to comparative financial statements

The Group reclassified long-term spare parts amounting to TL 13.244.001, which were disclosed the other non-current assets to tangible assets.

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.

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 standalone or bundle basis.

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.

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)

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".

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 (Cont'd)

2.4.1 Revenue (Cont'd)

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.

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.

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 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.

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".

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)

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.

2.4.3 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.

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 (Cont'd)

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.

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).

Costs associated with developing or maintaining computer software program are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

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)

2.4.5 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.

(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.

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)

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).

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.

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)

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.

2.4.9 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 2020 (1 USD = 7,3405 TL, 1 EUR = 9,0079 TL, 1 CAD = 5,7315 TL, 1 GBP = 9,9438 TL and 1 BDT = 0,0854 TL, 1 AZN=4,3299, 1 DZD=0,05553).

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.4.9 Effects of Change in Foreign Exchange Rates (Cont'd)

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.

2.4.12 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.

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.

2.4.20 Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Intangible assets

The fair value of intangible assets recognized as a result of a business combination is based on market values. The market value of intangible assets is the estimated amount for which an intangible could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair values of other intangible assets are carried at cost and are considered to approximate its respective carrying amount.

(b) Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

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

2.4 Summary of Significant Accounting Policies (Cont'd)

2.4.20 Determination of Fair Values (Cont'd)

(c) Trade and Other Receivables/Due from Related Parties

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(d) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Fair value of trade and other payables is carried out at cost and is considered to approximate its respective carrying amount.

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.

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.

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)

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.

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.

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)

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.

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 7,30	Trade receivables and payables: Estimations and accounting judgments regarding to collectability of receivables
Note 9	Inventories: Estimations regarding to inventory provision
Note 12, 14	Property, plant and equipment and intangible assets: Estimations regarding to useful lives
Note 14	Goodwill: Estimations regarding to impairment of goodwill
Note 16	Provisions: Estimations regarding to provision amounts
Note 22	Revenue and cost of sales: Estimation of revenue and cost based on project based analysis
Note 27	Tax Assets and liabilities: Estimations regarding to recoverability of deferred tax assets

2.6 The New Standards, Amendments and Interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2020 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, 2020. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

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

i) The new standards, amendments and interpretations which are effective as at January 1, 2020 are as follows:

Definition of a Business (Amendments to TFRS 3)

In May 2019, the POA issued amendments to the definition of a business in TFRS 3 Business Combinations standards. The amendments are intended to assist entities to remove the assessment regarding the definition of business.

The amendments:
- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to TFRS 9, TAS 39 and TFRS 7- Interest Rate Benchmark Reform

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide reliefs which enable hedge accounting to continue. For these reliefs, it is assumed that the benchmark on which the cash flows of hedged risk or item are based and/or, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. in connection with interest rate benchmark reform.

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7. The amendments did not have a significant impact on the financial position or performance of the Group.

Definition of Material (Amendments to TAS 1 and TAS 8)

In June 2019, the POA issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

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

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

Amendments to TFRS 16 – Covid-19 Rent Related Concessions

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted. The amendments did not have a significant impact on the financial position or performance of the Group.

In June 5, 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. A lessee that makes this election accounts for any change in lease payments related rent concession the same way it would account for the change under the standard, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021
- There is no substantive change to other terms and conditions of the lease.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Early application of the amendments is permitted. The amendments did not have a significant impact on the financial position or performance of the Group.

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

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the 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 TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

On March 12, 2020, 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. Group will wait until the final amendment to assess the impacts of the changes.

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

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

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.

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.

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.

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

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

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change because of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying TFRS 4 Insurance Contracts that are using the exemption from TFRS 9 Financial Instruments (and, therefore, apply TAS 39 Financial Instruments: Classification and Measurement) and for TFRS 16 Leases, to lease modifications required by IBOR reform.

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the TAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.
- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Additional disclosures

Amendments need additional TFRS 7 Financial Instruments disclosures such as; How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

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

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

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.

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 Significant Changes Regarding the Current Period

The COVID-19 epidemic, which has affected the whole world, has had serious effects on health systems and the economy. Countries have taken measures such as testing and treating patients, imposing travel restrictions, quarantining citizens, and canceling large gatherings to slow the spread of the epidemic. Along with these social measures, comprehensive financial measures were taken simultaneously to reduce negative impacts on the economic outlook. Similarly, in Turkey, fiscal and monetary actions have been implemented to ensure the safety and health of citizens as well as companies and households to support the people in these difficult conditions. The Group management closely monitors all developments and takes necessary measures in order to effectively manage the negative effects of the COVID-19 epidemic on the consolidated financial status, consolidated financial performance and consolidated cash flows of the Group. In order to strengthen the liquidity position, the cash management strategy was reviewed by examining the payment and collection terms. The Group management believes that the Group can successfully manage its commercial risks and liquidity reserves despite the current uncertain economic outlook. In order to evaluate the potential effects of the social and economic situation arising due to the epidemic, the developments in the sectors in which we operate are closely monitored. Due to the effects of the epidemic, the focus is on receivables management in order to increase liquidity and operational efficiency, and investment expenditures are also regularly monitored. While preparing the consolidated financial statements as of 31 December 2020, the Group evaluated the possible effects of the COVID-19 outbreak on the financial statements and reviewed the estimates and assumptions used in the preparation of the consolidated financial statements. In this context, possible impairment losses in the consolidated financial statements dated December 31, 2020 have been evaluated and no significant impact has been identified.

3. INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

Associates

Details of significant associate:

As of 31 December 2020, 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 2020	**31 December 2019**
Current assets	60.453.113	42.233.353
Non-current assets	41.291.822	34.754.536
Short term liabilities	39.494.312	22.245.461
Long term liabilities	2.735.504	3.064.353
Net assets	**59.515.119**	**51.678.075**
Share of the Group in net assets	5.951.512	5.167.808

	1 January 2020- 31 December 2020	**1 January 2019- 31 December 2019**
Revenue	53.352.586	55.862.667
Cost of sales (-)	(9.428.027)	(12.303.299)
Net profit	10.590.254	11.117.182
Other comprehensive expenses	(2.753.219)	(1.107.764)
Total comprehensive income	7.837.035	10.009.418
Share of the Group in total comprehensive income	783.704	1.000.942

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

	2020	**2019**
As of 1 January	9.401.553	7.784.350
Share from the profit of the period	1.059.025	1.000.942
Defined benefit plan remeasurement gans /(losses)	(13.564)	-
Currency translation difference	1.060.869	616.261
As of 31 December	**11.507.883**	**9.401.553**

4. SEGMENT REPORTING

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 year ended 31 December 2020	**Enterprise**	**Public**	**International**	**Technology**	**Telecom**	**BDH**	**Unallocated**	**Total**
Revenue	762.087.775	363.356.069	43.974.898	124.991.516	283.676.795	155.079.897	-	1.733.166.950
Cost of sales (-)	(713.113.140)	(313.712.764)	(43.881.454)	(98.012.086)	(261.989.571)	(125.426.192)	-	(1.556.135.207)
Gross margin	**48.974.635**	**49.643.305**	**93.444**	**26.979.430**	**21.687.224**	**29.653.705**	**-**	**177.031.743**
Sales,marketing and distribution expenses (-)	(29.015.010)	(14.038.381)	(16.771.416)	-	(19.427.012)	(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	**19.959.625**	**35.604.924**	**(16.677.972)**	**21.321.648**	**2.260.212**	**8.216.398**	**(71.317.470)**	**(632.635)**

For the year ended 31 December 2019	**Enterprise**	**Public**	**International**	**Technology**	**Telecom**	**BDH**	**Unallocated**	**Total**
Revenue	578.653.545	303.224.335	64.511.120	99.314.621	158.542.024	123.394.549	-	1.327.640.194
Cost of sales (-)	(539.801.093)	(246.872.981)	(54.126.827)	(77.834.046)	(147.783.620)	(101.180.926)	-	(1.167.599.493)
Gross margin	**38.852.452**	**56.351.354**	**10.384.293**	**21.480.575**	**10.758.404**	**22.213.623**	**-**	**160.040.701**
Sales,marketing and distribution expenses (-)	(36.861.395)	(11.050.521)	(13.773.435)	-	(13.085.935)	(22.463.265)	-	(97.234.551)
General administrative expenses (-)	-	-	-	-	-	-	(87.612.151)	(87.612.151)
Research and development expenses (-)	-	-	-	(7.405.105)	-	-	-	(7.405.105)
Operating profit / (loss) of segment	**1.991.057**	**45.300.833**	**(3.389.142)**	**14.075.470**	**(2.327.531)**	**(249.642)**	**(87.612.151)**	**(32.211.106)**

4. SEGMENT REPORTING (Cont'd)

31 December 2020	Enterprise	Public	International	Technology	Telecom	BDH	Unallocated (*)	Total
Trade receivables	211.035.103	533.627.932	98.314.566	42.358.632	140.716.875	17.938.587	7.108.917	1.051.100.612
Due from related parties	-	-	1.786.854	-	41.210.643	-	-	42.997.497
Inventories	4.568.311	111.080.227	6.147.701	1.077.266	57.446.307	5.036.657	(1.943.843)	183.412.626
Contract assets	45.834.980	39.774.943	35.496.159	3.459.644	2.826.427	45.777.709	-	173.169.862
Segments assets	**261.438.394**	**684.483.102**	**141.745.280**	**46.895.542**	**242.200.252**	**68.752.953**	**5.165.074**	**1.450.680.597**
Trade payables (*)	411.208.029	151.838.253	20.525.854	2.410.066	57.417.837	57.171.314	40.665.669	741.237.022
Due to related parties	477.756	22.997	23.637.753	17.676	116.062.280	-	4.963.195	145.181.657
Contract liabilities	27.170.680	19.164.847	21.344.776	-	43.347.654	2.573.337	501.846	114.103.140
Deferred revenue	243.292	65.034.229	5.148.109	41.523	70.138	-	69.796	70.607.087
Segment liabilities	**439.099.757**	**236.060.326**	**70.656.492**	**2.469.265**	**216.897.909**	**59.744.651**	**46.200.506**	**1.071.128.906**

31 December 2019	Enterprise	Public	International	Technology	Telecom	BDH	Unallocated (*)	Total
Trade receivables	165.480.764	498.271.174	106.311.181	34.641.480	85.788.344	12.089.350	2.555.744	905.138.037
Due from related parties	21.720	-	-	-	8.265.318	-	-	8.287.038
Inventories	5.790.733	87.369.568	7.345.873	877.429	20.507.713	1.931.069	437.069	124.259.454
Contract assets	98.291.405	75.331.867	36.567.023	3.332.339	9.504.889	9.969.742	6.798.289	239.795.554
Segments assets	**269.584.622**	**660.972.609**	**150.224.077**	**38.851.248**	**124.066.264**	**23.990.161**	**9.791.102**	**1.277.480.083**
Trade payables (*)	201.527.883	84.298.584	22.625.767	2.591.667	58.281.621	26.794.074	22.746.162	418.865.758
Due to related parties	524.861	18.611	9.843.250	-	83.047.150	-	159.605	93.593.477
Contract liabilities	41.778.775	13.272.748	32.343.384	-	16.598.271	2.451.014	110.806	106.554.998
Deferred revenue	2.744.241	58.293.392	54.777	33.602	61.029	129.234	3.028	61.319.303
Segment liabilities	**246.575.760**	**155.883.335**	**64.867.178**	**2.625.269**	**157.988.071**	**29.374.322**	**23.019.601**	**680.333.536**

(*) 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 December 2020	For the period ended 31 December 2019
Operating (loss) of segment	(632.635)	(32.211.106)
Other (expenses)/income from operating activities (net)	(30.212.188)	(29.640.950)
Other (expenses)/income from investments (net)	(198.031)	(231.280)
Income from investments accounted using the equity method	1.059.025	1.000.942
Finance (expenses)/income (net)	(38.983.418)	(117.154.563)
(Loss) before tax	**(68.967.247)**	**(178.236.957)**

Assets	**31 December 2020**	**31 December 2019**
Segment assets	#REF!	1.277.480.083
Other assets (*)	#REF!	728.710.632
Total assets	**2.411.094.079**	**2.006.190.715**

Liabilities	**31 December 2020**	**31 December 2019**
Segment liabilities	#REF!	680.333.536
Other liabilities (*)	#REF!	789.647.760
Total liabilities	**#REF!**	**1.469.981.296**

(*) Other assets and liabilities include assets and liabilities other than segment assets and liabilities.

5. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Bank- demand deposits	140.219.678	167.930.867
Bank- time deposits	165.638.332	26.156.222
Credit card receivables	1.363.723	1.253.449
	307.221.733	**195.340.538**

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

Currency	Original Currency Amount	Interest Rate %	Maturity	31 December 2019
USD	4.310.667	0,05-2,5	Jan 2020-Sep 2020	25.606.222
TL	550.000	8	Jan 2020	550.000
				26.156.222

5. CASH AND CASH EQUIVALENTS (Cont'd)

As of 31 December 2020, and 2019 there are no restriction / blockage on bank accounts.

6. BORROWINGS

a) Bank Loans

	31 December 2020	31 December 2019
Short term bank loans		
Short term unsecured loans	498.667.212	402.024.285
Non interest loans(*)	6.455.649	5.098.395
	505.122.861	**407.122.680**

As of 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%. (31 December 2019: effective interest rate for TL loans is 15,95 and effective interest rate for USD loans is 3,85%).

(*) 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 2020
TL	419.266.933	9,0-19,5	April 2020- 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

Currency	Original Currency Amount	Interest Rate(%) (*)	Maturity	31 December 2019
TL	378.263.485	9,75-27,66	January 2020-July 2020	378.263.485
USD	4.000.000	3,85	Rotative	23.760.800
				402.024.285

(*) Presents the lower and upper rates.

6. BORROWINGS (Cont'd)

Long term bank loans	**31 December 2020**	**31 December 2019**
Long term unsecured loans	21.376.420	196.209.584
	21.376.420	**196.209.584**

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

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

Currency	**Original Currency Amount**	**Interest Rate(%) (*)**	**Maturity**	**31 December 2019**
TL	196.209.584	10,00-12,56	November 2021- December 2022	196.209.584

(*) Presents the lower and upper rates.

The Group has no collaterals given for bank loans as of 31 December 2020 and 2019.
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.

	2020	**2019**
1 January	603.332.264	487.836.269
Cash inflow under within borrowings received	949.186.155	1.704.704.159
Cash pouflow under within borrowings received	(966.344.572)	(1.603.129.163)
Interest accruals changes	(16.164.337)	(18.556.893)
Currency translations changes	(43.510.229)	32.477.892
31 December	**526.499.281**	**603.332.264**

b) Leasing

The reconciliation of the Group's debts from lease transactions for the twelve-month accounting periods ending on December 31, 2020 and 2019 is as follows:

	2020	**2019**
Opening-1 January	56.937.920	66.115.784
Additions	16.775.603	13.624.329
Interest expenses and foreign exchange loss on lease liabilities	14.795.262	8.287.668
Lease payments	(29.099.652)	(31.089.861)
Closing-31 December	**59.409.133**	**56.937.920**

As of December 31, 2020, 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 19,21%. The maturity structure of debts arising from leasing transactions and the exchange rate risk carried over are presented in Note 30.

7. TRADE RECEIVABLES AND PAYABLES

Trade Receivables from Third Parties	**31 December 2020**	**31 December 2019**
Trade receivables	760.311.665	634.695.299
Unbilled receivables	365.110.734	320.157.512
Discount on trade receivables (*)	(25.105.579)	(34.625.616)
Allowances for doubtful receivables (-)	(76.357.553)	(57.401.650)
	1.023.959.267	**862.825.545**

Movement of Allowance for Doubtful Receivables	**2020**	**2019**
Reported as of 1 January	**(57.401.650)**	**(50.930.221)**
Charge for the period	(2.144.432)	-
Currency translation differences	(16.811.471)	(6.471.429)
As of 31 December	**(76.357.553)**	**(57.401.650)**

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

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.

Long Term Trade Receivables from Third Parties	**31 December 2020**	**31 December 2019**
Trade receivables	29.721.709	46.360.192
Discount on trade receivables (*)	(2.768.359)	(4.047.700)
	26.953.350	**42.312.492**

Trade Payables to Third Parties	**31 December 2020**	**31 December 2019**
Trade payables	741.237.022	418.803.957
	741.237.022	**418.803.957**

Long Term Trade Payables to Third Parties	**31 December 2020**	**31 December 2019**
Trade payables	-	61.801
	-	**61.801**

8. OTHER RECEIVABLES AND PAYABLES

	31 December 2020	31 December 2019
Other Receivables		
Deposits and guarantees given	312.205	330.022
Other	259.427	201.088
	571.632	**531.110**

Short Term Other Payables	31 December 2020	31 December 2019
Taxes and duties payables	40.309.890	21.965.687
Other	-	175.522
	40.309.890	**22.141.209**

9. INVENTORIES

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

	31 December 2020	31 December 2019
Raw materials	46.860.663	36.368.671
Finished goods	60.188.566	43.959.596
Trade goods	79.327.836	43.931.187
Allowance for inventory impairment (-)	(2.964.439)	-
	183.412.626	**124.259.454**

Movement of inventory impairment provisions is as follows:

Movement for allowance:	2020	2019
Opening balance	-	-
Released for the year	(2.830.564)	-
Foreign currency translation difference	(133.875)	-
Closing balance	**(2.964.439)**	**-**

10. PREPAID EXPENSES

Short term prepaid expenses	31 December 2020	31 December 2019
Short term prepaid expenses	15.268.434	8.820.612
Advances given for inventories	6.434.035	1.588.485
	21.702.469	**10.409.097**

Long term prepaid expenses	31 December 2020	31 December 2019
Long term prepaid expenses	-	1.626.760
	-	**1.626.760**

11. CONTRACT ASSETS AND LIABILITIES

Details of the contract assets are given below;

Customer	**31 December 2020**			**31 December 2019**		
	Short Term	**Long Term**	**Total**	**Short Term**	**Long Term**	**Total**
Enterprise	45.834.980	-	45.834.980	98.291.405	-	98.291.405
Publlic	39.774.943	-	39.774.943	75.331.867	-	75.331.867
International	35.496.159	-	35.496.159	36.567.023	-	36.567.023
BDH	45.777.709	-	45.777.709	9.969.742	-	9.969.742
Telecom	2.826.427	-	2.826.427	9.504.889	-	9.504.889
Technology	3.459.644	-	3.459.644	3.332.339	-	3.332.339
Other	-	-	-	6.798.289	-	6.798.289
	173.169.862	-	**173.169.862**	**239.795.554**	-	**239.795.554**

Details of the contract liabilities are given below;

Customer	**31 December 2020**			**31 December 2019**		
	Short Term	**Long Term**	**Total**	**Short Term**	**Long Term**	**Total**
Enterprise	#REF!	-	#REF!	41.778.775	-	41.778.775
International	#REF!	-	#REF!	32.343.384	-	32.343.384
Telecom	#REF!	-	#REF!	16.598.271	-	16.598.271
Public	#REF!	-	#REF!	13.272.748	-	13.272.748
BDH	#REF!	-	#REF!	2.451.014	-	2.451.014
Other	#REF!	-	#REF!	110.806	-	110.806
	#REF!	**-**	**#REF!**	**106.554.998**	**-**	**106.554.998**

12. PROPERTY, PLANT AND EQUIPMENT

	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.

Machinery and equipment include of spare parts which will be used in long term. The total depreciation expenses for spare parts is TL 3.585.032, which is fully recognized under cost of sales (31 December 2019: TL 3.491.773). It is the service products that are provided by BDH, customer and BDH inventories to be followed in all steps by giving special identification to each product, followed by event and inventory records related to the contract conditions and mobile use in the field.

As of 31 December 2020, The Group has a tangible fixed asset with a cost of TL 9.665.320, which is used but has expired.

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

(*) Assets with a cost of TL 2.855.895 and an accumulated depreciation of TL 1.723.688 were transferred from tangible fixed assets to other intangible assets (Note 14).

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

	Machinery and Equipment	Vehicles	Furniture and fixtures	Leasehold Improvements	Construction in Progress	Total
Cost						
1 January 2019	**242.586.143**	**280.626**	**21.390.577**	**55.510.645**	**7.054.522**	**326.822.513**
Translation difference	27.301.571	42.026	2.377.990	5.736.969	846.240	36.304.796
Purchases	9.532.911	164.449	3.771.339	8.924.293	6.211.215	28.604.207
Transfers(*)	-	-	-	-	(7.572.348)	(7.572.348)
Disposals	(11.822.680)	(42.545)	(1.277.929)	(1.465.370)	-	(14.608.524)
31 December 2019	**267.597.945**	**444.556**	**26.261.977**	**68.706.537**	**6.539.629**	**369.550.644**
Accumulated Depreciation						
1 January 2019	**(220.084.272)**	**(273.913)**	**(17.223.340)**	**(32.133.158)**	**-**	**(269.714.683)**
Translation difference	(16.484.371)	(35.848)	(2.237.002)	(4.374.347)	-	(23.131.568)
Period charge	(11.027.885)	(10.085)	(1.608.278)	(5.869.702)	-	(18.515.950)
Disposals	10.674.648	-	1.336.023	1.128.496	-	13.139.167
31 December 2019	**(236.921.880)**	**(319.846)**	**(19.732.597)**	**(41.248.711)**	**-**	**(298.223.034)**
Net book value at 31 December 2019	**30.676.065**	**124.710**	**6.529.380**	**27.457.826**	**6.539.629**	**71.327.610**

As of 31 December 2019, depreciation charge is TL 18.515.950. TL 9.762.870 is accounted in cost of sales, TL 8.187.689 in general administrative expenses, TL 565.391 in sales, marketing and distribution expenses.

As of 31 December 2019, The Group has tangible fixed assets with a cost of TL 9.565.123 that are used.

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

(*) TL 7.572.348 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 2020, and 2019 the details of the right of use assets that are accounted in the condensed consolidated financial statements are as follows:

	Buildings	**Vehicles**	**Total**
Right of use assets- 1 January 2020	40.158.687	12.092.934	52.251.621
Additions	6.185.449	10.590.152	16.775.601
Depreciation charge for the period	(11.819.119)	(8.887.979)	(20.707.098)
Right of use assets, net book value	**34.525.017**	**13.795.107**	**48.320.124**

	Buildings	**Vehicles**	**Total**
Right of use assets- 1 January 2019	42.574.012	23.541.772	66.115.784
Additions	10.191.647	1.288.332	11.479.979
Depreciation charge for the period	(12.606.972)	(12.737.170)	(25.344.142)
Right of use assets, net book value	**40.158.687**	**12.092.934**	**52.251.621**

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	**2020**	**2019**
Opening balance	108.872.627	96.422.343
Translation difference	25.664.850	12.450.284
Closing balance	**134.537.477**	**108.872.627**

According to the accounting policies, provided in Note 2.4.9, 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 2021 and 31 December 2025, 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 2020. 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 62 million and USD 73 million. As of the valuation date, the value of the company calculated between USD 44 million and USD 55 million by considering the net debt of USD 18 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 2020.

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.

Other Intangible Assets

	1 January- 31 December 2020		
	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
Disposals	-	-	-
Translation difference	14.937.899	46.616.944	61.554.843
Closing balance	**78.305.825**	**287.352.475**	**365.658.300**
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**	**113.889.342**	**119.762.279**

(*) 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 2020, amortization charge is TL 34.222.094. TL 24.909.113 is accounted in cost of sales, TL 8.679.897 in general administrative expenses and TL 633.084 in sales, marketing, and distribution expenses.

14. INTANGIBLE ASSETS (Cont'd)

Other Intangible Assets

	1 January- 31 December 2019		
	Customer Relations (*)	**Other Intangible Assets(**)**	**Total**
Cost			
Opening balance	**56.121.397**	**109.874.802**	**165.996.199**
Additions	-	52.543.190	52.543.190
Transfers	-	7.572.348	7.572.348
Translation difference	7.246.529	17.036.772	24.283.301
Closing balance	**63.367.926**	**187.027.112**	**250.395.038**
Accumulated amortization			
Opening balance	**(40.688.013)**	**(92.280.461)**	**(132.968.474)**
Translation difference	(5.541.120)	(12.456.731)	(17.997.851)
Period charge	(6.049.406)	(11.520.663)	(17.570.069)
Closing balance	**(52.278.539)**	**(116.257.855)**	**(168.536.394)**
Net book value	**11.089.387**	**70.769.257**	**81.858.644**

As of 31 December 2019, amortization charge is TL 17.570.069. TL 10.171.257 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 2020 the Group has received approved and accrued incentive from TÜBİTAK TL 8.990.067 (31 December 2019: TL 7.764.115).

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 2020, 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 (As of 31 December 2019, the Group has a corporate tax benefit of TL 517.489.187 due to research and development disbursement and TL 12.619.575 amount is utilized by the year end.). The Group has booked deferred tax assets for unused R&D tax benefit (Note 27). The unused tax advantages of the Group related to research and development activities has unlimited maturity.

For the year ended 31 December 2020, the amount of income tax incentive within the scope of Act numbered 5746 is TL 18.008.980 (31 December 2019: TL 13.202.943) 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 16.230.680 (31 December 2019: TL 13.384.392).

16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions	**31 December 2020**	**31 December 2019**
Provision for legal cases	8.445.859	5.833.883
Other provisions	470.271	1.442.505
	8.916.130	**7.276.388**

For the year ended 31 December 2020, the Group has cash outflows of TL 2.025.301 for legal cases during the year (31 December 2019: TL 1.076.899).

	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**

	Provision for Legal Cases	**Other Provisions (*)**	**Total**
1 January 2019	5.353.179	3.355.158	8.708.337
Provision booked and released	1.557.603	(2.040.652)	(483.049)
Payments	(1.076.899)	-	(1.076.899)
Currency translations	-	127.999	127.999
31 December 2019	**5.833.883**	**1.442.505**	**7.276.388**

(*) Consist of general provisions related to subscription, electric, gas, water and communication and etc.

17. COMMITMENTS

The Group's off-balance sheet commitments and contingencies as of 31 December 2020 and 2019 are as follows:

	31 December 2020	**31 December 2019**
Guarantee letters given (*)	851.841.084	548.219.384
	851.841.084	**548.219.384**

(*) The Group has no off-balance sheet commitments and contingencies in favor of subsidiaries which are fully consolidated as of 31 December 2020 and 2019.

17. COMMITMENTS (Cont'd)

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

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

		Original Currency		
31 December 2019	**TL Equivalent**	**TL**	**USD**	**EURO**
	548.219.384	147.770.924	58.159.276	8.265.530

The off-balance sheet commitments and contingencies as of 31 December 2020 and 2019 are as follows:

Commitments, Pledges, Mortgages ("CPM") are given by the Company	**31 December 2020**	**31 December 2019**
A. Total amount of CPM is given on behalf of own legal personality	851.841.084	548.219.384
B. Total amount of CPM is given in favor of subsidiaries which are fully consolidated	-	-
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	-	-
	851.841.084	**548.219.384**

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:

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

		Original Currency	
31 December 2019	TL Equivalent	TL	USD
	2.278.475	526.116	295.000

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 2020	31 December 2019
Payables to employees	18.589.854	14.928.418
Social security payables	12.936.648	9.731.623
	31.526.502	**24.660.041**

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

Short Term	**31 December 2020**	**31 December 2019**
Provision for employee premiums	25.684.627	23.875.917
Unused vacation provision	5.609.830	5.552.636
	31.294.457	**29.428.553**
Long Term		
Unused vacation provision	9.876.573	8.940.257
Provision for severance indemnity	24.888.216	19.799.908
Provision for retirement benefits	148.392	374.760
	34.913.181	**29.114.925**
Total		
Provision for employee premiums	25.684.627	23.875.917
Unused vacation provision	15.486.403	14.492.893
Provision for severance indemnity	24.888.216	19.799.908
Provision for retirement benefits	148.392	374.760
	66.207.638	**58.543.478**

An actuarial valuation was performed by an independent and authorized company for the Company's total liability for severance indemnity and retirement benefit as of 31 December 2020. Expected interest and service charges for 2021 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 Company 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 7.117,17 per year as of 31 December 2020. (31 December 2019: TL 6.379,86). 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.

As the maximum liability is revised semi-annually, the maximum amount of TL 7.638,96 (1 January 2020: TL 6.730,15) which is effective from 1 January 2021 has been taken into consideration in calculating the reserve for employment termination benefits of the Company and its subsidiaries in Turkey.

18. EMPLOYEE BENEFITS (Cont'd)

Severance Indemnity (Cont'd)

The movement for severance indemnity provision is as follows:

	31 December 2020	31 December 2019
Present value of severance indemnity provision	24.888.216	19.799.908
Net liability in balance sheet	**24.888.216**	**19.799.908**
Current service cost	3.547.409	2.202.063
Interest cost	2.390.322	1.532.879
Extra payment or loss / (gain)	677.925	(1.294.863)
Period charge at 31 December	**6.615.656**	**2.440.079**

Movement for severance indemnity provision:	**2020**	**2019**
1 January	19.799.908	21.813.865
Period charge	6.615.656	2.440.079
Severance indemnity paid	(4.386.359)	(6.758.908)
Actuarial (gain)/ loss	2.859.011	2.304.872
31 December	**24.888.216**	**19.799.908**

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 movement for retirement benefit provision is as follows:

Movement for retirement benefit provision:	**2020**	**2019**
1 January	374.760	943.110
Period charge	35.636	(8.853)
Actuarial (gain) / loss	(19.833)	(495.791)
Benefit paid	(242.171)	(63.706)
31 December	**148.392**	**374.760**

The assumption calculated to determine present value of severance indemnity and retirement benefit provision as of 31 December 2020 and 2019 are as follows:

Assumptions	**31 December 2020**	**31 December 2019**
Annual inflation rate	9,50%	8,20%
Annual discount rate	12,80%	12,10%
Net discount rate	3,01%	3,60%

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:	**2020**	**2019**
1 January	23.875.917	20.103.031
Period charge	33.944.831	36.770.160
Payments	(32.136.121)	(32.997.274)
31 December	**25.684.627**	**23.875.917**

The movement for unused vacation provision is as follows:

Movement for unused vacation provision:	**2020**	**2019**
1 January	14.492.893	15.019.145
Period charge	3.758.071	1.359.581
Payments	(2.764.561)	(1.885.833)
31 December	**15.486.403**	**14.492.893**

19. DEFERRED REVENUE

As of 31 December 2020, the amount of deferred revenue is comprised of advances received for an amount of TL 28.073.016 related to the defense projects and TL 42.534.071 related to system integration projects. (31 December 2019: TL 22.923.454 related to the defense projects and TL 38.395.849 related to system integration projects). These amounts are considered as contractual obligations under TFRS 15.

20. OTHER ASSETS

Other Current Assets	**31 December 2020**	**31 December 2019**
VAT receivable	18.651.655	35.388.518
Personnel and business advances	438.052	451.041
Other	410.565	1.573.164
	19.500.272	**37.412.723**

21. SHAREHOLDERS' EQUITY

Paid in Capital

Shareholding structure of Company as of 31 December 2020 and 2019 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.

21. 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 2020 and 2019.

	31 December 2020	31 December 2019
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 2020, 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.

The total amount of the Company's net income and all available resources that can be distributed in its' statutory financial statements as of 31 December 2020 are TL 68.423.018 (31 December 2019: TL 136.353.124).

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.

22. REVENUE AND COST OF SALES

Revenue:

	1 January- 31 December 2020	1 January- 31 December 2019
Net domestic sales	**1.550.389.284**	**1.159.949.992**
United States	126.216.257	90.156.865
Asia	27.178.469	9.966.360
Africa	16.941.725	46.764.502
Europe	12.441.215	20.802.475
Net export	**182.777.666**	**167.690.202**
Total net sales	**1.733.166.950**	**1.327.640.194**

Cost of Sales:

	1 January- 31 December 2020	1 January- 31 December 2019
Equipment expenses	916.527.955	636.233.578
Personnel expenses	302.894.122	277.825.751
Service/Support expenses	267.351.513	184.432.169
Depreciation and amortization expenses	48.441.062	32.308.480
Transportation expenses	3.716.015	3.492.868
Other	17.204.540	33.306.647
	1.556.135.207	**1.167.599.493**

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

	1 January-31 December 2020						
Performance Obligations:	**Enterprise**	**Public**	**International**	**Technology**	**Telecom**	**BDH**	**Total**
Hardware performance obligation	136.375.894	124.921.303	20.797.428	-	226.273.781	-	508.368.406
Licence performance obligation	406.022.658	42.639.717	579.442	-	7.233.700	-	456.475.517
Maintenance performance obligation	95.688.084	54.996.170	17.531.378	-	16.919.983	155.079.897	340.215.512
Design performance obligation	385.002	70.366.077	1.560.480	124.991.516	947.375	-	198.250.450
Installation performance obligation	12.150.276	68.244.575	3.218.320	-	10.332.932	-	93.946.103
Other performance obligations	111.465.861	2.188.227	287.850	-	21.969.024	-	135.910.962
	762.087.775	**363.356.069**	**43.974.898**	**124.991.516**	**283.676.795**	**155.079.897**	**1.733.166.950**
Satisfaction of Performance Obligations:							
At a point in time	722.806.046	39.702.350	28.426.397	124.991.516	257.168.890	155.079.897	1.328.175.096
Overtime	39.281.729	323.653.719	15.548.501	-	26.507.905	-	404.991.854
	762.087.775	**363.356.069**	**43.974.898**	**124.991.516**	**283.676.795**	**155.079.897**	**1.733.166.950**

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

	1 January-31 December 2019						
Performance Obligations:	**Enterprise**	**Public**	**International**	**Technology**	**Telecom**	**BDH**	**Total**
Hardware performance obligation	922.998	39.611.086	-	99.314.621	1.336.002	-	141.184.707
Licence performance obligation	200.168.110	88.836.791	33.972.759	-	118.590.623	-	441.568.283
Maintenance performance obligation	10.903.805	55.617.414	4.557.771	-	5.393.170	-	76.472.160
Design performance obligation	75.457.033	39.871.277	16.089.633	-	14.649.185	123.394.549	269.461.677
Installation performance obligation	212.209.587	76.837.551	9.408.918	-	2.670.085	-	301.126.141
Other performance obligations	78.992.012	2.450.216	482.039	-	15.902.959	-	97.827.226
	578.653.545	**303.224.335**	**64.511.120**	**99.314.621**	**158.542.024**	**123.394.549**	**1.327.640.194**

Satisfaction of Performance Obligations:							
At a point in time	30.346.396	182.905.021	35.274.228	99.314.621	6.055.749	123.394.549	477.290.564
Overtime	548.307.149	120.319.314	29.236.892	-	152.486.275	-	850.349.630
	578.653.545	**303.224.335**	**64.511.120**	**99.314.621**	**158.542.024**	**123.394.549**	**1.327.640.194**

23. 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 2020	1 January- 31 December 2019
Sales, marketing and distribution expenses	100.689.126	97.234.551
General administrative expenses	71.317.470	87.612.151
Research and development expenses	5.657.782	7.405.105
	177.664.378	**192.251.807**

Personnel expenses	110.361.885	99.158.058
Depreciation and amortization expenses	29.000.965	29.121.681
Consultancy, audit and legal expenses	12.867.698	23.050.152
Software expenses	4.632.520	4.043.227
Fair and advertising expenses	2.983.369	4.833.012
Severance indemnity and pension provision expenses	2.977.469	2.412.164
Communication expenses	2.566.237	2.587.387
Travel and meeting expenses	1.826.496	7.594.942
Electricity,water and gas expenses	1.713.433	2.295.638
Private health insurance expenses	1.615.426	1.477.169
Personnel transportation expenses	1.557.558	1.830.546
Training expenses	1.543.658	589.908
Cafeteria expenses	1.407.905	3.089.366
Maintenance expenses	1.091.643	1.875.411
Other	1.518.116	8.293.146
	177.664.378	**192.251.807**

24. INCOME AND EXPENSES FROM OTHER OPERATING ACTIVITIES

Income from Other Operating Activities	1 January- 31 December 2020	1 January- 31 December 2019
R&D Incentives	4.599.472	4.041.069
Discount income, net (*)	19.016.532	10.331.894
Service income	-	221.915
Other income and gains	2.551.284	213.115
	26.167.288	**14.807.993**

Expenses from Other Operating Activities	1 January- 31 December 2020	1 January- 31 December 2019
Foreign exchange expenses, net	41.052.468	34.541.890
Legal case expenses	8.465.001	5.249.144
Expenses for doubtful receivables provision (Note 7)	2.144.432	-
Other tax expenses	1.196.985	648.409
Other expenses and losses	3.520.590	4.009.500
	56.379.476	**44.448.943**

(*) Discount income/ (expenses) related to trade receivables are accounted under Other Income/ (Expenses) from Operating Activities.

25. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from Investing Activities	1 January- 31 December 2020	1 January- 31 December 2019
Income from sales of property, plant and equipment	45.399	57.810
Income from scrap sales	19.643	27.627
	65.042	**85.437**

Expenses from Investing Activities	1 January- 31 December 2020	1 January- 31 December 2019
Loss from sales of tangible assets	263.073	316.717
	263.073	**316.717**

26. FINANCE INCOME / (EXPENSES)

Financial Income	**1 January- 31 December 2020**	**1 January- 31 December 2019**
Foreign exchange gains, net (*)	75.149.297	62.271.721
Interest income	1.376.462	9.838.767
	76.525.759	**72.110.488**

Financial Expenses	**1 January- 31 December 2020**	**1 January- 31 December 2019**
Bank interest expenses	90.505.597	169.617.949
Interest and foreign exchange loss on leases	14.795.262	10.432.017
Guarantee letter commissions	8.093.733	7.697.379
Other financial expenses	2.114.585	1.517.706
	115.509.177	**189.265.051**

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

27. 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.

As of 31 December 2020, tax rate is %22. (31 December 2019: %22). Corporate tax rate is applied on taxable corporate income, which is calculated by adding non-deductible expenses and deducting tax exemptions and deductions to be commercial income, in accordance with the tax legislation. In Turkey, advance tax payments are filed 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% (2019: 35 %). Corporate tax rate in Kazakhstan is 20% (2019: 20 %). Corporate tax rate in Algeria is 26% (2019: 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.

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017,"Law on the Amendment of Certain Tax Laws and Some Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2018 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

27. TAX ASSETS AND LIABILITIES (Cont'd)

Deferred tax assets	31 December 2020	31 December 2019
Trade and unbilled receivables	(79.448.602)	(66.230.393)
Tangible and intangible assets	(23.364.493)	(16.354.654)
Trade payables and cost provisions	(2.885.749)	(1.324.732)
Carryforward tax losses	50.744.135	31.897.095
Unused R&D tax exemption	131.847.448	111.071.314
Provision for unused vacation	3.097.280	3.188.438
Inventory and contract assets	26.338.977	21.990.689
Provisions for employee premiums	5.136.926	5.252.699
Deferred revenues	9.081.490	2.595.808
Contract liabilities	5.198.006	9.231.839
Severance indemnity and retirement provisions	5.186.122	4.034.934
Other	(12.989)	(582.461)
	130.918.551	**104.770.576**

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

Movement for deferred taxes is as follows:	31 December 2020	31 December 2019
Balance as of January, 1	**104.770.576**	**22.195.919**
Restatement Effect	-	54.968.767
Balance as of January, 1 (Restated)	**104.770.576**	**77.164.686**
Current charge deferred tax income	653.451	29.894.229
Accounting under equity	567.836	361.816
Translation difference	24.926.688	(2.650.155)
Closing	**130.918.551**	**104.770.576**

	1 January- 31 December 2020	1 January- 31 December 2019
Current tax loss	(2.619.207)	(437.037)
Deferred tax income	653.451	29.894.229
Tax Income (Loss)/Income	**(1.965.756)**	**29.457.192**

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their statement of financial position accounts prepared in accordance with TFRS promulgated by POA Financial Reporting Standards and their statutory financial statements. These temporary differences usually results from the recognition of revenue and expenses in different reporting periods for TFRS and Tax Laws.

	31 December 2020	31 December 2019
Corporate tax	2.619.207	437.037
Prepaid taxes	(33.959.609)	(33.055.151)
Current tax liabilities/ (Current income tax assets)	**(31.340.402)**	**(32.618.114)**

27. TAX ASSETS AND LIABILITIES (Cont'd)

Movement for deferred taxes as of 31 December 2020 and 2019 are as follows;

	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**

	(Reported) 31 December 2018	Restatement Effect	(Restated) 1 January 2019	Charge to Period	Charge to Equity	Translation Difference	31 December 2019
Tangible and intangible assets	(12.255.815)	-	(12.255.815)	(5.281.015)	-	1.182.176	(16.354.654)
Trade receivables	(68.069.323)	24.939.184	(43.130.139)	(9.950.994)	-	(13.149.260)	(66.230.393)
Trade payables and cost provisions	1.627.059	6.705.713	8.332.772	(9.335.417)	-	(322.087)	(1.324.732)
Inventory and contract assets	(5.863.091)	23.323.870	17.460.779	5.440.423	-	(910.513)	21.990.689
Deferred revenue	1.182.359	-	1.182.359	1.677.176	-	(263.727)	2.595.808
Provisions for employee bonuses	4.422.667	-	4.422.667	1.371.343	-	(541.311)	5.252.699
Provision for unused vacation	3.304.216	-	3.304.216	274.649	-	(390.427)	3.188.438
Severance indemnity and retirement provisions	4.031.681	-	4.031.681	197.589	361.816	(556.152)	4.034.934
Contract liabilities	11.909.608	-	11.909.608	(2.315.602)	-	(362.167)	9.231.839
Unused R&D tax exemption (Note 15)	75.684.494	-	75.684.494	24.452.599	-	10.934.221	111.071.314
Carryforward tax losses	4.930.763	-	4.930.763	25.180.701	-	1.785.631	31.897.095
Other	1.291.301	-	1.291.301	(1.817.223)	-	(56.539)	(582.461)
	22.195.919	**54.968.767**	**77.164.686**	**29.894.229**	**361.816**	**(2.650.155)**	**104.770.576**

26. TAX ASSETS AND LIABILITIES (Cont'd)

Reconciliation between tax expenses for the years ended 31 December 2020 and 2019 and calculated tax expense using corporate tax rate in Turkey (%22) is as follows:

	31 December 2020	31 December 2019
Tax reconciliation		
(Loss) before tax	(68.967.247)	(178.236.957)
Tax rate	22%	22%
Computed tax expense	15.172.794	39.212.131
Tax effects of:		
Non-deductible expenses	(11.675.753)	(6.504.554)
Used R&D deduction	7.282.658	12.619.575
Unused R&D deduction	(27.411.163)	(35.386.821)
Tax effect of other adjustments	6.642.065	7.371.463
Other adjustment and monetary loss/gain	8.023.643	12.145.398
Total tax (loss)/ income	**(1.965.756)**	**29.457.192**

As of 31 December 2020, the Company has TL 629.465.806 unused R&D tax exemption provided by Support of Research and Development Act, numbered 5746 and the tax exemption is unlimited (31 December 2019: TL 504.869.613)

The Group's carryforward tax losses subject to recognition of deferred tax asset as of 31 December 2020 and 2019 are as follows:

Related year	Using year	31 December 2020	31 December 2019
2016	2021	-	3.012.410
2017	2022	-	2.094.794
2018	2023	-	16.923.357
2019	2024	253.720.675	125.470.611
		253.720.675	**147.501.172**

28. (LOSS) PER SHARE

	1 January- 31 December 2020	1 January- 31 December 2019
Number of shares	64.864.800	64.864.800
Net profit/ (loss) for the period	(70.933.003)	(148.779.765)
(Loss) per share (kurus)	(1,0936)	(2,2937)

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.

29. RELATED PARTY DISCLOSURES

Due from and due to related parties as of 31 December 2020 and 2019 is as follows:

Due from Related Parties	**31 December 2020**	**31 December 2019**
ZTE İstanbul Telekomünikasyon(1)	41.210.643	8.265.318
ZTE Corporation(2)	1.786.854	
Kron Telekomünikasyon A.Ş.(3)	-	21.720
	42.997.497	**8.287.038**

Due to Related Parties	**31 December 2020**	**31 December 2019**
ZTE Corporation(2)	117.460.722	92.831.650
ZTE İstanbul Telekomünikasyon(1)	27.243.179	236.966
Kron Telekomünikasyon A.Ş.(3)	477.756	524.861
	145.181.657	**93.593.477**

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

29. RELATED PARTY DISCLOSURES (Cont'd)

Main transactions with related parties are as follows for the year ended 31 December 2020 and 2019;

Sales	**1 January- 31 December 2020**	**1 January- 31 December 2019**
ZTE İstanbul Telekomünikasyon(1)	52.048.640	22.688.267
ZTE Corporation(2)	3.341.874	-
Kron Telekomünikasyon A.Ş.(3)	198.939	108.580
	55.589.453	**22.796.847**

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 2020**	**1 January- 31 December 2019**
ZTE Corporation(2)	140.747.021	108.371.010
ZTE İstanbul Telekomünikasyon(1)	30.630.357	258.871
Kron Telekomünikasyon A.Ş.(3)	723.429	504.734
	172.100.807	**109.134.615**

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 2020, total remuneration for the directors and management board of the Group is TL 22.387.576 (31 December 2019: TL 19.904.131). As of 31 December 2020, and 2019 there is no credit granted to the Group's Management.

30. 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 2020, and 2019 the Group's net debt / total equity ratios are as follows:

	31 December 2020	**31 December 2019**
Short-term and long-term borrowings (*)	526.499.281	603.332.264
Cash and cash equivalents	(307.221.733)	(195.340.538)
Net financial debt	219.277.548	407.991.726
Equity	585.075.637	535.890.730
Net financial debt/ Equity Ratio	**37%**	**76%**

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

30. 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 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**	**1.051.100.612**	**173.169.862**	**571.632**	**307.221.733**
Maximum risk guaranteed by collateral	-	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	42.997.497	863.270.102	173.169.862	571.632	307.221.733
(B) Net book value of overdue but not impaired financial assets	-	187.830.510	-	-	-
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)

31 December 2019	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)	**8.287.038**	**905.138.037**	**239.795.554**	**531.110**	**195.340.538**
Maximum risk guaranteed by collateral	-	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	8.287.038	665.300.310	239.795.554	531.110	195.340.538
(B) Net book value of overdue but not impaired financial assets	-	239.837.727	-	-	-
Guaranteed by collateral	-	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-	-
Overdue (gross book value)	-	57.401.650	-	-	-
Impairment (-)	-	(57.401.650)	-	-	-
Guaranteed by collateral	-	-	-	-	-
Unexpired (gross book value)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
Guaranteed by collateral	-	-	-	-	-
(D) Off balance sheet risks	-	-	-	-	-

30. 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 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	854.664.917	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

31 December 2019	Undue	1-30 days overdue	1-3 months overdue	3-6 months overdue	6-12 months overdue	1-5 years overdue
Credit loss ratio (%)	0,3%	1,1%	2,0%	3,3%	7,5%	21,6%
As of period	659.428.394	58.315.360	48.558.783	10.172.224	31.268.669	97.394.607
Expected credit loss	23.671.198	112.299	251.439	168.265	244.924	5.094.988

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

Liquidity risk (Cont'd)

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	-	-	-

31 December 2019:

Maturities due to agreements	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
Non- derivative financial liabilities	**1.194.870.628**	**1.277.260.256**	**804.528.963**	**185.483.041**	**287.248.252**
Financial liabilities	603.332.264	664.390.729	269.990.320	149.376.270	245.024.139
Lease Liabilities	56.937.920	78.269.083	-	36.106.771	42.162.312
Due to related parties	93.593.477	93.593.477	93.593.477	-	-
Other trade payables to third parties	418.865.758	418.865.758	418.803.957	-	61.801
Other payables to third parties	22.141.209	22.141.209	22.141.209	-	-

30. 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 2020	31 December 2019
Fixed interest rate financial instruments	**1.261.671.796**	**941.365.856**
Cash and Cash Equivalents (*)	167.002.055	27.409.671
Trade Receivables	1.094.098.109	913.425.075
Other Receivables	571.632	531.110
Fixed interest rate financial liabilities	**1.351.855.464**	**1.026.096.433**
Short and Long Term Unsecured Loans	365.717.762	434.558.069
Lease Liabilities	59.409.133	56.937.920
Trade Payables	886.418.679	512.459.235
Other Payables	40.309.890	22.141.209
Variable interest rate financial instruments	**154.325.870**	**163.675.800**
Short and Long Term Unsecured Loans	154.325.870	163.675.800
Interest-free financial liabilities	**6.455.649**	**5.098.395**
Non Interest bearing unsecured spot loans	6.455.649	5.098.395

(*) As of 31 December 2020, and 2019 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, 2020 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 154.329 TL (2019: 163.675 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.

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

Foreign currency risk (Cont'd)

As of 31 December 2020, and 2019, the Group's foreign currency position table is given below:

		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 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.

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

Foreign currency risk (Cont'd)

		Original Currency		
31 December 2019	**TL Equivalent (*)**	**TL**	**Avro**	**Other**
Current Assets	**409.970.700**	**304.549.436**	**13.151.244**	**604.238.399**
Cash and cash equivalents	32.387.818	16.555.359	472.729	468.726.068
Trade receivables, third parties	377.278.592	287.956.818	12.651.923	133.696.851
Other receivables, third parties	304.290	37.259	26.592	1.815.480
TOTAL ASSETS (A)	**409.970.700**	**304.549.436**	**13.151.244**	**604.238.399**
Short Term Liabilities	**536.287.690**	**490.410.768**	**2.270.904**	**274.930.787**
Financial liabilities	383.361.880	383.361.880	-	-
Trade payables, third parties	103.892.055	84.907.679	2.270.904	238.266.013
Other payables, third parties	22.141.209	22.141.209	-	36.664.774
Lease liabilities	26.892.546	26.892.546	-	-
Long Term Liabilities	**226.254.958**	**226.254.958**	**-**	**-**
Long term financial liabilities	196.209.584	196.209.584	-	-
Provision for employee benefit	30.045.374	30.045.374	-	-
TOTAL LIABILITIES (B)	**762.542.648**	**716.665.726**	**2.270.904**	**274.930.787**
Net Foreign Currency Asset / (Liability) Position (A-B)	**(352.571.948)**	**(412.116.290)**	**10.880.340**	**329.307.612**

(*) 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.

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

Foreign currency risk (Cont'd)

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**

31 December 2019

	Profit /(Loss)	
	Appreciation	Devaluation
Effect of 10 % appreciation/devaluation in TL -USD exchange rate :		
Net asset / (liability) in TL	(43.900.884)	43.900.884
Hedged portion from TL risk (-)	-	-
(1) Net effect of TL	**(43.900.884)**	**43.900.884**
Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :		
Net asset / (liability) in EUR	7.236.079	(7.236.079)
Hedged portion from EUR risk (-)	-	-
(2) Net effect of EUR	**7.236.079**	**(7.236.079)**
Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:		
Net asset / (liability) in other currencies	1.407.610	(1.407.610)
Hedged portion from other currencies risk (-)	-	-
(3) Net effect of other currencies	**1.407.610**	**(1.407.610)**
TOTAL (1+2+3)	**(35.257.195)**	**35.257.195**

31. 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:

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.

32. SUBSEQUENT EVENTS

Group management resolved in their meeting on March 5, 2021 to sign the Share Purchase Agreement and all other transaction documents under the Share Purchase Agreement and the Arbitration Agreement concerning sale all of the shares of NetRD Bilgi Teknolojileri ve Telekomünikasyon A.Ş. ("NetRD"), 100% owned by Netaş Bilişim Teknolojileri A.Ş., of which our Company is 100% shareholder, to MERA Switzerland AG.

100% shares of NetRD with a total nominal value of TL 50,000 will be transferred to MERA Switzerland A.G., an affiliate of Orion Parent LLC., for USD 9,200,000. Net transaction value will be determined after further adjustments concerning net debt and working capital.

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

Netaş Bilişim Teknolojileri A.Ş., that the Group has 100% shareholding rate, has signed an exclusivity agreement with Orion Parent LLC to evaluate strategic alternatives for NetRD Bilgi Teknolojileri ve Telekomünikasyon on 19 March 2019. As of the date of statement of financial position, the sales have not been completed.

Statement of financial position and statement of profit or loss of NETRD as of 31 December 2020 and 2019 are as follows:

	Current Period 31 December 2020	**Previous Period 31 December 2019**
ASSETS		
Current Assets	**48.973.629**	**34.935.629**
Cash and Cash Equivalents	5.069.012	2.891.921
Trade Receivables	33.096.208	26.685.956
Trade receivables, third parties	*33.096.208*	*26.685.956*
Prepaid Expenses	1.045.933	877.564
Other Receivables	30.001	-
Other Current Assets	9.732.475	4.480.188
Non-Current Assets	**21.217.253**	**18.086.935**
Property, Plant and Equipment	3.438.437	3.316.521
Right of Use Assets	5.263.124	6.312.211
Intangible Assets	2.364.280	2.501.959
Deferred Tax Assets	10.151.412	5.956.244
TOTAL ASSETS	**70.190.882**	**53.022.564**

33. DISCLOSURE OF OTHER MATTERS THAT MAY AFFECT CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR IS NECESSARY FOR CONSOLIDATED FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND COMPREHENSIBLE (Cont'd)

	Current Period 31 December 2020	**Previous Period 31 December 2019**
LIABILITIES		
Short Term Liabilities	**17.827.154**	**35.314.103**
Short Term Borrowings	4.190.244	11.505.538
Bank Loans	-	*9.998.824*
Lease Liabilities	*4.190.244*	*1.506.714*
Trade Payables	3.161.099	14.269.126
Due to related parties	*901.722*	*11.843.701*
Trade payables, third parties	*2.259.377*	*2.425.425*
Employee Benefit Obligations	5.066.721	4.032.226
Provisions	5.388.992	5.472.760
Provisions for Employee Benefits	*5.171.992*	*5.323.958*
Other Short Term Provisions	*217.000*	*148.802*
Other Payables	20.098	34.453
Long Term Liabilities	**2.052.514**	**5.164.802**
Long Term Borrowings	2.052.514	5.164.802
Lease Liabilities	*2.052.514*	5.164.802
SHAREHOLDERS' EQUITY	**50.311.214**	**12.543.659**
Share Capital	50.000	50.000
Net Profit for the Period	33.238.543	11.922.881
Currency Translation Differences	5.095.886	566.874
Retained Earnings	11.926.785	3.904
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**70.190.882**	**53.022.564**

33. DISCLOSURE OF OTHER MATTERS THAT MAY AFFECT CONSOLIDATED FINANCIAL STATEMENTS SIGNIFICANTLY OR IS NECESSARY FOR CONSOLIDATED FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND COMPREHENSIBLE (Cont'd)

	Current Period 1 January- 31 December 2020	Previous Period 1 January- 31 December 2019
INCOME OR LOSS FROM OPERATIONS		
Revenue	124.991.525	82.043.178
Cost of Sales (-)	(92.716.342)	(71.375.019)
GROSS PROFIT	**32.275.183**	**10.668.159**
Research and Development Expenses (-)	-	(12.527)
Other Income from Operating Activities	2.415.512	28.660
Other Expenses from Operating Activities (-)	(373.881)	(1.897.886)
OPERATING PROFIT	**34.316.814**	**8.786.406**
Financial Income	142.332	382.751
Financial Expenses (-)	(3.885.642)	(2.932.399)
PROFIT BEFORE TAX	**30.573.504**	**6.236.758**
Tax Income	2.665.039	5.686.123
Current Tax Expenses	-	-
Deferred Tax Income	2.665.039	5.686.123
NET PROFIT FOR THE YEAR	**33.238.543**	**11.922.881**