NETAŞ TELEKOMÜNİKASYON A.Ş.
AND ITS' SUBSIDIARIES
As at and for the period ended 31 December 2022
Consolidated financial statements and
The independent Auditors' report

(Convenience translation of the report and
The consolidated financial statements originally
Issued in Turkish

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION AS OF 31 DECEMBER 2022
(Unless otherwise stated the amounts are in TL)

	Notes	Audited 31 December 2022	Audited 31 December 2021
ASSETS			
Current Assets		**3.196.676.305**	**2.948.964.059**
Cash and Cash Equivalents	5	220.130.315	541.970.727
Trade Receivables		1.950.953.880	1.348.616.225
Due from related parties	*28*	*70.128.043*	*16.530.090*
Trade receivables, third parties	*7*	*1.880.825.837*	*1.332.086.135*
Other Receivables		3.125.482	2.901.515
Other receivables, third parties	*8*	*3.125.482*	*2.901.515*
Inventories	*9*	425.556.194	379.632.146
Contract Assets related to Goods and Services Provided		440.623.216	572.161.427
Contract Assets related to Goods and Services Provided	*11*	*440.623.216*	*572.161.427*
Prepaid Expenses	*10*	69.508.094	36.731.381
Current Income Tax Assets	*26*	39.417.852	33.562.897
Other Current Assets	*19*	47.361.272	33.387.741
Non-Current Assets		**983.142.061**	**717.962.787**
Property, Plant and Equipment	*12*	104.419.220	107.379.852
Right of Use Assets	*14*	88.396.034	67.931.249
Financial Investments	3	25.360.788	17.926.217
Intangible Assets		458.907.627	346.561.747
Goodwill	*13*	*342.704.462*	*244.295.352*
Other intangible assets	*13*	*116.203.165*	*102.266.395*
Investments Accounted Using the Equity Method	*3*	-	8.621.337
Deferred Tax Assets	*26*	306.058.392	169.542.385
TOTAL ASSETS		**4.179.818.366**	**3.666.926.846**

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION AS OF 31 DECEMBER 2022
(Unless otherwise stated the amounts are in TL)

	Notes	Audited 31 December 2022	Audited 31 December 2021
LIABILITIES			
Short Term Liabilities		**4.012.878.974**	**3.508.145.330**
Short Term Borrowings		1.131.510.175	1.115.963.022
Short Term Bank Loans	*6*	*1.131.510.175*	*1.115.963.022*
Short-Term Portion of Long-Term Borrowings		*157.312.811*	*80.859.969*
Short-Term Portion of Long-Term Bank Loans	*6*	*61.218.489*	*12.919.150*
Short-Term Portion of Long-Term Lease Liabilities	*6*	*96.094.322*	*67.940.819*
Trade Payables		1.980.523.062	1.599.413.559
Due to related parties	*28*	*757.233.720*	*457.540.058*
Trade payables, third parties	*7*	*1.223.289.342*	*1.141.873.501*
Other Payables		93.396.310	81.774.643
Other payables, third parties	*8*	*93.396.310*	*81.774.643*
Employee Benefit Obligations	*18*	43.250.541	26.272.106
Contract Liabilities		451.692.035	356.827.319
Contract Liabilities	*11*	*451.692.035*	*356.827.319*
Provisions		*150.506.216*	*247.034.712*
Provisions for Employee Benefits	*18*	*50.090.562*	*26.573.697*
Other Short Term Provisions	*16*	*100.415.654*	*220.461.015*
Current Income Tax Liabilities	*26*	4.687.824	-
Long Term Liabilities		**149.247.633**	**123.373.240**
Long Term Financial Liabilities			
Long Term Borrowings		65.409.415	60.918.001
Bank Loans	*6*	-	*13.817.167*
Lease Liabilities	*6*	*65.409.415*	*47.100.834*
Provisions		83.838.218	47.530.550
Provisions for Employee Benefits	*18*	*83.838.218*	*47.530.550*
Deferred Tax Liabilities	*26*	-	14.924.689
SHAREHOLDERS' EQUITY			
Equity Attributable to Equity Holders of the Parent		**13.401.817**	**36.923.410**
Share Capital	*20*	64.864.800	64.864.800
Share Capital Adjustments		41.612.160	41.612.160
Other comprehensive income to be reclassed in profit and loss		9.570.710	(4.850.226)
Currency Translation Differences		*9.570.710*	*(4.850.226)*
Other comprehensive income not to be reclassed in profit and loss		538.278.161	545.653.120
Remeasurement gain/ (loss) on defined benefit plans		*(41.158.337)*	*(17.262.824)*
Currency Translation Differences		*579.436.498*	*562.915.944*
Restricted Reserves	*20*	34.897.360	34.897.360
Retained Earnings		(645.253.804)	22.958.336
Net Loss for the Period		(30.567.570)	(668.212.140)
Non-controlling interests		**4.289.942**	(1.515.134)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4.179.818.366**	**3.666.926.846**

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF
PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR
THE PERIOD ENDED 31 DECEMBER 2022
(Unless otherwise stated the amounts are in TL)

	Notes	Current Period 1 January- 31 December 2022	Previous Period 1 January- 31 December 2021
INCOME OR LOSS FROM OPERATIONS			
Revenue	21	4.011.553.628	2.296.349.584
Cost of Sales (-)	21	(3.624.228.360)	(2.559.191.128)
GROSS PROFIT		**387.325.268**	**(262.841.544)**
Sales, Marketing and Distribution Expenses (-)	22	(150.985.067)	(109.354.192)
General Administrative Expenses (-)	22	(161.566.947)	(107.506.666)
Research and Development Expenses (-)	22	(6.557.959)	(14.707.778)
Other Income from Operating Activities	23	33.283.777	7.656.204
Other Expenses from Operating Activities (-)	23	(152.314.966)	(269.823.591)
OPERATING LOSS		**(50.815.894)**	**(756.577.567)**
Income from Investment Activities	24	31.089.521	39.599.284
Expenses from Investment Activities (-)	24	(337.789)	(3.119.582)
Income from Investments Accounted Using the Equity Method	3	317.606	(823.495)
OPERATING LOSS BEFORE FINANCE INCOME AND EXPENSES		**(19.746.556)**	**(720.921.360)**
Financial Income	25	167.137.791	233.193.653
Financial Expenses (-)	25	(231.011.494)	(138.668.200)
LOSS BEFORE TAX		**(83.620.259)**	**(626.395.907)**
Tax (Expenses)/ Income		**58.857.765**	**(44.026.775)**
Current Tax Expenses	26	*(18.024.354)*	-
Deferred Tax Income	26	*76.882.119*	(44.026.775)
NET LOSS FOR THE YEAR		**(24.762.494)**	**(670.422.682)**
Attributable to:			
Non-controlling Interest		*5.805.076*	*(2.210.542)*
Equity Holders of the Parent		*(30.567.570)*	*(668.212.140)*
Earn/(Loss) per share	27	*(0,3818)*	*(10,3357)*
OTHER COMPREHENSIVE INCOME/ (EXPENSES)			
Other comprehensive income or (expenses) that will not be reclassified subsequently to profit of loss		**(7.374.959)**	**124.464.571**
Currency translation differences		16.520.554	130.133.217
Remeasurement gain/ (loss) on defined benefit plans	18	(29.869.391)	(7.033.419)
Remeasurement gain/ (loss) on defined benefit plans, deferred ta	26	5.973.878	1.406.684
Actuarial gain/ (loss) arising from investment accounted using the equity method	3	-	(41.911)
Other comprehensive income or expenses that will be reclassified subsequently to profit of loss		**14.420.936**	(4.404.658)
Currency translation differences		7.810.329	(3.007.189)
Currency translation differences from investments accounted using the equity method	3	-	(1.397.469)
OTHER COMPREHENSIVE INCOME/ (LOSS)		**7.045.977**	**120.059.913**
TOTAL COMPREHENSIVE INCOME/ (LOSS)		**(17.716.517)**	**(550.362.769)**
Attributable to:			
Non-controlling Interest		5.805.076	(2.210.542)
Equity Holders of the Parent		(23.521.593)	(548.152.227)
Earn/(Loss) per share		(0,2731)	(8,4848)

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

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2022
(Unless otherwise stated the amounts are in TL)

			Other comprehensive income or expenses will be reclassified subsequently to profit or loss	**Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss**			**Retained Earnings**				
	Share Capital	**Share Capital Adjustments**	**Currency Translation Differences**	**Currency Translation Differences**	**Remeasurement loss on defined benefit plans**	**Restricted Reserves**	**Retained Earnings**	**Net (Loss) for the Period**	**Equity Holders of the Parent**	**Non-controlling Interest**	**TOTAL**
Balance as of 1 January 2021	**64.864.800**	**41.612.160**	**(445.568)**	**432.782.727**	**(11.594.178)**	**34.897.360**	**94.088.563**	**(71.130.227)**	**585.075.637**	**695.408**	**585.771.045**
Transfers	**-**	**-**	**-**	**-**	**-**	**-**	**(71.130.227)**	**71.130.227**	**-**	**-**	**-**
Total comprehensive income	-	-	(4.404.658)	130.133.217	(5.668.646)	-	-	(668.212.140)	(548.152.227)	(2.210.542)	(550.362.769)
Net Loss for Period	-	-	-	-	-	-	-	*(668.212.140)*	*(668.212.140)*	*(2.210.542)*	*(670.422.682)*
Other Comprehensive Income	-	-	*(4.404.658)*	*130.133.217*	*(5.668.646)*	-	-	-	*120.059.913*	-	*120.059.913*
Balance as of 31 December 2021	**64.864.800**	**41.612.160**	**(4.850.226)**	**562.915.944**	**(17.262.824)**	**34.897.360**	**34.897.360**	**(668.212.140)**	**36.923.410**	**(1.515.134)**	**35.408.276**

			Other comprehensive income or expenses will be reclassified subsequently to profit or loss	**Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss**			**Retained Earnings**				
	Share Capital	**Share Capital Adjustments**	**Currency Translation Differences**	**Currency Translation Differences**	**Remeasurement loss on defined benefit plans**	**Restricted Reserves**	**Retained Earnings**	**Net (Loss) for the Period**	**Equity Holders of the Parent**	**Non-controlling Interest**	**TOTAL**
Balance as of 1 January 2022	**64.864.800**	**41.612.160**	**(4.850.226)**	**562.915.944**	**(17.262.824)**	**34.897.360**	**34.897.360**	**(668.212.140)**	**36.923.410**	**(1.515.134)**	**35.408.276**
Transfers	**-**	**-**	**-**	**-**	**-**	**-**	**(668.212.140)**	**668.212.140**	**-**	**-**	**-**
Total comprehensive income	-	-	14.420.936	16.520.554	(23.895.513)	-	-	(30.567.570)	(23.521.593)	5.805.076	(17.716.517)
Net Loss for Period	-	-	-	-	-	-	-	*(30.567.570)*	*(30.567.570)*	*5.805.076*	*(24.762.494)*
Other Comprehensive Income	-	-	*14.420.936*	*16.520.554*	*(23.895.513)*	-	-	-	*7.045.977*	-	*7.045.977*
Balance as of 31 December 2022	**64.864.800**	**41.612.160**	**9.570.710**	**579.436.498**	**(41.158.337)**	**34.897.360**	**(645.253.804)**	**(30.567.570)**	**13.401.817**	**4.289.942**	**17.691.759**

The accompanying notes form an integral part of these consolidated financial statements.
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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES
AUDITED CONSOLIDATED STATEMENT OF
CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2022
(Unless otherwise stated the amounts are in TL.)

	Notes	Audited Current Period 1 January- 31 December 2022	Audited Previous Period 1 January- 31 December 2021
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Net (Loss) for the Period		**(24.762.494)**	**(670.422.682)**
Profit/(Loss) from Continuing Operations		*(24.762.494)*	*(670.422.682)*
Adjustments to Reconcile Profit/Loss		**(85.480.523)**	**312.403.278**
Adjustments for Depreciation and Amortisation Expenses	12-13-14	95.817.531	95.931.594
Adjustments for (Reversal of) Impairment Loss Recognised in Profit or Loss		1.845.147	143.376.231
Adjustments for (Reversal of) Provision of Receivables	*7*	*(894.022)*	*5.243.479*
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Other Intangible Assets	*13*	-	97.918.687
Adjustment for Reversal of Provision of Inventory	*9*	*2.739.169*	*40.214.065*
Adjustments For Provisions		(94.959.456)	186.385.182
Adjustments for Provisions Related with Employee Benefits		*70.403.079*	*45.267.484*
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions		*5.338.797*	*3.373.252*
Adjustments for (Reversal of) Other Provisions		*(170.701.332)*	*137.744.446*
Adjustments for Interest (Income) and Expenses		161.612.942	96.438.360
Adjustments for Interest Income	*25*	*(6.547.374)*	*(4.213.728)*
Adjustments for Interest Expense	*25*	*200.550.071*	*106.489.249*
Unearned Financial Loss/Income from Credit Sales	*25*	*(32.389.755)*	*(5.837.161)*
Adjustments For Unrealised Foreign Exchange Losses (Gains)	*25*	(160.590.417)	(228.979.925)
Adjustments for Share of Profit of Investments Accounted for Using the Equity Method	*3*	-	2.886.546
Adjustments for Losses Tax Expense	*26*	(58.857.765)	52.727.341
Adjustments for Losses (Gains) on Disposal of Subsidiaries or Joint Operations	*32*	-	(38.872.094)
Adjustments for (Gains)/Lossesdisposal of non-current assets		121.439	2.510.043
Adjustments for (Gains)/Losses Arising From Sale of Property, Plant and Equipment		*121.439*	*2.510.043*
(Income) Expense Caused by Sale or Changes in Share of Associates, Joint Ventures and Financial Investments		(30.469.944)	-
		-	-
Changes in Working Capital		**95.952.735**	**243.751.405**
Adjustments for Decrease / (Increase) in Trade Receivables		(58.182.691)	(54.573.263)
Decrease (Increase) in Trade Receivables from Related Parties		*(46.939.163)*	*67.382.630*
Decrease (Increase) in Trade Receivables from Third Parties		*(11.243.528)*	*(121.955.893)*
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		420.846	157.636
Adjustments for Decrease (Increase) in Other Receivables Related with Operations from Third Parties		*420.846*	*157.636*
Adjustments for Decrease / (Increase) in Inventories		104.263.400	(86.802.564)
Decrease / (Increase) in Prepaid Expenses		(17.980.269)	2.676.317
Adjustments for (Decrease) in Trade Payables		(230.789.977)	(8.612.021)
Increase (Decrease) in Trade Payables to Related Parties		115.383.524	193.916.830
(Decrease)/Increase in Trade Payables to Third Parties		*(346.173.501)*	*(202.528.851)*
Increase (Decrease) in Payables due to Employee Benefits		6.395.284	(21.490.531)
(Decrease)/Increase in Contract Assets		362.021.094	382.380.539
Adjustments for Decrease in Other Operating Payables		(21.319.483)	8.579.285
(Decrease) in Other Operating Payables to Unrelated Parties		*(21.319.483)*	*8.579.285*
(Decrease)/ Increase in Contract Liabilities		(48.875.469)	21.436.007
Cash Flows (Used in) Generated From Operations		**(14.290.282)**	**(114.267.999)**
Payments Related with Provisions for Employee Benefits		(40.556.484)	(43.039.521)
Income Taxes Paid	*26*	(19.191.485)	(2.222.495)
Payments Related with Lawsuits		(1.706.215)	(3.246.966)
		(75.744.466)	**(162.776.981)**

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

	Notes	Audited Current Period 1 January- 31 December 2022	 Previous Period 1 January- 31 December 2021
B.CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES			
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		1.450.581	15.498.894
Proceeds from Sales of Property, Plant, Equipment		*1.197.730*	*17.776.116*
Proceeds from Intangible Assets		252.851	(2.277.222)
Purchase of Property, Plant, Equipment and Intangible Assets		(9.960.915)	(66.794.907)
Purchase of Property, Plant, Equipment	*12*	*(9.610.538)*	*(25.278.055)*
Purchase of Intangible Assets	*13*	*(350.377)*	*(41.516.852)*
Cash inflows from the sale of subsidiaries	*32*	-	88.574.295
Cash Inflows Due to Share Sale or Capital Reduction of Associates and/or Joint Ventures		52.080.098	-
Other Outflows of Cash		(7.434.571)	(11.088.662)
		36.135.193	**26.189.620**
C.CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES			
Inflows from Borrowings	*6*	1.562.114.965	1.316.876.199
Outflows from Borrowings	*6*	(1.742.478.637)	(770.411.281)
Interest Paid		(183.544.251)	(85.988.928)
Interest Received	25	6.547.374	4.213.728
Payments of lease liabilities	6	(38.081.052)	(27.739.849)
		(395.441.601)	**436.949.869**
NET INCREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)		**(435.050.874)**	**300.362.508**
D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		113.210.462	(64.249.791)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**(321.840.412)**	**236.112.717**
E.CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*5*	541.970.727	305.858.010
CASH AND CASH EQUIVALENTS AT END OF YEAR (A+B+C+D+E)	*5*	**220.130.315**	**541.970.727**

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1 ORGANIZATION AND OPERATIONS OF THE GROUP

Netaş Telekomünikasyon A.Ş. (the "Company") and its' subsidiaries (together the "Group") is an incorporated company, registered in Istanbul. The Company is engaged in the manufacture and trade of telecommunication equipment, project installation services, technical support, repair and maintenance services, IT services, strategic outsourcing services, implementation activities, and associated services. The shares of the Company are quoted on the Borsa İstanbul ("BIST") since 1993. The former headquarter which is registered at Yenişehir Mah. Osmanlı Bulvarı No: 11 34912 Kurtköy-Pendik/İstanbul.

The Group works with major clients such as Aselsan Elektronik Sanayi ve Ticaret A.Ş, Türk Telekomünikasyon A.Ş, Vodafone İletişim Hizmetleri A.Ş., TT Mobil İletişim Hizmetler A.Ş., Turkcell İletişim Hizmetleri A.Ş, service providers, corporate and governmental institutions in Turkey, to provide communications solutions and the infrastructure needed for modern communication systems. The Company is also engaged in research and development and provided design and development services to the foreign customers as well as to local customers.

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

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

The Company established Netas Telecom Limited Liability Partnership as a "Limited Liability Partnership" on 25 June 2012 in Almaty, Kazakhstan, with a founding capital of 161,800 Tenge (approximately US$ 1,100), fully owned by the Company.

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

In the decision of the Board of Directors dated 29 April 2022, it was decided to sign the Share Purchase and Sale Agreement to sell all of 10% A Group shares in Kron Telekomünikasyon A.Ş. with a total nominal value of TL 1.426.852 to Zeynep Yenel Onursal for a share value of TL 36.5 and a total value of TL 52.080.098. Within the framework of the aforementioned Share Purchase and Sale Agreement, the share transfer was realized as of 29 April 2022, and the Group obtained a sales profit of TL 30.469.944 from the transaction and reflected it in the profit or loss statements (Note 3).

It was established in Malta through the establishment of a capital of 1,200 EUR (Netaş Telecommunications Malta Ltd.), fully owned by the Company, and its registration was completed on 4 November 2014.

As of 12 June 2018, the Group's contact office was established in Azerbaijan.

In our disclosure made on 5 March 2021, it was disclosed that, our Board of Directors decided to transfer all the shares of NetRD Bilgi Teknolojileri ve Telekomünikasyon A.Ş. ("NetRD"), wholly owned by Netaş Bilişim Teknolojileri A.Ş., of which our Company is 100% shareholder, to MERA Switzerland AG which is a group company of US based Orion Innovation Group for USD 8.000.000 of equity value and net transaction value to be determined following closing agreements. Following the closing transactions related to sale, the share transfer was completed with a total value of USD 11.607.277. USD 3.607.277 was collected as of 6 May 2021. As a result of all these transactions, the Group achieved a profit of USD 4.802.776 (TL 35.429.117) from the sale of subsidiaries and reflected into profit or loss statements. This amount, which is shown in the item of income from investment activities, has been converted into TL by using three-month average rate between 1 January-31 March 2021. (Note 32).

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

The establishment of the Netas Telecommunications Algeria Sarl LLC, a joint venture company with 23.800.000 Algerian Dinars of share capital, has been registered and completed between the Company and Mohamed Karim Faraoun on 31 March 2019. The control of the management of this company, in which the Company owned 49% of the shares, belongs to Netas Telekomünikasyon A.Ş. in accordance with the agreement between the parties and therefore, Netas Telecommunications Algeria Sarl LLC is accounted with full consolidated method.

The Group's largest shareholder and the controlling shareholder is ZTE Cooperatief U.A. The capital structure of the Group is presented in Note 20.

As of 31 December 2022, the Group has no blue-collar employees (31 December 2021: None). The average number of white-collar personnel employed in the Group as of 31 December 2022 is 1.885 (31 December 2021: 2.171).

Approval of Consolidated Financial Statements

The financial statements were approved by the Board of Directors on 8 March 2022. The General Assembly has the right to change the interim consolidated financial statements.

2 BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

a) Statement of Compliance

The accompanying financial statements are prepared in accordance with Turkish Financial Reporting Standards Accounting Standards ("TFRS") published by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") together with the provisions of the communique of "Principles of Financial Reporting in Capital Market" issued by Capital Markets Board of Turkey ("CMB")'s dated 13 June 2013 and published in the Official Gazette numbered 28676 Series II. No.14.1. TFRSs consist of standards and interpretations which are published as Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards, TAS interpretations and TFRS interpretations. TFRS are updated in harmony with the changes and updates in International Financial Reporting Standards ("IFRS") by the communiqués announced by the POA.

The consolidated financial statements are presented in accordance with the formats provided in Examples of Financial Statements and User guide issued by CMB and the TAS Taxonomy issued by POA.

The consolidated financial statements and explanatory notes of the Group are presented in accordance with the formats provided in Examples of Financial Statements and User guide published on 4 September 2022 by POA.

b) Basis of presentation of consolidated financial statements

The details of the Company's subsidiaries as of 31 December 2022 and 31 December 2021 are as follows:

	Kuruluş ve faaliyet yeri	Grup'un sermayedeki pay oranı ve oy kullanma hakkı oran	Ana faaliyet alanı
Netaş Bilişim Teknolojileri A.Ş.	Türkiye	%100	Proje kurulum danışmanlığı ve ağ çözümleri
BDH Bilişim Destek Hizmetleri Sanayi ve Ticaret A.Ş.	Türkiye	%100	Teknik destek ve bakım onarım hizmetleri
Netaş Telecom Limited Liability Partnership	Kazakistan	%100	Proje kurulum danışmanlığı, tasarım ve teknik destek hizmetleri
Netaş Telecommunications Malta Ltd	Malta	%100	Telekom ekipmanları tedariği
Netas Telecommunications Algeria Sarl LLC (*)	Cezayir	%49	Elektrikli ekipmanların kurulum ve imalatı

(*) The control of the management of this Company, in which the Company owned 49% of the shares, belongs to Netas Telekomünikasyon A.Ş. in accordance with the agreement between the parties and therefore, Netas Telecommunications Algeria Sarl LLC is accounted with full consolidated method.

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

2.2 Basis of Presentation(Cont'd)

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

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the invested company/asset;
- is exposed, or has rights, to variable returns from its involvement with the invested company/asset; and
- could use its power that can have an impact on returns.

The Company reassesses whether it controls an invested company/asset if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

In cases where the company does not have majority voting right over the invested company/ asset, it has sufficient voting rights to direct/manage the activities of the investment concerned and in case of control, there is control power over the invested company/asset. The Company considers all relevant facts and circumstances in assessing whether the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company and other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

As of 31 December 2022, the Group has no associates. As of 31 December 2021 the details of associate of the Group are given below:

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

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

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

2.1 Basis of Presentation(Cont'd)

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

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

The company uses the hierarchical consolidation method. In other words, the subsidiaries are first converted into the functional currency of the 'direct investing company' and consolidated in the functional currency of the Company, and then the conversion to the presentation currency is made as explained in item c) below. Translation differences from the functional currency of the subsidiaries to the functional currency of the Company, to the US Dollar, are presented under "other comprehensive income to be reclassified to profit or loss". Conversion differences that occur during the conversion of the consolidated financial statements prepared in US Dollars to TL, which is the presentation currency, are presented under "other comprehensive income that will not be reclassified in profit or loss". In the event of the sale of a subsidiary or associate, if there is a translation difference carried under "other comprehensive income to be reclassified to profit or loss", this amount is reclassified to the statement of profit or loss as part of sales profit or loss.

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

c) Functional Currency and Reporting Currency

The Company maintains its books of account in accordance with accounting principles set by Turkish Commercial Code ("TCC") and tax legislation. The subsidiary in foreign countries prepares their accounting and financial tables in their currency and according to the laws and regulations of their countries.

Nevertheless, US Dollar (US $) is the currency that the Group's operations are denominated and has a significant impact on the Group's operations. US $ reflects the economic basis of events and situations that are important to the Group. In accordance with the analysis done by the Group's Management and current economical and operational conditions, the management has concluded that US $ is the functional currency and TL is the reporting currency of the Group.

The effect of the US dollar in reflecting the basic economic environment in which BDH is located in terms of market and operating elements has decreased, therefore, the change of the Company's functional currency from US Dollars to Turkish Lira has been taken into consideration on a Group basis. In line with the decision to make actual sales collections predominantly in Turkish Lira in 2022, the functional currency of BDH was permanently changed to Turkish Lira.

In line with the developments mentioned above, the Company Management has decided to change the functional currency of the Company, which is currently US Dollar, to Turkish Lira within the scope of TAS 21 "Effects of Exchange Rate Changes".

Consolidated financial statements are presented in TL, which is Netaş' presentation currency.

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

2.1 Basis of Presentation(Cont'd)

c) Functional Currency and Reporting Currency

If the legal records are kept in a currency other than the functional currency, the financial statements are initially translated into the functional currency and then translated to the Group's presentation currency, Turkish Lira ("TL"). For the companies in Turkey that book legal records in TL, currency translation from TL to the functional currency USD is made under the framework described below:

- Monetary assets and liabilities have been converted to the functional currency with the The Central Bank of Turkish Republic (CBRT) foreign exchange buying rate.
- Non-monetary items have been converted into the functional currency at the exchange rates prevailing at the transaction date.
- Profit or loss accounts have been converted into the functional currency using the exchange rates at the transaction date, except for depreciation expenses.
- The capital is followed according to historical costs.

The translation differences resulting from the above cycles are recorded in the financial income /expenses account group in the statement of profit or loss.

For the preparation of the consolidated financial statements and the notes in accordance with TAS 21, consolidated financial statements are translated into US $ by using rates as of the balance sheet date:

- Assets and liabilities have been translated to TL by using USD rate as of 31 December 2022 1 USD: 18,6983 TL (31 December 2021; 1 USD: 13,329 TL)
- Statements of profit or loss and statements of cash flows have been translated to TL by using yearly average exchange rate (1 USD: 16,5680 TL) for the period ended 31 December 2022 (for the period ended 31 December 2021 1 USD: 8,8969 TL).

Gains and losses of translation differences mentioned above are accounted under Equity as currency translation differences. The amount of capital and legal reserves is shown on their legal amounts, all other equity items are kept at their historic TL values, and all the differences are accounted in the currency translation differences account.

The functional currency of Netaş Telecom Limited Liability Partnership, a subsidiary of the Company operating in Kazakhstan is Kazakhstan Tenge and included in the consolidated financial statements by converting into TL, the presentation currency of the consolidated financial statements. The functional currency of the Netas Telecommunications Algeria Sarl LLC, a subsidiary of the Company operating in Algeria, is Algerian Dinar and included in the consolidated financial statements by converting into TL, the presentation currency of the consolidated financial statements. The functional currency of Netas Telecomunication Malta Ltd., one of the subsidiaries of the Company operating in Malta, is European Euro, and it has been included in the accompanying consolidated financial statements by converting to TL, which is the presentation currency.

d) Adjustment of Financial Statements in High Inflation Periods

In the statement made by the Public Oversight Accounting and Standards Authority (KGK) on January 20, 2022, it was stated that businesses do not need to make any adjustments to their 2021 financial statements within the scope of TAS 29. On the other hand, no explanation has been made regarding the financial statements for the accounting period ending on 31 December 2022, whether adjustments will be made in the financial statements within the scope of TAS 29.

In this context, the application of inflation accounting is valid only for BDH, and since there is no consensus across the country, no inflation adjustment is expected in TFRS reports at the end of the year according to TAS 29.

TAS 29 Financial Reporting in Hyperinflation Economies requires entities whose functional currency is that of a hyperinflationary economy to prepare their financial statements in terms of the measuring unit current at the end of the reporting period. TAS 29 describes characteristics that may indicate that an economy is hyperinflationary, and it requires all entities that report in the currency of the same hyperinflationary economy apply this Standard from the same date. of the application required by TAS 29 throughout the country.

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

2.1 Basis of Presentation(Cont'd)

d) Adjustment of Financial Statements in High Inflation Periods(Cont'd)

Therefore, it is expected that TAS 29 will start to be applied simultaneously by all entities with the announcement of Public Oversight Accounting and Auditing Standards Authority to ensure consistency However, the Authority has not published any announcement that determines entities would restate their financial statements for the accounting period ending on 31 December 2022 in accordance with TAS 29. In this context, TMS 29 is not applied and inflation adjustment has not been reflected in the financial statements as of December 31, 2022.

2.2 Comparative Information and Restatement of Prior Period Consolidated Financial Statements

Group's consolidated financial statements have been prepared comparatively with the prior to enable readers to determine financial position and performance trends. For the purposes of effective comparison, comparative financial statements can be reclassified when deemed necessary by the Group, where descriptions on significant differences are disclosed.

The Group has reclassified trade payables to third parties amounting to TL 264.717, which was shown in the other provisions in the statement of financial position prepared as of 31 December 2021.

The Group has reclassified intangible assets amounting to 10.140.787, which was shown construction in progress of fix assets in the statement of financial position prepared as of 31 December 2021

2.3 Change in Accounting Policies

Accounting policy changes resulting from the first application of a new TFRS are applied retrospectively or prospectively in accordance with the transition provisions of that TFRS, if any. Changes that do not include any transitional provisions, optional significant changes in accounting policy or accounting errors detected are applied retrospectively and restate the prior period financial statements.

Changes in accounting estimates are applied prospectively in the current period when the change is made, if the change is related to only one period, and both in the period when the change is made and in future periods if it is related to future periods.

There has been no significant change in the accounting estimates of the Group in the current year.

2.4 Summary of Significant Accounting Policies

2.4.1 Revenue

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

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

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

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

When the period between the progress payments for the transfer of goods and services produced and the performance obligations made is longer than one reporting period, the group performs significantly in the period between the progress payments and the costs incurred are proportional to the progress made in the performance of the performance obligation while accounting for the performance obligations in such contracts. based input method is used for this performance obligations' revenue recognition.

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

2.4 Summary of Significant Accounting Policies(Cont'd)

2.4.1 Revenue(Cont'd)

Design Performance Obligation

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

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

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

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

Hardware Performance Obligation

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

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

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

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

Installation Performance Obligation

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

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

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

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

2.4 Summary of Significant Accounting Policies(Cont'd)

2.4.1 Revenue(Cont'd)

Installation Performance Obligation(Cont'd)

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

Maintenance Performance Obligation

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

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

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

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

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

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

Warranty Performance Obligation

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

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

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

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

2.4 Summary of Significant Accounting Policies(Cont'd)

2.4.1 Revenue(Cont'd)

Licence Performance Obligation

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

Outsourcing and Support Services Performance Obligation

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

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

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

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies(Cont'd)

2.4.2 Inventories

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

2.4.3 Plant, Property and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.Properties during construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss.

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

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

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

2.4.4 Intangible Assets

Intangible assets acquired separately

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

Licenses

Lisanslar, tarihi maliyetleriyle gösterilir. Lisanların sınırlı faydalı ömürleri bulunmaktadır ve maliyet değerlerinden birikmiş amortismanlar düşüldükten sonraki tutarıyla gösterilirler. Lisanslar, beklenen faydalı ömürlerine göre doğrusal amortisman yönetimi kullanılarak itfa edilir.

Computer software

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

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

2.4 Summary of Significant Accounting Policies(Cont'd)

2.4.4 Intangible Assets

Internally-generated intangible assets

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

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

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

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

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

Contractual customer relationships

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

2.4.5 Impairment of tangible and intangible assets other than goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

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

2.4 Summary of Significant Accounting Policies(Cont'd)

2.4.5 Impairment of tangible and intangible assets other than goodwill(Cont'd)

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

2.4.6 Financial Instruments

Classification and Measurement

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

(a) Financial assets carried at amortized cost

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

Impairment

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

(b) Financial assets carried at fair value

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

Financial assets carried at fair value through profit or loss

All financial assets that are not measured at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

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

2.4 Summary of Significant Accounting Policies(Cont'd)

2.4.6 Financial Instruments(Cont'd)

Classification and Measurement(Cont'd)

(b) Financial assets carried at fair value(Cont'd)

Financial assets carried at fair value through other comprehensive income

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

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

Financial liabilities

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

Credit risk

The Group has applied the simplified approach stated in TFRS 9 to calculate the expected credit loss provision for trade receivables. This approach allows for a lifetime expected loan loss provision for all commercial receivables. To measure the expected credit loss, the Group first classifies its trade receivables by considering the characteristics of credit risk and credit risk. Expected credit loss ratios for each class of commercial receivables grouped using past credit loss experience and forward macroeconomic indicators were calculated and the expected credit loss provision was calculated by multiplying the determined ratio by the trade receivable totals.

Foreign currency risk

Due to its core business, the Group is subject to exchange rate volatility tied to the value change of foreign currencies. The Group's foreign currency risk for assets and liabilities has been disclosed in Note 29.

Liquidity risk

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

2.4.7 Goodwill

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

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

2.4 Summary of Significant Accounting Policies(Cont'd)

2.4.8 Effects of Change in Foreign Exchange Rates

The effects of change in foreign exchange rates on the financial statements have been disclosed in note 2 "Basis of Financial Statements" section 2.1.c "Functional and Reporting Currency". For the purpose of presentation of the consolidated financial statements as TL, balance sheet has been translated to TL by using Turkish Central Bank foreign exchange buying rates as of 31 December 2022 (1 USD = 18,6983 TL, 1 EUR = 19,9349 TL, 1 CAD = 13,7896 TL, 1 GBP = 22,4892 TL and 1 BDT = 0,1755 TL, 1 AZN=10,9373, 1 DZD=0,1356).

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

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

2.4.9 Earnings/ (Losses) per Share

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

2.4.10 Subsequent Events

Non-adjusting matters after the reporting period are disclosed in the footnotes of the consolidated financial statements if they affect the economic decisions of users of the financial statements.(Note 31)

2.4.11 Provisions, Contingent Liabilities and Assets

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

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

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

Provisions for executory contracts

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

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

2.4 Summary of Significant Accounting Policies(Cont'd)

2.4.11 Provisions, Contingent Liabilities and Assets(Cont'd)

Return provision

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

2.4.12 Related Parties

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

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

if that person:

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

ii) has significant influence over the reporting entity; or

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

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

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

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

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

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

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

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

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

2.4.13 Reporting of Financial Information on Segment Basis

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

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

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

2.4 Summary of Significant Accounting Policies(Cont'd)

2.4.14. Government Grants and Incentives

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

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

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

2.4.15 Taxes Calculated on Corporation Earnings

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

Current tax

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

Deferred tax

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

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

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

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

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

2.4 Summary of Significant Accounting Policies(Cont'd)

2.4.15 Taxes Calculated on Corporation Earnings(Cont'd)

Current and deferred tax for the year

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

2.4.16 Employee Benefits

Termination and retirement benefits

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

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

Profit-sharing and bonus plans

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

2.4.17 Statements of Cash Flows

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

2.4.18 Share Capital and Dividends

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

2.4.19 Leasing

Group - as a lessee

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

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

2.4 Summary of Significant Accounting Policies(Cont'd)

2.4.19 Leasing(Cont'd)

Group - as a lessee(Cont'd)

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

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

  a) Group has the right to direct how and for what purpose the asset is used throughout the period of use or

  b) Relevant decisions about how and for what purpose the asset is used are predetermined

    i. Group has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or

    ii. Group designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

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

Right-of-use asset

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

a) the amount of the initial measurement of the lease liability,

b) any lease payments made at or before the commencement date, less any lease incentives received,

c) any initial direct costs incurred by the Group, and

d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

When applying the cost model, Group measures the right-of-use asset at cost:

a) less any accumulated depreciation and any accumulated impairment losses; and

b) adjusted for any remeasurement of the lease liability.

Group applies the depreciation requirements in TAS 16 Property, Plant and Equipment Standard in depreciating the right-of-use asset.

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

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

2.4 Summary of Significant Accounting Policies(Cont'd)

2.4.19 Leasing(Cont'd)

Group - as a lessee(Cont'd)

Lease liability

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

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

a) fixed payments, less any lease incentives receivable,

b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,

c) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

a) increasing the carrying amount to reflect interest on the lease liability,

b) educing the carrying amount to reflect the lease payments made, and

c) remeasuring the carrying amount to reflect any reassessment or lease modifications.

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

Practical expedients

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

Group - as lessor

The Group does not have any activity as the lessor.

2.5 Significant Accounting Estimates, Judgements and Assumptions

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

Estimates and the assumptions underlying the estimates are constantly reviewed. Updates in accounting estimates are recorded in the period when the estimates are updated and in subsequent periods affected by these updates.

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

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

Estimation uncertainties that have a significant effect on the amounts recorded in the consolidated financial statements are explained in the notes below:

Note 7,29 Trade receivables: Estimations and accounting judgments regarding to collectability of receivables. Trade receivables and payables: The Group allocates provision for doubtful receivables for the estimated losses caused by the inability of its customers to make the necessary payments. The Group calculates provision for doubtful receivables according to the prospective credit loss model. In this context, the loss is weighed according to the probabilities of realization and it evaluates how economic factors affect the expected credit loss. The provision is revised periodically. The provision expense calculated for trade receivables is calculated over the percentages determined for the aging group in which the receivable is included and increasing as the receivables age.

Note 9 Inventories: Estimations regarding to inventory provision. Inventories: When the net realizable value of the inventories falls below its cost, the inventories are reduced to their net realizable value and charged to the income statement in the year in cost. It also requires significant judgment whether inventories are unsaleable. According to the calculations based on the judgments and estimations of the Group Management, since the net realizable value of the inventories fell below its cost, a portion of the inventories was reduced to their net realizable value.

Note 12,13 Property, plant and equipment and intangible assets: If there is an indication of impairment of tangible and intangible assets, an impairment test is performed. In particular, in the analysis of intangible assets impairment, the actions taken by other market members and technological developments in the current period are taken into account. Assumptions on the balance sheet date, which have a certain risk that may cause significant adjustments to assets and liabilities in the next reporting period and are related to the future period, and sources of calculation uncertainty are explained below. In case of an indication of impairment, the Group determines whether there is impairment in property, plant and equipment by calculating the recoverable amount. This requires calculating the value in use of the cash-generating unit. Calculating the value in use requires the Group to calculate the estimated cash flows expected to be received in the future period of the cash generating unit and determine the appropriate discount rate to be used in calculating the present value of these cash flows.

Note 13 Goodwill: Estimations regarding to impairment of goodwill. Goodwill: The assumptions used by the Group during the impairment test of goodwill have been disclosed. The group determines the useful life of an asset by considering the estimated useful life of that asset. This assessment is based on the Group's experience with similar assets. The Group also considers additional impairment in case the assets become technically or commercially unusable as a result of changes and developments in the market. The useful lifes used by the Group are based on the judgment of Group Management and are disclosed in notes 12 and

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

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

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

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

Note 26 Tax Assets and liabilities: The Group recognizes deferred tax assets and liabilities for temporary timing differences arising from the differences between its tax base financial statements and its financial statements prepared in accordance with TFRS. Group companies have deferred tax assets consisting of R&D incentives that can be deducted from future profits. The partially or wholly recoverable amount of deferred tax assets has been estimated under current conditions. During the evaluation, the expiry dates of future profit projections, losses in current periods, unused losses and other tax assets and tax planning strategies that can be used when necessary are taken into consideration. In this context, profit estimations were made according to the Group's 5-year business plan. In these estimations, the focus is on new technology products and solutions with higher profit margins in 5 technology areas determined as the target areas in system integration, and domestic and national R&D solutions in the field of Defense, Telecommunication and Transportation, which are determined as strategic sectors. In line with these determined strategies, it is foreseen that the gross profit margin level will continue to increase throughout the business plan period, and it is aimed to reduce operational expenses and financial expenses with the measures taken. As a result of the evaluation, as of December 31, 2022, there is an R&D incentive amounting to TL 2.026,880,949 within the framework of the Law No. 5746 on Supporting Research and Development Activities, which has been concluded that the temporary differences arising from tax deductions can be foreseen and that the right to tax deduction can be utilized within the period during which the tax deduction right can continue. A deferred tax asset was recognized over the R&D incentive of TL 1,743,342,214. The Group has calculated a deferred tax asset over the corporate tax deduction arising from the R&D incentives that it has not used (Note 26). R&D incentives that have been qualified but not yet used have an indefinite lifespan.

2.6 The New Standards, Amendments, and Interpretations

The accounting policies adopted in preparation of the consolidated financial statements as of December 31, 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of January 1, 2022 and thereafter. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2022 are as follows:

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments must be applied prospectively. The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to TAS 16 – Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by managemetnt. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment. The amendments did not have a significant impact on the financial position or performance of the Group.

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

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a "directly related cost approach". Amendments must be applied prospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The Group disclosed the impact of the amendments on financial position or performance of the Group in Note 16.

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

2.6 The New Standards, Amendments, and Interpretations

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

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted

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

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

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

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

Amendments to TAS 8 - Definition of Accounting Estimates

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

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

Amendments to TAS 1 - Disclosure of Accounting Policies

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

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

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

2.6 The New Standards, Amendments, and Interpretations(Cont't)

ii) Standards issued but not yet effective and not early adopted(Cont'd)

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

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

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

Amendments to TFRS 16 - Lease Liability in a Sale and Leaseback

In January 2023, POA issued amendments to TFRS 16. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. In applying requirements of TFRS 16 under "Subsequent measurement of the lease liability" heading after the commencement date in a sale and leaseback transaction, the seller lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments do not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in TFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with TAS 8. A seller-lessee applies the amendments to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. A seller-lessee applies the amendments retrospectively in accordance with TAS 8 to sale and leaseback transactions entered into after the date of initial application of TFRS 16.

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

iii) Annual Improvements – 2018–2020 Cycle

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

- *TFRS 1 First-time Adoption of International Financial Reporting Standards* – Subsidiary as a first-time adopter: The amendment permits a subsidiary tto measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- *TFRS 9 Financial Instruments – Fees in the "10 per cent test" for derecognition of financial liabilities:* The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.
- *TAS 41 Agriculture – Taxation in fair value measurements:* The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

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

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

2.7 Going Concern

As of 31 December 2022, the financial statements have been prepared on the basis of going concern. As of 31 December 2022, current assets of the Group are amounting to TL 3.196.676.305 and short term liabilities of the Company are amounting to TL 4.012.878.974, short term liabilities exceeded current assets TL 816.202.669. Besides the current period loss of the Group is TL 30.567.570 and accumulated loss is TL 675.821.374.s.The plans and measures of the Group management regarding this situation are given below;

The Group has implemented many measures in order to increase its operational profitability and reduce its financial expenses throughout 2022, some of these measures are focusing on new technology products and solutions with higher profit margins in 5 technology areas determined as target areas in system integration, Defense determined as strategic sectors. Focusing on domestic and national R&D solutions in the field of Telecommunication and Transportation, not taking projects with high financial and operational risks, not taking projects with high financing needs and currency risk, and saving on operational expenses. Relevant measures are continued in 2023 as well.

The Group's newly received orders continued to grow in 2022, and the total amount of orders received in 2022 increased by 84% compared to the same period of the previous year and reached TL 4.2 billion. As of the end of 2022, the Group's registered orders for future periods grew by 53% to reach TL 2.2 billion. The profit margin ratio for the new orders received by the Group in 2022 has increased significantly compared to the total realizations of 2021. On the other hand, the Group expects this increase to continue to increase in the orders to be received throughout 2023.

As the effect of the pandemic started to pass, the high profitability of the newly received orders compared to the orders of the previous years; will be the key driver of positive operating profitability and positive operational cash flow generation.

Actions were taken to reduce operational expenses, and the operating expenses for 2022 shrank in USD terms. The downsizing target continues in 2023 as well.

On the other hand, the Group has not had any problems in the payment of its loans in the past, anticipates that it will not face any payment problems in 2023 and the following years, and thinks that existing bank loans can be renewed in line with its cash needs. On the other hand, the Company management aims to reduce the total indebtedness in the next 12 months.

The financial statements do not contain any adjustments regarding the realizable values of the assets and the classification of their carrying values, or the amounts or classification of the liabilities that may arise if the Group cannot continue on a going concern basis. The Group does not foresee any disruption in meeting these short-term liabilities. It is planned to close the mentioned difference from the incomes that the Group will obtain within the year following the reporting period and with various financing methods in case of need.

With the Communique of Ministry of Commerce regarding the regulation on loss of capital and excess of liabilities over assets in relation to Article 376 of Turkish Commercial Code numbered 6102, it has been decided that, unrealized foreign exchange losses incurred from the foreign exchange based financial liabilities which are not yet fulfilled can be excluded on the calculation of loss of capital and excess of liabilities over assets. With the amendment made dated on 26 December 2020 in the provisional article 1 of the Communique on the Procedures and Principles regarding the implementation of Article 376 of the Turkish Commercial Code, until 1 January 2023, in calculations regarding capital loss or being insolvent, all of the exchange difference losses arising from foreign currency liabilities that have not yet been performed. With the change made on 8 November 2022, the date of 1 January 2023 was changed to 1 January 2024.It has been arranged that half of the total of the expenses, depreciation and personnel expenses incurred 2020 and 2021 from leases may not be taken into account. In relation to this regulation, it is calculated that, unrealized foreign exchange losses recognised under retained earnings/(losses) amounting to TL 1.341.488.816 and recognised under consolidated statement of profit or loss amounting to TL 37.088.607, in total amounting to TL 1.378.577.423 will be excluded on the calculation of loss of capital and excess of liabilities over assets by adding back to the total equity. Accordingly, there is no existence of either issue of loss of capital or excess of liabilities over assets for the Group. The Group has been taking the necessary actions maintain its operations in a healthy financial structure within the framework of proactive approach.

3 FINANCIAL INVESMENTS AND INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

As of 31 December 2022 and 31 December 2021, the details of financial investments and investments accounted for using the equity method are as follows:

	31 December 2022	**31 December 2021**
Kron Telekomünikasyon Hizmetleri A.Ş.	-	-
Private Investment Capital Fund	25.360.786	17.926.217
TOPLAM	**25.360.786**	**17.926.217**

Associates

Details of significant associate:

As explained in Note 2, in the decision of the Board of Directors dated 29 April 2022, it was decided to sign the Share Purchase and Sale Agreement to sell all of 10% A Group shares in Kron Telekomünikasyon A.Ş. with a total nominal value of TL 1.426.852 to Zeynep Yenel Onursal for a share value of TL 36.5 and a total value of TL 52.080.098. Within the framework of the aforementioned Share Purchase and Sale Agreement, the share transfer was realized as of 29 April 2022, and the Group obtained a sales profit of TL 30.469.943 from the transaction and reflected it in the profit or loss statements.(Note 24)

Selling Price	52.080.098
Affiliate amount on the date of sale	8.610.621
Profit	**43.469.477**
Currency translation difference reclassified as profit or loss	(12.999.534)
Net Profit	**30.469.943**

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

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

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

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

3 FINANCIAL INVESMENTS AND INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

Associates(Cont'd)

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

	1 January 2021-31 December 2021
Revenue	84.439.676
Cost of sales (-)	(12.834.070)
Net profit	35.080.099
Other comprehensive expenses	(14.393.800)
Total comprehensive income	20.686.299
Share of the Group in total comprehensive income	2.068.630

Associates(Cont'd)

Details of significant associate: (Cont'd)

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

	2022	**2021**
As of 1 January	8.621.337	11.507.883
Share from the profit of the period	317.606	3.508.010
Defined benefit plan remeasurement gans /(losses)	13.585	(41.911)
Selling of Associate	(8.610.621)	-
Currency translation difference	(341.907)	(6.352.645)
As of 31 December	**-**	**8.621.337**

Financial Investment Funds

The fair values of the investments in private equity ventures are determined over the net equity values determined on the basis of the fair value of the underlying asset determined by independent valuation experts.

The movement table of the Group's investments as of 31 December 2022 and 31 December 2021 is as follows:

	2022	**2021**
As of 1 January	17.926.217	6.837.555
Fair value increases	189.037	3.678.165
Foreign currency conversion differences	7.245.532	7.410.497
As of 31 December	**25.360.786**	**17.926.217**

3 SEGMENT REPORTING

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

The main activities of the Telecom segment are proving services and selling product to mobile operator companies.

The line of business followed in the system integration segment is system integration services to public and private sector organizations. In addition to these services, software licenses and hardware that the Group distributes are sold.

In the activities of the technology segment, services are provided for technological development and improvements for digital transformation of corporate and public institutions.

In the BDH segment, it provides consultancy, strategic outsourcing, hardware and support services to small-scale companies, large corporations and publicinstitutions in the field of information technologies.

There are six business segments containing information that Group Management evaluates performance and uses to decide on resource allocation. Thefollowing table shows the information about each segment. The operational profit and breakdowns below are regularly considered in evaluating theperformance of segments. To reach the operating profit/ loss amount used to evaluate the performance of the segment, other income and expenses fromoperating activities are deducted from the consolidated operating profit/ loss amount presented in the consolidated financial statements. Operating profit/loss is not a measure of financial performance defined in TFRS and may not be comparable to similar indicators defined by other companies. Since the company management does not monitor the company's performance according to geographical segments, reporting is not given according to geographical segments.

For the period ended 31 December 2022	**Telecom**	**System Integration**	**Technology**	**BDH**	**Unallocated**	**Total**
Revenue	1.259.243.722	2.347.798.152	-	404.511.754	-	4.011.553.628
Cost of sales (-)	(1.151.552.976)	(2.127.398.915)	-	(345.276.469)	-	(3.624.228.360)
Gross margin	**107.690.746**	**220.399.237**	**-**	**59.235.285**	**-**	**387.325.268**
Sales,marketing and distribution expenses (-)	(44.207.212)	(72.902.655)	-	(33.875.200)	-	(150.985.067)
General administrative expenses (-)	-	-	-	-	(161.566.947)	(161.566.947)
Research and development expenses (-)	-	-	(6.557.959)	-	-	(6.557.959)
Operating profit / (loss) of segment	**63.483.534**	**147.496.582**	**(6.557.959)**	**25.360.085**	**(161.566.947)**	**68.215.295**

4 SEGMENT REPORTING(Cont'd)

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

4 SEGMENT REPORTING(Cont'd)

31 December 2022	Telecom	System Integration	Technology	BDH	Unallocated (*)	Total
Trade receivables	719.243.945	1.086.626.248	-	73.863.692	1.091.952	1.880.825.837
Due from related parties	70.128.043	-	-	-	-	70.128.043
Inventories	169.610.229	237.223.842	-	18.437.072	285.051	425.556.194
Contract assets	385.366.586	55.256.630	-	-	-	440.623.216
Segments assets	**1.344.348.803**	**1.379.106.720**	**-**	**92.300.764**	**1.377.003**	**2.817.133.290**
Trade payables (*)	59.664.328	1.015.383.009	-	83.211.992	65.030.013	1.223.289.342
Due to related parties	757.233.720	-	-	-	-	757.233.720
Contract liabilities	127.679.378	323.861.236	-	151.421	-	451.692.035
Other short term provision	7.399.544	80.277.520	-	-	12.738.590	100.415.654
Segment liabilities	**951.976.970**	**1.419.521.765**	**-**	**83.363.413**	**77.768.603**	**2.532.630.751**

31 December 2021	Telecom	System Integration	Technology	BDH	Unallocated (*)	Total
Trade receivables	479.539.242	816.204.121	342.124	35.151.763	848.885	1.332.086.135
Due from related parties	16.530.090	-	-	-	-	16.530.090
Inventories	183.103.048	186.597.921	2.153.219	7.777.958	-	379.632.146
Contract assets	37.136.737	517.333.476	-	17.691.214	-	572.161.427
Segments assets	**716.309.117**	**1.520.135.518**	**2.495.343**	**60.620.935**	**848.885**	**2.300.409.798**
Trade payables (*)	162.476.057	762.096.948	861.975	79.915.801	136.522.720	1.141.873.501
Due to related parties	457.540.058	-	-	-	-	457.540.058
Contract liabilities	92.028.083	260.272.053	2.323.799	1.177.739	1.025.645	356.827.319
Other short term provision	-	206.952.345	-	-	13.508.670	220.461.015
Segment liabilities	**712.044.198**	**1.229.321.346**	**3.185.774**	**81.093.540**	**151.057.035**	**2.176.701.893**

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

4 SEGMENT REPORTING(Cont'd)

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

	For the period ended 31 Decembe 2022	For the period ended 31 December 2021
Operating (loss) of segment	68.215.295	(494.410.180)
Other (expenses)/income from operating activities (net)	(119.031.189)	(262.167.387)
Other (expenses)/income from investments (net)	30.751.732	36.479.702
Income from investments accounted using the equity method	317.606	(823.495)
Finance (expenses)/income (net)	(63.873.703)	94.525.453
(Loss) before tax	**(83.620.259)**	**(626.395.907)**

Assets	**31 December 2022**	**31 December 2021**
Segment assets	2.817.133.290	2.300.409.798
Other assets (*)	1.362.685.076	1.366.517.048
Total assets	**4.179.818.366**	**3.666.926.846**

Liabilities	**31 December 2022**	**31 December 2021**
Segment liabilities	2.532.630.751	2.176.701.893
Other liabilities (*)	1.629.495.856	1.454.816.677
Total liabilities	**4.162.126.607**	**3.631.518.570**

(*) Other assets consist of items such as unallocated cash, tax assets and prepaid expenses, as well as items such as tangible and intangible assets, right-of-use assets and goodwill that are benefited equally by all segments. Other liabilities consist of items such as unallocated bank loans, tax liabilities, payables from lease transactions, personnel payables and provisions.

5 CASH AND CASH EQUIVALENTS

	31 December 2022	**31 December 2021**
Bank- demand deposits	143.830.315	497.486.000
Bank- time deposits	76.300.000	44.484.727
Credit card receivables	**220.130.315**	**541.970.727**

Currency	**Original Currency Amount**	**Interest Rate %**	**Maturity**	**31 December 2022**
TL	76.300.000	12,00	January 2023	76.300.000
				76.300.000

Currency	**Original Currency Amount**	**Interest Rate %**	**Maturity**	**31 December 2021**
USD	89.000	6,00	January 2022	1.186.281
TL	43.298.446	4,75-25,50	January 2022	43.298.446
				44.484.727

As of 31 December 2022, and 31Dcember 2021 there are no restriction / blockage on bank accounts.

6 BORROWINGS

	31 December 2022	31 December 2021
Short term financial liabilities		
Short term unsecured loans	1.093.165.025	929.999.574
Financial borrowing from factoring transactions	38.345.150	178.907.115
Non interest loans(*)	-	7.056.333
	1.131.510.175	**1.115.963.022**

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

As of 31 December 2022, effective interest rate for TL loans is 17,06%, and effective interest rate for USD loans is 8,1%.(As of 31 December 2021, effective interest rate for TL loans is 16,11%, effective interest rate for USD loans is 5,08, efective interest rate for EUR loans is %3,55)

As of the details of short-term unsecured loans of the Group are given below:

Currency	Original Currency Amount	Interest Rate(%) (*)	Maturity	31 December 2022
TL	618.204.570	14,75-25,30	January 2023- December 2023	618.204.570
USD	25.401.264	4,90-13,25	January 2023-July 2022	474.960.455
				1.093.165.025

Currency	Original Currency Amount	Interest Rate(%) (*)	Maturity	31 December 2021
TL	334.237.975	9,0-20,0	January 2022- February 2023	334.237.975
USD	35.829.509	3,4-5,85	January 2022-February 2022	477.571.526
EURO	7.834.057	2,35-4,75	January 2022	118.190.073
				929.999.574

(*) Presents the lower and upper rates.

The detail of financial borrowing from factoring transactions of the Group is given below:

Currency	Original Currency Amount	Interest Rate(%) (*)	Maturity	31 December 2022
TL	34.881.064	28,00-35,50	January 2023- May 2023	34.881.064
USD	185.262	13,50	January 2023	3.464.086
				38.345.150

Currency	Original Currency Amount	Interest Rate(%) (*)	Maturity	31 December 2021
USD	13.422.396	6,0-8,7	June 2022	178.907.115
				178.907.115

	31 December 2022	31 December 2021
Short-Term Portion of Long-Term Financial Liabilities		
Short-Term Portion of Long-Term Unsecured Bank Loans	61.218.489	12.919.150
Short-Term Portion of Long-Term Lease Liabilities	96.094.322	67.940.819
	157.312.811	**80.859.969**

6 BORROWINGS (cont'd)

The detail of short-term portion of long-term unsecured bank loans of the Group is given below:

Currency	Original Currency Amount	Interest Rate(%) (*)	Maturity	31 December 2022
TL	61.218.489	9,00-14,75	February 2023-April 2023	61.218.489
				61.218.489

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

The details of long-term unsecured loans of the Group are given below:

	31 December 2022	31 December 2021
Long term financial liabilities		
Long term lease liabilities	65.409.415	47.100.834
Long term unsecured loans	-	13.817.167
	65.409.415	**60.918.001**

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

(*) Presents the lower and upper rates.

As of 31 December 2022 and 31 December 2021, the Group has a letter of guarantee of USD 5,000,000 given for bank loans.

The movement of banks loans and financial borrowing from factoring transactions of the Group is given in the table below. Cash flows arising from the borrowings of the Group are classified under the cash inflows/ outflows arising from financing activities in the consolidated statement of cash flows.

	2022	2021
Opening-1 January	1.142.699.339	**526.499.281**
Cash inflow under within borrowings received	1.562.114.965	1.316.876.199
Cash pouflow under within borrowings received	(1.742.478.637)	(770.411.281)
Interest accruals changes	(15.636.375)	(29.491.487)
Currency translations changes	246.029.372	99.226.627
Closing-31 December	**1.192.728.664**	**1.142.699.339**

The reconciliation of the Group's debts from lease transactions for the nine-month accounting periods ending on December 31, 2022 and 2021 is as follows:

	2022	2021
Opening-1 January	115.041.653	59.409.133
Additions	40.773.618	21.802.911
Interest expenses and foreign exchange loss on lease liabilities	17.005.820	20.500.321
Lease payments	(38.081.052)	(27.739.849)
Foreign Currency Translation Difference	26.763.698	41.069.137
Closing-31 December	**161.503.737**	**115.041.653**

As of December 31, 2022, liabilities arising from leasing transactions are in TL and consist of liabilities accounted with fixed rate borrowing interest rates, which vary between 14,81% and 31%. The maturity structure of debts arising from leasing transactions and the exchange rate risk carried over are presented in Note 23.

7 TRADE RECEIVABLES AND PAYABLES

	31 December 2022	31 December 2021
Trade Receivables from Third Parties		
Trade receivables	2.107.866.896	1.502.504.348
Discount on trade receivables (*)	(26.288.669)	(26.922.675)
Allowances for doubtful receivables (-)	(200.752.390)	(143.495.538)
	1.880.825.837	**1.332.086.135**

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

Movement of Allowance for Doubtful Receivables	2022	2021
Reported as of 1 January	**(143.495.538)**	**(76.357.553)**
Charge for the period	(17.097)	(5.746.502)
Provision no longer required	911.119	503.023
Currency translation differences	(58.150.874)	(61.894.506)
As of 31 December	**(200.752.390)**	**(143.495.538)**

The provision for doubtful receivables allocated for trade receivables is determined based on the experience of non-collection of receivables and expected credit loss model.

	31 December 2022	31 December 2021
Trade Payables to Third Parties		
Trade payables	1.223.289.342	1.141.873.501
	1.223.289.342	**1.141.873.501**

8 OTHER RECEIVABLES AND PAYABLES

	31 December 2022	31 December 2021
Other Receivables		
Receivable of tax return	2.119.706	1.596.316
Deposits and guarantees given	424.465	330.012
Other	581.311	975.187
	3.125.482	**2.901.515**

	31 December 2022	31 December 2021
Short Term Other Payables		
Taxes and duties payables	92.799.127	81.348.943
Other	597.183	425.700
	93.396.310	**81.774.643**

9 INVENTORIES

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

	31 December 2022	31 December 2021
Raw materials	101.289.497	90.074.269
Finished goods	39.537.456	47.390.287
Trade goods	271.994.517	274.244.621
Right of return assets	13.874.351	36.359.126
Allowance for inventory impairment (-)	(1.139.627)	(68.436.157)
	425.556.194	**379.632.146**

Movement table of provision for inventory impairment is as follows:

	2022	2021
Movement for allowance:		
Opening balance	(68.436.157)	(2.964.439)
Released for the year	86.784.634	-
Provision	(2.739.169)	(40.214.065)
Foreign currency translation difference	(16.748.935)	(25.257.653)
Closing balance	**(1.139.627)**	**(68.436.157)**

10 PREPAID EXPENSES

	31 December 2022	31 December 2021
Short term prepaid expenses		
Short term prepaid expenses	29.557.829	23.907.632
Advances given for inventories	39.950.265	12.823.749
	69.508.094	**36.731.381**

11 CONTRACT ASSETS AND LIABILITIES

Details of the contract assets are given below;

Customer	**31 December 2022**			**31 December 2021**		
	Short Term	**Long Term**	**Total**	**Short Term**	**Long Term**	**Total**
Telecom	385.366.586	-	385.366.586	37.136.737	-	37.136.737
System Integration	55.256.630	-	55.256.630	517.333.476	-	517.333.476
Technology	-	-	-	-	-	-
BDH	-	-	-	17.691.214	-	17.691.214
Other	-	-	-	-	-	-
	440.623.216	**-**	**440.623.216**	**572.161.427**	**-**	**572.161.427**

Details of the contract liabilities are given below;

Customer	**31 December 2022**			**31 December 2021**		
	Short Term	**Long Term**	**Total**	**Short Term**	**Long Term**	**Total**
Telecom	127.679.378	-	127.679.378	92.028.083	-	92.028.083
System Integration	323.861.236	-	323.861.236	260.272.053	-	260.272.053
Technology	-	-	-	2.323.799	-	2.323.799
BDH	151.421	-	151.421	1.177.739	-	1.177.739
Other	-	-	-	1.025.645	-	1.025.645
	451.692.035	**-**	**451.692.035**	**356.827.319**	**-**	**356.827.319**

12 PROPERTY, PLANT AND EQUIPMENT

	Machinery and Equipment	Vehicles	Furniture and fixtures	Leasehold Improvements	Total
Cost					
1 January 2022	**484.272.315**	**402.153**	**44.441.552**	**132.463.853**	**661.579.873**
Translation difference	174.816.542	46.576	12.044.335	45.162.979	232.070.432
Purchases	9.217.097	-	250.863	142.578	9.610.538
Disposals	(39.169.838)	-	(3.579.986)	(20.487)	(42.770.311)
31 December 2022	**629.136.116**	**448.729**	**53.156.764**	**177.748.923**	**860.490.532**
Accumulated Depreciation					
1 January 2022	**(417.507.487)**	**(256.280)**	**(35.259.297)**	**(101.176.957)**	**(554.200.021)**
Translation difference	(151.628.933)	(46.576)	(10.459.906)	(40.331.558)	(202.466.973)
Period charge	(21.785.660)	(56.475)	(2.624.073)	(16.389.252)	(40.855.460)
Disposals	38.409.675	-	3.037.441	4.026	41.451.142
31 December 2022	**(552.512.405)**	**(359.331)**	**(45.305.835)**	**(157.893.741)**	**(756.071.312)**
Net book value at 31 December 2022	**76.623.711**	**89.398**	**7.850.929**	**19.855.182**	**104.419.220**

As of 31 December2022, depreciation charge is TL 40.855.460. TL 9.230.247 is accounted in cost of sales, TL 29.699.812 in general administrative expenses, TL 1.925.401 in sales, marketing, and distribution expenses.

The facility includes spare parts to be used in machinery and devices in the long term. The depreciation expense for spare parts is TL 4.112.025 and is completely included in general administrative expenses.

As of 31 December2022, there are not any mortgage and financial leasing on property, plant and equipment.

12 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Machinery and Equipment	Vehicles	Furniture and fixtures	Leasehold Improvements	Total
Cost					
1 January 2021	**270.918.613**	**397.627**	**31.993.436**	**86.158.219**	**389.467.895**
Translation difference	207.045.626	324.395	26.100.769	70.289.285	303.760.075
Purchases	12.090.789	-	773.490	1.256.974	14.121.253
Disposals	(5.782.713)	(319.869)	(14.426.143)	(25.240.625)	(45.769.350)
31 December 2021	**484.272.315**	**402.153**	**44.441.552**	**132.463.853**	**661.579.873**
Accumulated Depreciation					
1 January 2021	**(230.754.241)**	**(285.136)**	**(24.258.350)**	**(59.336.583)**	**(314.634.310)**
Translation difference	(176.770.702)	(145.675)	(16.869.419)	(46.218.991)	(240.004.787)
Period charge	(11.658.754)	(38.977)	(2.072.120)	(9.226.410)	(22.996.261)
Disposals	1.676.210	213.508	7.940.592	13.605.027	23.435.337
31 December 2021	**(417.507.487)**	**(256.280)**	**(35.259.297)**	**(101.176.957)**	**(554.200.021)**
Net book value at 31 December 2021	**66.764.828**	**145.873**	**9.182.255**	**31.286.896**	**107.379.852**

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

The facility includes spare parts to be used in machinery and devices in the long term. The depreciation expense for spare parts is TL 5.055.736 and is completely included in cost of sales.

As of 31 December 2021, there are not any mortgage and financial leasing on property, plant and equipment.

12 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

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

13 INTANGIBLE ASSETS

Goodwill

The shares transfer of "Netaş Bilişim Teknolojileri A.Ş."("Netaş Bilişim") and its subsidiary BDH Bilişim Destek Hizmetleri Sanayi ve Ticaret A.Ş. ("BDH") was completed on 11 October 2011. With the acquisition of these shares, the Group has acquired Enterprise and BDH operating segments.

During the acquisition, fair value of the customer relations has been identified as a separable intangible asset. Further, a write-up is made on the inventory based on the mark-up margin on the inventory. The difference between the net amount transferred and the total fair value of the net assets acquired is recognized as goodwill.

Changes in goodwill between the acquisition date and the balance sheet date is presented below:

Cost	**2022**	**2021**
Opening Balance	244.295.352	134.537.477
Translation difference	98.409.110	109.757.875
Closing Balance	**342.704.462**	**244.295.352**

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

A valuation report has been prepared for the determination of the value to be used in the testing of impairment of goodwill as of 31 December 2022. The valuation report has been prepared by an independent valuation company. Income approach has been applied in the valuation study of Enterprise and BDH segments. The present value of cash flows expected to be generated by the Company in the future is calculated by discounting cash flows today using a discount rate appropriate to the Company's risk profile.

The result of income approach and sensitivity analysis indicates that, the firm value of Enterprise and BDH segments is between USD 45 million and USD 57 million. Considering the Company's adjusted net debt level of USD 3.3 million as of the valuation date, the share value is estimated to be between USD 42 million and USD 54 million.

Considering the future cash flows of the Group, the Company Management concluded that there is no impairment in the goodwill amount as of 31 December 2022.

Significant assumptions used in discounted cash flow projections

The significant assumptions used in the calculation of recoverable amounts are discount rates and final growth rates. The after-tax discount rate was used in the valuation studies. The Weighted Average Cost of Capital rate used in the study is variable and 0,86 over the years since the tax rate will be changed during the projection period. Throughout the projection period, the company's debt / capital ratio is predicted to be 25% and a business risk premium of 1% has been considered in the WACC calculation.

13 INTANGIBLE ASSETS(Cont'd)

Other Intangible Assets

	1 January- 31 December 2022			
	Customer Relations (*)	**Other Intangible Assets (**)**	**Construction in Progress**	**Total**
Cost				
Opening balance	**142.189.000**	**504.348.507**	**10.140.787**	**646.537.507**
Translation difference	57.277.771	178.874.710	2.346.388	236.152.481
Additions	-	350.377	-	350.377
Disposals			-	
Transfers	-	12.487.175	(12.487.175)	-
Closing balance	**199.466.771**	**696.060.769**	**-**	**895.527.540**
			-	
Accumulated amortization			-	
Opening balance	**(142.189.000)**	**(412.222.899)**	**-**	**(554.411.899)**
Translation difference	(57.277.771)	(144.225.020)	-	(201.502.791)
Period charge	-	(23.156.834)	-	(23.156.834)
Disposals			-	
Impairments	-	-	-	-
Transfers	-	-	-	-
Closing balance	**(199.466.771)**	**(579.604.753)**	**-**	**(779.071.524)**
			-	
Net book value	**-**	**116.456.016**	**-**	**116.456.016**

(*) The purchase of shares of Netaş Bilişim Teknolojileri Anonim Şirketi ("Netaş Bilişim") and its subsidiary The contractual customer portfolio amount is related to this purchase.

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

As of 31 December 2022, amortization charge is TL 23.156.834. TL. 13.657.489 is accounted in cost of sales, TL 9.492.039 in general administrative expenses and TL 7.306 in sales, marketing and distribution expenses.

	1 January- 31 December 2021			
	Customer Relations (*)	**Other Intangible Assets(**)**	**Construction in Progress**	**Total**
Cost				
Opening balance	**78.305.825**	**287.352.475**	**32.033.966**	**397.692.266**
Translation difference	63.883.175	117.734.787	25.891.422	207.509.384
Additions	-	41.516.852	11.156.802	52.673.654
Disposals	-	-	(1.197.010)	(1.197.010)
Transfers	-	57.744.393	(57.744.393)	-
Closing balance	**142.189.000**	**504.348.507**	**10.140.787**	**656.678.294**
Accumulated amortization				
Opening balance	**(72.432.888)**	**(173.463.133)**	**-**	**(245.896.021)**
Translation difference	(62.637.927)	(97.810.541)	-	(160.448.468)
Period charge	(7.118.185)	(43.030.538)	-	(50.148.723)
Impairments	-	(97.918.687)	-	(97.918.687)
Transfers	-	-	-	-
Closing balance	**(142.189.000)**	**(412.222.899)**	**-**	**(554.411.899)**
Net book value	**-**	**92.125.608**	**10.140.787**	**102.266.395**

(*)The purchase of shares of Netaş Bilişim Teknolojileri Anonim Şirketi ("Netaş Bilişim") and its subsidiary The contractual customer portfolio amount is related to this purchase.

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

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

13 INTANGIBLE ASSETS(Cont'd)

Other Intangible Assets(Cont'd)

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

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

14 RIGHT OF USE ASSETS

According to TFRS 16, the Group includes the right to use and the lease obligation in its financial statements at the date when the lease begins. The right to use asset is initially measured at its cost and then measures at accumulated depreciation and accumulated impairment losses at the cost adjusted for re-measurement of the lease liability. The right of use asset was initially measured at its cost value and is measured at its fair value in accordance with the Group's accounting policies after the lease started.

As of 31 December 2022, and 2021 the movement table of the right of use assets is as follows:

	Buildings	Vehicles	Total
Cost			
1 January 2021	**97.577.941**	**81.400.088**	**178.978.029**
Translation difference	27.947.184	14.757.827	42.705.011
Additions	32.091.432	8.682.186	40.773.618
31 December 2021	**157.616.557**	**104.840.101**	**262.456.658**
Accumulated Depreciation			
1 January 2021	**(59.626.294)**	**(51.420.486)**	**(111.046.780)**
Translation difference	(20.707.615)	(10.500.992)	(31.208.607)
Additions	(18.980.346)	(12.824.891)	(31.805.237)
31 December 2021	**(99.314.255)**	**(74.746.369)**	**(174.060.624)**
Net book value at 31 December 2022	**58.302.302**	**30.093.732**	**88.396.034**

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

15 GOVERNMENT GRANTS

For the period ended 31 December 2022 the Group has received approved, well deserved and accrued incentive from TÜBİTAK TL 1.566.840 (31 December 2021: TL7.857.752)

The Group is qualified for the incentives and exemptions provided by Support of Research and Development Act, numbered 5746 effective from 24 November 2008.

As of 31 December 2022, the Group has a corporate tax benefit of TL 1.743.342.214 due to research and development disbursement and this amount has been transferred (As of 31 December 2021, the Group has a corporate tax benefit of TL 877.420.853 due to research and development disbursement and amount is not utilized by the year end). The Group has booked deferred tax assets for unused R&D tax benefit (Note 26). The unused tax advantages of the Group related to research and development activities has unlimited maturity.

For the period ended 31 December 2022, the amount of income tax incentive within the scope of Act numbered 5746 is TL 10.937.438 (31 December 2021: TL 12.921.557) and the total amount of social premium incentive within the scope of Act numbered 5746 and Social Security and General Health Insurance Act numbered 5510 is TL 14.434.715 (31 December 2021: TL 14.557.898).

16 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions	**31 December 2022**	**31 December 2021**
Executory Contracts (*)	73.802.713	170.593.219
Provisions for return	13.874.351	36.359.126
Provision for legal cases	12.738.590	13.508.670
	100.415.654	**220.461.015**

(*) The compulsory reasons created by the pandemic caused the Group's basic assumptions about the projects taken in the past to change. These changes, on the other hand, necessitated the expense of additional costs and similar provisions in previous projects. It has been evaluated within the scope of TAS 37 and a provision has been made for possible expenses.

For the year ended 31 December 2022, the Group has cash outflows of TL 1.706.215 for legal cases during the year (31 December 2021: TL 3.246.966).

	Executory Contracts (*)	**Provision for returns**	**Provision for Legal Cases**	**Total**
1 January 2022	170.593.219	36.359.126	13.508.670	220.461.015
Provision booked and released	(146.634.217)	(24.067.115)	5.338.797	(165.362.535)
Payments	-	-	(1.706.215)	(1.706.215)
Currency translations	49.843.711	1.582.340	(4.402.662)	47.023.389
31 December 2022	**73.802.713**	**13.874.351**	**12.738.590**	**100.415.654**

	Executory Contracts (*)	**Provision for returns**	**Provision for Legal Cases**	**Total**
1 January 2021	-	-	8.445.859	8.445.859
Provision booked and released	113.868.537	24.269.197	3.373.252	141.510.986
Payments	-	-	(3.246.966)	(3.246.966)
Currency translations	56.724.682	12.089.929	4.936.525	73.751.136
31 December 2021	**170.593.219**	**36.359.126**	**13.508.670**	**220.461.015**

17 COMMITMENTS

Guarantee Letters Given

The Group's off-balance sheet commitments as of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Guarantee letters given (*)	1.993.110.781	1.370.596.177
	1.993.110.781	**1.370.596.177**

(*) The Group has no off-balance sheet commitments and contingencies in favor of subsidiaries which are fully consolidated as of 31 December 2022 and 31 December 2021.

The currencies of the letters of guarantees given are given below:

		Original Currency		
	TL Equivalent	TL	USD	EURO
31 December 2022	**1.993.110.781**	221.973.009	81.564.029	5.916.317

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

17 COMMITMENTS(Cont'd)

Guarantee Letters Given (Cont'd)

The off-balance sheet commitments and contingencies as of 31 December 2022 and 31 December 2021 are as follows:

Commitments, Pledges, Mortgages ("CPM") are given by the Company	**31 December 2022**	**31 December 2021**
A. Total amount of CPM is given on behalf of own legal personality	1.899.619.281	1.303.951.177
B. Total amount of CPM is given in favor of subsidiaries which are fully consolidated	93.491.500	66.645.000
C. Total amount of CPM is given for assurance of third party's debts in order to conduct of usual business activities	-	-
D. Total Amount of other CPM	-	-
i. Total amount of CPM is given in favor of parent company	-	-
ii. Total amount of CPM is given in favor of other group companies, which B and C doesn't include	-	-
iii. The amount of CPM is given in favor of third party which C doesn't include	-	-
	1.993.110.781	**1.370.596.177**

Guarantee Letters Received

		Original Currency		
	TL Equivalent	**TL**	**USD**	**EURO**
31 December 2022	**20.459.829**	2.368.513	967.538	-

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

Guarantees Given

According to the System Integration Agreement signed between fully consolidated subsidiary, Netaş Bilişim, and Cisco System International B.V., the Company agrees that all financial obligations will be jointly performed by the Company and Netaş Bilişim.

According to the contract between the Company and İGA Havalimanları İnşaatı Adi Ortaklığı Ticari İşletmesi, fully consolidated subsidiary and subcontracter named BDH, and its whole commitments are guaranteed by Netaş.

18 EMPLOYEE BENEFITS

Employee Benefit Obligations:

	31 December 2022	31 December 2021
Social security payables	42.670.140	26.079.772
Payables to employees	580.401	192.334
	43.250.541	**26.272.106**

Short Term and Long-Term Provisions for Employee Benefits:

Short Term	**31 December 2022**	**31 December 2021**
Provision for employee premiums	50.090.562	26.573.697
	50.090.562	**26.573.697**
Long Term		
Unused vacation provision	17.083.671	11.748.655
Provision for severance indemnity	66.376.541	35.512.436
Provision for retirement benefits	378.006	269.459
	83.838.218	**47.530.550**
Total		
Provision for employee premiums	50.090.562	26.573.697
Unused vacation provision	17.083.671	11.748.655
Provision for severance indemnity	66.376.541	35.512.436
Provision for retirement benefits	378.006	269.459
	133.928.780	**74.104.247**

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

Severance Indemnity

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

The provision is made in respect of all eligible employees, at a rate of 30 days gross pay for each year of service. The retirement pay provision ceiling at the respective balance sheet dates, is subject to a maximum of TL 15.371,40 per year as of 31 December 2021. (31 December 2021: TL 8.284,51). The provision for employee termination benefits is not funded, as there is no funding requirement.

In accordance with Turkish Labor Code, employment termination benefit is the present value of the total estimated provision for the liabilities of the personnel who may retire in the future. The provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial gains and losses are accounted in equity as other comprehensive income.

18 EMPLOYEE BENEFITS(Cont'd)

Severance Indemnity(Cont'd)

The movement for severance indemnity provision is as follows:

	31 December 2022	31 December 2021
Present value of severance indemnity provision	66.376.541	35.512.436
Net liability in balance sheet	**66.376.541**	**35.512.436**
Current service cost	7.215.669	4.690.040
Interest cost	5.864.699	3.307.313
Extra payment or loss / (gain)	1.241.665	1.298.787
Period charge at 31 December	**14.322.033**	**9.296.140**

Movement for severance indemnity provision:	2022	2021
1 January	35.512.436	24.888.216
Period charge	14.322.033	9.296.140
Severance indemnity paid	(13.327.319)	(5.705.339)
Actuarial (gain)/ loss	29.869.391	7.033.419
31 December	**66.376.541**	**35.512.436**

The assumption calculated to determine present value of severance indemnity and retirement benefit provision as of 31 December 2022 and 2021 are as follows:

Assumptions	31 December 2022	31 December 2021
Annual inflation rate	7,50%	14,80%
Annual discount rate	10,96%	18,80%
Net discount rate	3,22%	3,48%

Provision for Employee Bonus and Unused Vacation

The movement for employee bonus provision is as follows:

Movement for employee bonus provision:	2022	2021
1 January	26.573.697	25.684.627
Period charge	50.746.030	30.593.264
Payments	(27.229.165)	(29.704.194)
31 December	**50.090.562**	**26.573.697**

Movement for unused vacation provision:	2022	2021
1 January	11.748.655	15.486.403
Period charge	10.687.102	3.892.241
Payments	(5.352.086)	(7.629.989)
31 December	**17.083.671**	**11.748.655**

19 OTHER ASSETS

Other Current Assets	31 December 2022	31 December 2021
VAT receivable	46.975.172	26.080.619
Personnel and business advances	244.707	239.248
Other	141.393	7.067.874
	47.361.272	**33.387.741**

20 SHAREHOLDERS' EQUITY

Paid in Capital

Shareholding structure of Company as of 31 December 2022 and 31 December 2021 are as follows:

Name	Share Class	Capital Nominal Value (TL)	Capital Amount (Number)	Shareholding Ratio (%)
ZTE Cooperatief U.A.	A	23.351.328	23.351.328	36,00%
ZTE Cooperatief U.A.	B	7.817.023	7.817.023	12,05%
ZTE Cooperatief U.A. (Total)		**31.168.351**	**31.168.351**	**48,05%**
Türk Silahlı Kuvvetlerini Güçlendirme Vakfı	A	9.729.720	9.729.720	15,00%
Other Shareholders	B	23.966.729	23.966.729	36,95%
Total		**64.864.800**	**64.864.800**	**100%**

The capital of the company is TL 64.864.800 which is divided into 64.864.800 shares with a nominal value of TL 1 each. The share capital of the Company is fully paid

In accordance with the Capital Market Board Communique No. II-18.1 numbered Registered Capital System, the registered capital system of the Company has been expired due to the expiry date of the authorized capital ceiling (TL 300.000.000).

The shares of the company are divided into two groups, consisting of (A) and (B) group registered shares. 33.081.048 (thirty-three million eighty-one thousand and forty-eight) of these shares constitute the registered (A) group of shares, and 31.783.752 (Thirty-one million seven hundred and eighty-three thousand seven hundred and fifty-two) shares constitute the (B) group registered shares. The differentiation of the shares in (A) and (B) groups, does not give the owners any rights or privileges, except as provided in Articles 9 and 15.

The proportion of (A) group registered shares within the issued capital shall be maintained in capital increases. Pre-emptive rights of shareholders shall be exercised within the respective share groups.

(B) group registered shares can be freely transferred without being subject to any limitation or condition within the framework of Turkish Commercial Code ("TCC") and Capital Markets Legislation. However, concerning the transfer of (A) group registered shares the existing shareholders in Group (A) are entitled to preemptive rights which are required to be exercised within 30 days from the date of the offer for sale. Therefore, a shareholder wishing to transfer its shares, in full or in part, must first offer, in writing, to transfer its shares to the other shareholders in Group A in proportion to their respective shares, stating the price and other conditions for sale. If any shareholder, to whom the offer was made, declines to purchase the offered shares, such shares shall be offered to the other shareholders in proportion to their share ownership and this method will be pursued in the same manner until all shares are sold or rejected. Following the application of the above procedures, the transferor will be free to offer any rejected shares to third parties without restrictions provided that the price and other conditions of sale are no more favorable to the third party than the price and other conditions contained in the initial offer.

The required quorum for meetings and the required majority for resolutions of the shareholders at ordinary and extraordinary meetings shall be subject to the provisions of the TCC and Capital Markets legislation. However, resolution of the shareholders concerning amendments to the Articles of Association shall require the affirmative votes of the shareholders representing at least one half of the total number of shares within Group A.

20 SHAREHOLDERS' EQUITY(Cont'd)

Share Capital Adjustments

According to CMB Decree No: XI-26 "Changes to CMB Decree No: XI-20 Accounting Principles in Hyperinflationary Periods", shareholders' equity is shown at their normal values in the financial statements and the account differences occurred in correction of shareholders' equity are shown under the "Foreign Currency Translation Adjustments" account.

According to Board of Directors decision on 5 April 2004 referring to the Annual General Meeting decision and related CMB Decrees, conversion differences within the meaning of the law, occurred in prior periods were net-off with accumulated losses. Equity Foreign Currency Translation Adjustments are shown in the consolidated statement of financial position under "Share Capital Adjustments" in the Shareholders' Equity.

Legal Reserves

Legal reserves are reserves appropriated from the profit of prior periods for certain purposes other than profit distribution or due to legal or contractual requirements. These reserves are shown in the amounts in the legal records of the Company, and the differences in the preparation of the consolidated financial statements in accordance with TFRS are associated with retained earnings.

The details of restricted reserves are as follows as of 31 December 2022 and 31 December 2021:

	31 December 2022	31 December 2021
Primary legal reserves	11.997.507	11.997.507
Secondary legal reserves	22.899.853	22.899.853
Total	**34.897.360**	**34.897.360**

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

As of 31 December 2022, the primary legal reserve amount of the group is 18% of the paid-in capital and there is no limit to the secondary legal reserve amount. These reserves can only be used to cover losses, to maintain the company in times when things are not going well, or to prevent unemployment and to mitigate the effects of such losses, unless they exceed half of the paid-in capital of the company.

Retained Earnings (Losses)

Retained earnings other than net period profit are presented in this item. The extraordinary reserves that are retained by the nature of their accumulated profit and are therefore not restricted, are also recognized as retained earnings.

21 REVENUE AND COST OF SALES

The details of the Group's sales by geographies are as follows:

	1 January-31 December 2022	1 January-31 December 2021
Net domestic sales	**3.857.632.006**	**2.176.294.872**
Net export	**153.921.622**	**120.054.712**
United States	13.098.944	28.429.995
Asia	122.547.054	56.197.804
Africa	15.182.917	17.640.870
Europe	3.092.707	17.786.043
Total net sales	**4.011.553.628**	**2.296.349.584**

The details of the Group's cost of sales are as follows:

	1 January-31 December 2022	1 January-31 December 2021
Equipment expenses	2.515.947.307	1.416.737.744
Personnel expenses	543.811.187	410.826.225
Service/Support expenses	485.836.475	501.301.086
Depreciation and amortization expenses	38.983.750	51.123.095
Transportation expenses	11.563.992	9.912.414
Impairment of tangible assets	-	97.918.687
Impairment of provision in inventory	2.739.169	40.750.178
Other	25.346.480	30.621.699
	3.624.228.360	**2.559.191.128**

The distribution of the Group's sales according to the income types in the segments and the fulfillment times of the performance obligations is as follows:

	1 January-31 December 2022				
Performance Obligations:	**Telecom**	**System Integration**	**Technology**	**BDH**	**Total**
Hardware performance obligation	1.110.141.107	620.520.119	-	-	1.730.661.226
Licence performance obligation	-	1.079.683.971	-	-	1.079.683.971
Maintenance performance obligation	49.818.410	294.611.195	-	404.511.754	748.941.359
Design performance obligation	55.211.611	47.531.629	-	-	102.743.240
Installation performance obligation	28.939.874	60.560.962	-	-	89.500.836
Other performance obligations	15.132.720	244.890.276	-	-	260.022.996
	1.259.243.722	**2.347.798.152**	**-**	**404.511.754**	**4.011.553.628**
Satisfaction of Performance Obligations:					
At a point in time	1.209.425.312	2.049.016.289	-	404.511.754	3.662.953.355
Overtime	49.818.410	298.781.863	-	-	348.600.273
	1.259.243.722	**2.347.798.152**	**-**	**404.511.754**	**4.011.553.628**

21 REVENUE AND COST OF SALES

	1 January-31 December 2021				
Performance Obligations:	**Telecom**	**System Integration**	**Technology**	**BDH**	**Total**
Hardware performance obligation	568.173.887	283.485.073	-	-	851.658.960
Licence performance obligation	46.245.672	463.241.880	-	-	509.487.552
Maintenance performance obligation	37.693.037	326.017.116	-	220.842.440	584.552.593
Design performance obligation	20.425.905	78.025.920	25.768.452	-	124.220.277
Installation performance obligation	25.336.891	44.035.601	-	-	69.372.492
Other performance obligations	50.798.288	106.259.422	-	-	157.057.710
	748.673.680	**1.301.065.012**	**25.768.452**	**220.842.440**	**2.296.349.584**

Satisfaction of Performance Obligations:					
At a point in time	736.851.396	1.057.198.031	25.768.452	220.842.440	2.040.660.319
Overtime	11.822.284	243.866.981	-	-	255.689.265
	748.673.680	**1.301.065.012**	**25.768.452**	**220.842.440**	**2.296.349.584**

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

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

	1 January- 31 December 2022	1 January- 31 December 2021
Sales, marketing and distribution expenses	150.985.067	109.354.192
General administrative expenses	161.566.947	107.506.666
Research and development expenses	6.557.959	14.707.778
	319.109.973	**231.568.636**

Personnel expenses	178.690.605	139.850.017
Depreciation and amortization expenses	56.833.732	44.808.499
Software expenses	23.786.014	8.136.323
Consultancy, audit and legal expenses	21.095.897	15.196.262
Outsourced service expenses	6.032.744	5.126.836
Electricity,water and gas expenses	5.321.081	2.196.257
Severance indemnity and pension provision expenses	3.877.332	1.297.548
Personnel transportation expenses	3.641.657	1.694.134
Travel and meeting expenses	3.550.174	1.555.600
Communication expenses	3.033.605	2.599.247
Fair and advertising expenses	2.151.429	2.041.302
Private health insurance expenses	2.039.133	1.370.564
Cafeteria expenses	1.767.802	695.716
Other insures expenses	1.629.871	629.795
Training expenses	1.506.047	641.559
Maintenance expenses	1.495.817	1.342.936
Consumable material expenses	576.827	1.708.685
Other	2.080.206	677.356
	319.109.973	**231.568.636**

The breakdown of personnel and depreciation expenses in cost of sales, research and development, marketing, sales and distribution and general administrative expenses is as follows:

Personnel expenses:	1 January- 31 December 2022	1 January- 31 December 2021
Cost of sales	543.811.187	410.826.225
Sales, marketing and distribution expenses	95.479.070	68.958.090
General administrative expenses	76.653.576	57.398.886
Research and development expenses	6.557.959	13.493.041
	722.501.792	**550.676.242**

Depreciation and amortization expenses:	1 January- 31 December 2022	1 January- 31 December 2021
Cost of sales	38.983.750	51.123.095
General administrative expenses	48.482.010	38.449.481
Sales, marketing and distribution expenses	8.351.722	5.541.397
Research and development expenses	-	817.621
	95.817.482	**95.931.594**

23 INCOME AND EXPENSES FROM OTHER OPERATING ACTIVITIES

Income from Other Operating Activities	1 January- 31 December 2022	1 January- 31 December 2021
Discount income, net (*)	32.389.755	5.837.161
Reversal for doubtful receivables expenses	894.022	503.023
Other income and gains	-	1.316.020
	33.283.777	**7.656.204**

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

Expenses from Other Operating Activities	1 January- 31 December 2022	1 January- 31 December 2021
Foreign exchange expenses, net	127.828.342	239.591.330
Legal case expenses	6.181.381	5.161.787
Expenses for doubtful receivables provision	-	5.746.502
Other tax expenses	5.090.546	3.017.987
Expenses of other consumables	-	
Other expenses and losses	13.214.697	15.843.345
	152.314.966	**269.360.951**

24 INCOME AND EXPENSES FROM INVESTING ACTIVITIES

The breakdown of personnel and depreciation expenses in cost of sales, research and development, marketing, sales and distribution and general administrative expenses is as follows:

Income from Investing Activities	1 January- 31 December 2022	1 January- 31 December 2021
Affiliate sales profit	30.469.943	-
Financial investment fund valuations	189.037	3.678.165
Subsidiary sales profit	-	35.193.929
Income from sales of property, plant and equipment	216.350	609.539
Income from scrap sales	214.191	117.651
	31.089.521	**39.599.284**

Expenses from Investing Activities	1 January- 31 December 2022	1 January- 31 December 2021
Loss from sales of tangible assets	337.789	3.119.582
	337.789	**3.119.582**

25 FINANCE INCOME / EXPENSES

Financial Income	1 January- 31 December 2022	1 January- 31 December 2021
Foreign exchange gains, net (*)	160.590.417	228.979.925
Interest income	6.547.374	4.213.728
	167.137.791	**233.193.653**

(*) Foreign exchange gains and losses related to cash and cash equivalents, borrowings, and other financial liabilities and currency translation difference.

Financial Expenses	1 January- 31 December 2022	1 January- 31 December 2021
Bank interest expenses	183.544.251	85.988.928
Guarantee letter commissions	18.823.826	11.186.053
Interest and foreign exchange loss on leases	17.005.809	20.500.321
Bank loan commisions and expenses	7.843.822	2.163.926
Other financial expenses	3.793.786	18.828.972
	231.011.494	**138.668.200**

26 TAX ASSETS AND LIABILITIES

Corporate Tax

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

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

In Turkey, the corporate tax rate will be applied as 25% for the corporate earnings of the 2021 taxation period and 23% for the corporate earnings of the 2022 taxation period, with the regulation dated April 22, 2021. It will be applied as 20% after the taxation period of 2022.

The corporate tax rate is applied to the net corporate income by adding the expenses that are not accepted as deductible in accordance with the tax laws to the commercial income of the corporations, and by deducting the exceptions and deductions in the tax laws. In Turkey, provisional tax is calculated and accrued on a quarterly basis.

Accumulated losses can be carried 5 years maximum to be deducted from the taxable profit of the following years. However, accumulated losses cannot be deducted from the profit occurred in the prior years retroactively.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the fiscal year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years. Tax legislation in Turkey does not allow to fill consolidated tax returns of the Company and its subsidiaries. Therefore, provisions for taxes, as included in the consolidated financial statements, it has been calculated based on individual companies.

Corporate tax rate in Malta is 35% (2021: 35 %). Corporate tax rate in Kazakhstan is 20% (2021: 20 %). Corporate tax rate in Algeria is 26%.

Withholding tax

In addition to corporate taxes, companies should also calculate withholding taxes surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15 % with the code numbered 5520 article 15 commencing from 23 July 2006. Transfer from retained earnings to share capital is not subject to withholding taxes.

Deferred Taxes

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising from its financial statements prepared in accordance with TFRS and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and are set out below.

Subsidiaries with deferred tax assets are not netted off with subsidiaries with deferred tax liabilities and are shown separately, as businesses in Turkey cannot declare consolidated tax returns.

26 TAX ASSETS AND LIABILITIES(Cont'd)

Deferred Taxes(Cont'd)

Deferred tax assets	**31 December 2022**	**31 December 2021**
Trade and unbilled receivables	(28.412.906)	(88.452.339)
Tangible and intangible assets	(51.994.926)	(43.352.596)
Trade payables and cost provisions	24.282.550	58.310.103
Carryforward tax losses	-	-
Unused R&D tax exemption	350.850.912	177.666.653
Provision for unused vacation	2.377.074	1.488.037
Inventory and contract assets	(50.554.743)	5.303.215
Provisions for employee premiums	8.369.401	4.463.247
Deferred revenues	-	438.431
Contract liabilities	27.473.281	28.002.883
Legal provision	1.801.488	2.539.641
Severance indemnity and retirement provisions	21.010.220	8.918.415
Other	856.041	(707.994)
	306.058.392	**154.617.696**

	31 December 2022	**31 December 2021**
Deferred Tax Assets	306.058.392	169.542.385
Deferred Tax Liabilities	-	(14.924.689)
Net Amount	**306.058.392**	**154.617.696**

26 TAX ASSETS AND LIABILITIES(Cont'd)

Deferred Taxes(Cont'd)

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

Movement for deferred taxes is as follows:	31 December 2022	31 December 2021
Balance as of January, 1	**154.617.696**	**130.918.551**
Restatement Effect	-	-
Balance as of January, 1 (Restated)	**154.617.696**	**130.918.551**
Current charge deferred tax income	76.882.119	(44.026.775)
Affiliate sales impact	-	-
Accounting under equity	5.973.878	1.406.684
Translation difference	68.584.699	76.426.486
Closing	**306.058.392**	**154.617.696**

	31 December 2022	31 December 2021
Corporate tax	18.024.354	-
Prepaid taxes	(52.754.382)	(33.562.897)
Current tax liabilities/ (Current income tax assets)	**(34.730.028)**	**(33.562.897)**

Tax reconciliation	31 December 2022	31 December 2021
(Loss) before tax	(83.620.259)	(626.395.907)
Tax rate	23%	25%
Computed tax expense	19.232.660	156.598.977
Tax effects of:		
Non-deductible expenses	(49.317.207)	(33.095.278)
Effect of legal tax rate change on deferred tax balance	39.920.660	(13.445.017)
Affiliate sales impact	-	(9.718.024)
		-
Usable losses for which no deferred tax has been calculated	(11.878.576)	(86.292.165)
Adjustments for which no deferred tax has been calculated	-	(29.214.610)
Other adjustment and monetary loss/gain	23.115.155	(28.860.658)
Total tax (loss)/ income	**21.072.692**	**(44.026.775)**

26 TAX ASSETS AND LIABILITIES(Cont'd)

Deferred Taxes(Cont'd)

Movement for deferred taxes as of 31 December 2022 and 2021 are as follows;

	1 January 2022	Charge to Period	Charge to Equity	Sales Effect of NETRD	Translation Difference	31 December 2022
Tangible and intangible assets	(43.352.596)	6.865.200	-	-	(15.507.530)	(51.994.926)
Trade receivables	(88.452.339)	84.776.159	-	-	(24.736.726)	(28.412.906)
Trade payables and cost provisions	58.310.103	(50.795.003)	-	-	16.767.450	24.282.550
Inventory and contract assets	5.303.215	(49.792.655)	-	-	(6.065.304)	(50.554.744)
Deferred revenue	438.431	(544.899)	-	-	106.468	-
Provisions for employee bonuses	4.463.247	1.796.741	-	-	2.109.413	8.369.401
Provision for unused vacation	1.488.037	167.883	-	-	721.154	2.377.074
Severance indemnity and retirement provisions	8.918.415	3.635.313	5.973.878	-	2.482.614	21.010.220
Contract liabilities	28.002.883	(10.463.059)	-	-	9.933.457	27.473.281
Unused R&D tax exemption (Note 12)	177.666.653	90.805.002	-	-	82.379.256	350.850.911
Carryforward tax losses	-	-	-	-	-	-
Legal Provision	2.539.641	(1.560.333)	-	-	822.179	1.801.487
Other	(707.994)	1.991.770	-	-	(427.732)	856.044
	154.617.696	**76.882.119**	**5.973.878**	**-**	**68.584.699**	**306.058.392**

	1 January 2021	Charge to Period	Charge to Equity	Sales Effect of NETRD	Translation Difference	31 December 2021
Tangible and intangible assets	(23.364.493)	(1.485.615)	-	479.994	(18.982.482)	(43.352.596)
Trade receivables	(79.448.602)	37.253.535	-	-	(46.257.272)	(88.452.339)
Trade payables and cost provisions	(2.885.749)	42.414.965	-	-	18.780.887	58.310.103
Inventory and contract assets	26.338.977	(28.383.849)	-	-	7.348.087	5.303.215
Deferred revenue	9.081.490	(10.714.406)	-	-	2.071.347	438.431
Provisions for employee bonuses	5.136.926	(1.381.304)	-	(755.793)	1.463.418	4.463.247
Provision for unused vacation	3.097.280	(2.771.321)	-	(294.377)	1.456.455	1.488.037
Severance indemnity and retirement provisions	5.186.122	(1.175.772)	1.406.684	-	3.501.381	8.918.415
Contract liabilities	5.198.006	12.391.377	-	-	10.413.500	28.002.883
Unused R&D tax exemption (Note 15)	131.847.448	(30.764.328)	-	(9.537.059)	86.120.592	177.666.653
Carryforward tax losses	50.744.135	(61.503.490)	-	-	10.759.355	-
Legal Provision	1.194.776	1.102.135		-	242.730	2.539.641
Other	(1.207.765)	991.298	-	(15)	(491.512)	(707.994)
	130.918.551	**(44.026.775)**	**1.406.684**	**(10.107.250)**	**76.426.486**	**154.617.696**

As of 31 December 2022 and 2021, the distribution of previous years' losses by years is as follows;

	31 December 2022	31 December 2021
2019	98.514.251	98.514.251
2021	298.822.898	-
	397.337.149	**98.514.251**

27 LOSS PER SHARE

Earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

	1 January- 31 December 2022	**1 January- 31 December 2021**
Number of shares	64.864.800	64.864.800
Net profit/ (loss) for the period	(24.762.494)	(670.422.682)
(Loss) per share (kurus)	(0,3818)	(10,3357)

28 RELATED PARTY DISCLOSURES

Due from related parties as of 31 December 2022 and 31 December 2021 are as follows:

Due from Related Parties	**31 December 2022**	**31 December 2021**
ZTE İstanbul Telekomünikasyon A.Ş. (1)	69.276.530	16.530.090
ZTE Corporation(2)	851.513	-
	70.128.043	**16.530.090**

Due to Related Parties	**31 December 2022**	**31 December 2021**
ZTE İstanbul Telekomünikasyon A.Ş. (1)	538.866.535	11.472.963
ZTE Corporation(2)	218.367.185	441.757.867
Kron Telekomünikasyon A.Ş.(3)(*)	-	4.309.228
	757.233.720	**457.540.058**

(*)As explained in Footnote 2, the transfer of the shares owned in Kron Telekomünikasyon Hizmetleri A.Ş. was carried out on 29 April 2022. Kron Telecommunication Services Inc. As of 31 December 2022, it is not a related party. However, the trade payable to Kron Telekomünikasyon Hizmetleri A.Ş. may also include the balances from the transactions realized before the share transfer dated 29 April 2022.

According to ‘‘IAS 24 Related Party Disclosures’’, providers of finance, trade unions, public utilities, departments, and agencies of a government that does not control, jointly control or significantly influence the reporting entity, and a customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business, simply by virtue of the resulting economic dependence are not evaluated as related parties. The Group has a significant business relation with Aselsan Elektronik Sanayi ve Ticaret A.Ş. (“Aselsan”) and evaluated in that context.

(1) The company which controlled by main partner

(2) Main partner

(3) Associate

28 RELATED PARTY DISCLOSURES(Cont'd)

Main transactions with related parties are as follows for the period ended 31 December 2022 and 2021.

Sales	1 January- 31 December 2022	1 January- 31 December 2021
ZTE İstanbul Telekomünikasyon A.Ş. (1)	108.635.089	58.830.242
ZTE Kangxun Telecom (1)	-	1.957.322
ZTE Corporation(2)	24.273.263	8.728.767
Kron Telekomünikasyon A.Ş.(3)(*)	-	177.618
	132.908.352	**69.693.949**

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

Purchases	1 January- 31 December 2022	1 January- 31 December 2021
ZTE İstanbul Telekomünikasyon A.Ş. (1)	512.228.174	8.012.458
ZTE Corporation(2)	3.995.948	440.135.851
Kron Telekomünikasyon A.Ş.(3)(*)	824.104	3.950.347
	4.820.052	**444.086.198**

(*)As explained in Footnote 2, the transfer of the shares owned in Kron Telekomünikasyon Hizmetleri A.Ş. was carried out on 29 April 2022. Kron Telecommunication Services Inc. As of 31 December 2022, it is not a related party. However, the trade payable to Kron Telekomünikasyon Hizmetleri A.Ş. may also include the balances from the transactions realized before the share transfer dated 29 April 2022.

(1) The company which controlled by main partner

(2) Main partner

(3) Associate

Benefits to Top Management:

Top management of the Group comprised of, the members of the management and executive committee, General Managers and Deputy General Managers. For the period ended 31 December 2022, total remuneration for the directors and management board of the Group is TL 21.770.541 (30 September 2021: TL 27.083.362). As of 31 December 2022, and 31 December 2021 there is no credit granted to the Group's Management.

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

As of 31 December 2022, and 31 December 2021 the Group's net debt / total equity ratios are as follows:

	31 December 2022	31 December 2021
Short-term and long-term borrowings (*)	1.192.728.664	1.142.699.339
Cash and cash equivalents	(220.130.315)	(541.970.727)
Net financial debt	972.598.349	600.728.612
Equity	13.401.817	36.923.410
Net financial debt/ Equity Ratio	**%7.257**	**%1.627**

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

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(Cont'd)

The Group's financial risk management policies are as follows:

Credit risk

Carrying values of the financial assets represents their maximum exposed credit risk. As of the date of balance sheet maximum credit risks are as follows:

31 December 2022	Trade Receivables		Contract Assets related to Goods and Services Provided	Other Receivables	
	Related Parties	Other	Other	Other	Deposits at Banks
Maximum credit risks as of balance sheet date (A+B+C+D)	**70.128.043**	**1.880.825.837**	**440.623.216**	**3.125.482**	**220.130.315**
Maximum risk guaranteed by collateral	-	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	70.128.043	1.540.812.796	440.623.216	3.125.482	220.130.315
(B) Net book value of overdue but not impaired financial assets	-	340.013.041	-	-	-
Guaranteed by collateral	-	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-	-
Overdue (gross book value)	-	200.752.390	-	-	-
Impairment (-)	-	(200.752.390)	-	-	-
Guaranteed by collateral	-	-	-	-	-
Unexpired (gross book value)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
Guaranteed by collateral	-	-	-	-	-
(D) Off balance sheet risks	-	-	-	-	-

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(Cont'd)

Credit risk (Cont'd)

31 December 2021	Trade Receivables		Contract Assets related to Goods and Services Provided	Other Receivables	
	Related Parties	Other	Other	Other	Deposits at Banks
Maximum credit risks as of balance sheet date (A+B+C+D)	**16.530.090**	**1.332.086.135**	**572.161.427**	**2.901.515**	**541.970.727**
Maximum risk guaranteed by collateral	-	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	16.530.090	1.093.295.295	572.161.427	2.901.515	541.970.727
(B) Net book value of overdue but not impaired financial assets	-	238.790.840	-	-	-
Guaranteed by collateral	-	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-	-
Overdue (gross book value)	-	143.495.538	-	-	-
Impairment (-)	-	(143.495.538)	-	-	-
Guaranteed by collateral	-	-	-	-	-
Unexpired (gross book value)	-	-	-	-	-
Impairment (-)	-	-	-	-	-
Guaranteed by collateral	-	-	-	-	-
(D) Off balance sheet risks	-	-	-	-	-

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(Cont'd)

Credit risk (Cont'd)

The Group has applied the simplified approach stated in TFRS 9 to calculate the expected credit loss provision for trade receivables. This approach allows for a lifetime expected loan loss provision for all commercial receivables. In order to measure the expected credit loss, the Group first classifies its trade receivables by taking into account the characteristics of credit risk and credit risk. Expected credit loss ratios for each class of commercial receivables grouped using past credit loss experience and forward macroeconomic indicators were calculated and the expected credit loss provision was calculated by multiplying the determined ratio by the trade receivable totals.

As of the date of balance sheet aging of overdue and undue but not impaired financial assets are as follows:

31 December 2022	Undue	1-30 days overdue	1-3 months overdue	3-6 months overdue	6-12 months overdue	1-5 years overdue	TOTAL
Credit loss ratio (%)	0,6%	1,8%	2,8%	4,8%	8,8%	21,4%	
As of period	1.981.436.012	72.854.149	76.497.522	36.248.459	39.794.323	126.160.425	**2.332.990.890**
Expected credit loss	-	232.428	1.191.030	2.591.373	917.865	6.609.141	**11.541.837**

31 December 2021	Undue	1-30 days overdue	1-3 months overdue	3-6 months overdue	6-12 months overdue	1-5 years overdue	TOTAL
Credit loss ratio (%)	0,5%	1,4%	2,1%	3,6%	6,6%	16,1%	
As of period	1.653.414.051	63.026.814	10.714.653	5.929.469	2.598.242	191.322.310	**1.927.005.539**
Expected credit loss	19.777.264	108.565	94.202	12.152	357.314	2.408.480	**22.757.977**

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(Cont'd)

Liquidity risk

The Group manages its liquidity risk by having sufficient cash and similar resources to fulfill its current and potential obligations on time. The table showing the liquidity risk of the Group as of 31 December 2022 and 31 December 2021 is presented:

31 December 2022

Maturities due to agreements	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years	More t
Non- derivative financial liabilities	**3.428.151.773**	**3.502.996.850**	**2.621.398.558**	**768.675.638**	**108.227.740**	
Financial liabilities	1.192.728.664	1.248.511.461	525.029.647	723.481.814	-	
Lease Liabilities	161.503.737	180.566.016	22.449.539	45.193.824	108.227.740	
Due to related parties	757.233.720	757.233.720	757.233.720	-	-	
Other trade payables to third parties	1.223.289.342	1.223.289.342	1.223.289.342	-	-	
Other payables to third parties	93.396.310	93.396.310	93.396.310	-	-	

31 December 2021

Maturities due to agreements	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years	More th
Non- derivative financial liabilities	**2.938.929.194**	**2.963.094.714**	**2.682.694.501**	**195.219.300**	**72.993.244**	**1**
Financial liabilities	1.142.699.339	1.155.272.252	986.945.199	154.509.886	13.817.167	
Lease Liabilities	115.041.653	126.634.260	14.561.100	40.709.414	59.176.077	1
Due to related parties	457.540.058	457.540.058	457.540.058	-	-	
Other trade payables to third parties	1.141.873.501	1.141.873.501	1.141.873.501	-	-	
Other payables to third parties	81.774.643	81.774.643	81.774.643	-	-	

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT(Cont'd)

Interest rate risk

Interest rate sensitive financial assets are placed in short term financial instruments to avoid any possible interest rate fluctuations. The Group has the following interest sensitive liability as of the balance sheet date.

	31 December 2022	31 December 2021
Fixed interest rate financial instruments	**1.960.251.319**	**1.396.002.467**
Cash and Cash Equivalents (*)	76.300.000	44.484.727
Trade Receivables	1.880.825.837	1.348.616.225
Other Receivables	3.125.482	2.901.515
Fixed interest rate financial liabilities	**3.428.151.773**	**2.931.872.861**
Short and Long Term Unsecured Loans	1.192.728.664	1.135.643.006
Lease Liabilities	161.503.737	115.041.653
Trade Payables	1.980.523.062	1.599.413.559
Other Payables	93.396.310	81.774.643
Variable interest rate financial instruments	**-**	**-**
Short and Long Term Unsecured Loans	-	-
Interest-free financial liabilities	**-**	**7.056.333**
Non Interest bearing unsecured spot loans	-	7.056.333

(*) As of 31 December 2022, and 31 December 2022 includes bank time deposits.

Foreign currency risk

The functional currency of the Group is US Dollars. Currency risk generally arises from the change in the value of the US Dollar against TL and other currencies. In order not to be affected by the appreciation or depreciation of the US Dollar against other currencies, the Group evaluates its assets in line with its liabilities to the extent possible and loads its contractual expenses in the contract currency to the extent possible.

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk(Cont'd)

As of 31 December 2022, and 31 December 2021 the Group's foreign currency position table is given below:

		Original Currency			
31 December 2022	**TL Equivalent (*)**	**TL**	**Avro**	**USD**	
Current Assets	**701.859.080**	**453.370.239**	**1.722.267**	**2.737.785**	**154.5**
Cash and cash equivalents	98.961.560	93.988.991	38.466	-	7.9
Trade receivables, third parties	599.772.038	356.255.766	1.683.802	2.737.785	146.6
Other receivables, third parties	3.125.482	3.125.482	-	-	
TOTAL ASSETS (A)	**701.859.080**	**453.370.239**	**1.722.267**	**2.737.785**	**154.5**
Short Term Liabilities	**1.573.116.071**	**1.476.023.372**	**1.710.277**	**1.064.576**	**33.2**
Financial liabilities	714.304.123	714.304.123	-	-	
Lease liabilities	96.094.322	96.094.322	-	-	
Trade payables, third parties	669.321.316	572.228.617	1.710.277	1.064.576	33.2
Other payables, third parties	93.396.310	93.396.310	-	-	
Long Term Liabilities	**65.409.415**	**65.409.415**	**-**	**-**	
Long term financial liabilities	-	-	-	-	
Lease liabilities	65.409.415	65.409.415	-	-	
TOTAL LIABILITIES (B)	**1.638.525.486**	**1.541.432.787**	**1.710.277**	**1.064.576**	**33.2**
Net Foreign Currency Asset / (Liability) Position (A-B)	**(936.666.407)**	**(1.088.062.548)**	**11.990**	**1.673.209**	**121.2**

(*) The functional currency of the Group is USD. The USD risk of those whose functional currency is other than USD is explained in the relevant column. In the table above, foreign currencies are shown with their original currency amounts, and their TL equivalents are calculated using period-end exchange rates.

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk(Cont'd)

		Original Currency		
31 December 2021	**TL Equivalent (*)**	**TL**	**Avro**	**Other**
Current Assets	**937.359.274**	**619.249.031**	**8.410.156**	**738.777.853**
Cash and cash equivalents	260.279.615	144.533.549	18.875	499.977.897
Trade receivables, third parties	675.839.809	474.049.125	8.364.689	236.969.277
Other receivables, third parties	1.239.850	666.357	26.592	1.830.679
TOTAL ASSETS (A)	**937.359.274**	**619.249.031**	**8.410.156**	**738.777.853**
Short Term Liabilities	**1.248.191.559**	**671.433.743**	**37.632.956**	**280.931.003**
Financial liabilities	901.523.346	360.974.293	35.829.509	-
Lease liabilities	67.940.819	67.940.819	-	-
Trade payables, third parties	196.952.751	160.743.988	1.803.447	280.931.003
Other payables, third parties	81.774.643	81.774.643	-	-
Long Term Liabilities	**47.100.834**	**47.100.834**	**-**	**-**
Lease liabilities	47.100.834	47.100.834	-	-
TOTAL LIABILITIES (B)	**1.295.292.393**	**718.534.577**	**37.632.956**	**280.931.003**
Net Foreign Currency Asset / (Liability) Position (A-B)	**(357.933.119)**	**(99.285.546)**	**(29.222.800)**	**457.846.850**

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

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk(Cont'd)

Exchange Rate Sensitivity Table
31 December 2022

	Profit /(Loss) Appreciation	Devaluation
Effect of 10 % appreciation/devaluation in TL -USD exchange rate :		
Net asset / (liability) in TL	(108.806.255)	108.806.255
Hedged portion from TL risk (-)	-	-
(1) Net effect of TL	**(108.806.255)**	**108.806.255**
Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :		
Net asset / (liability) in EUR	23.902	(23.902)
Hedged portion from EUR risk (-)	-	-
(2) Net effect of EUR	**23.902**	**(23.902)**
Effect of 10 % appreciation/devaluation in USD – TL exchange rate :		
Net asset / (liability) in USD	167.321	(167.321)
Hedged portion from USD risk (-)	-	-
(3) Net effect of USD	**167.321**	**(167.321)**
Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:		
Net asset / (liability) in other currencies	2.941.228	(2.941.228)
Hedged portion from other currencies risk (-)	-	-
(4) Net effect of other currencies	**2.941.228**	**(2.941.228)**
TOTAL (1+2+3+4)	**(105.673.804)**	**105.673.804**

31 December 2021

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

30 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price to be obtained from the sale of an asset or to be paid in the transfer of a debt in the usual transaction between market participants on the measurement date.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methods. However, estimates are required in the interpretation of market data to determine fair value. Accordingly, the estimations presented here may not show the amounts that the Group can obtain in a current market transaction.

The following methods and assumptions are used to estimate the fair value of financial instruments and these valuations are considered level 1

Financial Assets:

It is anticipated that the recorded values of financial assets, which are shown at cost including cash and cash equivalents and short term financial inverstments, are equal to their fair values because they are short term.

It is foreseen that the registered values of trade receivables reflect the fair value together with the relevant impairment provisions.

Financial Liabilities:

The fair values of variable interest and short-term bank loans and other monetary debts are expected to be close to their book values.

The Fair Value Measurement Hierarchy

The fair values of financial assets and financial liabilities are determined and grouped as follows:.

Level 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices

Level 2: The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

Level 3: The fair value of the financial assets and financial liabilities where there is no observable market data.

In accordance with fair value hierarchy, while cash and cash equivalent are categorized as of Level 1, other financial asset and liabilities are categorized as Level 2.

31 SUBSEQUENT EVENTS

An earthquake occurred in the southeastern part of Turkey that affected many of our cities. Considering the region in which the Company/Group operates, no direct impact is expected on Group operations.

The regulation dismantling the retirement age requirement for employees who started their working life before 8 September 1999 was published in the Official Gazette on 3 March 2023. Accordingly, the employees who have completed the number of premium days and social insurance period are entitled to retirement. The regulation is expected to have an impact on the timing and probability of settlement of severance payments. Efforts to measure the impact of the regulation on the Group's financial position and financial performance continue.

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

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

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

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

Statement of financial position and statement of profit or loss of NETRD as of 5 March 2021 is as follows:

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

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

	31 December 2022	**31 December 2021**
Independent audit fee for the reporting period	1.190.000	680.000
Fees for tax advisory services	659.000	519.000
Fee for other assurance services	395.000	36.000
Other services other than independent audit	230.000	95.000
	2.474.000	**1.330.000**