(Convenience Translation of the Independent Auditors' Report and Consolidated Financial Statements Originally Issued in Turkish)

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

1 JANUARY- 31 MARCH 2022 CONSOLIDATED INTERIM FINANCIAL STATEMENTS TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT

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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	31 March 2021	Prior Year Audited 31 December 2021
ASSETS			
Current assets			
Cash and cash equivalents	5	10.481.636	12.526.812
Trade receivables			
-Trade receivables from third parties	7	*47.372.762*	*42.608.057*
Other receivables			
- Other receivables from third parties	8	*144.054*	*155.906*
Inventories	9	546.614	529.110
Prepaid expenses	10	1.683.948	1.421.694
Current income tax assets	25	485	485
Other current assets	17	121.111	185.490
Total current assets		**60.350.610**	**57.427.554**
Non-current assets			
Trade receivables			
- Trade receivables from third parties	7	*36.148.373*	*33.106.962*
Other receivables			
- Other receivables from third parties	8	*35.500*	*35.500*
Property, plant and equipment	11	103.192.984	92.029.541
Right of use assets	12	4.067.666	4.384.780
Intangible assets	13	443.252	1.148.085
Prepaid expenses	10	--	531.053
Deferred tax assets	25	2.457.628	2.241.902
Total non-current assets		**146.345.403**	**133.477.823**
Total assets		**206.696.013**	**190.905.377**

The accompanying notes form an integral part of these consolidated financial statements.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	31 March 2022	Prior Year Audited 31 December 2021
LIABILITIES			
Current liabilities			
Short-term borrowings			
- Bank borrowings	6	*159.126*	*1.414.258*
- Lease liabilities	6	*534.391*	*612.278*
- Other financial liabilities	6	*1.225.174*	*713.815*
Trade payables			
- Trade payables to third parties	7	*1.277.522*	*2.571.937*
Employee benefit obligations	16	5.469.551	3.702.658
Other payables			
- Other payables to related parties	24	--	*11.690*
- Other payables to third parties	8	*307.615*	*508.216*
Deferred income	10	14.663.445	10.344.000
Short term provisions			
- Short term provisions for employee benefits	16	*359.299*	*356.730*
- Other short-term provisions	15	*1.135.548*	*659.820*
Other current liabilities	17	190.470	253.059
Total current liabilities		**25.322.141**	**21.148.461**
Non-current liabilities			
Long-term borrowings			
- Lease liabilities	6	*760.379*	*859.667*
Deferred income	10	36.182.912	33.109.239
Long-term provisions			
- Long term provisions for employee benefits	16	*1.523.541*	*1.748.561*
Deferred tax liabilities	25	2.240.314	1.938.572
Total non-current liabilities		**40.707.146**	**37.656.039**
Total liabilities		**66.029.287**	**58.804.500**
Equity			
Paid- in capital	18	40.000.000	40.000.000
Accumulated other comprehensive income / expense not to be reclassified to profit or loss			
- Gain/loss arising from defined benefit plans	18	796.083	*(630.511)*
Restricted reserves			
- Legal reserves	18	5.552.771	*3.410.180*
Retained earnings		87.178.618	51.777.931
Net profit for the period		7.139.254	37.543.277
Non-controlling interest		--	--
Total equity		**140.666.726**	**132.100.877**
Total liabilities and equity		**206.696.013**	**190.905.377**

The accompanying notes form an integral part of these consolidated financial statements.

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ
(Convenience Translation of Consolidated Financial Statements Originally Issued in Turkish)
Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the Three Months Period Ended 1 January – 31 March 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Not Audited 1 January – 31 March 2022	Not Audited 1 January – 31 March 2021
Net Sales	19	22.444.930	17.458.254
Cost of sales (-)	19	(10.793.594)	(9.669.927)
Gross profit		11.651.336	**7.788.327**
General administrative expenses (-)	20	(4.014.331)	(1.522.495)
Marketing expenses (-)	20	(201.373)	(116.853)
Research and development expenses (-)	20	--	(4.749)
Other operating income	21	1.544.300	757.692
Other operating expense (-)	21	(1.379.246)	(822.810)
Operating profit		**7.600.686**	**6.079.112**
Income from investing activities	22	150.349	329.615
Operating income before financial income / (expense)		**7.751.035**	**6.408.727**
Financial income	23	247.716	3.825
Financial expenses (-)	23	(488.162)	(125.842)
Profit before tax from continuing operations		**7.510.589**	**6.286.710**
Tax income / (expense) from continuing operations			
- Taxes on income	25	--	--
- Deferred tax (expense) / income	25	(371.335)	*171.597*
Profit for the period		**7.139.254**	**6.458.307**
Distribution of income for the period attributable to:			
Non-controlling interests		--	**--**
Equity holders of the parent		7.139.254	6.458.307
Earnings per share (kr)	**26**	**0,18**	**0,16**
Other comprehensive Income:			
Items not to be reclassified to profit or loss			
- Gain/loss arising from defined benefit plans		1.426.594	5.621
- Tax effect of gain/ loss arising from defined benefit plans		(285.319)	(1.013)
Other comprehensive income/ (loss)		**1.141.275**	**4.608**
Total comprehensive income		**8.280.529**	**6.462.915**
Distribution of total comprehensive income attributable to:			
Non-controlling interests	26	--	--
Equity holders of the parent	26	8.280.529	6.462.915
EBITDA	27	**10.382.884**	**8.116.126**
EBITDA Margin	27	**46,29**	**46,49**

The accompanying notes form an integral part of these consolidated financial statements.

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ
(Convenience Translation of Consolidated Financial Statements Originally Issued in Turkish)
Consolidated Statements of Changes in Shareholders' Equity for the Three Months Period Ended 1 January – 31 March 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

				Other Comprehensive Income or Expense not to be Reclassified to Profit or Loss		Accumulated profit				
	Note	Paid-in Capital	Share Premium	Gain/ Loss Arising from Defined Benefit Plans	Restricted Reserves	Retained Earnings	Net Profit	Attributable to Equity Holders of the Parent	Non-Controlling Interests	Total
Balance at 1 January 2021	**18**	**40.000.000**	**--**	**(563.392)**	**2.281.006**	**25.415.086**	**27.738.975**	**94.871.675**	**--**	**94.871.675**
Transfers		--	--	--	1.135.771	26.603.204	(27.738.975)	--	--	--
Net profit		--	--	--	--	--	6.458.307	6.458.307	--	6.458.307
Other comprehensive income		--	--	5.621	--	--	--	5.621	--	5.621
Balance as of 31 December 2021	**18**	**40.000.000**	**--**	**(557.771)**	**3.416.777**	**52.018.290**	**6.458.307**	**101.335.603**	**--**	**101.335.603**
Balance at 1 January 2022	**18**	**40.000.000**	**--**	**(630.511)**	**3.410.180**	**51.777.932**	**37.543.277**	**132.100.878**	**--**	**132.100.878**
Transfers		--	--	--	2.142.591	35.400.686	(37.543.277)	--	--	--
Net profit		--	--	--	--	--	7.139.254	7.139.254	--	7.139.254
Other comprehensive income		--	--	1.426.594	--	--	--	1.426.594	--	1.426.594
Balance as of 31 March 2022	**18**	**40.000.000**	**--**	**796.083**	**5.552.771**	**87.178.618**	**7.139.254**	**140.666.726**	**--**	**140.666.726**

The accompanying notes form an integral part of these consolidated financial statements.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	01 January – 31 March 2022	01 January – 31 December 2021
A. Cash flows from operating activities:			
Profit from continuing operations:		***7.139.254***	***6.458.307***
Adjustments to reconcile profit / (loss)			
Adjustments for depreciation and amortization expense	11. 12. 13	2.947.252	1.971.896
Adjustments for provisions related to employee benefits	16	1.204.143	57.750
Adjustment for deferred financing income	21	(6.149)	403.361
Adjustment for deferred financing income	21	475.728	(7.182)
Adjustments for warranty provisions	15	82.600	130.763
Adjustments for impairment loss	7	9.399	666.091
Adjustments for interest expense	23	1.225.367	20.448
Other adjustments to reconcile profit (loss)	10	--	(90.129)
Adjustments for tax (income)/ expense	25	86.016	(172.610)
Adjustments for Working Capital			
Adjustments for decrease (increase) in trade receivables	7	(7.882.567)	(3.381.931)
Adjustments for decrease (increase) in other receivables	8	280.651	(76.644)
Adjustments for decrease (increase) in inventories	9	(17.504)	24.297
Adjustments for increase (decrease) in trade payables	7	(2.519.782)	408.176
Adjustments for decrease (increase) in other payables	8	(212.291)	(1.505.029)
Increase (decrease) in employee benefit liabilities	16	1.766.893	505.194
Change in other current and non-current assets	17	64.379	16.480
Change in short-term and long-term liabilities	17	7.330.530	2.584
Cash Flows Generated from Operating Activities (+)		**11.973.919**	**5.431.822**
Payments related to employee benefits	16	--	--
Net Cash Generated from Operating Activities		**11.973.919**	**5.431.822**
B. Cash Flows From Investıng Actıvıtıes			
Cash flows from purchase sales of property, plant, equipment	11	(12.115)	350.799
Cash flows from purchase sales of intangible assets	12	(13.076.633)	(5.184.519)
Net Cash Used in Investing Activities		**(13.088.748)**	**(4.833.720)**
C. Cash Flows from Financing Activities			
Interest paid	23	(9.399)	(20.448)
Repayments of / proceeds from borrowings	6	(920.948)	278.871
Cash Used in Financing Activities		(930.347)	**258.423**
Net Increase / (Decrease) in Cash and Cash Equivalents	**5**	**(2.045.176)**	**856.525**
D. Cash and Cash Equivalents at 1 January	***5***	***12.526.812***	***8.620.349***
Cash and Cash Equivalents at 31 December		**10.481.636**	**9.476.874**

The accompanying notes form an integral part of these consolidated financial statements.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

1. GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Fonet Bilgi Teknolojileri Anonim Şirketi ("The Company" or "Fonet") was established in in 1997 to provide computer software and technical support to both Public and Private Institutions. The Company has operated as a Limited Company until 31 May 2011. As of 1 September 2011, the Company changed its type and became an incorporated company.

The Company's headquarter is located at Kızılırmak Mahallesi 1445. Sokak No: 2B/1 The Paragon Tower Çukurambar, Çankaya / ANKARA.

The Company has two branches, one located at Büyükdere Cad. A2 Blok No:33/4 Levent, ISTANBUL and the other branch in İpekyol Cad. No: 12/1 ŞANLIURFA. The Company has liaison office abroad located in Klarabergsviadukten 70 D4, 111 64 Stockholm, SWEDEN.

The Company provides information management systems, system integration, consultancy and turnkey project services in the field of health informatics. Although the main operations of the Company are in the field of health informatics, the Company also participates in different IT projects related to field expertise.

The software products which are completely owned by Fonet are as follows:

S. No	Module Name	S. No	Module Name
1	Patient Record / Admission Management Sys.	31	Social Services Management System
2	Polyclinic Management System	32	Home Health Care Services Management System
3	Clinic Management System	33	Interoperability System
4	Emergency Management System	34	Decision Support Management System
5	Laboratory Information System	35	Material Resource and Inventory Management System
6	Radiology Information System	36	Fixture and Asset Management System
7	PACS (Picture Archiving and Communication S.)	37	Financial Information Man. S. (Invoice, Cash Desk, etc.)
8	Nursing Management System	38	Purchasing Information System
9	Operating Room Information System	39	Human Resources / Pay-Roll Information System
10	Pharmacy Information System	40	Personnel Attendance Control Management System
11	Cancer Management System	41	Document Management System
12	Mouth and Dental Health Information System	42	Medical Record Archive Management System
13	Physical Treatment and Rehabilitation Man. S.	43	Device Tracking Management System
14	Intensive Care Management System	44	Medical Device Calibration and Quality Control M. Sys.
15	Haemodialysis Management System	45	Quality Management System
16	Pathology Management System	46	Quality Indicator Management System
17	Psychology Management System	47	Laundry Management System
18	Oncology Management System	48	Occupational Health and Safety Management System
19	Diet Management System	49	LCD / Display Information and Qmatic Man. Sys.
20	Blood Centre Information System	50	Kiosk Management System
21	Sterilization Information System	51	SMS Management System
22	Healthcare Commission Management System	52	Technical Service Management System
23	Organ and Tissue Donation Management S.	53	Central Computer Management System
24	Clinic Engineering Information System	54	Process Management System
25	Information System, Statistic & Reporting Sys.	55	Medical Waste Management System
26	Medical Research Management System	56	Dynamic Medical / Administrative Module Des. Sys.
27	Information Desk Management System	57	Subscription Counter Tracking Module
28	Appointment Procedure Management System	58	Mobile Doctor Examination Man. System
29	Pregnant Education Management System	59	Online Examination Module (Videocall)
30	Diabetes Education Management System	60	Mobile Patient Management System

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

1. GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (CONTINUED)

The Company's main product is Fonet HIS ("Hospital Information Management System"). Fonet HIS ensures that all medical, administrative and financial business processes of health institutions are managed within the automation system. Fonet HIS consists of 60 separate software modules. Fonet HIS has been developed completely by their own engineers and actively operates in over 230 health institutions including hospitals in Somalia, Azerbaijan, Northern Cyprus and the Republic of Moldova.

The average number of personnel employed within the Group as of 31 March 2022 is 495 (31 December 2021: 480).

Detailed information about the personnel is as follows:

	31 March 2022	31 March 2021
Permanent indefinite-term contracted personnel of the Group	147	117
Fixed-term contracted personnel employed by the Group within the scope of contracts with hospitals	348	317
Total number of personnel	**495**	**434**

The shareholders of the Company and shares are as follows:

	31 March 2022		31 December 2021	
Shareholders	**Share Amount**	**Rate %**	**Share Amount**	**Rate %**
Abdülkerim GAZEN	15.338.333	38,35	15.338.333	38,35
MIRI Strategic Emerging Markets Fund LP	6.040.382	15,10	6.040.382	15,10
Azimut Portföy Çoklu Varlık Değişken Fon	2.015.237	5,04	--	--
Other	16.606.048	41,51	18.621.285	46,55
Paid capital	**40.000.000**	**100**	**40.000.000**	**100**

The Company's issued capital consists of 40.000.000 shares, all with a par value of 1 Turkish Liras each as at 31 March 2022 (31 December 2021: 40.000.000 shares).

As of 31 March 2022, 2.222.000 shares of 40.000.000 shares consist of Group A shares and 37.778.000 shares consist of Group B shares. Group A shares has a privilege in determining the members of the board of directors and in exercising voting rights in the general assembly.

At the ordinary and extraordinary general assembly meetings to be held by the Company, group (A) shareholders have 15 voting rights for each share, and Group (B) shareholders have 1 voting right for each share.

The Company has accepted the registered capital system in accordance with the provisions of the Capital Market Law and has been involved to the registered capital system with the permission of the Capital Markets Board dated 27 February 2015 and numbered 5/253. The Company's registered capital ceiling amount is 400.000.000 TL, all with a par value of 1 Turkish Liras and total shares are 400.000.000. The permission of the registered capital ceiling valid date is between 2022- 2026.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

1. GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (CONTINUED)

Subsidiaries fully consolidated included in the accompanying consolidated financial statements:

Pidata Bilişim Teknolojileri Anonim Şirketi ("Pidata")

The Company was established on 16 July 2018 and registered in Ankara. The establishment of the Company was announced in the Turkish Trade Registry Gazette dated 19 July 2018, numbered 9624. The shares of Pidata is owned completely by Fonet Bilgi Teknolojileri Anonim Şirketi.

Company Title	Share Rate %	Main operating activity	Type of activity	Country	Year of establishment
Pidata Bilişim Teknolojileri A.Ş.	100	Information Technologies	Services	Turkey/Ankara	2018

From here on after, Fonet Bilgi Teknolojileri Anonim Şirketi and the aforementioned subsidiary will be referred as "Group" or "Community."

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of Presentation

Financial Reporting Standards

The companies of the Group in Turkey keep and prepare their legal books and statutory financial statements in accordance with the accounting principles determined by the Turkish Commercial Code ("TCC") and tax legislation.

The accompanying consolidated financial statements of the Group have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" (the Communiqué) announced by Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") on 13 June 2013 which is published on Official Gazette numbered 28676 in order to comply with Turkish Accounting Standards / Turkish Financial Reporting Standards ("TFRS") and interpretations prepared in compliance with international standards. These standards are updated in parallel to the changes made in International Financial Reporting Standards ("IFRS").

The accompanying consolidated financial statements are based on the legal records of Fonet Bilişim Teknolojileri and have been prepared with the necessary adjustments and classifications in order to present the Group's financial position adequately, in accordance with IFRS, in order to make a correct presentation.

Presentation and Functional Currency

The consolidated financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

For the purpose of the consolidated financial statements, the functional and presentation currency of the Group is accepted as Turkish Lira "TL."

Going concern

The accompanying financial statements have been prepared on the basis of the going concern principle.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1. Basis of Presentation (Continued)

Going concern (continued)

The COVID-19 epidemic, which was declared a pandemic by the World Health Organization on 11 March 2020, continues to cause disruptions in activities around the world and adversely affect economic conditions. As a result of this; The effects of the pandemic continue in many areas such as asset prices, liquidity, exchange rates and interest rates, and uncertainties regarding the future continue. The effect of the pandemic in the world and in Turkey. As in 2020, it is considered that it may create negative effects on economic activities in 2021 as well. This situation does not have a significant impact on the Company.

Adjustment of financial statements during periods of high inflation

In accordance with the CMB's decision dated March 17, 2005, and numbered 11/367, the application of inflation accounting has been terminated, effective as of January 1, 2005, for the Groups operating in Turkey and preparing their financial statements in accordance with Turkish Accounting Standards. Accordingly, as of January 1, 2005, Standard No. 29 "Financial Reporting in Hyperinflationary Economies" ("TAS 29") has not been applied.

Declaration of conformity with IFRS/TAS

The accompanying financial statements have been prepared in accordance with the provisions of the "Communiqué on Principles of Financial Reporting in the Capital Markets" ("Communiqué") numbered II-14.1 published in the Official Gazette dated 13 September 2014 and numbered 28676 of the Capital Markets Board ("CMB").

Groups reporting in accordance with the CMB regulations apply the Turkish Accounting Standards/Turkish Financial Reporting Standards and their annexes and comments ("TAS/IFRS") published by the Public Oversight, Accounting and Auditing Standards Authority ("POA") in accordance with Article 5 of the Communiqué.

2.2. Changes in Accounting Policies

Accounting policies are amended if the Group's financial position, performance or cash flows and the effects of events are likely to result in a more appropriate and reliable presentation of the consolidated financial statements. If the amendments to the accounting policies affect previous periods, the policy is applied retroactively in the consolidated financial statements as if the policy have always been exercised. Accounting policy changes arising from the application of a new standard shall be applied retroactively or in accordance with the transition provisions of the standard, if any. Changes that are not covered by any transitional provision are applied retrospectively.

2.3 Comparative information and restatement of prior period financial statements

The Group's financial statements are prepared comparatively with the previous period in order to enable the determination of financial position and performance trends. In order to comply with the presentation of the current period financial statements, comparative information is reclassified when deemed necessary and important differences are disclosed.

2.4 New and Revised International Financial Reporting Standards

a) New and revised IFRSs that are effective for the current period

- **Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2;** effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 New and Revised International Financial Reporting Standards (Continued)

a) *New and revised IFRSs that are effective for the current period (continued)*

- **Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9;** effective from annual periods beginning on or after 1 January 2023. These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023.

b) *New and revised IFRSs in issue but not yet effective*

- **Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the Practical expedient;** as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021.As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

- **IFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

- **Amendments to IAS 1, Presentation of financial statements on classification of liabilities;** effective date deferred until accounting periods starting not earlier than 1 January 2024. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from Annual periods beginning on or after 1 January 2022.

  - **Amendments to IFRS 3**, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

  - **Amendments to IAS 16**, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

  - **Amendments to IAS 37**, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 New and Revised International Financial Reporting Standards (Continued)

b) New and revised IFRSs in issue but not yet effective (continued)

- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** from annual periods beginning on or after 1 January 2023. These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

2.5 Summary of Significant Accounting Policies

Basis of Consolidation

The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with TFRS applying uniform accounting policies and presentation.

Subsidiaries

As of 31 March 2022, the Group has control over financial and operating policies consolidated financial statements includes the financial statements of the subsidiaries.

As of 31 March 2022, the direct and indirect participation rates of the companies subject to consolidation are as follows:

Company Title	Share Rate %	Main operating activity	Type of activity	Country
Pidata Bilişim Teknolojileri A.Ş.	100	Information Technologies	Services	Turkey/Ankara

If the parent company controls more than half of the voting rights in a partnership, directly or indirectly, and the entity has the authority to manage its financial and operational policies, control is considered to exist. In consolidation of financial statements, all profits and losses, including intercompany balances, transactions and unrealized profits and losses are offset. Consolidated financial statements are prepared by applying consistent accounting policies for similar transactions and accounts. The financial statements of the subsidiaries are prepared for the same accounting period as the parent company. Subsidiaries begin to be consolidated from the date the control passes to the Company, and the consolidation process ends when the control leaves the Group. Income and expenses of subsidiaries purchased or disposed during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date of purchase to the date of disposal.

In case of a situation or event that may cause any change in at least one of the criteria listed above, the Company re-evaluates whether it has control power over its investment.

Non-controlling shares in the net assets of the subsidiaries included in consolidation are included as a separate item in the Group's equity. Equity of the consolidated subsidiaries and non-parent shares within the current period operations are shown separately in the consolidated financial statements as non-controlling interests. Non-controlling shares consist of the amounts belonging to non-controlling shares at the first purchase date and the amount of non-parent shares in changes in the shareholder's equity starting from the date of purchase.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Basis of Consolidation (Continued)

Subsidiaries (Continued)

Total comprehensive income is transferred to parent shareholders and non-controlling shares, even if non-controlling interests result in negative balance.

In cases where the Group does not have majority voting right over the invested company / asset, it has control power over the invested company / asset if there is sufficient voting right to direct / manage the activities of the relevant investment. The Company takes into account all relevant events and conditions in the assessment of whether the majority of votes in the relevant investment is sufficient to provide control power, including the following factors.

- Comparing the voting right of the company with the voting right of other shareholders;
- Potential voting rights of the company and other shareholders;
- Rights arising from other contractual agreements, and
- Other events and conditions that may indicate whether the Company has current power in managing the relevant activities (including voting at previous general meetings) in cases where a decision is required.

If necessary, adjustments are made in the financial statements of the subsidiaries to match the accounting policies followed by the Group.

Cash flows related to all intra-group assets and liabilities, equity, income and expenses and transactions between the Group companies are eliminated in consolidation.

Unrealized income and expenses arising from intra-group transactions, intra-group balances and intra-group transactions are mutually deleted during the preparation of consolidated financial statements. The profits and losses resulting from the transactions between the subsidiary and the parent and the subsidiaries subject to consolidation and jointly controlled partnerships are netted off in proportion to the parent's share in the subsidiary. Unrealized losses are deleted in the same way as unrealized gains unless there is evidence of impairment.

Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits and other short-term highly liquid investments with maturities less than 3 months or 3 months from the date of purchase, which can be immediately converted to cash and without significant risk of value change.

Trade receivables

Trade receivables that are created by way of providing goods or services directly to a debtor are carried at amortized cost. Trade receivables, net of unearned financial income, are measured at amortized cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Inventories

It is the item that shows assets that are held to be sold for sale in the normal course of business, that are produced to be sold or that are found in the form of items and materials to be used in the production process or service delivery. Order advances given are classified as other current assets until the relevant stock is recognized.

Inventories are valued at the lower of cost and net realizable value. Cost of Inventories; Includes all purchasing costs, conversion costs and other costs incurred to bring stocks to their current state and position. Conversion costs of inventories; This includes direct costs associated with production, such as direct labor costs. These costs also include the amounts distributed systematically from the fixed and variable general production costs incurred in the conversion of the first substance and material into a product.

The net realizable value is obtained by deducting the estimated completion cost from the estimated sales price occurring in the ordinary commercial activity and the Total of the estimated costs that must be incurred to realize the sale. Stocks cannot be tracked in the financial statements at a price higher than the amount expected to be obtained as a result of their use or sale. When the net realizable value of the inventories falls below its cost, the inventories are reduced to their net realizable value and reflected to the income statement in the year when the impairment occurs. In cases where the conditions leading to the reduction of inventories to net realizable value have expired or an increase in net realizable value due to changing economic conditions, the provision for impairment is cancelled. The cancelled amount is limited by the amount of impairment previously reserved.

Property, Plant and Equipment

The property, plant and equipment of the Group, which are held for use in the production or supply of goods and services, to be rented to others (for non-real estate assets) or to be used for administrative purposes, are stated with their cost values within the framework of the cost model.

Cost value of the tangible asset; The purchase price, import taxes, and non-refundable taxes consist of charges to make the tangible fixed asset available. Expenditures such as repair and maintenance after the use of the tangible fixed asset are reported in the income statement in the period they occur. If the expenditures provide an economic increase in the future use of the related tangible fixed asset, these expenditures are added to the cost of the asset.

Private costs include the expenditures made for the rented real estate, and in cases where the useful life is longer than the term of the rental contract, it is depreciated over the useful lives during the rental period.

Depreciation is reserved from the date on which the tangible assets are ready for use. Depreciation is continued to be reserved in the period when the relevant assets are idle.

Economic life and depreciation method are regularly reviewed; accordingly, it is checked whether the method and the depreciation period are in line with the economic benefits to be obtained from the related asset and corrections are made when necessary.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment (Continued)

Cost Method

Tangible assets are shown over the amount after deducting accumulated depreciation and accumulated impairment from cost values.

Assets that are under construction for leasing or administrative purposes or for other purposes that are not already determined are shown by deducting impairment loss, if any, from their cost value. Legal fees are also included in the cost. Such assets, like the depreciation method used for other fixed assets, are subject to depreciation when they are ready for use.

Except for land and ongoing investments, the cost amounts of tangible assets are depreciated using the straight-line method, according to their expected useful lives. The expected useful life, residual value, and depreciation method are reviewed annually for possible effects of changes in estimates, and if there is a change in estimates, they are recognized prospectively.

The gain or loss resulting from the disposal of the tangible assets or the removal of a tangible fixed asset is determined as the difference between the sales revenue and the book value of the asset and included in the income statement.

The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Useful Life	**Useful Life**
	31 March 2022	**31 December 2021**
Buildings	50 years	50 years
Motor vehicles	5 years	5 years
Fixtures and fittings	3-15 years	3-15 years
Leasehold improvements	3-15 years	3-15 years

Intangible Assets

Intangible assets purchased

Purchased intangible assets are shown with the amount after accumulated amortization and accumulated impairment losses are deducted from their cost values. These assets are amortized using the straight-line method based on their expected useful life. The expected useful life and depreciation method are reviewed annually in order to determine the possible effects of the changes that occur in the estimations and the changes in the estimations are accounted prospectively.

Computer software

Purchased computer software is activated over the costs incurred during the purchase and from the purchase until it is ready for use.

Derecognition of intangible assets

When an intangible asset is disposed of, or if no future economic benefits are expected from its use or sale, the statement of financial position (balance sheet) is excluded. Profit or loss arising from the exclusion of an intangible asset from the statement of financial position (balance sheet) is calculated as the difference between net collections and book values obtained from disposal of assets, if any. This difference is recognized in profit or loss when the related asset is taken out of the statement of financial position (balance sheet).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Intangible Assets (Continued)

Evaluation of research costs and development costs under Articles 52 to 67 of TAS 38:

Planned activities with the aim of obtaining new technological information or findings are defined as research and expense is recorded when the research expenses incurred at this stage are realized.

The application of research findings or other information to a plan prepared to produce new or significantly improved products, processes, systems or services is defined as development and is included in the financial statements as intangible assets resulting from development if all of the following conditions exist.

Intangible fixed assets created within the company resulting from development activities (or the development phase of an in-house project) are registered only when all of the following conditions are met:

- It is technically possible to complete the intangible asset so that it is ready for use or ready for sale,
- Intention to complete, use or sell the intangible asset,
- The intangible asset can be used or sold, it is clear how the asset will provide a possible future economic benefit,
- Appropriate technical, financial and other resources are available to complete the development of the intangible asset, to use or sell it; and
- The development cost of the asset can be reliably measured in the development process.

The amount of intangible assets created within the enterprise is the Total amount of the expenditures incurred from the moment the intangible asset meets the accounting requirements stated above. When intangible assets created within the business cannot be recorded, development expenses are recorded as expense in the period they occur. After initial accounting, intangible assets created within the business are also shown over the amount after deducting accumulated depreciation and accumulated impairments from cost values such as separately purchased intangible assets.

The Group purchases some of the intangible assets from outside, under the paragraphs 27 to 32 of TAS 38. In this context, it activates the costs obtained separately and which are directly related to the asset. In particular, the costs incurred in accordance with the 28th paragraph of TAS 38 are activated.

The useful lives of the intangible assets are as follows:

	Useful Life	**Useful Life**
	31 March 2022	**31 December 2021**
Rights	10-15 years	10-15 years
Development costs	12 years	12 years
New HIS working in Java based cloud	15 years	15 years
Tales ERP	15 years	15 years
Web portals	5 years	5 years
Other intangible fixed assets	3-10 years	3-10 years

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Intangible Assets (Continued)

<u>*Derecognition of intangible assets*</u>

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of Assets

Impairment test is applied when it is not possible to recover assets' book value which is subject to depreciation. Provision of impairment is entered when asset's book value is higher than its recoverable value. Recoverable amount, after deducting sales costs, is fair value or value in use whichever is higher. In order to evaluate impairment, assets are grouped into lowest level of separate definable cash flows (cash generating units). Except goodwill, nonfinancial assets which are subject to impairment are revised in every reporting period in case when there is a possibility of cancellation of impairment.

Leases

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

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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Group - as a lessee (continued)

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.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease, if that rate can be readily determined, or by using the Group's incremental borrowing rate.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date,

a) fixed payments, less any lease incentives receivable,
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
c) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, Group measures the lease liability by:

a) increasing the carrying amount to reflect interest on the lease liability,
b) reducing the carrying amount to reflect the lease payments made, and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications. The Group recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Group - as a lessee (continued)

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 recognized as an expense in the period in which they are incurred.

Group - as a lessor

All the leases that Group is the lessor are operating leases. Assets leased out under operating leases are classified under investment properties, property, plant and equipment or other current assets in the consolidated balance sheet. Rental income is recognized in the consolidated statement of income on a straight-line basis over the lease term.

Financial liabilities

Financial liabilities are recorded with their values after the transaction expenses are deducted from the financial debt amount received on the date of receipt. Financial liabilities are followed in the financial statements with their discounted values calculated with effective interest rate on the following dates. The difference between the amount of the financial debt received (excluding transaction expenses) and the repayment value is recognized on the accrual basis during the financial debt period in the statement of profit or loss. Financial debts are classified as short-term liabilities if the company does not have unconditional right such as postponing the liability for 12 months from the balance sheet date.

Trade payables

Trade payables are recorded at their fair values and are subsequently accounted for at their discounted values using the effective interest rate.

Financial Instruments

Financial assets and liabilities are recognized in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issuance of financial assets and liabilities (excluding financial assets and liabilities at fair value through profit or loss) are added to or subtracted from the fair value of those financial assets and liabilities at initial recognition, as appropriate. Transaction costs directly related to the acquisition or issuance of financial assets and liabilities are recognized directly in profit or loss.

Financial assets

Financial assets bought and sold in the normal way are recorded or removed at the transaction date.

The Group manages its financial assets (a) the business model used by the entity to manage financial assets, (b) the amortized cost at subsequent recognition based on the characteristics of the contractual cash flows of the financial asset, through fair value through other comprehensive income or at fair value through profit or loss. classifies as measured through loss. Only when an entity changes its business model for the management of financial assets, it reclassifies all affected financial assets. The reclassification of financial assets is applied prospectively from the date of reclassification. In such cases, no adjustments are made for gains, losses (including impairment gains or losses) or interest previously recognized.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Financial Instruments (continued)

Financial assets (continued)

Classification of financial assets

Financial assets that meet the following conditions are measured at amortized cost:

- holding the financial asset under a business model aimed at collecting contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows on certain dates that include only payments of principal and interest on the principal balance.

Financial assets that meet the following conditions are measured at fair value through other comprehensive income;

- holding the financial asset under a business model aimed at collecting contractual cash flows and selling the financial asset; and
- the contractual terms of the financial asset give rise to cash flows on certain dates that include only payments of principal and interest on the principal balance.

Unless a financial asset is measured at amortized cost or at fair value through other comprehensive income, it is measured at fair value through profit or loss.

At initial recognition, the Group may irrevocably choose to present any subsequent changes in fair value of its investment in a non-trading equity instrument in other comprehensive income.

(i) Amortized cost and effective interest method

Interest income on financial assets shown at amortized cost is calculated using the effective interest method. The effective interest method is the method of calculating the amortized cost of a debt instrument and allocating the interest income to the relevant period.

a) Financial assets that are credit-impaired when purchased or created. For such financial assets, an entity applies a credit-adjusted effective interest rate to the amortized cost of the financial asset since initial recognition.

b) Financial assets that were not credit-impaired financial assets at the time of purchase or origination but subsequently become credit-impaired financial assets. For such financial assets, the entity applies the effective interest rate to the amortized cost of the asset in subsequent reporting periods.

Interest income is accounted for using the effective interest method for debt instruments with amortized costs at subsequent recognition and at fair value through other comprehensive income.

Interest income is recognized in the consolidated statement of profit or loss and presented in the "financial income – interest income" item.

(ii) Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria to be measured at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

Investments in equity instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs. Gains and losses resulting from changes in fair value are subsequently recognized in other comprehensive income and accumulated in the revaluation reserve. In case of disposal of equity investments, the total accumulated gain or loss is transferred to retained earnings.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Financial Instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

(ii) Financial assets at fair value through profit or loss (continued)

Equity instruments at fair value through other comprehensive income

At initial recognition, the Group may make an irrevocable choice to present any subsequent changes in fair value of its investment in each non-trading equity instrument in other comprehensive income.

A financial asset is considered to be held for trading if:

- recently acquired for sale; or
- is part of a portfolio of certain financial instruments that the Group manages together at the time of initial recognition and there is recent evidence that the Group has a tendency to make short-term profits; or
- is a derivative (except for a financial guarantee contract or derivatives that are defined and effective hedging instruments).

Investments in equity instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs. Gains and losses resulting from changes in fair value are subsequently recognized in other comprehensive income and accumulated in the revaluation reserve. In case of disposal of equity investments, the total accumulated gain or loss is transferred to retained earnings.

Foreign exchange gains and losses

The carrying amount of financial assets denominated in foreign currency is determined in the relevant foreign currency and translated at the prevailing exchange rate at the end of each reporting period. Especially,

- exchange differences are recognized in profit or loss for financial assets that are shown at amortized cost and are not part of a defined hedge;
- Exchange differences calculated over the amortized cost of debt instruments that are measured at fair value through other comprehensive income and that are not part of a defined hedging transaction are recognized in profit or loss for the period. All other exchange differences that occur are recognized in other comprehensive income;
- exchange differences on financial assets that are measured at fair value through profit or loss and that are not part of a defined hedging transaction are recognized in profit or loss for the period; and
- Exchange differences on equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income.

Impairment of financial assets

The Group makes an impairment provision in its financial statements for debt instruments, lease receivables, trade receivables, assets arising from contracts with customers, as well as expected credit losses on investments in financial guarantee contracts, which are carried at amortized cost or measured at fair value through other comprehensive income. The expected credit loss amount is updated each reporting period to reflect changes in credit risk since the financial asset was first recognized.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Financial Instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The Group uses the simplified approach for trade receivables, assets arising from contracts with customers and lease receivables that are not significant financing elements, and calculates the provision for impairment at an amount equal to the expected credit loss over the life of the related financial assets.

For all other financial instruments, the Group recognizes lifetime expected credit losses if there has been a significant increase in credit risk since initial recognition. However, if the credit risk of the financial instrument has not increased significantly since initial recognition, the Group recognizes a 12-month expected credit loss provision for that financial instrument.

Measuring and accounting for expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss-on-default (e.g., magnitude of loss if defaulted), and the amount at risk given default. The assessment of the probability of default and loss-on-default is based on historical data adjusted with forward-looking information. In the event of default, the amount of financial assets subject to risk is reflected over the gross book value of the related assets at the reporting date.

The expected credit loss of financial assets is the initial effective interest rate (or credit-impairment when purchased or created) of the difference between all of the Group's contractually realized cash flows and all of the cash flows that the Group expects to collect (all cash deficits). It is the present value calculated over the loan-adjusted effective interest rate for financial assets

Derecognition of financial assets

The group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all of the risks and rewards of ownership of the financial asset to another entity.

When derecognizing a financial asset measured at amortized cost, the difference between the carrying amount of the asset and the consideration received and receivable is recognized in profit or loss. In addition, when derecognizing a debt instrument at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the revaluation fund for that instrument is reclassified to profit or loss. If an equity instrument that the Group chooses to measure at fair value through other comprehensive income at initial recognition is derecognized, the cumulative gain or loss in the revaluation fund is not recognized in profit or loss, but is transferred directly to retained earnings.

Financial liabilities

An entity measures the financial liability at fair value on initial recognition. In the initial measurement of liabilities other than those at fair value through profit or loss, transaction costs directly attributable to their acquisition or issuance are added to the fair value.

An entity classifies all financial liabilities as measured at amortized cost at subsequent recognition, except for:

a) Financial liabilities at fair value through profit or loss: These liabilities, including derivatives, are measured at fair value at subsequent recognition.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Financial Instruments (continued)

Financial liabilities (continued)

b) Financial liabilities arising when the transfer of the financial asset does not meet the conditions for derecognition or if the continuing relationship approach is applied: If the Group continues to present an asset in the financial statements to the extent of its continuing relationship, it also reflects a related liability in the financial statements. The transferred asset and the associated liability are measured to reflect the rights and obligations that the entity continues to hold. The liability attached to the transferred asset is measured in the same manner as the net book value of the transferred asset.

c) Contingent consideration recognized by the acquirer in a business combination to which TFRS 3 is applied: After initial recognition, the fair value changes in such contingent consideration are measured through profit or loss.

The entity does not reclassify any financial liabilities.

Derecognition of financial liabilities

The Group derecognizes financial liabilities only when the Group's liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the amount paid or payable, including non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Derivative financial instruments

In order to keep the risks associated with foreign exchange and interest rates under control, the Group uses various derivative financial instruments, including foreign exchange forward contracts, options and interest rate swap contracts.

Derivative instruments are accounted for at their fair value as of the date of the related derivative contract and are remeasured at their fair values in each reporting period on the following dates. The resulting gain or loss is recognized in profit or loss if the derivative has not been designated as a hedging instrument and its effectiveness has not been demonstrated.

A derivative with a positive fair value is accounted for as a financial asset, while a derivative with a negative fair value is accounted for as a financial liability. Derivative instruments are not shown net, except that the Group has the legal right and intent to offset these instruments. In cases where the time to maturity of the derivative instrument is longer than 12 months and it is not expected to be realized or finalized within 12 months, it is shown in the financial statements as a non-current asset or a long-term liability. The remaining derivatives are presented as current assets or current liabilities.

Recognition of Revenue

The Group transfers a committed good or service to its customer and records the revenue in its financial statements as it fulfils or obtains its performance obligation. When an asset is in control (or as it passes) to the customer, the asset is transferred.

The company records revenue in its financial statements in accordance with the following basic principles:

- Determination of contracts with customers,
- Determination of performance obligations in the contract,
- Determination of the transaction price in the contract,
- Dividing the transaction price into performance obligations in the contract,
- Accounting of revenue when each performance obligation is fulfilled)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Recognition of Revenue (continued)

Revenue from product sales

The Group receives revenue by selling the software programs it produces. Revenue is recorded when products are handed over to the customer

The Group revenue mainly consists of the sales revenue of the software product specified in the first footnote and the modules that are part of this product.

When another party participates in providing the goods or services to the customer, the Group determines the quality of its commitment as a performance obligation to provide the specified goods or services in person (principal) or to mediate those goods or services provided by the other party (proxy). It is noble if the company checks the specified goods or services before transferring those goods or services to the customer. In that case, when it fulfils (or brings) its obligation to perform, it records the revenue in the financial statements as much as the gross amount of the price it expects to deserve in return for the assigned goods or services. If the Group acts as an intermediary in the provision of goods or services whose performance obligation is determined by another party, it is a proxy and does not reflect the revenue in the financial statements for the performance obligation in question.

If the company is entitled to collect a price directly corresponding to the value of its completed performance from its customers (in the delivery of the products), the company records the revenue in the financial statements as much as it has the right to invoice. The Group does not make any adjustments at the beginning of the contract, since the period between the transfer date of the goods and services promised to the customer and the date when the customer pays the price of this goods or service will be one year or less, there will be no impact on the promised financing component.

The Group does not have contract assets arising from its contracts with its customers and contract costs to be capitalized regarding the aforementioned contracts.

Employee benefits

In accordance with the current social legislation, the Group is obliged to pay accumulated compensation for each employee who completes one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation and misconduct.

In accordance with Turkish laws and union agreements, lump-sum payments are made to employees who retire or leave the Group unintentionally. Such payments are considered to be a part of the defined retirement benefit plan in accordance with "Turkish Accounting Standard (revised) Employee Benefits ("TAS 19") No. 19.

The severance pay liability in the accompanying consolidated financial statements has been calculated in accordance with the recognition and valuation principles specified in TAS 19 "Employee Benefits". Since the severance pay obligations are identical with the 'Specific Post-employment Benefit Plans' defined in this standard in terms of their characteristics, these liabilities have been calculated and included in the financial statements using some of the assumptions explained below. The main assumptions used as of 31 March 2022 and 31 December 2021 are as follows:

	31 March 2022	31 December 2021
Interest rate%	%21.00	%13.25
Inflation rate%	%16.40	%9.00

TAS 19 ("Employee Benefits") has been revised to be valid for accounting periods beginning after January 1, 2013. In accordance with the revised standard, actuarial gains/losses on employee benefits are recognized in the statement of comprehensive income.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Effects of exchange rate differences

The financial statements of the Group are presented in the currency (functional currency unit) valid in the basic economic environment in which they operate. The Group's financial status and operating results are expressed in TL, which is the current currency and the presentation unit for the financial statements.

During the preparation of the Group's financial statements, transactions in foreign currency (currencies other than TL) are recorded based on the exchange rates at the date of the transaction. Foreign currency indexed monetary assets and liabilities in the balance sheet are converted into Turkish Lira by using the exchange rates valid on the balance sheet date. Of the non-monetary items that are monitored with their fair value, those recorded in foreign currency are converted into TL based on the exchange rates on the date the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange differences are recognized in profit or loss in the period they occur except for the following situations:

- Exchange differences that are related to assets being built for future use and are included in the cost of such assets, which are considered as a correction item to interest costs on debts denominated in foreign currency,
- Foreign exchange differences arising from transactions to provide financial protection against risks arising from foreign currency (accounting policies for providing financial protection against risks are explained below),
- Foreign exchange differences arising from foreign debt and receivables arising from foreign operations, which are part of the net investment in foreign activity, accounted for in the reserve reserves and associated with profit or loss in the sale of the net investment, with no intention to pay or probability.

Provisions, Contingent Assets and Liabilities

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that 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 balance sheet date considering the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount of provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

Contingent Assets and Liabilities

Liabilities and assets that can be confirmed by the realization of one or more uncertain future events, arising from past events and the existence of which is not fully under the Group's control, are considered contingent liabilities and assets and are not included in the financial statements.

Taxes Calculated on Corporate Income and Deferred Tax

As Turkish Tax Legislation does not allow the parent company and its subsidiary to prepare consolidated tax returns, tax provisions have been calculated on a separate-entity basis, as reflected in the consolidated financial statements.

Income tax expense is the sum of current tax and deferred tax expense.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Taxes Calculated on Corporate Income and Deferred Tax (continued)

Current tax

Current year tax liability is calculated over the taxable portion of the profit for the period. Taxable profit differs from profit reported in the statement of profit or loss in that it excludes items that are taxable or deductible in other years and items that are not taxable or deductible. The Group's current tax liability has been calculated using the tax rate that has been enacted or substantially enacted as of the reporting period.

Deferred Tax

Deferred tax liability or assets are determined by calculating the tax effects of the temporary differences between the amounts of assets and liabilities shown in the financial statements and the amounts taken into account in the calculation of the legal tax base, according to the balance sheet method, taking into account the enacted tax rates.

While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated on the condition that it is highly probable to benefit from these differences by generating taxable profit in the future. The mentioned assets and liabilities are not recognized if they arise from the initial recognition of the temporary difference, goodwill or other assets and liabilities (other than business combinations) related to the transaction that does not affect the commercial or financial profit/loss.

Deferred tax liabilities are calculated for all taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, unless the Group is able to control the disappearance of temporary differences and it is unlikely that the difference will disappear in the near future. Deferred tax assets arising from taxable temporary differences associated with such investments and interests are calculated on the condition that it is highly probable that the said differences will be benefited from by earning sufficient taxable profit in the near future and it is probable that the related differences will disappear in the future.

Carrying amount of deferred tax asset is reviewed at each reporting period. The carrying amount of the deferred tax asset is reduced to the extent that it is not likely to generate a financial profit sufficient to allow some or all of the benefits to be obtained.

Deferred tax assets and liabilities are calculated over tax rates (tax regulations) that are expected to be valid in the period when the assets will be realized or the liabilities will be fulfilled and which have been enacted or substantially enacted as of the reporting date.

During the calculation of deferred tax assets and liabilities, the tax results of the methods estimated by the Group to recover the book value of its assets or fulfil its liabilities as of the reporting period are taken into account.

Deferred tax assets and liabilities, when there is a legal right to set off current tax assets and current tax liabilities, or if such assets and liabilities are associated with income tax collected by the same tax authority, or if the Group intends to settle its current tax assets and liabilities on a net basis. is deducted.

Current and Deferred Income Tax

Current tax and deferred tax for the period are expense or income in the statement of profit or loss, excluding those associated with items receivable or payable directly in equity (in which case deferred tax is also recognized directly in equity) or arising from the initial recognition of business combinations. accounted for. In business combinations, tax effects are taken into account when calculating goodwill or determining the portion of the purchaser's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary exceeding the acquisition cost.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Earnings Per Share

Earnings / loss amount per share, period profit / loss; The amount of profit / loss per share from continuing activities is calculated by dividing the period profit / loss from continuing activities by the time weighted average number of shares in the period.

In Turkey companies can increase their capital by giving out to shareholders ―free share‖ way which is from previous year’s profit. This type of free share‖ distribution is set, in the calculation of earnings per share, average share number, and by considering previous effects of such share distribution.

In the calculation of earnings per share, there are no privileged shares or potential shares with dilution effect that will require correction.

Related Parties

For the purpose of these financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by/or affiliated with them, associated companies and other companies within the Company are defined and referred to as related parties.

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

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity;
- is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;

ii) The entity and the reporting entity are members of the same Company (which means that each parent, subsidiary and fellow subsidiary is related to the others).
iii) Both entities are joint ventures of the same third party.
iv) The party is a member of the key management personnel of the Group or its parent;
v) The party is a close family member of any individual mentioned in (i) or (iv) articles;
vi) The entity is a; business that is controlled, jointly controlled, under significant influence or an individual abovementioned in (iv) or (v) has direct or indirect significant voting rights; or
vii) The entity is a post-employment defined 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.

Transaction with related party is a transfer of resources, services or liabilities between the reporting entity and the related party, disregarding it is with or without a value.

Government Grants and Incentives

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Events after the reporting date

Events after the reporting date; It covers all events between the reporting date and the date the statement of financial position is authorized for issue, even if they occur after any announcement or other selected financial information that affects profit or loss has been made public.

In the event that events requiring adjustment occur after the reporting date, the Group adjusts the amounts recognized in the financial statements in accordance with this new situation. Matters arising after the reporting date that do not require adjustment are disclosed in the notes according to their materiality.

Reporting of cash flows

The Group organizes the cash flow statements in order to inform the users of the financial statements about the changes in the net assets, the financial structure and the ability to direct the amount and timing of the cash flows according to the changing conditions. In the cash flow statement, cash flows for the period are classified and reported based on operating, investment and financing activities.

Cash flows arising from operating activities show cash flows arising from the main activities of the Group. 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 financial activities show the resources used by the Group in financial activities and repayments of these resources.

Cash and cash equivalents include cash and demand bank deposits, and short-term investments with high liquidity that can be easily converted to a certain amount of cash, with a maturity of 3 months or less.

2.6 Use of Estimates

In the preparation of the consolidated financial statements, the Group management is required to make assumptions and estimates that will affect the reported amounts of assets and liabilities, determine the probable liabilities and commitments as of the date of the consolidated financial statements, and the income and expense amounts as of the reporting period. Actual results may differ from estimates. Estimates are reviewed regularly; necessary corrections are made and reflected in the comprehensive income statement in the period they are realized. However, actual results may differ from these results.

The assumptions made by considering the interpretations that may have a material effect on the amounts reflected in the consolidated financial statements and the main sources of the existing or future estimates at the date of the financial statements are as follows:

a) Severance pay liability is determined using actuarial assumptions (discount rates, future salary increases and employee turnover rates).

b) Provisions for litigation are determined by the management in each period by taking the opinions of the Company's legal advisors on the possible consequences of ongoing lawsuits as of the date of preparation of the financial statement, which may lead to cash outflows.

c) The Group management has made important assumptions in the determination of the useful economic lives of the tangible assets in line with the experience of the technical team.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.6 Use of Estimates (Continued)

d) The Group reviews its assets in order to set aside a provision for impairment when it is revealed that the assets may not be sold at their book value, in line with the developing events or changing conditions. If there is such an indication and the carrying value of the assets exceeds the estimated recoverable value, the assets and cash-generating units are presented at their estimated recoverable value. The recoverable value of the assets is the higher of the net selling price or value in use.

e) The impairment loss in trade receivables and other receivables is based on the Company management's assessment of the volume of trade receivables, past experiences and general economic conditions.

f) The Group recognizes deferred tax assets and liabilities for temporary timing differences arising from the differences between the tax base legal financial statements and the financial statements prepared in accordance with TFRS. These differences are generally due to the fact that the tax base amounts of some income and expense items take place in different periods in the legal financial statements and the financial statements prepared in accordance with TFRS.

3. BUSINESS COMBINATION

None (31 December 2021: None).

4. SEGMENT REPORTING

Fonet Bilgi Teknolojileri Anonim Şirketi. and its subsidiary Pidata Bilişim Teknolojileri A.Ş. operates in the same sector and in the same geographical regions.

5. CASH AND CASH EQUIVALENTS

	31 March 2022	**31 December 2021**
Cash on hands	1.168	1.168
Bank		
- *Demand deposits*	6.352.626	7.524.921
- *Time deposits*	4.127.842	5.000.723
Total	**10.481.636**	**12.526.812**

As of the reporting period, the time deposits of the Group are comprised of TL assets, with a maturity range of approximately 2-15 days and interest rates between 12,35% and 19%.

6. FINANCIAL BORROWINGS

Current borrowings	**31 March 2022**	**31 December 2021**
Bank loans	159.126	1.414.258
Lease liabilities	534.391	612.278
Other financial liabilities	1.225.174	713.815
Total	**1.918.691**	**2.740.351**

6. FINANCIAL BORROWINGS (CONTINUED)

Non current borrowings	**31 March 2022**	**31 December 2021**
Lease liabilities	760.379	859.667
Total	**760.379**	**859.667**

The repayment schedule of the financial liabilities	**31 March 2022**	**31 December 2021**
0-3 months	1.384.300	2.128.073
Total	**1.384.300**	**2.128.073**

Amounts related to the loans expressed in Turkish Lira and the details of the Collaterals, Pledges and Mortgages given against the loans are given in Note 15.

Details of liabilities comprised of right of use	**31 March 2022**	**31 December 2021**
1-2 years	534.391	612.278
2-3 years	303.564	348.935
3-4 years	258.425	292.287
4-5 years	198.390	218.445
Total	**1.294.770**	**1.471.945**

7. TRADE RECEIVABLES AND TRADE PAYABLES

Short-term trade receivables	**31 March 2022**	**31 December 2021**
Trade receivables from related parties (Note 24)	--	--
Trade receivables	48.598.129	43.556.678
Deferred financing income (-)	(1.225.367)	(948.621)
Provision for trade receivables (-)	**(82.600)**	(150.222)
Total	**47.372.762**	**42.608.057**

The movement of provision for trade receivables is as follows:

	31 March 2022	**31 March 2021**
Beginning of the period	**150.222**	**250.222**
Provision during the period (Note 21)	--	415.869
Provision canceled during the period (Note 21)	(67.622)	--
End of the period	**82.600**	**666.091**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

7. TRADE RECEIVABLES AND TRADE PAYABLES (CONTINUED)

Long-term trade receivables	31 March 2022	31 December 2021
Trade receivables (*)	36.182.912	33.109.189
Deferred financing income (-)	(34.539)	(2.227)
Total	**36.148.373**	**33.106.962**

Short-term Trade Payables	31 March 2022	31 December 2021
Trade payables from related parties (Note 24)	--	--
Trade payables	1.283.671	2.580.866
Deferred financing income (-)	(6.149)	(8.929)
Total	**1.277.522**	**2.571.937**

(*) The Group signed an HIS Usage License Agreement worth US$ 300,000 with Medpark International Hospital, the largest private hospital in the Republic of Moldova, on 16 December 2020, and the Republic of Turkey Northern Cyprus Health Information System Project with Türksat Uydu Haberleşme Kablo TV ve İşletme A.Ş. with a total value of USD 3.090.000 on 28 July 2021. The collection of the amounts will be within 24 – 36 months and therefore the Group has accounted this amount as deferred income.

The Group signed the HIMS Usage License Agreement in the State of Qatar on 3 May 2021 for a total price of USD 600.000. Within the scope of the said contract, HIMS Usage License fees will be realized in 2022 and have been accounted as deferred income as of March 2022 (Note 10.

8. OTHER RECEIVABLES and OTHER LIABILITIES

Other short-term receivables	31 March 2022	31 December 2021
Due from personnel	102.448	21.400
Deposits and guarantees given	15.500	108.412
Receivables from the tax office	26.106	26.094
Total	**144.054**	**155.906**

Other Non-Current Receivables	31 March 2022	31 December 2021
Deposits and guarantees given	35.500	35.500
Total	**35.500**	**35.500**

Other Current Liabilities	31 March 2022	31 December 2021
Other payables to related parties (Note 24)	--	11.690
Taxes and funds payables	307.615	508.216
Total	**307.615**	**519.906**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

9. INVENTORIES

	31 March 2022	31 December 2021
Merchandises (*)	546.614	529.110
Total	**546.614**	**529.110**

(*) The Group's commercial goods consist of system room server and hardware materials.

10. PREPAID EXPENSES AND DEFERRED INCOME

Current Prepaid Expenses	**31 March 2022**	**31 December 2021**
Prepaid expenses (*)	1.423.353	1.272.800
Advances given for purchases	--	383
Advances given for business purposes	260.595	148.511
Total	**1.683.948**	**1.421.694**

Other long-term receivables	**31 March 2022**	**31 December 2021**
Prepaid expenses (*)	--	531.053
Total	**--**	**531.053**

(*) Prepaid expenses are comprised of software licenses acquired in accordance with the contracts made within the scope of the tenders that the Group has participated in and are closed by monthly invoicing to the customers during the period.

Current Deferred Income	**31 March 2022**	**31 December 2021**
Deferred income (*)	14.663.445	9.836.802
Advances received (**)	--	507.198
Total	**14.663.445**	**10.344.000**

Non-current Deferred Income	**31 March 2022**	**31 December 2021**
Deferred income (*)	36.182.912	33.109.239
Total	**36.182.912**	**33.109.239**

(*) Within the scope of the HIMS Usage License Agreement signed with Medpark International Hospital, the largest private hospital of the Republic of Moldova, on 16 December 2020, the license usage fee of USD 300.000 will be collected with 12 maturities within 24 months in line with the payment plan determined by the parties. Although the maturity amounts are not equal; payment schedule and progress payment amounts are calculated by weighting according to the project periods. After the end of the 24-month contract period, a new Maintenance and Technical Support Service Agreement can be signed as a result of the conditions agreed by the parties.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

10. PREPAID EXPENSES AND DEFERRED INCOME (CONTINUED)

Within the scope of the HIMS Usage License Agreement signed with Türksat Uydu Haberleşme Kablo TV ve İşletme A.Ş. for the Turkish Republic of Northern Cyprus Health Information System Project on 28 July 2021 with a contract value of USD 3.090.000 which will be collected in 9 terms within 36 months in line with the payment plan determined by the parties. Although the maturity amounts are not equal; payment schedule and progress payment amounts are calculated by weighting according to the project periods. After the end of the 36-month contract period, a new Maintenance and Technical Support Service Agreement can be signed as a result of the conditions agreed by the parties.

The Group signed an HIMS Usage License Agreement worth USD 600.000 with Gate Way Technology Company in the Qatar on 03 May 2021. An advance payment of USD 39.200 was received under the said contract. The project is planned to be completed at the end of the year, and the first payment for the project was received in April 2022.

11. PROPERTY, PLANT AND EQUIPMENT

	31 December 2021	Addition	Disposal	31 March 2022
Cost				
Buildings	1.500.000	--	--	1.500.000
Motor vehicles	2.181.909	--	--	2.181.909
Fixtures and fittings	5.084.160	56.125	--	5.140.285
Leasehold improvements	894.736	--	--	894.736
Total	**9.660.805**	**56.125**	**--**	**9.716.930**
Accumulated depreciation (-)				
Buildings	(330.000)	(7.500)	--	(337.500)
Motor vehicles	(1.204.155)	(105.030)	--	(1.309.185)
Fixtures and fittings	(3.051.134)	(216.699)	--	(3.267.833)
Leasehold improvements	(690.736)	(44.010)	--	(734.746)
Total	**(5.276.025)**	**(373.239)**	**--**	**(5.649.264)**
Net book value	**4.384.780**			**4.067.666**

	31 December 2020	Addition	Disposal	31 December 2021
Cost				
Buildings	1.500.000	--	--	1.500.000
Motor vehicles	1.696.711	485.198	--	2.181.909
Fixtures and fittings	3.877.253	1.206.907	--	5.084.160
Leasehold improvements	966.532	14.539	(86.335)	894.736
Total	**8.040.496**	**1.706.644**	**(86.335)**	**9.660.805**
Accumulated depreciation (-)				
Buildings	(300.000)	(30.000)	--	(330.000)
Motor vehicles	(832.554)	(371.601)	--	(1.204.155)
Fixtures and fittings	(2.337.138)	(713.996)	--	(3.051.134)
Leasehold improvements	(555.131)	(180.356)	44.751	(690.736)
Total	**(4.024.823)**	**(1.295.953)**	**44.751**	**(5.276.025)**
Net book value	**4.015.673**			**4.384.780**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net book value of the intangible fixed assets are as follows:

	31 March 2022	31 December 2021
Buildings	1.162.500	1.170.000
Motor vehicles	872.724	977.754
Fixtures and fittings	1.872.452	2.033.026
Leasehold improvements	159.990	204.000
Total	**4.067.666**	**4.384.780**

As of 31 March 2022, there is an insurance coverage of TL 1.088.500 (31 December 2021: TL 1.088.500) on total assets. There are no restrictions on real estate.

12. INTANGIBLE ASSETS

	31 December 2021	Additions	Disposals	31 March 2022
Cost				
Rights	35.905.870	1.225.000	--	37.130.870
Development costs ".net based HIS"	4.588.814	--	--	4.588.814
Development costs —Java based cloud system	74.204.619	11.807.624	--	86.012.243
Tales ERP	4.460.431	--	--	4.460.431
Total	**119.159.734**	**13.032.624**	**--**	132.192.358
Accumulated amortization (-)				
Rights	(8.273.967)	(560.916)	--	(8.834.883)
Development costs ".net based HIS"	(3.856.981)	(78.556)	--	(3.935.537)
Development costs — Java based cloud system	(14.731.139)	(1.180.301)	--	(15.911.440)
Tales ERP	(268.106)	(49.408)	--	(317.514)
Total	**(27.130.193)**	**(1.869.181)**	**--**	(28.999.374)
Net book value	**92.029.541**			**103.192.984**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

12. INTANGIBLE ASSETS (CONTINUED)

	31 December 2020	Additions	Disposals	31 December 2021
Cost				
Rights	11.214.338	7.545.000	17.146.532	35.905.870
Development costs ".net based HIS"	4.588.814	--	--	4.588.814
Development costs —Java based cloud system	74.319.377	17.031.774	(17.146.532)	74.204.619
Tales ERP	2.964.500	1.495.931	--	4.460.431
Total	**93.087.029**	**26.072.705**	**--**	**119.159.734**
Accumulated amortization (-)				
Rights	(5.547.000)	(1.814.401)	(912.566)	(8.273.967)
Development costs ".net based HIS"	(3.510.214)	(346.767)	--	(3.856.981)
Development costs — Java based cloud system	(11.313.990)	(4.329.715)	912.566	(14.731.139)
Tales ERP	(69.228)	(198.878)	--	(268.106)
Total	**(20.440.432)**	**(6.689.761)**	**--**	**(27.130.193)**
Net book value	**72.646.597**			**92.029.541**

The net book value of the intangible fixed assets are as follows:

	31 March 2022	31 December 2021
Rights	27.631.903	5.667.338
Development costs ".net based HIS"	731.833	1.078.600
Development costs — Java based cloud system	59.473.480	63.005.387
Tales ERP	4.192.325	2.895.272
Total	**92.029.541**	**72.646.597**

The Group capitalizes the cost of the new HIS program running on Java-based cloud architecture. These costs consist of outsourced services and personnel costs in software development, project implementation and system support departments.

The details of the program costs capitalized during the period are as follows:

	31 March 2022	31 December 2021
Personnel costs (the personnel work on software development, project implementation and system support departments)	13.032.624	18.527.706
Total	**13.032.624**	**18.527.706**

Development costs incurred in prior periods are comprised of development costs related to the Java based HIS of which sales are ongoing.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

13. RIGHT OF USE ASSETS

Cost	31 December 2021	Additions	Disposals	31 March 2022
Buildings				
Included in the balance sheet within the scope of IFRS 16 right of use assets	2.322.040	--	--	2.322.040
Total	**2.322.040**	**--**	**--**	**2.322.040**
Accumulated amortization (-)				
Buildings				
Included in the balance sheet within the scope of IFRS 16 right of use assets	(1.173.955)	(704.833)	--	(1.878.788)
Total	**(1.173.955)**	**(704.833)**	**--**	**(1.878.788)**
Net book value	**1.148.085**			**443.252**

Group in the case of tenant

The Group has five lease agreement that is subject to operating leases.

The Group has five workplace rentals, Floor 1 and Floor 12 at The Paragon Business Centre in Çankaya, Ankara, Emlak Kredi Blokları 33/4 in Levent, Istanbul, Klarabergsviadukten 70, D4 11 68 in Stockholm, Sweden and Technology Development Zone in Hacettepe University Teknokent in Ankara, Turkey The beginning date of the contracts are 15 August 2017, 01 July 2021 1 August 2019, 02 January 2020 and 26 January 2021 respectively and the contract terms are valid for 5 years.

14. GOVERNMENT INCENTIVES

The Group has investment incentive certificates that are deemed appropriate to be issued by the Official Departments regarding investment expenditures. The rights owned by the Group due to these incentives are as follows:

a) Incentives within the scope of Technology Development Zones Law (100% Corporate Tax Exemption),
b) Incentives within the scope of research and development law (Social Security Institution incentives etc.)

In accordance with the article; 'Within the scope of the temporary second article of the Law No. 4691 on Technology Development Zones, amended by the 8th article of the Corporate Tax General Communiqué No 6, the earnings obtained by the management companies within this law and the income and corporate taxpayers operating in the region are exempt from income and corporate tax until 31 December 2028, exclusively from the software and R&D activities in this region. The Group 's revenues to be obtained as a result of research and development activities are within the scope of exemption from corporate tax.

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other Current Provisions	31 March 2022	31 December 2021
Provisions for lawsuits	1.135.548	659.820
Total	**1.135.548**	**659.820**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

The movement table of the litigation provision is as follows:

	01.01- 31.03.2022	01.01- 31.03.2021
Opening balance	659.820	429.175
Additional provision made during the period (Note 21)	683.031	130.763
Paid litigation amounts (-) (Note 21)	(207.303)	--
Closing Balance	**1.135.548**	**559.938**

As of the date of this report, summary information about the Group related to litigation and execution are as follows:

	31 March 2022	
	Amount	**Total**
Ongoing lawsuits on behalf of the Group	41	1.071.254
Ongoing execution proceedings	6	221.494
Ongoing lawsuits against the Group	32	424.727
Ongoing enforcement proceedings	3	235.093
		1.828.622

The Group management has provided a provision in the amount of TL 1.135.548 in the financial statements with regards to lawsuits filed against the Group (31 December 2021 TL 559.938).

Contingent Liabilities

31 March 2022, collaterals, pledges and mortgages (CPM's) given by the Group are as follows:

	31 March 2022	31 December 2021
CPM given by the Group		
A. CPM's given for Group's own legal personality CPM given by the company	16.021.102	15.303.450
B. CPM's given on behalf of fully consolidated companies	--	--
C. CPM's given on behalf of third parties for ordinary course of business		
D. Total amount of other CPM's	--	--
i. Total amount of CPM's given on behalf of the majority shareholder		
ii. Total amount of CPM's given on behalf of other Group companies which are not in scope of B and C	--	--
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	--	--
Total	**16.021.102**	**15.303.450**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

Details of CPM's given for the Group's own legal personality is as follows:

	31 March 2022	31 December 2021
Letters of guarantee	16.021.102	15.303.450
Total	**16.021.102**	**15.303.450**

16. LIABILITIES FROM EMPLOYEE BENEFITS

Liabilities from Employee Benefits	31 March 2022	31 December 2021
Payables due to personnel	3.836.255	2.524.618
Social security withholdings payables	1.633.296	1.178.040
	5.469.551	**3.702.658**

Current Provisions for Employee Benefits	31 March 2022	31 December 2021
Provisions for unused vacations	359.299	356.730
	359.299	**356.730**

Movements of the provisions for unused vacations are as follows:

	01.01 -31.03.2022	01.01 -31.03.2021
Beginning of the period	**356.730**	**329.831**
Provision amount for the current period (Note 20)	30.495	--
Provision released (Note 21)	(27.926)	(53.396)
End of the period	**359.299**	**276.435**

	31 March 2022	31 December 2021
Provision for employee termination benefits	1.523.541	1.748.561
	1.523.541	**1.748.561**

Provision for Severance Pay

Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

16. LIABILITIES FROM EMPLOYEE BENEFITS (CONTINUED)

Provision for Severance Pay (continued)

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 (Employee Benefits) stipulates the development of Group liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

	31 March 2022	31 December 2021
Net discount rate (%)	%3,70	%3,70

	01.01 -31.03.2022	01.01 -31.03.2021
Beginning of the period	**1.748.561**	**1.042.688**
Service cost (Note 20)	549.057	75.984
Actuarial profit /(loss)	(1.141.275)	(4.608)
Interest expense (Note 21)	367.198	34.149
Compensation paid	--	--
Closing balance	**1.523.541**	**1.148.213**

The main assumption is that the maximum liability amount for each year of service will increase in line with inflation. Therefore. The discount rate applied represents the expected real rate after adjusting for future inflation effects. Therefore, as of 31 March 2022 and 31 December 2021, the provisions in the accompanying financial statements are calculated by estimating the present value of the probable liability arising from the retirement of future employees.

In calculating the provision for severance pay of the Group, the ceiling amount of TL 10.848,59 valid as of 01 January 2022 was taken into account (31 December 2021: TL 8.284,51).

17. OTHER ASSETS AND LIABILITIES

Other current assets	**31 March 2022**	**31 December 2021**
VAT carried forward	121.111	185.490
Total	**121.111**	**185.490**

Other current liabilities	**31 March 2022**	**31 December 2021**
Executive and BES Deductions	178.724	253.059
Expense accruals	11.746	--
TOTAL	**190.470**	**253.059**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

18. EQUITY, RESERVES AND OTHER EQUITY COMPONENTS

The Shareholders structure of The Company is as follow

	31 March 2022		31 December 2021	
Shareholders	**Share Amount**	**Rate %**	**Share Amount**	**Rate %**
Abdülkerim GAZEN	15.338.333	38,35	15.338.333	38,35
MIRI Strategic Emerging Markets Fund LP	6.040.382	15,10	6.040.382	15,10
Azimut Portföy Çoklu Varlık Değişken Fon	2.015.237	5,04	--	--
Other	16.606.048	41,51	18.621.285	46,55
Paid capital	**40.000.000**	**100**	**40.000.000**	**100**

The Company's issued capital consists of 40.000.000 shares, all with a par value of 1 Turkish Liras each as at 31 March 2022 (31 December 2021: 40.000.000 shares).

Other comprehensive income/loss not to be reclassified to profit or loss

	31 March 2022	31 December 2021
Actuarial gain/loss	796.083	(630.511)
	796.083	**(630.511)**

Restricted reserves allocated from profit

	31 March 2022	31 December 2021
Legal reserves	5.552.771	3.410.180
	5.552.771	**3.410.180**

The Turkish Commercial Code ("TCC") stipulates that the general legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's paid-in share capital. Other legal reserve is appropriated out of 10% of the distributable income after 5% dividend is paid to shareholders. Under the TCC, general legal reserves can only be used for compensating losses, continuing operations in severe conditions or preventing unemployment and taking actions for relieving its effects in case general legal reserves does not exceed half of paid-in capital or issued capital.

Accumulated profits other than net period profit are shown in previous years' profits / (losses). Extraordinary reserves, which are essentially accumulated profits and thus not restricted, are also considered as accumulated profits and shown in this item.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

19. REVENUE AND COST OF SALES (-)

Sales revenue, net	**01.01-31.03.2022**	**01.01-31.03.2021**
Domestic sales	20.309.742	17.034.198
Exports	2.125.588	423.388
Other sales	9.600	668
Total Revenues	**22.444.930**	**17.458.254**
Revenue, net	**22.444.930**	**17.458.254**

Cost of sales (-)	**01.01-31.03.2022**	**01.01-31.03.2021**
Cost of services sold	10.793.594	9.583.947
Cost of merchandises sold	--	85.980
Cost of sales	**10.793.594**	**9.669.927**
Gross profit	**11.651.336**	**7.788.327**

20. GENERAL ADMINISTRATION EXPENSES. RESEARCH EXPENSES (-)

	01.01.-31.03.2022	**01.01.-31.03.2021**
General administrative expenses (-)	4.014.331	1.522.495
Marketing, selling and distribution expenses (-)	201.373	116.853
Research and development expenses (-)	--	4.749
Total	**4.215.704**	**1.644.097**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

20. GENERAL ADMINISTRATION EXPENSES. RESEARCH EXPENSES (-) (CONTINUED)

General Administrative Expenses	**01 January – 31 March 2022**	**01 January - 31 March 2021**
Depreciation and amortization expenses	1.032.199	374.027
Employee benefit expenses	898.385	266.062
Taxes, dues and fees paid	720.114	76.491
Provision for severance pay (Note 16)	549.057	75.984
Notary expenses	169.167	122.022
Office expenses	151.746	59.148
Accommodation expenses	102.942	--
Fuel expenses	77.385	--
Electricity, water, heating expenses	71.755	--
Consulting expenses	53.385	190.319
Communication expenses	39.047	22.486
	33.848	13.266
Freight expenses	33.698	--
Unused vacation provision (Note 16)	30.495	--
Insurance expenses	31.943	11.020
Cargo expenses	2.602	--
Rent expenses	--	245.161
Other expenses	16.563	66.509
Total	**4.014.331**	**1.522.495**

Marketing, selling and distribution expenses	**01 January – 31 March 2022**	**01 January - 31 March 2021**
Taxes, dues and fees paid	101.316	45.297
Employee expenses	81.210	34.924
Congress and symposium expenses	18.165	2.555
Office expenses	254	27.414
Repair and maintenance expenses	--	5.346
Travelling expenses	--	737
Accommodation expenses	--	114
Other expenses	428	466
Total	**201.373**	**116.853**

Research and development expenses	**01 January – 31 March 2022**	**01 January - 31 March 2021**
Training and consultancy expenses	--	4.749
Total	**--**	**4.749**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

21. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES (-)

Other income from operating activities	01 January – 31 March 2022	01 January - 31 March 2021
Incentive income	1.063.718	553.963
Reversals of litigation (Note 15)	207.303	--
Reversal of unused vacation provision (Note 16)	27.926	53.396
Deferred financing income	8.456	3.117
Reversal of provisions for receivables (Note 7)	67.622	--
Other	169.275	147.216
Total	**1.544.300**	**757.692**

Other expense from operating activities (-)	01 January – 31 March 2022	01 January - 31 March 2021
Provision for litigation (Note 15)	683.031	130.763
Severance pay interest expenses (Note 16)	367.198	34.149
Deferred financing expenses	320.314	242.025
Provision for trade receivables (Note 7)	--	415.869
Other	8.703	4
Total	**1.379.246**	**822.810**

22. INCOME AND EXPENSES FROM INVESTING ACTIVITIES (-)

Income from investing activities	01 January – 31 March 2022	01 January - 31 March 2021
Interest income	150.349	300.406
Income from sales of tangible assets	--	29.209
Total	**150.349**	**329.615**

23. FINANCIAL INCOME AND EXPENSES (-)

Financial income	01 January – 31 March 2022	01 January - 31 March 2021
Foreign exchange income	247.716	3.825
Total	**247.716**	**3.825**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

23. FINANCIAL INCOME AND EXPENSES (-) (CONTINUED)

Financial expenses (-)	**01 January – 31 March 2022**	**01 January - 31 March 2021**
Foreign exchange expenses	239.923	12.386
Right of use expenses	209.018	62.059
Letters of guarantee commission expenses	29.822	30.949
Interest expense	9.399	20.448
		--
Total	**488.162**	**125.842**

24. RELATED PARTIES

For the purpose of these financial statements, shareholders, key executives, board members, their families and companies are regarded as related parties and affiliates.

As of 31 March 2022, there is no receivable from related parties. (31 December 2021: None)

Payables to related parties

	31 March 2022		**31 December 2021**	
	Trade	**Non-trade**	**Trade**	**Non-trade**
Shareholder				
Abdülkerim GAZEN	--	--	--	11.690
Total	**--**	**--**	**--**	**11.690**

The amount of rights granted to senior managers in the current period is TL 560.250 (Prior period: TL 1.485.850)

25. TAXES ON INCOME (Deferred Tax Asset and Liability Included)

Current tax

	31 Mart 2022	**31 December 2021**
Prepaid taxes and funds (-)	(485)	(485)
Tax asset or liability	**(485)**	**(485)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

25. TAXES ON INCOME (Deferred Tax Asset and Liability Included) (CONTINUED)

Corporate Tax Provision

The corporate tax rate is applied to the tax base to be found as a result of adding the expenses that are not accepted as a deduction in accordance with the tax laws to the commercial income of the corporations and deducting the exceptions and deductions in the tax laws. If the profit is not distributed, no other tax is paid, and all or part of the profit is dividends;

- To real people
- Natural and legal persons who are exempt or exempt from Income and Corporate Tax,
- Limited taxpayer real and legal persons,

In case of distribution, 10% Income Tax Withholding is calculated. The addition of the period profit to the capital is not considered as profit distribution and no withholding tax is applied.

Corporations calculate a 25% temporary tax on their quarterly financial profits and declare it until the 17th day of the second month following that period and pay it until the evening of the 17th day. The temporary tax paid during the year belongs to that year and is deducted from the corporate tax to be calculated over the corporate tax return to be submitted in the following year.

75% of the profits arising from the sale of participation shares, which are in the assets of the corporations for at least two full years, and 50% of the gains from the sale of the immovables that are in the assets for the same period of time, are exempt from tax, provided that they are added to the capital as stipulated in the Corporate Tax Law.

According to the Turkish tax legislation, financial losses shown on the declaration can be deducted from the corporate income for the period, provided that they do not exceed 5 years. However financial losses cannot be offsite from last year's profits. There is no practice in Turkey to reach an agreement with the tax authority regarding the taxes to be paid. Corporate tax returns are submitted to the relevant tax office until the evening of the last day of the fourth month following the month in which the accounting period is closed. However, the tax inspection authorities can examine the accounting records within five years, and if an incorrect transaction is detected, the tax amounts to be paid may change.

With the article 11 of the Law No. 7316 on the Procedure for the Collection of Public Claims and Amending Certain Laws, published in the Official Gazette No. 31462 dated 22 April 2021, provisional 13th article added to the Corporate Tax Law No. 5520, corporate tax rate will be applied as 25% for the corporate earnings for the 2021 taxation period and 23% for the corporate earnings for the 2022 taxation period. This change will be valid for the taxation of corporate earnings for the periods starting from January 1, 2021, starting with the declarations that must be submitted as of 1 January 2021. In the financial statements dated 31 March 2022, 25% and 20% are used as tax rates for current tax and deferred tax calculations.

Tax provision in the income statement:	**31 Mart 2022**	**31 December 2021**
Current period corporate tax provision	--	--
Deferred tax provision	(371.335)	171.597
Total	**(371.335)**	**171.597**

Deferred Tax Assets and Liabilities

The Group is entering the deferred tax assets and liabilities into account for the temporary timing differences which are generated from the differences between statutory financial statements and financial statements that are prepared according to the Turkish Financial Reporting Standards ("TFRS"). These differences generally arise, because some of the income and expense items' amounts that are subject to taxation are placed in different periods in statutory financial statements and in financial statements prepared according to the TFRS and it is specified below. The tax rate used in the calculation of deferred tax assets and liabilities is 25% for the temporary timing differences.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

25. TAXES ON INCOME (Deferred Tax Asset and Liability Included) (CONTINUED)

Deferred Tax Assets and Liabilities (CONTINUED)

As of 31 March 2022 and 31 December 2021, the temporary differences that are subject to deferred tax and the distribution of deferred tax assets calculated using the effective tax rates as of the balance sheet date are summarized below:

	Cumulative temporary differences		**Deferred Tax**	
	31 March 2022	**31 December 2021**	**31 March 2022**	**31 December 2021**
Deferred tax assets				
Depreciation adjustment	5.341.565	3.331.277	1.335.391	832.819
Severance pay provision	1.523.541	1.748.561	380.885	437.140
Deferred finance expense	1.259.906	950.898	314.977	237.725
Provision for litigation	1.135.548	659.820	283.887	164.955
Unused vacation provision	359.299	356.726	89.825	89.182
Provision for doubtful receivables	82.600	150.222	20.650	37.556
Deferred tax adjustment	--	228.533	--	57.133
Written off assets	--	233.694	--	58.424
Lease contracts	--	1.305.451	--	326.363
Adjustment on borrowings	--	2.421	--	605
Other	128.052	--	32.013	--
Total	**9.830.511**	**8.967.603**	**2.457.628**	**2.241.902**

	Cumulative temporary differences		**Deferred Tax**	
	31 March 2022	**31 December 2021**	**31 March 2022**	**31 December 2021**
Deferred Tax Liabilities				
Depreciation adjustment	(6.624.273)	--	(1.656.068)	--
Lease contracts	(1.027.270)	(850.095)	(256.818)	(212.524)
Difference between the tangible assets registered value and tax base	(126.563)	(126.563)	(31.641)	(31.641)
Adjustment for time deposits accounts	(36.222)	(9.857)	(9.056)	(2.464)
Deferred financial expense	(6.149)	(8.995)	(1.537)	(2.249)
Capitalized costs of programs in progress	--	(3.476.679)	--	(869.170)
Capitalized development costs	--	(3.147.594)	--	(786.899)
Other	(1.140.777)	(134.500)	(285.194)	(33.625)
Total	**(8.961.254)**	**(7.754.283)**	**(2.240.314)**	**(1.938.572)**
Deferred Tax Assets / (Liabilities), net	**869.257**	**1.213.320**	**217.314**	**303.330**

Movements of deferred tax assets / (liabilities) are as follows:

	31 March 2022	**31 December 2021**	**31 March 2021**
Opening balance of deferred tax assets / (liabilities)	303.330	(272.512)	(351.277)
Deferred tax expense / (income)	(371.335)	589.266	171.597
Deferred tax effect of other comprehensive income	285.319	(13.424)	1.013
Deferred tax asset / liability in the current period	**217.314**	**303.330**	**(178.667)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

26. EARNINGS PER SHARE

Net profit / (loss) for the period from continued operations:	**01.01.- 31.03.2022**	**01.01.- 31.03.2021**
Net profit / (loss) of parent company from continued operations		
Weighted average number of shares		
	7.139.254	6.458.307
Earnings / (loss) per share from continued operations (TL)	40.000.000	40.000.000
Earnings / (loss) per share	**0,18**	**0,16**
Profit / (loss) for the period		
Net profit / (loss) of minority shares for the period		
Weighted average number of shares	7.139.254	6.458.307
Net profit / (loss) for the period from continued operations:	7.139.254	6.458.307
	40.000.000	40.000.000
Earnings / (loss) per share (TL)		
	0,18	**0,16**

	01.01.- 31.03.2022	**01.01.- 31.03.2021**
Number of weighted shares at the beginning of the period		
Number of shares issued within the period	40.000.000	40.000.000
Number of shares at the end-of-period	--	--

27. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The most important risks arising from the financial instruments of the Group is interest rate risk, liquidity risk and credit risk.

Capital Risk Management

The risks associated with each capital class, together with the Group's cost of capital, are evaluated by senior management.

The primary purpose of the Group's capital management is to maximize equity values and to ensure the continuity of a healthy capital structure. The Group manages its capital structure and makes adjustments in the light of changes in economic conditions.

Based on the evaluations of the top management, the Group may acquire new debt or repay the existing debt; Within the framework of the dividend policy, it aims to keep the capital structure in balance through the distribution of dividends in cash and/or bonus shares or the issuance of new shares. While trying to ensure the continuity of its activities in capital management, the Group also aims to increase its profitability by using the debt and equity balance in the most efficient way.

The Group monitors capital using the net financial debt to capital employed ratio. This ratio is found by dividing the financial debt used by the capital. Net financial debt is calculated by deducting cash and cash equivalents from the total debt amount. Capital employed is calculated as equity plus net financial debt as shown in the balance sheet.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

27. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

Capital Risk Management (Continued)

	01.01.- 31.03.2022	**01.01.- 31.12.2021**
Total liabilities	66.029.287	58.804.500
Less: cash and cash equivalents	(10.481.636)	(12.526.812)
Net (Cash)/Liabilities	**55.547.651**	**46.277.688**
Total equity	**140.666.726**	**132.100.877**
Capital	40.000.000	40.000.000
Net (Cash) Liabilities / Total Equity Ratio	**0,39**	**0,35**

The current ratio from liquidity ratios has been realized as follows in terms of periods.

	01.01.- 31.03.2022	**01.01.- 31.12.2021**
Current assets	60.350.610	57.427.554
Current liabilities (-)	25.322.141	21.148.461
Net working capital excess / (deficit)	**35.028.469**	**36.279.093**
Current Ratio	**2,38**	**2,72**

Earnings Before Interest Tax Depreciation and Amortization (EBITDA)	**01.01.- 31.03.2022**	**01.01.- 31.03.2021**
Net income / (loss) for the period	7.139.254	6.458.307
Income / expenses from operating activities, net	(165.054)	65.118
Income / expenses from investment activities, net	(150.349)	(329.615)
Depreciation expenses	2.947.252	1.971.896
Financing (income) / expense, net	240.446	122.017
Tax (income) / loss, net	371.335	(171.597)
EBITDA	**10.382.884**	**8.116.126**
EBITDA margin	**46,26**	**46,49**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

27. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Factors

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations. The Group management meets these risks by limiting the average risk for the counterparty in each agreement. The Group’s collection risks mainly arise from its trade receivables. The Group manages this risk by limitation on the extension of the credit to customers. Credit limits are monitored regularly by the Company and the customer’s financial position, taking into account the customers’ credit quality and other factors considered. The Group does not have any derivative financial instruments. (31 December 2021: None)

The imposed credit risk by financial instrument type is as follows:

	RECEIVABLES					
	Trade Receivables		**Other Receivables**			
31 March 2022	**Related Parties**	**Other Parties**	**Related Parties**	**Related Parties**	**Bank Deposits**	**Cash and Other**
Maximum credit risk exposures as of report date (A+B+C+D+E)	**--**	**83.521.135**	**--**	**179.554**	**10.480.468**	**1.168**
- Secured part of maximum credit risk exposure via collateral etc.	--	--	--	--	--	--
A. Net book value of the financial assets that are neither overdue nor impaired	--	83.521.135	--	179.554	10.480.468	1.168
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	--	--	--	--	--	--
C. Net book value of financial assets that are overdue but not impaired	--	--	--	--	--	--
D. Net book value of impaired financial assets	--	--	--	--	--	--
- Overdue (gross carrying amount)	--	82.600	--	--	--	--
- Impairment asset (-)	--	(82.600)	--	--	--	--
- Net, secured part via collateral etc.	--	--	--	--	--	--
E. Off-balance sheet financial assets exposed to credit risk	--	-	--	--	--	--

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

27. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Factors (Continued)

Credit risk (Continued)

The imposed credit risk by financial instrument type is as follows:

	RECEIVABLES					
	Trade Receivables		Other Receivables			
31 December 2021	Related Parties	Other Parties	Related Parties	Related Parties	Bank Deposits	Cash and Other
Maximum credit risk exposures as of report date (A+B+C+D+E)	**--**	**75.715.019**	**--**	**191.406**	**12.525.644**	**1.168**
- Secured part of maximum credit risk exposure via collateral etc.	--	--	--	--	--	--
A. Net book value of the financial assets that are neither overdue nor impaired	--	75.715.019	--	191.406	12.525.644	1.168
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	--	--	--	--	--	--
C. Net book value of financial assets that are overdue but not impaired	--	--	--	--	--	--
D. Net book value of impaired financial assets	--	--	--	--	--	--
- Overdue (gross carrying amount)	--	150.222	--	--	--	--
- Impairment asset (-)	--	(150.222)	--	--	--	--
- Net, secured part via collateral etc.	--	--	--	--	--	--
E. Off-balance sheet financial assets exposed to credit risk	--	--	--	--	--	--

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

27. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Factors (Continued)

Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The Group management minimizes its liquidity risk by financing its assets with equity as in the previous period. The Group conducts its liquidity management not according to the expected terms, but it conducts with the terms determined in accordance with the contract. The Group has no derivative financial liabilities.

Maturities accordance with the contract as of 31 March 2022	**Book value**	**Total contractual cash outflow (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1 – 5 years III)**
Bank loans	157.785	157.785	157.785	--	--
Other financial liabilities	1.225.174	1.225.174	1.225.174	--	--
Trade payables	1.277.522	1.277.522	1.277.522	--	--
Finance lease obligations	1.294.770	1.294.770	534.391	303.564	456.815
				--	--
Total	**3.955.251**	**3.955.251**	**3.194.872**	**303.564**	**456.815**
Liabilities from employee benefits	5.469.551	5.469.551	5.469.551	--	--
Deferred income	359.299	15.562.653	14.663.445	--	899.208
Other payables and liabilities	14.663.445	307.615	307.615	--	--
					--
Total	**20.492.295**	**21.339.819**	**20.440.611**		**899.208**

Maturities accordance with the contract as of 31 December 2021	**Book value**	**Total contractual cash outflow (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1 – 5 years III)**
Bank loans	1.414.258	1.414.258	1.414.258	--	--
Other current liabilities	713.815	713.815	713.815	--	--
Trade payables	2.571.937	2.571.937	2.571.937	--	--
Finance lease obligations	1.471.945	1.471.945	612.278	348.935	292.287
Total Liabilities	**6.171.955**	**6.171.955**	**5.312.288**	**348.935**	**292.287**
Liabilities from employee benefits	1.748.561	1.748.561	1.748.561	--	--
	1.748.561	**1.748.561**	**1.748.561**	**--**	**--**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

27. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Financial Risk Factors (Continued)

Market Risk

Market risk is the risk of fluctuations in the fair value of a financial instrument or in future cash flows that will adversely affect a business due to changes in market prices. These are foreign currency risk, interest rate risk and financial instruments or commodity price change risk.

Interest Rate Risk

Interest rate risk arises from the possibility of interest rate changes that affect the financial statements. The Group is exposed to interest rate risk because of timing differences of its assets and liabilities which is expired in a current period. There is no risk management pattern and implementation which is defined and in the Group Company. The Group administration manages the interest rate risk by making decision and with its implementations although there is not any risk management model defined in the Group.

The Group's interest position table is as follows:

	31 Mart 2022	31 Aralık 2021
Financial instruments with fixed interest		
Financial Liabilities (Note 6)	1.384.300	3.600.018
Cash and Cash Equivalents (Note 5)	(10.481.636)	(12.526.812)

28. EVENTS AFTER THE REPORTING DATE

The Board of Directors of Fonet Bilgi Teknolojileri A.Ş., regarding the amendment of Article 6 titled "The Capital of the Company and the Type of Shares" and Article 10 titled "General Assembly" of the Company's Articles of Association, and the amendment of the Company's Articles of Association, it has been decided to submit the necessary legal permission/opinion applications to the Capital Market Board and Republic of Turkey Ministry of Commerce and submit them to the approval of the shareholders in order to be discussed and resolved at the first General Assembly meeting to be held.