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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

1 JANUARY- 31 JANUARY 2020 CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT

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FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ
INDEPENDENT AUDITOR'S REPORT
AS OF 31 DECEMBER 2020

To the General Assembly of
Fonet Bilgi Teknolojileri Anonim Şirketi

A) Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Fonet Bilgi Teknolojileri Anonim Şirketi (the "Company") and its subsidiary (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

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

According to us, the issues described below are identified as key audit matters and are reported in our report:

Key Audit Matters	How our audit addressed the Key Audit Matter
Test of intangible assets capitalized within the enterprise	
Development Costs In the consolidated financial statements of the Group dated 31 December 2020, the net book value of development costs is in the amount of TL 72.646.597 which comprise 67 % of the Group’s total assets. In 2020, development costs in the amount of TL 16.590.471 have been capitalized. The Group takes into account TAS 38 “Intangible Assets” and the explanations in Note 2 in the capitalization of costs incurred in relation development costs. The Group capitalizes the costs of personnel working on thee software development prosses and consulting services obtained within the scope of development activities for projects which are expected to provide cash flows and for which feasibility studies have been completed. Capitalization is performed according to the rates determined within the framework of the estimates and assumptions made by the management and project managers and the time the personnel spend on development activities. Capitalization calculations have been determined as a key audit matter since it constitutes a significant portion of the Group’s financial statements and includes significant estimations of management. Explanations regarding the Group’s accounting policies with regards to intangible assets are disclosed in Note 2 and Note 12.	The following procedures have been applied for the audit of development costs. - It was understood how the criteria in TAS 38 Intangible Assets were met by discussing with the Group management. Details of the projects and feasibility studies of future economic benefits of the project were understood by interviewing the project managers. - Project-based costs related to capitalized costs were detailed and reviewed by the movement table of intangible assets. - For the testing of personnel costs associated with the projects, each project was broken down on the basis of staff and capitalized costs and has been verified with payrolls. - The personnel subject to the capitalization were selected by sampling method and interviews were performed and the development activities realized within the scope of the projects they were involved in were understood. - Regarding external consultancy, the contents of the consultancy received were understood and detailed tests were carried out regarding their amounts. Compliance of disclosures and notes in the consolidated financial statements regarding development costs within the scope of TAS 38 have been evaluated.

3. Key Audit Matters (Continued)

<table>
<tr><th>Key Audit Matters</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="2">Revenue recognition</td></tr>
<tr><td>When the Group fulfils (or brings) the obligation to perform by transferring a committed goods or service to its customer, the revenue is included in the financial statements.

The majority of the group's revenue consists of sales of Fonet HIS software and sales of services and hardware products related to the sale.

Due to the nature of the operations of the Group, there is a risk of not separating the amounts corresponding to the periods by evaluating the services it sells and collects throughout the contract.

Based on the above-mentioned explanations, in accordance with the periodicity principle of sales, revenue recognition has been determined as key audit matter whether the revenue of contractual services in this case is recorded in the correct period.

Explanations regarding the Group’s revenue-related accounting policies and amounts are included in Note 2 and Note 20.</td><td>In our audit, the following procedures have been followed to record revenue accurately and accurately:

- The revenue process of the Group and the design and implementation of the controls designed by the management in this process were examined. Assurances were was carried out for general controls of both operational and financial information systems applications in the process.

- Contracts with customers were examined and the effects of contract items on revenue were evaluated. The terms of the contracts are determined.

- Within the scope of audit works, service sales data and records were tested on a sample basis. In addition, the procedures for the relevant account correlation and analysis were applied using the material verification procedures and data analytics tools on revenue.

- In order to test the integrity and accuracy of the data used in these studies, the data obtained from accounting systems and collection information were compared.

Compliance of disclosures and notes in the consolidated financial statements regarding revenue within the scope of TFRS 15 have been evaluated.</td></tr>
</table>

3. Key Audit Matters (Continued))

Key Audit Matters	How our audit addressed the Key Audit Matter
Recoverability of trade receivables	
As of 31 December 2020, trade receivables in the amount of TL 17.310.370 constitute an important part of the consolidated financial statements. In determining the provision for impairment calculated for trade receivables, factors such as the ability of the debtor to pay, the data regarding the receivables that were not collected in previous periods, the extraordinary conditions arising in the current sector and the current economic environment, the guarantees received from the customers, the payment performances of the customers and the maturity analysis of the receivables are taken into consideration and estimates made according to these studies are accounted for. In this context, this issue was identified as one of the key audit matters, since the determination of the amount of impairment allowance for trade receivables includes significant level of management judgment and assumptions. Explanations regarding the Group's trade receivables accounting policies and amounts are included in Note 2 and Note 7.	Our audit procedures in this area include the following. - The process regarding the collection follow-up of the Group's trade receivables was analysed, and the design and operational effectiveness of the internal controls for credit risk were tested in the process. - Aging study of receivables was analysed analytically and the collection turnover rate was compared with the previous period. - Whether there is any dispute or lawsuit regarding the collection was investigated and the recoverability of the receivables was evaluated. - For the trade receivables, the letters of reconciliation were sent and the existence of the receivable and the accuracy of the balances were tested. - Some of the trade receivables have been tested with alternative methods, and the accuracy of the balances has been checked by checking the contract, receipt, invoice and collection. Compliance of disclosures and notes in the consolidated financial statements regarding the Group's trade receivables within the scope of TFRS's have been evaluated.

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

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

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

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

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

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

B) Attention to Matters

The audit of the Group's consolidated financial statements in accordance with the Financial Reporting Standards for the year ended 31 December 2019 was carried out by another auditor in which an unmodified opinion was expressed in the independent audit report issued on 17 February 2020.

C) Other Responsibilities Arising from Regulatory Requirements

No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of the Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2020 are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

In accordance with subparagraph 4 of Article 401 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

The responsible auditor who conducted and concluded this independent audit is Aykut Halit.

EREN Bağımsız Denetim A.Ş.
Member Firm of Grant Thornton International

Aykut Halit
Partner

Istanbul, 17 February 2021

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

	Notes	Current Period Audited Consolidated 31 December 2020	Prior Year Audited Consolidated 31 December 2019
ASSETS			
Current assets			
Cash and cash equivalents	5	8.620.349	2.927.899
Trade receivables			
-Trade receivables from third parties	7	*16.521.988*	*7.650.170*
Other receivables			
- Other receivables from third parties	8	*158.469*	*213.821*
Inventories	9	1.293.810	522.616
Prepaid expenses	10	931.123	640.520
Current income tax assets	25	54.945	92.995
Other current assets	17	41.608	25.756
Total current assets		**27.622.292**	**12.073.777**
Non-current assets			
Trade receivables			
- Trade receivables from third parties	7	*788.382*	--
Other receivables			
- Other receivables from third parties	8	*39.380*	*39.380*
Property, plant and equipment	11	4.015.673	4.726.109
Right of use assets	12	72.646.597	58.579.889
Intangible assets	13	1.237.246	1.416.058
Prepaid expenses	10	722.604	773.211
Deferred tax assets	25	1.658.818	1.713.106
Total non-current assets		**81.108.700**	**67.247.753**
Total assets		**108.730.992**	**79.321.530**

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

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

	Notes	Current Period Audited Consolidated 31 December 2020	Prior Year Audited Consolidated 31 December 2019
LIABILITIES			
Current liabilities			
Short-term borrowings			
- Bank borrowings	6	*888.948*	*792.414*
- Short term portion of long term borrowings	6	--	*65.418*
- Lease liabilities	6	*580.434*	*395.179*
- Other financial liabilities	6	*250.448*	*212.168*
Trade payables			
- Trade payables to third parties	7	*1.001.658*	*1.368.436*
Employee benefit obligations	16	2.795.313	2.471.601
Other payables			
- Other payables to related parties	24	*1.271.169*	--
- Other payables to third parties	8	*593.423*	*651.341*
Deferred income	10	1.189.161	2.291.805
Short term provisions			
- Short term provisions for employee benefits	16	*329.831*	*299.181*
- Other short term provisions	15	*429.175*	*584.145*
Other current liabilities	17	25.773	--
Total current liabilities		**9.355.333**	**9.131.688**
Non-current liabilities			
Long-term borrowings			
- Lease liabilities	6	*737.192*	*1.020.879*
Deferred income	10	792.774	--
Long-term provisions			
- Long term provisions for employee benefits	16	*1.042.688*	*902.491*
Deferred tax liabilities	25	1.931.330	1.353.888
Total non-current liabilities		**4.503.984**	**3.277.258**
Total liabilities		**13.859.317**	**12.408.946**
Equity			
Paid- in capital	18	40.000.000	40.000.000
Accumulated other comprehensive income / expense not to be reclassified to profit or loss			
- Gain/loss arising from defined benefit plans	18	*(563.392)*	*(783.508)*
Restricted reserves			
- Legal reserves	18	*2.281.006*	*1.749.772*
Retained earnings		25.415.086	11.295.290
Net profit for the period		27.738.975	14.651.030
Non-controlling interest		--	--
Total equity		**94.871.675**	**66.912.584**
Total liabilities and equity		**108.730.992**	**79.321.530**

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

Consolidated Statements of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2020

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

	Notes	Current Period Audited Consolidated 01 January – 31 December 2020	Prior Year Audited Consolidated 01 January - 31 December 2019
Net Sales	19	64.919.843	49.104.006
Cost of sales (-)	19	(32.627.749)	(29.924.672)
Gross profit		**32.292.094**	**19.179.334**
General administrative expenses (-)	20	(6.464.013)	(5.196.207)
Marketing expenses (-)	20	(1.085.588)	(1.346.260)
Research and development expenses (-)	20	(17.750)	(4.447)
Other operating income	21	4.110.412	4.104.516
Other operating expense (-)	21	(190.923)	(586.632)
Operating profit		**28.644.232**	**16.150.304**
Income / (expense) from investing activities	22	293.420	584.126
Operating income before financial income / (expense)		**28.937.652**	**16.734.430**
Financial income	23	32.283	--
Financial expenses (-)	23	(559.537)	(535.702)
Profit before tax from continuing operations		**28.410.398**	**16.198.728**
Tax income / (expense) from continuing operations			
- Taxes on income	25	--	--
- Deferred tax (expense) / income	25	(671.423)	(1.547.698)
Profit for the period		**27.738.975**	**14.651.030**
Distribution of income for the period attributable to:			
Non-controlling interests		--	--
Equity holders of the parent		27.738.975	14.651.030
Earnings per share (kr)	**26**	**0,69**	**0,37**
Other comprehensive Income:			
Items not to be reclassified to profit or loss			
- Gain/loss arising from defined benefit plans		259.188	(430.117)
- Tax effect of gain/ loss arising from defined benefit plans		(39.072)	94.626
Other comprehensive income/ (loss)		**220.116**	**(335.491)**
Total comprehensive income		**27.959.091**	**14.315.539**
Distribution of total comprehensive income attributable to:			
Non-controlling interests		--	--
Equity holders of the parent		27.959.091	14.315.539
EBITDA	27	**31.872.014**	**18.035.191**
EBITDA Margin	27	**49,09**	**36,73**

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

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

				Other Comprehensive Income or Expense not to be Reclassified to Profit or Loss		Accumulated profit				
	Note	Paid-in Capital	Share Premium	Gain/ Loss Arising from Defined Benefit Plans	Restricted Reserves	Retained Earnings	Net Profit	Equity Holders of the Parent	Non-Controlling Interests	Total
Balance at 1 January 2019	**18**	**18.000.000**	**11.496.200**	**(448.017)**	**818.198**	**10.494.235**	**12.236.429**	**52.597.045**	**--**	**52.597.045**
Transfers		22.000.000	(11.496.200)	--	931.574	801.055	(12.236.429)	--	--	--
Net profit		--	--	--	--	--	14.651.030	14.651.030	--	14.651.030
Other comprehensive income		--	--	(335.491)	--	--	--	(335.491)	--	(335.491)
Balance as of 31 December 2019	**18**	**40.000.000**	**--**	**(783.508)**	**1.749.772**	**11.295.290**	**14.651.030**	**66.912.584**	**--**	**66.912.584**
Balance at 1 January 2020	**18**	**40.000.000**	**--**	**(783,508)**	**1.749.772**	**11,295,290**	**14,651,030**	**66.912.584**	**--**	**66.912.584**
Transfers		--	--	--	531.234	14.119.796	(14.651.030)	--	--	--
Net profit		--	--	--	--	--	27.738.975	27.738.975	--	27.738.975
Other comprehensive income		--	--	220.116	--	--	--	220.116	--	220.116
Balance as of 31 December 2020	**18**	**40.000.000**	**--**	**(563.392)**	**2.281.006**	**25.415.086**	**27.738.975**	**94.871.675**	**--**	**94.871.675**

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

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

	Notes	Current Period Audited Consolidated 01 January – 31 December 2020	Prior Year Audited Consolidated 01 January - 31 December 2019
A. Cash flows from operating activities:			
Profit from continuing operations:		**27.738.975**	**14.651.030**
Adjustments to reconcile profit / (loss)			
Adjustments for depreciation and amortization expense	11, 12, 13	7.147.271	5.402.771
Adjustments for provisions related to employee benefits	16	431.270	30.216
Adjustment for deferred financing income	21	(14.020)	(16.909)
Adjustment for deferred financing expenses	21	64.846	115.060
Adjustments for warranty provisions	15	(154.970)	34.380
Adjustments for impairment loss	7	(321.007)	571.229
Adjustments for interest expense	23	72.516	203.761
Other adjustments to reconcile profit (loss)	10	--	(2.263.889)
Adjustments for tax (income)/ expense	25	671.423	1.547.698
Adjustments for Working Capital			
Adjustments for decrease (increase) in trade receivables	7	(9.404.039)	161.908
Adjustments for decrease (increase) in other receivables	8	(146.594)	(46.859)
Adjustments for decrease (increase) in inventories	9	(771.194)	165.249
Adjustments for increase (decrease) in trade payables	7	(352.758)	(646.232)
Adjustments for decrease (increase) in other payables	8	1.213.251	(259.601)
Increase (decrease) in employee benefit liabilities	16	323.712	487.648
Change in other current and non-current assets	17	(15.852)	932.634
Change in short-term and long-term liabilities	17	(284.097)	(8.062.273)
Cash Flows Generated from Operating Activities (+)		**26.198.733**	**13.007.821**
Payments related to employee benefits	16	(80.000)	(284.558)
Net Cash Generated from Operating Activities		**26.118.733**	**12.723.263**
B. Cash Flows From Investıng Actıvıtıes			
Cash flows from purchase sales of property, plant, equipment	11,13	(211.610)	(1.111.167)
Cash flows from purchase sales of intangible assets	12	(19.743.586)	(13.737.508)
Other inflows / (outflows) of cash		(369.535)	(1.416.058)
Net Cash Used in Investing Activities		**(20.324.731)**	**(16.264.733)**
C. Cash Flows from Financing Activities			
Interest paid	23	(72.516)	(203.761)
Repayments of / proceeds from borrowings	6	(29.036)	578.084
Cash Used in Financing Activities		**(101.552)**	**374.323**
Net Increase / (Decrease) in Cash and Cash Equivalents	**5**	**5.692.450**	**(3.167.147)**
D. Cash and Cash Equivalents at 1 January	**5**	**2.927.899**	**6.095.046**
Cash and Cash Equivalents at 31 December		**8.620.349**	**2.927.899**

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

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

1. GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

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

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

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

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

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

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

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

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

The Company's main product is Fonet HIS ("Hospital Information Management System"). Fonet HIS ensures that all medical, administrative and financial business processes of health institutions are managed within the automation system. Fonet HIS consists of 60 separate software modules. Fonet HIS has been developed completely by their own engineers and actively operates in over 200 health institutions including hospitals in Somalia, Azerbaijan and the Republic of Moldova.

The average number of personnel employed within the Group as of 31 December 2020 is 453 (31 December 2019: 460).

Detailed personnel information is as follows:

	31 December 2020	31 December 2019
Personnel with permanent contracts	119	129
Personnel with fixed-term service contracts within the scope of contracts made with hospitals	334	331
Total	**453**	**460**

The shareholders of the Company and shares are as follows:

	31 December 2020		31 December 2019	
Shareholders	**Share Amount**	**Rate %**	**Share Amount**	**Rate %**
Abdülkerim GAZEN	19.333.333	48.33	23.333.333	58.33
Other (Public)	20.666.667	51.67	16.666.667	41.67
Paid capital	**40.000.000**	**100.00**	**40.000.000**	**100.00**

The Company's issued capital consists of 40.000.000 shares, all with a par value of 1 Turkish Liras each as at 31 December 2020 (31 December 2019: 40.000.000 shares).

As of 31 December 2020, 2.222.000 shares of 40.000.000 shares consist of Group A shares and 37.778.000 shares consist of Group B shares. Group A shares has a privilege in determining the members of the board of directors and in exercising voting rights in the general assembly.

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

The Company has accepted the registered capital system in accordance with the provisions of the Capital Market Law and has been involved to the registered capital system with the permission of the Capital Markets Board dated 27.02.2015 and numbered 5/253. The Company's registered capital ceiling amount is 100.000.000 TL, all with a par value of 1 Turkish Liras and total shares are 100.000.000. The permission of the registered capital ceiling valid date is between 2019- 2023.

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

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

Subsidiaries fully consolidated included in the accompanying consolidated financial statements:

Pidata Bilişim Teknolojileri Anonim Şirketi ("Pidata")

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

Company Title	Main Operating Activity	Type of Activities	Country	Established year
Pidata Bilişim Teknolojileri A.Ş.	Information Technology	Service	Turkey/Ankara	2018

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of Presentation

Financial Reporting Standards

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

The consolidated financial statements are presented in accordance with "Announcement regarding with TAS Taxonomy" which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB.

Presentation and Functional Currency

The interim condensed consolidated financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the functional and presentation currency of the Group is accepted as Turkish Lira "TL".

Approval of consolidated financial statements

These consolidated financial statements as of and for the year ended 31 December 2020 has been approved for issue by the Board of Directors on 17 February 2021. The General Assemble has the authority to change the consolidated financial statements.

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

2.1. Basis of Presentation (Continued)

Going Concern

The consolidated financial statements including the accounts of the parent Company and its subsidiary, have been prepared assuming that the Group will continue as a going concern on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

Comparatives and Restatement of Prior Periods' Financial Statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the trends in the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period consolidated financial statements and the significant changes are explained.

Effects of COVID-19

The spread of COVID-19 declared as a pandemic by the World Health Organization in the world and Turkey in March 2020 and the measures taken against the pandemic has led to disruptions in operations in all countries exposed to the pandemic and has led to adverse economic conditions both global as well as in Turkey In terms of the economic effects of the epidemic, the Group management thinks that it will not be exposed to a significant negative impact due to Covid-19 as of the reporting date.

Offsetting

Financial assets and liabilities are offset and reported in the net amount when there is a legally enforceable right or when there is an intention to settle the assets and liabilities on a net basis or realize the assets and settle the liabilities simultaneously.

2.2. Changes in Accounting Policies

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

2.3. Restatement and Errors in the Accounting Policies and Estimates

Any change in the accounting policies resulted from the first-time adoption of a new standard is made either retrospectively or prospectively in accordance with the transition requirements. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognized in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively.

The Group captures, valuates and presents financial statements of similar transactions, events and circumstances consistently. Significant accounting errors are applied retrospectively, and the prior period financial statements are restated. The Group has applied its accounting policies consistent with the previous year.

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

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

2.4. Significant Change in the Accounting Policies

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

2.5. New and Amended Standards and Interpretations

a) Amendments that are mandatorily effective from 2020

Amendments to TFRS 3	*Definition of a Business*
Amendments to TAS 1 and TAS 8	*Definition of Material*
Amendments to TFRS 9, TAS 39 and TFRS 7	*Interest Rate Benchmark Reform*
Amendments to TFRS 16	*COVID-19 Related Rent Concessions*
Amendments to Conceptual Framework	*Amendments to References to the Conceptual Framework in TFRSs*

Amendments to TFRS 3 Definition of a Business

The definition of "business" is important because the accounting for the acquisition of an activity and asset group varies depending on whether the group is a business or only an asset group. The definition of "business" in TFRS 3 Business Combinations standard has been amended. With this change:

- By confirming that a business should include inputs and a process; clarified that the process should be essential and that the process and inputs should contribute significantly to the creation of outputs.
- The definition of a business has been simplified by focusing on the definition of goods and services offered to customers and other income from ordinary activities.
- An optional test has been added to facilitate the process of deciding whether a company acquired a business or a group of assets.

Amendments to TAS 1 and TAS 8 *Definition of Material*

The amendments in Definition of Material (Amendments to TAS 1 and TAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

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

The amendments clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

Amendments to TFRS 16 COVID-19 Related Rent Concessions

The changes in COVID-19 Related Rent Concessions (Amendment to TFRS 16) brings practical expedient which allows a lessee to elect not to assess whether a COVID 19 related rent concession is a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID 19 and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession will meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

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

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

2.5 New and Revised Turkish Financial Reporting Standards (Continued)

a) Amendments that are mandatorily effective from 2020 (Continued)

Amendments to TFRS 16 COVID-19 Related Rent Concessions (Continued)

- there are no substantive changes to other terms and conditions of the lease.

The amendment is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. The Group has applied the practical expedient to all rent concessions that have met the above criteria. There were no COVID-19-related rent concessions prior to 1 June 2020.

Amendments to References to the Conceptual Framework in TFRSs

The references to the Conceptual Framework revised the related paragraphs in TFRS 2, TFRS 3, TFRS 6, TFRS 14, TAS 1, TAS 8, TAS 34, TAS 37, TAS 38, TFRS Interpretation 12, TFRS Interpretation 19, TFRS Interpretation 20, TFRS Interpretation 22, and SIC-32. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

b) New and revised TFRSs in issue but not yet effective

The Group has not yet adopted the following standards and amendments and interpretations to the existing standards:

TFRS 17	*Insurance Contracts*
Amendments to TAS 1	*Classification of Liabilities as Current or Non-Current*
Amendments to TFRS 3	*Reference to the Conceptual Framework*
Amendments to TAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*
Amendments to TAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to TFRS Standards 2018-2020	*Amendments to TFRS 1, TFRS 9 and TAS 41*
Amendments to TFRS 4	*Extension of the Temporary Exemption from Applying IFRS 9*
Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16	*Interest Rate Benchmark Reform — Phase 2*

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2023.

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

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendment defers the effective date by one year. Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

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

2.5 New and Revised Turkish Financial Reporting Standards (Continued)

b) New and revised TFRSs in issue but not yet effective

Amendments to TFRS 3 Reference to the Conceptual Framework

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to TAS 16 Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments published today are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Annual Improvements to TFRS Standards 2018-2020 Cycle

Amendments to TFRS 1 First time adoption of International Financial Reporting Standards

The amendment permits a subsidiary that applies paragraph D16(a) of TFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to TFRSs.

Amendments to TFRS 9 Financial Instruments

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

Amendments to TAS 41 Agriculture

The amendment removes the requirement in paragraph 22 of TAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in TFRS 13.

The amendments to TFRS 1, TFRS 9, and TAS 41 are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

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

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

2.5 New and Revised Turkish Financial Reporting Standards (Continued)

b) New and revised TFRSs in issue but not yet effective

Amendments to TFRS 4 Extension of the Temporary Exemption from Applying IFRS 9

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 Insurance Contracts from applying TFRS 9 Financial Instruments, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023.

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

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 are all effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

2.6. Summary of Significant Accounting Policies

Basis of Consolidation

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

Subsidiaries

As of 31 December 2020, the Group has control over financial and operating policies consolidated financial statements includes the financial statements of the subsidiaries.

As of 31 December 2020, the direct and indirect participation rates of the companies subject to consolidation are as follows:

				Share Rate in Capital (%)	
Subsidiaries	**Place of Establishment and Activity**	**Main Operation**	**Currency**	**31 December 2020**	**31 December 2019**
Pidata Bilişim Teknolojileri A.Ş.	Turkey/Ankara	Information Technologies	Turkish Lira	100,00%	100,00%

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

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

2.6 Summary of Significant Accounting Policies (Continued)

Basis of Consolidation (Continued)

Subsidiaries (Continued)

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

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

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

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

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

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

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

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

Full Consolidation Method:

Paid-in capital and statement of financial position items of the Group and its subsidiaries were collected. In the collection process, the receivables and debts of the partnerships subject to consolidation method have been mutually reduced.

- Paid-in capital of the consolidated statement of financial position is the paid-in capital of the Group; paid-in capital of subsidiaries is not included in the consolidated balance sheet.
- From all equity group items including the paid / issued capital of the subsidiaries within the scope of consolidation, the amounts corresponding to the shares other than the parent and subsidiaries have been reduced and the consolidated financial following the equity account group of the status table, it is shown as the account group Non-Controlling Shares‖.

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

2.6 Summary of Significant Accounting Policies (Continued)

Basis of Consolidation (Continued)

Full Consolidation Method (Continued):

- Current and non-current assets purchased by partnerships subject to consolidation method as a result, adjustments are made to ensure that these assets are presented at the acquisition cost to the companies subject to consolidation method and are included in the consolidated balance sheet at the amount prior to the sales transaction.
- The comprehensive income statement items of the Group and its subsidiaries were collected separately, and the sales of goods and services made by the companies subject to consolidation were reduced from the total sales and the cost of the goods sold.

The profit arising from the purchase and sale of goods between these partnerships regarding the stocks of the companies subject to consolidation method has been added to the cost of the goods sold by deducting from the stocks in the consolidated financial statements, and the loss has been reduced from the cost of the goods sold.

- The portion of the subsidiaries within the scope of consolidation that hits shares other than those subject to consolidation method from net profit or loss is shown as the ―Non-Controlling Shares‖ account group after the net consolidated period profit.
- In cases deemed necessary, adjustments have been made to make the financial statements of the subsidiaries in accordance with the accounting principles applied by other in-group companies.

Related parties

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

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

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

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

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

iv) The party is a member of the key management personnel of the Group or its parent;

v) The party is a close family member of any individual mentioned in (i) or (iv) articles;

vi) The entity is a; business that is controlled, jointly controlled, under significant influence or an individual abovementioned in (iv) or (v) has direct or indirect significant voting rights; or

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

2.6 Summary of Significant Accounting Policies (Continued)

Related parties (Continued)

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

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

Trade receivables

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

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

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

Recognition of the revenue

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

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

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

The Group accounts for a contract with its customer as revenue if all of the following conditions are met:

- The parties to the contract have approved the contract (in writing, verbally or in accordance with other commercial practices) and undertake to perform their own actions,
- The company can define the rights related to the goods or services to be transferred by each party,)
- The company can define payment terms for the goods or services to be transferred,
- The contract is inherently commercial in nature.
- It is probable that the Group will collect a price for goods or services to be transferred to the customer. When evaluating whether a price is likely to be collected, the entity takes into account only the customer's ability to pay this amount on due date and the intention to do so.)

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

2.6 Summary of Significant Accounting Policies (Continued)

Recognition of the revenue (Continued)

Revenue from product sales

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

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

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

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

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

Financial assets

Financial assets other than those that are classified as financial assets whose fair value difference is reflected in profit or loss and recorded at fair value are accounted for their total market value and the total amount of expenses directly attributable to the purchase transaction. As a result of the purchase or sale of financial assets, which are bound to a contract that has the condition of delivery of the investment instruments in accordance with the period determined by the relevant market, the relevant assets are recorded or removed from the records at the transaction date.

Financial assets are classified as financial assets whose fair value difference is reflected in profit or loss, investments held to maturity, financial assets available for sale and loans and receivables. The classification is determined during the first registration, depending on the purpose and characteristics of the financial asset. The Group does not have ―financial assets with fair value difference reflected in profit or loss‖ and ―investments to be held until maturity.

Effective interest method
Effective interest method is the
method of evaluating the financial asset with the amortized cost and distributing the related interest income to the related period. Effective interest rate; It is the rate that reduces the estimated cash total to be collected during the expected life of the financial instrument or, if appropriate, during a shorter period of time, to the net present value of the financial asset.

Income related to financial assets classified with the exception of financial assets whose fair value difference is reflected to profit or loss is calculated by using effective interest method.

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

2.6 Summary of Significant Accounting Policies (Continued)

Financial assets (Continued)

Financial assets available for sale

Quoted equity instruments and some debt securities are listed as available-for-sale financial assets and are shown at fair value. The Group has equity instruments that are not traded in an active market and are not quoted on the stock market but are classified as available-for-sale financial assets and are shown at cost because their fair values cannot be measured reliably. Except for the depreciation recorded in the income statement, interest rate and monetary assets, exchange rate difference profit / loss calculated using the effective interest method, gains and losses arising from changes in fair value are recognized in other comprehensive income and financial assets are accumulated in the value increase fund.

In the event of an investment disposal or impairment, the total profit / loss accumulated in the financial assets' appreciation fund is classified in the income statement. Dividends related to equity instruments ready for sale are recognized in the income statement, when the Group has the right to receive dividends. The Group does not have any financial assets investment ready for sale.

Loans and receivables

Commercial and other receivables and loans with fixed and determinable payments that are not traded in the market are classified in this category. Loans and receivables are shown by deducting the impairment from their discounted cost by using the effective interest method.

Impairment of financial assets

Financial assets or groups of financial assets, other than financial assets whose fair value difference is reflected in profit or loss, are assessed at each balance sheet on whether there are indicators of impairment. Impairment loss occurs when one or more events occur after the initial recognition of the financial asset and the adverse impact of that event on the future cash flows that can be reliably predicted by the relevant financial asset or group of assets is impaired. The depreciation amount for the financial assets shown from their amortized value is the difference between the present value calculated by discounting the expected cash flows over the effective interest rate of the financial asset and the book value.

Except for trade receivables, where the carrying amount is reduced through the use of a reserve account, the impairment is directly deducted from the book value of the relevant financial asset. If the trade receivable is not collected, the amount in question is deleted by deducting from the reserve account. Changes in reserve account are accounted for in the income statement.

Cash and cash equivalents

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

Financial liabilities

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

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

2.6 Summary of Significant Accounting Policies (Continued)

Trade payables

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

Recording and extraction of financial assets and liabilities

All financial asset purchases and sales are reflected in the records on the transaction date, that is, on the date that the Group has committed to buy or sell the asset. Aforementioned purchases and sales are trades that require the delivery of the financial asset within the timeframe determined by the general practices and regulations that occur in the market.

A financial asset (or part of a financial asset or group of similar financial assets);

- If the period regarding the right of the Group to obtain cash flow from the asset has expired;
- In the event that the Group has the right to obtain cash flow from the asset, it has an obligation to pay the entire party without spending too much time under an agreement that has to be transferred directly to third parties;
- If the Group has transferred its right to obtain cash flows from the financial asset and (a) all risks or rewards related to the asset have been transferred or (b) all rights or rewards have not been transferred, they are removed from the records.

In the event that the Group transfers its right to obtain cash flow from the asset, however, if all risks or interests are not transferred or transferring control over the asset, the asset is carried in the financial statements depending on the Group's ongoing relationship with the asset.

Financial liabilities are removed from the records in case the liabilities arising from these liabilities are eliminated, cancelled and expired.

Inventories

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

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

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

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

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

2.6 Summary of Significant Accounting Policies (Continued)

Investment property

Investment properties are properties that are held for the purpose of earning rental and / or appreciation gains and are first measured by their cost values and the transaction costs involved.

The Group does not have investment properties.

Property, plant and equipment

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

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

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

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

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

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

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

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

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

	Useful Life 31 December 2020	Useful Life 31 December 2019
Buildings	50 year	50 year
Machinery and equipment	-	5 year
Motor vehicles	5 year	5 year
Fixtures and fittings	3-15 years	3-15 years
Leasehold improvements	3-15 year	3-15 year

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

2.6 Summary of Significant Accounting Policies (Continued)

Intangible assets

Intangible assets purchased

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

Derecognition of intangible assets

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

Computer software

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

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

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

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

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

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

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

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

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

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

2.6 Summary of Significant Accounting Policies (Continued)

Intangible assets (Continued)

	Useful Life 31 December 2020	Useful Life 31 December 2019
Rights	10-15	10-15
Development costs	12	12
New HIS working in Java based cloud	15	15
Web portals	5	5l
Other intangible fixed assets	3-10l	3-10

Leases

Group - as a lessee

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

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

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

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

Group has the right to direct the use of the asset throughout the period of use only if either:

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

b) Relevant decisions about how and for what purpose the asset is used are predetermined:
   i. Group has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or

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

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

2.6 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Group - as a lessee (Continued)

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

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

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

a) less any accumulated depreciation and any accumulated impairment losses; and
b) adjusted for any remeasurement of the lease liability.

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

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

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

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

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

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

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

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

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

2.6 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Group - as a lessor

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

Impairment of assets

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

Borrowing costs

Borrowings are recognized initially at the proceeds received; net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the statement of income over the period of the borrowings.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

Financing costs arising from loans are recorded in the income statement as it occurs. However, if the purchased asset is a qualifying asset directly related financing cost of the asset purchase and construction can it be recognized at cost in the prior years before the said asset is ready for sale by the alternative stated under Turkish Accounting Standards 23 ("TAS 23"), Borrowing Costs.

Foreign exchange differences relating to borrowings, to the extent that they are regarded as an adjustment to interest costs, are also capitalized. The gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity borrowed funds in its functional currency, and borrowing costs actually incurred on foreign currency borrowings.

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

2.6 Summary of Significant Accounting Policies (Continued)

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

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

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

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

Earnings per share

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

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

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

Events after the reporting date

Events after the balance sheet date refer to events occurring in favour or against the Company between the balance sheet date and the date when the financial statements are approved for publication.

Based on whether or not corrections are made, two types of situations are defined:

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

2.6 Summary of Significant Accounting Policies (Continued)

Events after the reporting date (Continued)

- Events requiring post-balance sheet correction; Situations where there are proofs of evidence of the existence of related -developments indicating that the relevant events occurred after the balance sheet date (events that do not require post-balance sheet correction)
- In the attached financial statements of the Group, events requiring correction after the balance sheet date are recorded and the events that do not require post-balance sheet correction are shown in the footnotes.

In the accompanying financial statements of the Group, the events requiring correction after the balance sheet date are recorded and the events that do not require correction after the balance sheet are shown in the footnotes.

Provisions, contingent asset and contingent liabilities

Provisions
Provision is made in the financial statements if there is an existing legal or implied obligation arising from past events and sources with economic benefits are likely to leave the Company and the liability amount is estimated safely to fulfil the obligation. Provisions are calculated according to the most realistic estimation made by the Company management of the expenditure to be made to fulfil the obligation as of the balance sheet date and discounted to its present value when the effect is significant.

Contingent Liabilities
Liabilities included in this group are considered as contingent liabilities and are not included in the financial statements. Because, in order to fulfil the obligation, there is no possibility of the resources containing economic benefits to leave the business or the amount of the obligation cannot be measured reliably enough. The Company shows its contingent liabilities in the footnotes of the financial statements, unless the sources of economic benefits are far from likely to leave the business.

Contingent Asset
The asset, which will be confirmed by the occurrence of one or more inaccurate events arising from past events and whose existence is not under the full control of the business, is considered as a conditional asset. Contingent assets are explained in the footnotes of financial statements if the entry of resources with economic benefits is not definitive.

In cases where all or part of the economic benefits used to pay the allowance amount are expected to be met by third parties, the amount to be collected is recognized and reported as an asset if the reimbursement of this amount is definite and the amount is calculated reliably.

Taxes on income
Income tax expense is the sum of current tax and deferred tax expense.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of income 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 balance sheet date.

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

2.6 Summary of Significant Accounting Policies (Continued)

Taxes on income (Continued)

Deferred Tax
The deferred tax liability or asset is determined by calculating the tax effects of the temporary differences between the amounts of the assets and liabilities shown in the financial statements and the amounts considered in the legal tax base account, taking into account the legal tax rates. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that it is highly likely to benefit from such differences by obtaining taxable profit in the future.

Such assets and liabilities are not recognized if the temporary difference related to the transaction that does not affect commercial or financial profit / loss is due to the first time the goodwill or other assets and liabilities are included in the financial statements (other than business combinations)

Deferred tax liabilities are calculated for all taxable temporary differences associated with investments in subsidiaries and affiliates and shares in joint ventures, except when the Group can control the disappearance of temporary differences and the likelihood that this difference will disappear in the near future.

Deferred tax assets arising from taxable temporary differences associated with such investments and shares are calculated on the condition that it is highly probable to benefit from these differences by obtaining sufficient taxable profit in the near future and that the related differences are likely to disappear in the future.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company 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 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 manner in which the Company 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 Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Capital and dividends
Dividends receivable are recognized as income in the period when they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared.

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

2.6 Summary of Significant Accounting Policies (Continued)

Employee benefits

The provision for employment termination benefits, as required by Turkish Labour Law represents the present value of the future probable obligation of the Group arising from the retirement of its employees based on the actuarial projections.

TAS 19 "Employee Benefits" requires actuarial assumptions (net discount rate, turnover rate to estimate the probability of retirement etc.) to estimate the entity's obligation for employment termination benefits. The effects of differences between the actuarial assumptions and the actual outcome together with the effects of changes in actuarial assumptions compose the actuarial gains / losses and recognised under other comprehensive income

Reporting of cash flows

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

Cash flows arising from operating activities show cash flows arising from the main activities of the Group. Cash flows related to investment activities show the cash flows used and obtained by the Group in its investment activities (fixed asset investments and financial investments). Cash flows related to financial activities show the resources used by the Group in financial activities and repayments of these resources.

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

Significant accounting judgments, estimates and assumptions
In the preparation of consolidated financial statements in accordance with TAS, the Group management is required to make assumptions and estimates that will affect the reported assets and liabilities amounts, the probable liabilities and commitments that will be realized as of the reporting date and the income and expense amounts in the reporting period and specify them in the related footnotes at the report. However, the uncertainties associated with these assumptions and estimates used may require adjustments to be recorded that may differ materially from the carrying amounts of these assets and liabilities in the future.

In order to eliminate the uncertainties regarding the future at the reporting date which estimates that could significantly affect the carrying amounts of the liabilities are as follows:

a) The Group makes various actuarial assumptions in the calculation of employee benefits such as discount rate, inflation rate, real salary increase rate, probability of voluntary departure..

b) The Group has made certain important assumptions based on experiences of technical personnel in determining useful economic life of some machinery and equipment as of 31 December 2020. Therefore the estimates and assumptions made to determine their carrying value and related depreciation are material to the Group's financial position.

c) The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as financial guarantee contracts. No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

3. BUSINESS COMBINATION

None (31 December 2019: None).

4. SEGMENT REPORTING

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

5. CASH AND CASH EQUIVALENTS

	31 December 2020	**31 December 2019**
Cash on hands	1.967	3.147
Bank		
- Demand deposits	1.044.566	2.159.673
- Time deposits	7.573.816	765.079
Total	**8.620.349**	**2.927.899**

As of the reporting period, the time deposits of the Group are comprised of TL assets, with a maturity range of approximately 2-32 days and interest rates between 11.16% and 18.35%.

6. FINANCIAL BORROWINGS

Short-term borrowings	**31 December 2020**	**31 December 2019**
Bank borrowings	888.948	792.414
Current portion of non-current liabilities	--	65.418
Lease liabilities	580.434	395.179
Other	250.448	212.168
Total	**1.719.830**	**1.465.179**

Long-term borrowings	**31 December 2020**	**31 December 2019**
Lease liabilities	737.192	1.020.879
Total	**737.192**	**1.020.879**

The repayment schedule of the financial liabilities	**31 December 2020**	**31 December 2019**
0-3 month	1.139.396	1.059.492
3-12 month	--	10.508
Total	**1.139.396**	**1.070.000**

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

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

6. FINANCIAL BORROWINGS

Details of lease liabilities	**31 December 2020**	**31 December 2019**
1-2 years	580.434	98.795
2-3 years	461.172	296.384
3-4 years	177.729	1.020.879
4-5 years	98.291	--
Total	**1.317.626**	**1.416.058**

7. TRADE RECEIVABLES AND TRADE PAYABLES

Short-term trade receivables	**31 December 2020**	**31 December 2019**
Trade receivables from related parties (Note 24)	--	--
Trade receivables	16.087.502	8.336.459
Notes receivable	610.000	--
Deferred financing income (-)	(175.514)	(115.060)
Provision for trade receivables (-)	(250.222)	(571.229)
Total	**16.521.988**	**7.650.170**

The movement of provision for trade receivables is as follows:

	31 December 2020	**31 December 2019**
Beginning of the period	**571.229**	**440.334**
Provision during the period	--	307.169
Provision cancelled during the period (Note 21)	(321.007)	(176.274)
End of the period	**250.222**	**571.229**

Long-term trade receivables	**31 December 2020**	**31 December 2019**
Trade receivables	792.774	--
Deferred financing income (-)	(4.392)	--
Total	**788.382**	**--**

Short-term trade payables	**31 December 2020**	**31 December 2019**
Trade payables from related parties (Note 24)	--	--
Trade payables	1.005.723	186.599
Notes payables	--	1.198.746
Deferred financing income (-)	(4.065)	(16.909)
Total	**1.001.658**	**1.368.436**

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

8. OTHER RECEIVABLES and OTHER LIABILITIES

Other short-term receivables	**31 December 2020**	**31 December 2019**
Due from personnel	11.000	13.500
Deposits and guarantees given	147.469	200.321
Total	**158.469**	**213.821**

Other long-term receivables	**31 December 2020**	**31 December 2019**
Deposits and guarantees given	39.380	39.380
Total	**39.380**	**39.380**

Other short-term payables	**31 December 2020**	**31 December 2019**
Taxes and funds payables	1.271.169	--
Other short-term payables to related parties	593.423	646.673
Other	--	4.668
Total	**1.864.592**	**651.341**

9. INVENTORIES

	31 December 2020	**31 December 2019**
Merchandise	1.293.810	522.616
Total	**1.293.810**	**522.616**

10. PREPAID EXPENSES AND DEFERRED INCOME

Current Prepaid Expenses	**31 December 2020**	**31 December 2019**
Prepaid expenses (*)	911.798	582.708
Advances given	--	9.796
Advances given for business purposes	19.325	48.016
Total	**931.123**	**640.520**

Non-current Prepaid Expenses	**31 December 2020**	**31 December 2019**
Prepaid expenses (*)	722.604	773.211
Total	**722.604**	**773.211**

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

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

10. PREPAID EXPENSES AND DEFERRED INCOME (Continued)

Current Deferred Income	**31 December 2020**	**31 December 2019**
Deferred income	1.189.161	2.263.889
Other	--	27.916
Total	**1.189.161**	**2.291.805**

Current Deferred Income	**31 December 2020**	**31 December 2019**
Deferred income	1.189.161	2.263.889
Other	--	27.916
Total	**1.189.161**	**2.291.805**

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

11. PROPERTY, PLANT AND EQUIPMENT

Cost	**31 December 2020**	**Addition**	**Disposal**	**31 December 2020**
Buildings	1.500.000	--	--	1.500.000
Motor vehicles	1.722.576	--	--	1.722.576
Fixtures and fittings	3.472.335	404.918	--	3.877.253
Leasehold improvements	966.532	--	--	966.532
Total	**7.661.443**	**404.918**	**--**	**8.066.361**
Accumulated depreciation (-)				
Buildings	(270.000)	(30.000)	--	(300.000)
Motor vehicles	(535.338)	(323.081)	--	(858.419)
Fixtures and fittings	(1.768.172)	(568.966)	--	(2.337.138)
Leasehold improvements	(361.824)	(193.307)	--	(555.131)
Total	**(2.935.334)**	**(1.115.354)**	**--**	**(4.050.688)**
Net book value	**4.726.109**			**4.015.673**

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

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Cost	**31 December 2018**	**Addition**	**Disposal**	**31 December 2019**
Buildings	1.500.000	--	--	1.500.000
Machinery and equipment	216.915	--	(216.915)	--
Motor vehicles	1.166.428	556.148	--	1.722.576
Fixtures and fittings	2.936.223	536.112	--	3.472.335
Leasehold improvements	1.270.878	18.907	(323.253)	966.532
Total	**7.090.444**	**1.111.167**	**(540.168)**	**7.661.443**
Accumulated depreciation (-)				
Buildings	(240.000)	(30.000)	--	(270.000)
Machinery and equipment	(216.915)	--	216.915	--
Motor vehicles	(223.322)	(312.016)	--	(535.338)
Fixtures and fittings	(1.266.227)	(501.945)	--	(1.768.172)
Leasehold improvements	(492.651)	(192.426)	323.253	(361.824)
Total	**(2.439.115)**	**(1.036.387)**	**540.168**	**(2.935.334)**
Net book value	**4.651.329**			**4.726.109**

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

	31 December 2020	**31 December 2019**
Buildings	1.200.000	1.230.000
Motor vehicles	864.157	1.187.238
Fixtures and fittings	1.540.115	1.704.163
Leasehold improvements	411.401	604.708
Total	**4.015.673**	**4.726.109**

As of 31 December 2020 total insurance coverage on property, plant and equipment is in the amount of TL 1.088.500 (31 December 2019: TL 800.000 TL.

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

12. INTANGIBLE ASSETS

Cost	**31 December 2020**	**Additions**	**Disposals**	**31 December 2020**
Rights	6.462.747	2.902.980	1.848.611	11.214.338
Development costs ".net based HIS"	4.588.814	--		4.588.814
Development costs —Java based cloud system	62.485.188	13.682.800	(1.848.611)	74.319.377
Tales ERP		2.964.500	--	2.964.500
Total	**73.536.749**	**19.550.280**	**--**	**93.087.029**
Accumulated amortization (-)				
Rights	(4.975.910)	(408.123)	(162.967)	(5.547.000)
Development costs ".net based HIS"	(3.130.536)	(379.678)		(3.510.214)
Development costs — Java based cloud system	(6.850.414)	(4.626.543)	162.967	(11.313.990)
Tales ERP		(69.228)		(69.228)
Total	**(14.956.860)**	**(5.483.572)**	**--**	**(20.440.432)**
Net book value	**58.579.889**			**72.646.597**

Cost	**31 December 2018**	**Additions**	**Disposals**	**31 December 2019**
Rights	6.451.694	11.053	--	6.462.747
Development costs ".net based HIS"	4.588.814	--	--	4.588.814
Development costs — Java based cloud system	48.758.733	13.726.455	--	62.485.188
Other intangible assets	2.359.050	--	(2.359.050)	--
Total	**62.158.291**	**13.737.508**	**(2.359.050)**	**73.536.749**
Accumulated amortization (-)				
Rights	(4.704.253)	(271.657)	--	(4.975.910)
Development costs ".net based HIS"	(2.748.135)	(382.401)	--	(3.130.536)
Development costs — Java based cloud system	(3.138.088)	(3.712.326)	--	(6.850.414)
Other intangible assets	(2.359.050)	--	2.359.050	--
Total	**(12.949.526)**	**(4.366.384)**	**2.359.050**	**(14.956.860)**
Net book value	**49.208.765**			**58.579.889**

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

	31 December 2020	**31 December 2019**
Rights	5.667.338	1.486.837
Development costs ".net based HIS"	1.078.600	1.458.278
Development costs — Java based cloud system	63.005.387	55.634.774
Tales ERP	2.895.272	--
Total	**72.646.597**	**58.579.889**

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

12. INTANGIBLE ASSETS (Continued)

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

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

	31 December 2020	31 December 2019
Personnel costs		
(the personnel work on software development, project implementation and system support departments)	16.590.471	13.161.455
Outsource costs		
(services and products rendered from 3rd parties)	--	565.000
Total	**16.590.471**	**13.726.455**

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

13. RIGHT OF USE ASSETS

Cost	31 December 2019	Additions	Disposals	31 December 2020
Buildings				
Right of use assets	1.493.943	369.535	--	1.863.478
Total	**1.493.943**	**369.535**	**--**	**1.863.478**
Accumulated amortization (-)				
Buildings				
Right of use assets	(77.885)	(548.347)	--	(626.232)
Total	**(77.885)**	**(548.347)**	**--**	**(626.232)**
Net book value	**1.416.058**			**1.237.246**

<u>Group in the case of tenant</u>

The Group has 4 lease agreement that is subject to operating leases.

The Group has four workplace rentals, Floor 1 and Floor 8 at The Paragon Business Center. A2 Floor 2 and City Office in WTC AB. The beginning date of the contracts are 15 August 2017, 15 July 2018, 1 August 2019 and 02 January 2020 respectively and the contract terms are valid for 5 years.

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

14. GOVERNMENT INCENTIVES

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

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

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

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other Current Provisions	**31 December 2020**	**31 December 2019**
Provisions for lawsuits	429.175	584.145
Total	**429.175**	**584.145**

Movements of provision for lawsuits are as follows:

	01.01-31.12.2020	**01.01-31.12.2019**
Opening balance	584.145	549.765
Provision amount for the current period	--	34.380
Cancelled provisions (-) (Note 21)	(154.970)	--
Closing balance	**429.175**	**584.145**

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

	Total	**Amount**
Ongoing lawsuits on behalf of the Group	52	731.260
Ongoing execution proceedings	2	45.724
Ongoing lawsuits against the Group	30	294.411
Ongoing enforcement proceedings	2	134.764

The Group management has provided a provision in the amount of TL 429.175 in the financial statements with regards to lawsuits filed against The Group (Prior period: TL 584.145).

Contingent Liabilities

	31 December 2020	**31 December 2019**
Guarantees given	10.418.725	16.157.166
Total	**10.418.725**	**16.157.166**

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

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Collaterals, pledges and mortgages (CPM's) given by the Group are as follows;

	31 December 2020	31 December 2019
CPM given by the Group		
A. CPM's given for Group's own legal personality		
CPM given by the company	10.418.725	16.157.166
B. CPM's given on behalf of fully consolidated companies	--	--
C. CPM's given on behalf of third parties for ordinary course of business		
D. Total amount of other CPM's	--	--
i. Total amount of CPM's given on behalf of the majority shareholder		
ii. Total amount of CPM's given on behalf of other Group companies which are not in scope of B and C	--	--
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	--	--
Total	**10.418.725**	**16.157.166**

16. EMPLOYEE BENEFITS

Liabilities from Employee Benefits	**31 December 2020**	**31 December 2019**
Payables due to personnel	1.898.776	1.686.115
Social security withholdings payables	896.537	785.486
	2.795.313	**2.471.601**

Current Provisions for Employee Benefits	**31 December 2020**	**31 December 2019**
Provisions for unused vacations	329.831	299.181
	329.831	**299.181**

Movements of the provisions for unused vacations are as follows:

	31 December 2020	**31 December 2019**
Beginning of the period	**299.181**	**350.469**
Provision amount cancelled in the current period	30.650	--
Provision amount for the current period	--	(51.288)
End of the period	**329.831**	**299.181**

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

16. EMPLOYEE BENEFITS (Continued)

	31 December 2020	31 December 2019
Provision for employee termination benefits	1.042.688	902.491
	1.042.688	**902.491**

Provision for Severance Pay

Under the Labour Law, the Group is required to pay 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 after completing 25 years of service (20 years for women) and achieves the retirement age. Severance payment provision is calculated as 30 days gross salary for each service year.

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

	31 December 2020	31 December 2019
Net discount rate (%)	% 2,84	% 2,49

	31 December 2020	31 December 2019
Beginning of the period	**902.491**	**675.428**
Increases during the period	292.321	56.004
Actuarial profit /(loss)	(180.423)	430.117
Interest expense	108.299	25.500
Payments during the year	(80.000)	(284.558)
Closing balance	**1.042.688**	**902.491**

The main assumption is that the maximum liability amount for each year of service will increase in line with inflation. Therefore. The discount rate applied represents the expected real rate after adjusting for future inflation effects. Therefore, as of 31 December 2020 and 31 December 2019, the provisions in the accompanying financial statements are calculated by estimating the present value of the probable liability arising from the retirement of future employees.

In calculating the provision for severance pay of the Group, the ceiling amount of TL 7.638,16 valid as of 31 December 2020 was taken into account (31 December 2019: TL 6.730,15).

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

17. OTHER ASSETS AND LIABILITIES

Other current assets	31 December 2020	31 December 2019
VAT carried forward	41.608	25.756
Total	**41.608**	**25.756**

Other current liabilities	31 December 2020	31 December 2019
Executive and BES Deductions	25.773	--
Total	**25.773**	**--**

18. EQUITY, RESERVES AND OTHER EQUITY COMPONENTS

The Shareholders structure of The Company is as follow

	31 December 2020		31 December 2019	
Shareholders	**Share amount**	**Rate%**	**Share amount**	**Rate%**
Abdülkerim GAZEN	19.333.333	58,33	23.333.333	58,33
Other (public)	20.666.667	41,67	16.666.667	41,67
Paid capital	**40.000.000**	**100,00**	**40.000.000**	**100,00**

The Company's issued capital consists of 40.000.000 shares, all with a par value of 1 Turkish Liras each as at 31 December 2020 (31 December 2019: 40.000.000 shares).

Other comprehensive income/loss not to be reclassified to profit or loss	31 December 2020	31 December 2019
Actuarial gain/loss	(563.392)	(783.508)
	(563.392)	**(783.508)**

Restricted reserves allocated from profit	31 December 2020	31 December 2019
Legal reserves	2.281.006	1.749.772
	2.281.006	**1.749.772**

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

18. EQUITY, RESERVES AND OTHER EQUITY COMPONENTS (Continued)

Restricted reserves allocated from profit (Continued)

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

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

19. REVENUE AND COST OF SALES (-)

Sales revenue, net	**01.01.- 30.12.2020**	**01.01.- 31.12.2019**
Domestic sales	62.478.073	48.443.669
Exports	1.518.972	913.782
Other sales	922.798	1.555
Total Revenues	**64.919.843**	**49.359.006**
Sales returns and discounts (-)	--	(255.000)
Revenue, net	**64.919.843**	**49.104.006**

Cost of sales (-)	**01.01.- 31.12.2020**	**01.01.- 31.12.2019**
Cost of services sold	32.057.588	28.641.871
Cost of merchandises sold	570.161	1.282.801
Cost of sales	**32.627.749**	**29.924.672**
Gross profit	**32.292.094**	**19.179.334**

20. GENERAL ADMINISTRATION EXPENSES. RESEARCH EXPENSES (-)

	01.01.- 31.12.2020	**01.01.- 31.12.2019**
General administrative expenses (-)	6.464.013	5.196.207
Marketing, selling and distribution expenses (-)	1.085.588	1.346.260
Research and development expenses (-)	17.750	4.447
Total	**7.567.351**	**6.546.914**

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

20. GENERAL ADMINISTRATION EXPENSES, RESEARCH EXPENSES (-) (Continued)

General Administrative Expenses	**01 January – 31 December 2020**	**01 January- 31 December 2019**
Personnel expenses	1.895.426	929.566
Depreciation expenses	1.716.017	1.081.375
Consultancy and notary expenses	539.676	566.626
Taxes and dues paid	402.106	184.951
Litigation and enforcement expense	337.758	56.219
Electricity, water, heating expense	334.929	266.842
Severance pay provision	288.599	--
Repair and maintenance and expenses	261.763	--
Travelling, accommodation and representation expenses	232.889	236.732
Office expenses	211.283	--
Correspondence expenses	84.940	73.840
Rent expenses	60.138	465.403
İnsurance expenses	2.369	--
Communication expenses	460	--
Food expenses	--	516.218
Vehicle expenses	--	307.884
Computer licensing expenses	--	1.187
Allowance expenses	--	1.500
Other	95.660	507.864
Total	**6.464.013**	**5.196.207**

Marketing expenses (-)	**01 January – 31 December 2020**	**01 January- 31 December 2019**
Tender participation expenses	760.598	988.627
Personnel expenses	126.885	151.725
Vehicle expenses	17.338	8.906
Certification expenses	32.200	5.250
Education and consultancy expenses	--	843
Representation and entertainment expenses	9.677	4.721
Congress and symposium expenses	66.533	85.460
Allowance expenses	3.039	--
Depreciation and amortization expenses	49.546	--
Other	19.772	100.728
Total	**1.085.588**	**1.346.260**

Research Expenses	**01 January – 31 December 2020**	**01 January- 31 December 2019**
Education and consultancy expenses	17.750	4.447
Total	**17.750**	**4.447**

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

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

Other income from operating activities	**01.01.-31.12.2020**	**01.01.-31.12.2019**
Incentive income	3.184.599	3.187.619
Remission income	122.055	--
Litigation provision released (Note 15)	154.970	--
Deferred financing income	14.020	16.909
Reversal of provisions for receivables (Note 7)	321.007	176.274
Reversals of deferred financing income	--	318.477
Other	353.364	405.237
Total	**4.110.41**	**4.104.516**

Other expenses from operating activities (-)	**01.01.-31.12.2020**	**01.01.-31.12.2019**
Severance pay provision interest expenses (Note 16)	108.299	--
Deferred financing expenses	64.846	115.060
Reversals of deferred financing expenses	13.033	98.918
Provision from doubtful receivables (Note 7)	--	307.169
Provisions for lawsuits	--	34.380
Other	4.745	31.105
Total	**190.923**	**586.632**

22. INCOME AND EXPENSES FROM INVESTING ACTIVITIES (-)

Income from investing activities	**01.01.-31.12.2020**	**01.01.-31.12.2019**
Interest income	253.817	584.126
Property, plant and equipment sales income	39.603	--
Total	**293.420**	**584.126**

23. FINANCIAL INCOME AND EXPENSES (-)

Financial income	**01.01.-31.12.2020**	**01.01.-31.12.2019**
Foreign exchange income	32.283	--
Total	**32.283**	**--**

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

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

Financial Losses (-)	01.01.- 31.12.2020	01.01.- 31.12.2019
Letter of guarantee commission expenses	252.235	169.616
Right of use expenses	170.000	140.205
Foreign exchange expenses	72.516	203.761
Stock market expense	64.786	--
Other	--	22.120
Total	**559.537**	**535.702**

24. RELATED PARTIES

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

As of 31 December 2020, there is no receivable from related parties. (31 December 2019: None)

Payables to related parties

	31 December 2020		31 December 2019	
Shareholders	**Trade**	**Non-trade**	**Trade**	**Non-trade**
Abdülkerim GAZEN	--	1.271.169	--	--
Total	**--**	**1.271.169**	**--**	**--**

The amount of rights granted to senior managers in the current period is TL 1.208.250 (31 December 2019: TL 1.950.000)

25. TAXES ON INCOME

Corporate Tax Provision

	31 December 2020	31 December 2019
Prepaid temporary taxes and funds (-)	(54.945)	(92.995)
Tax asset or liability	**(54.945)**	**(92.995)**

In Turkey, the corporation tax rate is 22% as of 31 December 2020 (31 December 2019: 22%). The corporate tax rate is applied to the tax base that will result in the deduction of non-deductible expenses in accordance with the tax legislation of the corporation's commercial income, the exemption in the tax laws (such as the exemption of participation profits) and deductions (such as investment discount). No further tax is paid if the profit is not distributed.

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

Dividends paid to non-resident corporations which have a place of business in Turkey or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

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

25. TAXES ON INCOME (Continued)

Corporate Tax Provision (Continued)

Advance (prepaid) corporation taxes are payable on quarterly profits at the rate of 22%. Such taxes after deduction of the taxes prepaid quarterly must be declared by the 14th of the second month following any tax period and paid by the 17th. Advance corporation tax may be offset against other debts to the government.

Tax losses that are reported in the Corporation Tax return can be carried forward and deducted from the corporation tax base for a maximum of five consecutive years. However financial losses cannot be offsetted from last year's profits. In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the related financial year. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based and may issue re-assessments based on their findings.

Tax provision in the income statement:	**31 December 2020**	**31 December 2019**
Current period corporate tax provision	--	--
Deferred tax provision	(671.423)	(1.547.698)
Total	**(671.423)**	**(1.547.698)**

Deferred Tax Assets and Liabilities

Group is entering the deferred tax assets and liabilities into account for the temporary timing differences which are generated from the differences between statutory financial statements and financial statements that are prepared according to the Turkish Financial Reporting Standards ("TFRS"). These differences generally arise, because some of the income and expense items' amounts that are subject to taxation are placed in different periods in statutory financial statements and in financial statements prepared according to the TFRS and it is specified below. The tax rate used in the calculation of deferred tax assets and liabilities is 22% for the temporary timing differences (31 December 2019: %22)

	Cumulative temporary differences		**Deferred Tax**	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Deferred Tax Assets				
Amortization of intangible assets	3.331.277	3.331.277	732.881	666.255
Lease contracts	1.943.858	--	427.649	--
Provision for employee termination benefits	1.042.688	902.491	229.391	198.548
Provision for litigation	429.175	584.145	94.419	128.512
Deferred financial income	179.906	115.060	39.579	25.313
Provision for unused vacation	329.831	299.181	72.563	65.820
Provision for doubtful receivables	250.222	571.229	55.049	125.670
Written off assets	24.963	--	5.492	--
Adjustment for borrowings	8.158	22.417	1.795	4.932
Deferred tax adjustment	--	2.263.889	--	498.056
Total	**7.540.078**	**8.089.689**	**1.658.818**	**1.713.106**

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

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

Deferred Tax Assets and Liabilities (continued)

	Cumulative temporary differences		Deferred Tax	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Deferred Tax Liabilities				
Deferred financial expense	(17.896)	(16.909)	(3.937)	(3.720)
Adjustment for time deposits accounts	(12.049)	--	(2.651)	--
Difference between the tangible assets registered value and tax base	(126.567)	(126.563)	(27.845)	(25.313)
Capitalized costs of programs in progress	(3.476.679)	(3.476.679)	(764.869)	(695.336)
Capitalized development costs	(3.147.594)	(3.147.594)	(692.471)	(629.519)
Lease contracts	(1.863.482)	--	(409.966)	--
Other	(134.504)	--	(29.591)	--
Total	**(8.778.771)**	**(6.767.745)**	**(1.931.330)**	**(1.353.888)**
Deferred Tax Assets / (Liabilities). net	**(1.238.693)**	**1.321.944**	**(272.512)**	**359.218**

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

	31 December 2020	**31 December 2019**
Opening balance of deferred tax assets / (liabilities)	359.218	1.812.290
Deferred tax expense / (income)	(671.423)	(1.547.698)
Deferred tax effect of other comprehensive income	(39.072)	94.626
Deferred tax asset / liability in the current period	**(351.277)**	**359.218**

26. EARNINGS PER SHARE

Net profit / (loss) for the period from continued operations:	**01.01.-31.12.2020**	**01.01.-31.12.2019**
Net profit / (loss) of parent company from continued operations	27.738.975	14.651.030
Weighted average number of shares	40.000.000	40.000.000
Earnings / (loss) per share from continued operations (TL)	**0,69**	**0,37**
Earnings / (loss) per share		
Profit / (loss) for the period	27.738.975	14.651.030
Net profit / (loss) of minority shares for the period	--	--
Net profit / (loss) of parent company for the period	27.738.975	14.651.030
Weighted average number of shares	40.000.000	40.000.000
Earnings / (loss) per share (TL)	**0,69**	**0,37**

	01.01.-31.12.2020	**01.01.-31.12.2019**
Number of weighted shares at the beginning of the period	40.000.000	18.000.000
Number of shares issued within the period	--	22.000.000
Number of shares at the end-of-period	40.000.000	40.000.000

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

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

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

Capital Risk Management

The Group monitors its capital adequacy using the debt / equity ratio as in the previous period. This ratio is calculated by dividing net debt to total equity. Net debt is calculated by deducting cash and cash equivalents from the total debt amount (includes loans, trade and other debts shown on the balance sheet).

Capital Risk Management (Continued)

	01.01.-31.12.2020	**01.01.-31.12.2019**
Total Liabilities	13.859.317	12.408.946
Less: Cash and cash equivalents	(8.620.349)	(2.927.899)
Net (Cash)/Liabilities	**5.238.968**	**9.481.047**
Total Equity	**94.871.675**	**66.912.584**
Capital	40,000,000	40.000.000
Net (Cash) Liabilities / Total Equity Ratio	**0,06**	**0,14**

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

	01.01.-31.12.2020	**01.01.-31.12.2019**
Current Assets	27.622.292	12.073.777
Short Term Liabilities (-)	9.355.333	9.131.688
Net working capital excess / (deficit)	**18.266.959**	**2.942.089**
Current Ratio	**2.95**	**1.32**

Earnings Before Interest Tax Depreciation and Amortization (EBITDA)	**01.01.-31.12.2020**	**01.01.-31.12.2019**
Net income / (loss) for the period	27.738.975	14.651.030
Income / expenses from investment activities, net	(3.919.489)	(3.517.884)
Other income / expenses from main activities, net	(293.420)	(584.126)
Depreciation expenses	7.147.271	5.402.771
Financing (income) / expense net	527.254	535.702
Tax (income) / loss net	671.423	1.547.698
EBITDA	**31.872.014**	**18.035.191**
EBITDA margin	**49,09**	**36,73**

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

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

Financial Risk Factors

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations. The Group management meets these risks by limiting the average risk for the counterparty in each agreement. The Group's collection risks mainly arise from its trade receivables. The Group manages this risk by limitation on the extension of the credit to customers. Credit limits are monitored regularly by the Company and the customer's financial position, taking into account the customers' credit quality and other factors considered. The Group does not have any derivative financial instruments. (31 December 2019: None)

The imposed credit risk by financial instrument type is as follows as 31 December 2020 and 31 December 2019

Exposed credit risks by types of financial instruments

	RECEIVABLES					
	Trade Receivables		Other Receivables			
31 December 2020	Related Parties	Other Parties	Related Parties	Related Parties	Bank Deposits	Cash and Other
Maximum credit risk exposures as of report date (A+B+C+D+E)	--	**17.310.370**	--	**197.849**	**8.618.382**	**1.967**
- Secured part of maximum credit risk exposure via collateral etc.	--	--	--	--	--	--
A. Net book value of the financial assets that are neither overdue nor impaired	--	17.310.370	--	197.849	8.618.382	1.967
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	--	--	--	--	--	--
C. Net book value of financial assets that are overdue but not impaired	--	--	--	--	--	--
D. Net book value of impaired financial assets	--	--	--	--	--	--
- Overdue (gross carrying amount)	--	250.222	--	--	--	--
- Impairment asset (-)	--	(250.222)	--	--	--	--
- Net, secured part via collateral etc.	--	--	--	--	--	--
E. Off-balance sheet financial assets exposed to credit risk	--	--	--	--	--	--

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

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

Financial Risk Factors (Continued)

Credit risk (Continued)

	RECEIVABLES					
	Trade Receivables		Trade Receivables			
31 December 2019	**Related Parties**	**Other Parties**	**Related Parties**	**Other Parties**	**Bank Deposits**	**Cash and Other**
Maximum credit risk exposures as of report date (A+B+C+D+E)	**--**	**7.650.170**	**--**	**253.201**	**2.924.752**	**3.147**
- Secured part of maximum credit risk exposure via collateral etc.	--	--	--	--	--	--
A. Net book value of the financial assets that are neither overdue nor impaired	--	7.650.170	--	253.201	2.924.752	3.147
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	--	--	--	--	--	--
C. Net book value of financial assets that are overdue but not impaired	--	--	--	--	--	--
D. Net book value of impaired financial assets	--	--	--	--	--	--
- Overdue (gross carrying amount)	--	571.229	--	--	--	--
- Impairment asset (-)	--	(571.229)	--	--	--	--
- Net, secured part via collateral etc.	--	--	--	--	--	--
E. Off-balance sheet financial assets exposed to credit risk	--	--	--	--	--	--

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

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

Financial Risk Factors (Continued)

Liquidity risk

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

Maturities accordance with the contract as of 31 December 2020	**Book value**	**Total contractual cash outflow (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1 – 5 years III)**
Non-derivative Financial Liabilities					
Bank loans	880.790	880.790	880.790	--	--
Other trade liabilities	250.448	250.448	250.448	--	--
Trade payables	1.001.658	1.001.658	1.001.658	--	--
Finance lease obligations	1.317.626	1.317.626	580.434	461.172	177.729
Total Liabilities	**3.450.522**	**3.450.522**	**2.713.330**	**461.172**	**177.729**
Derivative Financial Liabilities					
Liabilities from employee benefits	2.795.313	2.795.313	2.795.313	--	--
Deferred income	1.981.935	1.981.935	1.189.161	--	792.774
Other Liabilities	593.423	593.423	593.423	--	--
	--	--	--	--	--
	5.370.671	**5.370.671**	**4.577.897**	**--**	**792.774**

Maturities accordance with the contract as of 31 December 2019	**Book value**	**Total contractual cash outflow (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1 – 5 years III)**
Non-derivative Financial Liabilities					
Bank loans	857.832	857.832	847.324	10.508	--
Finance lease obligations	212.168	212.168	212.168	--	--
Trade payables	1.186.249	1.198.746	1.198.746	--	--
Leasing payables	1.416.058	1.416.058	98.795	296.384	1.020.879
Total Liabilities	**3.672.307**	**3.684.804**	**2.357.033**	**306.892**	**1.020.879**
Derivative Financial Liabilities					
Bank loans	182.187	186.599	186.599	--	--
Trade payables	2.471.601	2.471.601	2.471.601	--	--
Liabilities from employee benefits	2.263.889	2.263.889	1.697.916	565.973	--
Deferred income	651.341	651.341	651.341	--	--
	5.569.018	**5.573.430**	**5.007.457**	**565.973**	**--**

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

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

Financial Risk Factors (Continued)

Market Risk

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

Interest Rate Risk

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

The Group's interest position table is as follows:

Financial instruments with fixed interest	**31 December 2020**	**31 December 2019**
Financial Liabilities (Note 6)	1.139.396	1.070.000
Cash and Cash Equivalents (Note 5)	8.620.349	765.079

28. EVENTS AFTER THE REPORTING DATE

None.