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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

1 JANUARY- 31 JANUARY 2021
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 2021

To the General Assembly of
FONET BILGI TEKNOLOJILERI ANONIM ŞIRKETI

Audit of the Consolidated Financial Statements

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 2021 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 2021, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

Basis for Opinion

Our audit was conducted in accordance with the independent auditing standards published by the Capital Markets Board ("CMB") and 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.

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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 Group's consolidated financial statements as of 31 December 2021, the net book value of development costs is TL 64.397.638 TL, constituting 34% of the total assets. There are capitalized development costs in the amount of TL 18.527.706 in 2021 (31 December 2020: 16.590.471 TL). The Group takes into account the explanations in TAS 38 "Intangible Assets" standard and Note 2 in capitalizing the costs incurred in relation to development costs. For the projects that the Group has completed its feasibility studies and believes will provide cash flow in the future; it activates the costs related to the personnel of the employees related to the software development processes and the costs of consultancies received from this scope within the scope of the development activities. Activation is done by calculating according to the rates determined within the framework of the estimates and assumptions made by the management and project managers and the time when the personnel works on the development activities. Plan capitalization calculations as a key audit matter, as the financial statements are significant and include management's estimates about it. Explanations regarding the Group’s intangible assets accounting policies and amounts are included in Note 2 and Note 12.	The following procedures have been applied for the control 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 details of the feasibility studies of the future economic benefits of the project were understood by interviewing the project managers. - Project-based costs related to capitalized costs were detailed and controlled 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, verifying the staff with their payrolls. - The personnel subject to the activation were selected by sampling method and interviews were made and the development activities they 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.

Key Audit Matters (Continued)

Key Audit Matters	How our audit addressed the Key Audit Matter
Revenue recognition	
When the Group fulfills (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 HBYS 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, it is determined as the key audit subject 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 19.	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. Assurance work 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 the 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.

Key Audit Matters	How our audit addressed the Key Audit Matter
Recoverability of trade receivables	
As of 31 December 2021, total trade receivables amounting to TL 75.715.019 constitute an important part of 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 analyzed, and the design and operational effectiveness of the internal controls for credit risk were tested in the process. - Aging study of receivables was analyzed 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.

Other Matter

Effects of Covid-19

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

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.

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.

We use our professional judgment and maintain our professional skepticism throughout the independent audit as a requirement of the independent audit conducted in accordance with the independent auditing standards published by the CMB and the SIA. 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.

- 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.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- 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.

- 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.

Other Responsibilities Arising from Regulatory Requirements

No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of 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 2021 period 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 402 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 name of the engagement partner who supervised and concluded this audit is Nazım Hikmet.

İstanbul, 17 February 2022

Eren Bağımsız Denetim A.Ş.
A member firm of Grant Thornton International

Nazım Hikmet
Partner

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FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ
(Convenience Translation of Consolidated Financial Statements Originally Issued in Turkish)
Consolidated Statements of Financial Position as of 31 December 2021

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

	Notes	Current Period Audited Consolidated 31 December 2021	Prior Year Audited Consolidated 31 December 2020
ASSETS			
Current assets			
Cash and cash equivalents	5	12.526.812	8.620.349
Trade receivables			
-Trade receivables from third parties	7	*42.608.057*	*16.521.988*
Other receivables			
- Other receivables from third parties	8	*155.906*	*158.469*
Inventories	9	529.110	1.293.810
Prepaid expenses	10	1.421.694	931.123
Current income tax assets	25	485	54.945
Other current assets	17	185.490	41.608
Total current assets		**57.427.554**	**27.622.292**
Non-current assets			
Trade receivables			
- Trade receivables from third parties	7	*33.106.962*	*788.382*
Other receivables			
- Other receivables from third parties	8	*35.500*	*39.380*
Property, plant and equipment	11	4.384.780	4.015.673
Right of use assets	12	92.029.541	72.646.597
Intangible assets	13	1.148.085	1.237.246
Prepaid expenses	10	531.053	722.604
Deferred tax assets	25	2.241.902	1.658.818
Total non-current assets		**133.477.823**	**81.108.700**
Total assets		**190.905.377**	**108.730.992**

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ
(Convenience Translation of Consolidated Financial Statements Originally Issued in Turkish)
Consolidated Statements of Financial Position as of 31 December 2021

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

	Notes	Current Period Audited Consolidated 31 December 2021	Prior Year Audited Consolidated 31 December 2020
LIABILITIES			
Current liabilities			
Short-term borrowings			
- Bank borrowings	6	*1.414.258*	*888.948*
- Short term portion of long-term borrowings	6	--	--
- Lease liabilities	6	*612.278*	*580.434*
- Other financial liabilities	6	*713.815*	*250.448*
Trade payables			
- Trade payables to third parties	7	*2.571.937*	*1.001.658*
Employee benefit obligations	16	3.702.658	*2.795.313*
Other payables			
- Other payables to related parties	24	*11.690*	*1.271.169*
- Other payables to third parties	8	*508.216*	*593.423*
Deferred income	10	10.344.000	1.189.161
Short term provisions			
- Short term provisions for employee benefits	16	*356.730*	*329.831*
- Other short-term provisions	15	*659.820*	*429.175*
Other current liabilities	17	253.059	25.773
Total current liabilities		**21.148.461**	**9.355.333**
Non-current liabilities			
Long-term borrowings			
- Lease liabilities	6	*859.667*	*737.192*
Deferred income	10	33.109.239	792.774
Long-term provisions			
- Long term provisions for employee benefits	16	*1.748.561*	*1.042.688*
Deferred tax liabilities	25	1.938.572	1.931.330
Total non-current liabilities		**37.656.039**	**4.503.984**
Total liabilities		**58.804.500**	**13.859.317**
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	*(630.511)*	*(563.392)*
Restricted reserves			
- Legal reserves	18	*3.410.180*	*2.281.006*
Retained earnings		51.777.931	25.415.086
Net profit for the period		37.543.277	27.738.975
Non-controlling interest		--	--
Total equity		**132.100.877**	**94.871.675**
Total liabilities and equity		**190.905.377**	**108.730.992**

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ
(Convenience Translation of Consolidated Financial Statements Originally Issued in Turkish)
Consolidated Statements of Profit or Loss and Other Comprehensive Income
for the Year Ended 31 December 2021
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current Period Audited Consolidated 1 January – 31 December 2021	Prior Year Audited Consolidated 1 January – 31 December 2020
Net Sales	19	85.479.632	64.919.843
Cost of sales (-)	19	(44.140.819)	(32.627.749)
Gross profit		**41.338.813**	**32.292.094**
General administrative expenses (-)	20	(7.850.486)	(6.464.013)
Marketing expenses (-)	20	(856.450)	(1.085.588)
Research and development expenses (-)	20	(419.053)	(17.750)
Other operating income	21	3.848.699	4.110.412
Other operating expense (-)	21	(1.390.966)	(190.923)
Operating profit		**34.670.557**	**28.644.232**
Income from investing activities	22	1.075.351	293.420
Expense from investing activities (-)	22	(877)	--
Operating income before financial income / (expense)		**35.745.031**	**28.937.652**
Financial income	23	1.734.457	32.283
Financial expenses (-)	23	(525.477)	(559.537)
Profit before tax from continuing operations		**36.954.011**	**28.410.398**
Tax income / (expense) from continuing operations			
- Taxes on income	25	--	--
- Deferred tax (expense) / income	25	589.266	(671.423)
Profit for the period		**37.543.277**	**27.738.975**
Distribution of income for the period attributable to:			
Non-controlling interests		-	--
Equity holders of the parent		37.543.277	27.738.975
Earnings per share (kr)	**26**	**0,94**	**0,69**
Other comprehensive Income:			
Items not to be reclassified to profit or loss			
- Gain/loss arising from defined benefit plans		(80.543)	259.188
- Tax effect of gain/ loss arising from defined benefit plans		13.424	(39.072)
Other comprehensive income/ (loss)		**(67.119)**	**220.116**
Total comprehensive income		**37.476.158**	**27.959.091**
Distribution of total comprehensive income attributable to:			
Non-controlling interests	26	--	--
Equity holders of the parent	26	37.476.158	27.959.091
EBITDA	27	**40.746.260**	**31.872.014**
EBITDA Margin	27	**47,67**	**49,09**

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ
(Convenience Translation of Consolidated Financial Statements Originally Issued in Turkish)
Consolidated Statements of Changes in Shareholders' Equity for the Year Ended 31 December 2021

(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	Restricted Reserves	Non-Controlling Interests	Total
Balance at 1 January 2020	**19**	**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	**19**	**40.000.000**	**--**	**(563.392)**	**2.281.006**	**25.415.086**	**27.738.975**	**94.871.675**	**--**	**94.871.675**
Balance at 1 January 2021	**19**	**40.000.000**	**--**	**(563.392)**	**2.281.006**	**25.415.086**	**27.738.975**	**94.871.675**	**--**	**94.871.675**
Transfers		--	--	--	1.129.174	26.609.801	(27.738.975)	---	--	---
Net profit		--	--	--	--	--	37.543.277	37.543.277	--	37.543.277
Other comprehensive income		--	--	(67.119)	--	(246.956)	--	(314.075)	--	(314.075)
Balance as of 31 December 2021	**19**	**40.000.000**	**--**	**(630.511)**	**3.410.180**	**51.777.931**	**37.543.277**	**132.100.877**	**--**	**132.100.877**

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ
(Convenience Translation of Consolidated Financial Statements Originally Issued in Turkish)
Consolidated Statements of Cash Flows for the Year Ended 31 December 2021

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

	Notes	01 January – 31 December 2021	01 January – 31 December 2020
A. Cash flows from operating activities:			
Profit from continuing operations:		**37.543.277**	**27.738.975**
Adjustments to reconcile profit / (loss)			
Adjustments for depreciation and amortization expense	11. 12. 13	8.533.436	7.147.271
Adjustments for provisions related to employee benefits	16	692.715	431.270
Adjustment for deferred financing income	21	(7.168)	(14.020)
Adjustment for deferred financing income	21	787.057	64.846
Adjustments for warranty provisions	15	230.645	(154.970)
Adjustments for impairment loss	7	150.222	(321.007)
Adjustments for interest expense	23	72.405	72.516
Other adjustments to reconcile profit (loss)	10	(246.956)	--
Adjustments for tax (income)/ expense	25	(589.266)	671.423
Adjustments for Working Capital			
Adjustments for decrease (increase) in trade receivables	7	(59.341.928)	(9.404.039)
Adjustments for decrease (increase) in other receivables	8	(238.117)	(146.594)
Adjustments for decrease (increase) in inventories	9	764.700	(771.194)
Adjustments for increase (decrease) in trade payables	7	1.577.447	(352.758)
Adjustments for decrease (increase) in other payables	8	(1.344.686)	1.213.251
Increase (decrease) in employee benefit liabilities	16	907.345	323.712
Change in other current and non-current assets	17	(143.882)	(15.852)
Change in short-term and long-term liabilities	17	41.698.590	(284.097)
Cash Flows Generated from Operating Activities (+)		**31.045.836**	**26.198.733**
Payments related to employee benefits	16	(13.638)	(80.000)
Net Cash Generated from Operating Activities		**31.032.198**	**26.118.733**
B. Cash Flows From Investıng Actıvıtıes			
Cash flows from purchase sales of property, plant, equipment	11	(1.484.703)	(211.610)
Cash flows from purchase sales of intangible assets	12	(26.253.061)	(19.743.586)
Other inflows / (outflows) of cash		(458.562)	(369.535)
Net Cash Used in Investing Activities		**(28.196.326)**	**(20.324.731)**
C. Cash Flows from Financing Activities			
Interest paid	23	(72.405)	(72.516)
Repayments of / proceeds from borrowings	6	1.142.996	(29.036)
Cash Used in Financing Activities		**1.070.591**	**(101.552)**
Net Increase / (Decrease) in Cash and Cash Equivalents	**5**	**3.906.463**	**5.692.450**
D. Cash and Cash Equivalents at 1 January	**5**	**8.620.349**	**2.927.899**
Cash and Cash Equivalents at 31 December		**12.526.812**	**8.620.349**

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

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

1. GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

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

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

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

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

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

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

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

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

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

The average number of personnel employed within the Group as of 31 December 2021 is 480 (31 December 2020: 453).

Detailed information about the personnel is as follows:

	31 December 2021	31 December 2020
Permanent indefinite-term contracted personnel of the Group	134	119
Fixed-term contracted personnel employed by the Group within the scope of contracts with hospitals	346	334
Total number of personnel	**480**	**453**

The shareholders of the Company and shares are as follows:

	31 December 2021		31 December 2020	
Shareholders	**Share Amount**	**Rate %**	**Share Amount**	**Rate %**
Abdülkerim GAZEN	15.338.333	38,35	19.333.333	48.33
MIRI Strategic Emerging Markets Fund LP	6.040.382	15,10	--	--
Other	18.621.285	46.55	20.666.667	51.67
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 2021 (31 December 2020: 40.000.000 shares).

As of 31 December 2021, 2.222.000 shares of 40.000.000 shares consist of Group A shares and 37.778.000 shares consist of Group B shares. Group A shares has a privilege in determining the members of the board of directors and in exercising voting rights in the general assembly.

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

The Company has accepted the registered capital system in accordance with the provisions of the Capital Market Law and has been involved to the registered capital system with the permission of the Capital Markets Board dated 27 February 2015 and numbered 5/253. The Company's registered capital ceiling amount is 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	**Share Rate %**	**Main operating activity**	**Type of activity**	**Country**	**Year of establishment**
Pidata Bilişim Teknolojileri A.Ş.	100	Information Technologies	Services	Turkey/Ankara	2018

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of Presentation

Financial Reporting Standards

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

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

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

Presentation and Functional Currency

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

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

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

2.1. Basis of Presentation (Continued)

Going concern

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

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

Adjustment of financial statements during periods of high inflation

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

Declaration of conformity with IFRS/TAS

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

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

Approval of Consolidated Financial statements

The financial statements have been approved by the Board of Directors and authorized for publication on 17 February 2022. The Board of Directors has the authority to change the financial statements.

2.2. Changes in Accounting Policies

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

2.3 Comparative information and restatement of prior period financial statements

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

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

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

2.4 New and Revised International Financial Reporting Standards

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform — Phase 2*

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 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 IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 are all effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

The Group assessed that the adoption of this amendment does not have any effect on the Group's consolidated financial statements.

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

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

IFRS 17	*Insurance Contracts*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-Current*
Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020	*Amendments to IFRS 1, IFRS 9 and IAS 41*
Amendments to IFRS 4	*Extension of the Temporary Exemption from Applying IFRS 9*
Amendments to IFRS 16	*COVID-19 Related Rent Concessions beyond 30 June 2021*
Amendments to IAS 1	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*

IFRS 17 *Insurance Contracts*

IFRS 17 requires insurance liabilities to be measured at a current fulfillment 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. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023.

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

2.4 New and Revised International Financial Reporting Standards (Continued)

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

Amendments to IAS 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 IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to IFRS 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 IAS 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 IAS 37 *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 (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts.

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

Annual Improvements to IFRS Standards 2018-2020

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

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

Amendments to IFRS 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.

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

2.4 New and Revised International Financial Reporting Standards (Continued)

Annual Improvements to IFRS Standards 2018-2020 (Continued)

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

Amendments to IAS 41 Agriculture

The amendment removes the requirement in paragraph 22 of IAS 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 IFRS 13.

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

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

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

Amendments to IFRS 16 *COVID-19 Related Rent Concessions beyond 30 June 2021*

The International Auditing and Assurance Standards Board ("IAASB") has published *COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)* that extends, by one year, the June 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.

On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. Since lessors continue to grant COVID-19 related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the POA decided to extend the time period over which the practical expedient is available for use.

The new amendment is effective for lessees for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted.

Amendments to TAS 1 - *Disclosure of Accounting Policies*

The amendments issued to TAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term 'significant' in TFRS, the POA decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in TFRS and is widely understood by the users of financial statements, according to the POA.

The new amendment is effective for lessees for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

Amendments to TAS 8 - *Definition of Accounting Estimates*

The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The new amendment is effective for lessees for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

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

2.4 New and Revised International Financial Reporting Standards (Continued)

Annual Improvements to IFRS Standards 2018-2020 (Continued)

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

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

Amendments to TAS 12, narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. Early application is permitted.

2.5 Netting

Financial assets and liabilities are shown with their net values in the statement of financial position if there is a legal right to set off, they can be paid or collected on a net basis, or the acquisition of the asset and the fulfillment of the liability can occur simultaneously.

2.6 Comparative information

The accompanying financial statements are prepared comparatively with the previous period in order to determine the financial position, performance and cash flow trends of the Group. In order to comply with the presentation of the current period financial statements, comparative information is reclassified when necessary and significant differences are explained in the related notes.

2.7 Accounting estimates and errors

Accounting estimates

The preparation of the financial statements in accordance with TFRS requires some estimates and interpretations that will affect the reported amounts of assets and liabilities, income and expenses, and the application of accounting principles. Actual results may differ from estimates. Estimates and the assumptions underlying the estimates are constantly reviewed. Updates in accounting estimates are recorded in the period when the estimates are updated and in subsequent periods affected by these updates.

Errors

The amount of correction of an error is considered retrospectively. An error is corrected by restating the comparative amounts for previous periods in which it occurs, or by restating the retained earnings account for that period when it occurs before the next reporting period. If the rearrangement of the information causes an excessive cost, the comparative information of the previous periods is not rearranged, and the retained earnings account of the next period is rearranged with the cumulative effect of the error before the said period starts.

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

2.8 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 2021, the Group has control over financial and operating policies consolidated financial statements includes the financial statements of the subsidiaries.

As of 31 December 2021, the direct and indirect participation rates of the companies subject to consolidation are as follows:

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

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

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

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

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.

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

2.8 Summary of Significant Accounting Policies (Continued)

Basis of Consolidation (Continued)

Subsidiaries (Continued)

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.

The comprehensive income statement items of the Group and its subsidiaries were collected separately, and the sales

Related Parties

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

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

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

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

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

Recognition of Revenue

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

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

2.8 Summary of Significant Accounting Policies (Continued)

Recognition of Revenue (Continued)

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.)

Revenue from product sales

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

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

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

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

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

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

2.8 Summary of Significant Accounting Policies (Continued)

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.

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.

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

2.8 Summary of Significant Accounting Policies (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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.

Except for the equity instruments available for sale, if the impairment loss decreases in the following period and the decrease can be associated with an event that occurred after the impairment loss is recognized, the impairment loss previously recognized will not exceed the amortized cost at the date when the impairment was not recognized. is cancelled in the income statement. The increase in the fair value of equity instruments available for sale after the impairment is directly accounted in equity.

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.

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.

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

2.8 Summary of Significant Accounting Policies (Continued)

Recording and extraction of financial assets and liabilities

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 labor costs. These costs also include the amounts distributed systematically from the fixed and variable general production costs incurred in the conversion of the first substance and material into a product.

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

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.

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

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

2.8 Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment (Continued)

Cost Method

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

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

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

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

	Useful Life	Useful Life
	31 December 2021	**31 December 2020**
Buildings	50 years	50 years
Motor vehicles	5 years	5 years
Fixtures and fittings	3-15 years	3-15 years
Leasehold improvements	3-15 years	3-15 years

Intangible Assets

Intangible assets purchased

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

Computer software

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

Derecognition of intangible assets

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

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

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

2.8 Summary of Significant Accounting Policies (Continued)

Intangible Assets (Continued)

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

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

The application of research findings or other information to a plan prepared to produce new or significantly improved products, processes, systems or services is defined as development and is included in the financial statements as intangible assets resulting from development if all of the following conditions exist.
Intangible fixed assets created within the company resulting from development activities (or the development phase of an in-house project) are registered only when all of the following conditions are met:

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

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

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

	Useful Life	**Useful Life**
	31 December 2021	**31 December 2020**
Rights	10-15 years	10-15 years
Development costs	12 years	12 years
New HIS working in Java based cloud	15 years	15 years
Tales ERP	15 years	15 years
Web portals	5 years	5 years
Other intangible fixed assets	3-10 years	3-10 years

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),

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

2.8 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Group - as a lessee (continued)

- 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.

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.

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

2.8 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Group - as a lessee (continued)

Lease liability (Continued)

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.

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 period in case when there is a possibility of cancellation of impairment.

Borrowing Costs and Funds

In the case of assets (featured assets) that require considerable time to be ready for use and sale, borrowing costs directly associated with the purchase, construction or production are included in the cost of the asset until the related asset is made ready for use or sale. All other borrowing costs are recorded in the income statement in the period they occur.

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

2.8 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 favor 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:

- 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.

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

2.8 Summary of Significant Accounting Policies (Continued)

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.

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)

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

2.8 Summary of Significant Accounting Policies (Continued)

Taxes on income (Continued)

Deferred Tax (Continued)

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.

Employee benefits and retirement benefits

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 Company's liabilities by using actuarial valuation methods under defined benefit plans.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined

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

2.8 Summary of Significant Accounting Policies (Continued)

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.

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

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 (Note 14).

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 December 31, 2020. Therefore the estimates and assumptions made to determine their carrying value and related depreciation are material to the Group's financial position.(Note 10).

c) The Company 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.

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

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

2.8 Summary of Significant Accounting Policies (Continued)

Segment reporting

The Group was established to operate in a single area of software development and therefore the Group's industrial segment reporting is not available.

3. BUSINESS COMBINATION

None (31 December 2020: 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 2021	**31 December 2020**
Cash on hands	1.168	1.967
Bank		
- *Demand deposits*	7.524.921	1.044.566
- *Time deposits*	5.000.723	7.573.816
Total	**12.526.812**	**8.620.349**

As of the reporting period, the time deposits of the Group are comprised of TL assets, with a maturity range of approximately 2-15 days and interest rates between 11,16% and 18%.

6. FINANCIAL BORROWINGS

Current borrowings	**31 December 2021**	**31 December 2020**
Bank loans	1.414.258	888.948
Short-term portion of long term bank loans	--	--
Lease liabilities	612.278	580.434
Other financial liabilities	713.815	250.448
Total	**2.740.351**	**1.719.830**

Non current borrowings	**31 December 2021**	**31 December 2020**
Lease liabilities	859.667	737.192
Total	**859.667**	**737.192**

6. FINANCIAL BORROWINGS (CONTINUED)

The repayment schedule of the financial liabilities	31 December 2021	31 December 2020
0-3 month	2.128.073	1.139.396
3-12 month	--	--
Total	**2.128.073**	**1.139.396**

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

Details of liabilities comprised of right of use	31 December 2021	31 December 2020
1-2 years	612.278	580.434
2-3 years	348.935	461.172
3-4 years	292.287	177.729
4-5 years	218.445	98.291
Total	**1.471.945**	**1.317.626**

7. TRADE RECEIVABLES AND TRADE PAYABLES

Short-term trade receivables	31 December 2021	31 December 2020
Trade receivables from related parties (Note 24)	--	--
Trade receivables	43.556.678	16.087.502
Notes receivable	--	610.000
Deferred financing income (-)	(948.621)	(175.514)
Provision for trade receivables (-)	(150.222)	(250.222)
Total	**42.608.057**	**16.521.988**

The movement of provision for trade receivables is as follows:

	31 December 2021	31 December 2020
Beginning of the period	250.222	**571.229**
Provision during the period	--	--
Provision canceled during the period (Note 21)	(100.000)	(321.007)
End of the period	**150.222**	**250.222**

Long-term trade receivables	31 December 2021	31 December 2020
Trade receivables (*)	33.109.189	792.774
Deferred financing income (-)	(2.227)	(4.392)
Total	**33.106.962**	**788.382**

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

7. TRADE RECEIVABLES AND TRADE PAYABLES (CONTINUED)

Short-term Trade Payables	**31 December 2021**	**31 December 2020**
Trade payables from related parties (Note 24)	--	--
Trade payables	2.580.866	1.005.723
Deferred financing income (-)	(8.929)	(4.065)
Total	**2.571.937**	**1.001.658**

(*) The Group signed an HIS Usage License Agreement worth US$ 300,000 with Medpark International Hospital, the largest private hospital in the Republic of Moldova, on 16 December 2020, and the Republic of Turkey Northern Cyprus Health Information System Project with Türksat Uydu Haberleşme Kablo TV ve İşletme A.Ş. with a total value of USD 3.090.000 on 28 July 2021. The collection of the amounts will be within 24 – 36 months and therefore the Group has accounted this amount as deferred income (Note 10).

8. OTHER RECEIVABLES and OTHER LIABILITIES

Other short-term receivables	**31 December 2021**	**31 December 2020**
Due from personnel	21.400	11.000
Deposits and guarantees given	108.412	147.469
Receivables from the tax office	26.094	--
Total	**155.906**	**158.469**

Other Non-Current Receivables	**31 December 2021**	**31 December 2020**
Deposits and guarantees given	35.500	39.380
Total	**35.500**	**39.380**

Other Current Liabilities	**31 December 2021**	**31 December 2020**
Other payables to related parties (Note 24)	11.690	1.271.169
Taxes and funds payables	508.216	593.423
Total	**519.906**	**1.864.592**

9. INVENTORIES

	31 December 2021	**31 December 2020**
Merchandises (*)	529.110	1.293.810
Total	**529.110**	**1.293.810**

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

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

10. PREPAID EXPENSES AND DEFERRED INCOME

Current Prepaid Expenses	**31 December 2021**	**31 December 2020**
Prepaid expenses (*)	1.272.800	911.798
Advances given for purchases	383	--
Advances given for business purposes	148.511	19.325
Total	**1.421.694**	**931.123**

Other long-term receivables	**31 December 2021**	**31 December 2020**
Prepaid expenses (*)	531.053	722.604
Total	**531.053**	**722.604**

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

Current Deferred Income	**31 December 2021**	**31 December 2020**
Deferred income (*)	9.836.802	1.189.161
Advances received (**)	507.198	--
Total	**10.344.000**	**1.189.161**

Non-current Deferred Income	**31 December 2021**	**31 December 2020**
Deferred income (*)	33.109.239	792.774
Total	**33.109.239**	**792.774**

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

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

(**) The Group received an advance for the software project to be carried out in Qatar. The Group will start the project in Qatar in 2022, and at the end of the project, an invoice will be issued and transferred to the income accounts.

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

11. PROPERTY, PLANT AND EQUIPMENT

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

	31 December 2019	Addition	Disposal	31 December 2020
Cost				
Buildings	1.500.000	--	--	1.500.000
Motor vehicles	1.722.576	--	(25.865)	1.696.711
Fixtures and fittings	3.472.335	404.918	--	3.877.253
Leasehold improvements	966.532	--	--	966.532
Total	**7.661.443**	**404.918**	**(25.865)**	**8.040.496**
Accumulated depreciation (-)				
Buildings	(270.000)	(30.000)	--	(300.000)
Motor vehicles	(535.338)	(323.081)	25.865	(832.554)
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)**	**25.865**	**(4.024.823)**
Net book value	**4.726.109**			**4.015.673**

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

	31 December 2021	31 December 2020
Buildings	1.170.000	1.200.000
Motor vehicles	977.754	864.157
Fixtures and fittings	2.033.026	1.540.115
Leasehold improvements	204.000	411.401
Total	**4.384.780**	**4.015.673**

As of 31 December 2021, there is an insurance coverage of 1.088.500 TL (31 December 2020: 1.088.500 TL) on total assets. There are no restrictions on real estate.

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

12. INTANGIBLE ASSETS

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

	31 December 2019	Additions	Disposals	Transfer	31 December 2020
Cost					
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	13.687.491	(4.691)	(1.848.611)	74.319.377
Tales ERP	--	2.964.500	--	--	2.964.500
Total	**73.536.749**	**19.554.971**	**(4.691)**	**--**	**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**

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

	31 December 2021	31 December 2020
Rights	27.631.903	5.667.338
Development costs ".net based HIS"	731.833	1.078.600
Development costs — Java based cloud system	59.473.480	63.005.387
Tales ERP	4.192.325	2.895.272
Total	**92.029.541**	**72.646.597**

(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 2021	31 December 2020
Personnel costs		
(the personnel work on software development, project implementation and system support departments)	18.527.706	16.590.471
Total	**18.527.706**	**16.590.471**

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 2020	Additions	Disposals	31 December 2021
Buildings				
Included in the balance sheet within the scope of IFRS 16 right of use assets	1.863.478	458.562	--	2.322.040
Total	**1.863.478**	**458.562**	**--**	**2.322.040**
Accumulated amortization (-)				
Buildings				
Included in the balance sheet within the scope of IFRS 16 right of use assets	(626.232)	(547.723)	--	(1.173.955)
Total	**(626.232)**	**(547.723)**	**--**	**(1.173.955)**
Net book value	**1.237.246**			**1.148.085**

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

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

The Group has five workplace rentals, Floor 1 and Floor 12 at The Paragon Business Centre in Çankaya, Ankara, Emlak Kredi Blokları 33/4 in Levent, Istanbul, Klarabergsviadukten 70, D4 11 68 in Stockholm, Sweden and Technology Development Zone in Hacettepe University Teknokent in Ankara, Turkey The beginning date of the contracts are 15 August 2017, 1 August 2019, 02 January 2020, 29 January 2021 and 01 July 2021 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 2021**	**31 December 2020**
Provisions for lawsuits	659.820	429.175
Total	**659.820**	**429.175**

The movement table of the litigation provision is as follows:

	01.01-31.12.2021	**01.01-31.12.2020**
Opening balance	429.175	584.145
Additional provision made during the period (Note 21)	317.045	--
Paid litigation amounts (-) (Note 21)	(86.400)	(154.970)
Closing Balance	**659.820**	**429.175**

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

	31 December 2021		**31 December 2020**	
	Amount	**Total**	**Amount**	**Total**
Ongoing lawsuits on behalf of the Group	41	1.071.254	52	731.260
Ongoing execution proceedings	6	221.494	2	45.724
Ongoing lawsuits against the Group	32	424.727	30	294.411
Ongoing enforcement proceedings	3	235.093	2	134.764

The Group management has provided a provision in the amount of TL 659.820 in the financial statements with regards to lawsuits filed against The Group (31 December 2020 TL 429.175).

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

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

Contingent Liabilities

As of 31 December 2021, collaterals, pledges and mortgages (CPM's) given by the Group are as follows:

	31 December 2021	31 December 2020
CPM given by the Group		
A. CPM's given for Group's own legal personality CPM given by the company	15.303.450	10.418.725
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	**15.303.450**	**10.418.725**

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

	31 December 2021	31 December 2020
Letters of guarantee	15.303.450	10.418.725
Total	**15.303.450**	**10.418.725**

16. LIABILITIES FROM EMPLOYEE BENEFITS

Liabilities from Employee Benefits	31 December 2021	31 December 2020
Payables due to personnel	2.524.618	1.898.776
Social security withholdings payables	1.178.040	896.537
	3.702.658	**2.795.313**

Current Provisions for Employee Benefits	31 December 2021	31 December 2020
Provisions for unused vacations	356.730	329.831
	356.730	**329.831**

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

16. LIABILITIES FROM EMPLOYEE BENEFITS (CONTINUED)

Movements of the provisions for unused vacations are as follows:

	31 December 2021	31 December 2020
Beginning of the period	**329.831**	**299.181**
Provision amount for the current period (Note 20)	26.899	30.650
Payments (-)	--	--
End of the period	**356.730**	**329.831**

	31 December 2021	31 December 2020
Provision for employee termination benefits	1.748.561	1.042.688
	1.748.561	**1.042.688**

Provision for Severance Pay

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

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 2021	31 December 2020
Net discount rate (%)	%3.70	%2.84

	31 December 2021	31 December 2020
Beginning of the period	**1.042.688**	**902.491**
Service cost (Note 20)	529.224	292.321
Actuarial profit /(loss)	53.695	(180.423)
Interest expense (Note 21)	136.592	108.299
Compensation paid	(13.638)	(80.000)
Closing balance	**1.748.561**	**1.042.688**

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 2021 and 31 December 2020, the provisions in the accompanying financial statements are calculated by estimating the present value of the probable liability arising from the retirement of future employees.

In calculating the provision for severance pay of the Group, the ceiling amount of TL 10.848,59 valid as of 30 September 2021 was taken into account (31 December 2020: TL 7.638,16).

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

17. OTHER ASSETS AND LIABILITIES

Other current assets	31 December 2021	31 December 2020
VAT carried forward	185.490	41.608
Total	**185.490**	**41.608**

Other current liabilities	31 December 2021	31 December 2020
Executive and BES Deductions	253.059	25.773
TOTAL	**253.059**	**25.773**

18. EQUITY, RESERVES AND OTHER EQUITY COMPONENTS

The Shareholders structure of The Company is as follow

	31 December 2021		31 December 2020	
Shareholders	**Share Amount**	**Rate %**	**Share Amount**	**Rate %**
Abdülkerim GAZEN	15.338.333	38,35	19.333.333	48.33
MIRI Strategic Emerging Markets Fund LP	6.040.382	15,10	--	--
Other	18.621.285	46.55	20.666.667	51.67
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 2021 (31 December 2020: 40.000.000 shares).

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

	31 December 2021	31 December 2020
Actuarial gain/loss	(630.511)	(563.392)
	(630.511)	**(563.392)**

Restricted reserves allocated from profit

	31 December 2021	31 December 2020
Legal reserves	3.410.180	2.281.006
	3.410.180	**2.281.006**

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

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

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.-31.12.2021**	**01.01.-31.12.2020**
Domestic sales (*)	82.192.251	62.478.073
Exports	3.298.234	1.518.972
Other sales	547	922.798
Total Revenues	**85.491.032**	**64.919.843**
Sales returns and discounts (-)	(11.400)	--
Revenue, net	**85.479.632**	**64.919.843**

Cost of sales (-)	**01.01.-31.12.2021**	**01.01.-31.12.2020**
Cost of services sold	42.684.288	32.057.588
Cost of merchandises sold	1.456.531	570.161
Cost of sales	**44.140.819**	**32.627.749**
Gross profit	**41.338.813**	**32.292.094**

(*) Public hospitals account for 59% (TL 48.664.764) of the Group's service sales contracts in Turkey between 1 January-31 December 2021, 33% (TL 27.390.121) for private hospitals, 7% (TL 6.137.366) and other sales. (65% (TL 40.797.654) of the sales made between 01 January - 31 December 2020 consists of public hospitals, 25% (TL 15.707.819) from private hospitals, 10% (TL 5.972.600) from other sales.)

20. GENERAL ADMINISTRATION EXPENSES. RESEARCH EXPENSES (-)

	01.01.-31.12.2021	**01.01.-31.12.2020**
General administrative expenses (-)	7.850.486	6.464.013
Marketing, selling and distribution expenses (-)	856.450	1.085.588
Research and development expenses (-)	419.053	17.750
Total	**9.125.989**	**7.567.351**

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

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

General Administrative Expenses	**01 January – 31 December 2021**	**01 January - 31 December 2020**
Employee benefit expenses	2.654.320	1.895.426
Depreciation and amortization expenses	1.531.311	1.716.017
Rent expenses	612.198	211.283
Office expenses	529.224	288.599
Provision for severance pay (Note 16)	416.578	539.676
Consulting expenses	353.111	60.138
Repair and maintenance expenses	350.320	261.763
Accommodation and meal expenses	327.935	232.889
Lawsuit expenses	289.166	337.758
Taxes, dues and fees	262.738	402.106
Electricity, water, heating expenses	132.786	334.929
Communication expenses	119.849	84.940
Insurance expenses	78.410	2.369
Provision for vacation (Note 16)	26.899	6.866
Other expenses	165.641	89.254
Total	**7.850.486**	**6.464.013**

Marketing, selling and distribution expenses	**01 January – 31 December 2021**	**01 January - 31 December 2020**
Tender Participation expense	490.291	760.598
Employee benefit expenses	158.146	126.885
Transportation expense	86.517	32.200
Certification expense	78.055	--
Education consultancy expense	11.843	17.338
Accommodation and meal expenses	7.570	9.677
Congress and symposium expenses	2.000	66.533
Subsistence expenses	--	3.039
Depreciation and amortization expenses	--	49.546
Other expenses	22.028	19.772
Total	**856.450**	**1.085.588**

Research and development expenses	**01 January – 31 December 2021**	**01 January - 31 December 2020**
Licensing expenses	305.048	--
Accommodation and meal expenses	92.005	--
Training and consultancy expenses	22.000	17.750
Total	**419.053**	**17.750**

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

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

Other income from operating activities	01.01.- 31.12.2021	01.01.- 31.12.2020
Incentive income	3.516.060	3.184.599
Reversal of provisions for receivables (Note 7)	100.000	321.007
Reversals of litigation (Note 15)	86.400	154.970
Deferred financing income	7.168	14.020
Remission income	--	122.055
Other	139.071	313.761
Total	**3.848.699**	**4.110.412**

Other expense from operating activities (-)	01.01.- 31.12.2021	01.01.- 31.12.2020
Provision for litigation (Note 15)	317.045	--
Severance pay interest expenses (Note 16)	136.592	108.299
Deferred financing expenses	787.057	77.879
Other	150.272	4.745
Total	**1.390.966**	**190.923**

22. INCOME AND EXPENSES FROM INVESTING ACTIVITIES (-)

Income from investing activities	01.01.- 31.12.2021	01.01.- 31.12.2020
Interest income	1.075.351	253.817
Income from sales of tangible assets	--	39.603
Total	**1.075.351**	**293.420**

Expense from investing activities	01.01.- 31.12.2021	01.01.- 31.12.2020
Expense from sales of tangible assets	(877)	--
Total	**(877)**	**--**

23. FINANCIAL INCOME AND EXPENSES (-)

Financial income	01.01.- 31.12.2021	01.01.- 31.12.2020
Foreign exchange income	1.734.457	32.283
Total	**1.734.457**	**32.283**

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

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

Financial expenses (-)	**01.01.- 31.12.2021**	**01.01.- 31.12.2020**
Letters of guarantee commission expenses	111.482	252.235
Foreign exchange expenses	287.951	64.786
Interest expense	72.405	72.516
Right of use expenses	53.639	170.000
Total	**525.477**	**559.537**

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 2021, there is no receivable from related parties. (31 December 20: None)

Payables to related parties

	31 December 2021		**31 December 2020**	
	Trade	**Non-trade**	**Trade**	**Non-trade**
Shareholder				
Abdülkerim GAZEN	--	11.690	--	1.271.169
Total	**--**	**11.690**	**--**	**1.271.169**

The amount of rights granted to senior managers in the current period is TL 1.485.850 (Prior period: TL 1.208.250)

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

Current tax

	31 December 2021	**31 December 2020**
Prepaid taxes and funds (-)	(485)	(54.945)
Tax asset or liability	**(485)**	**(54.945)**

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

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

Corporate Tax Provision

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

In case of distribution, 15% Income Tax Withholding is calculated. The addition of the period profit to the capital is not considered as profit distribution and withholding tax is not applied.

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

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

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

The Corporate Tax rate with the Provisional Article 13 added to the Corporate Tax Law no. 25% for corporate earnings for the 2021 taxation period. It will be applied as 23% for corporate earnings for the 2022 taxation period. This change will be valid for the taxation of corporate earnings for the periods starting from 1 January 2021, starting with the declarations that must be submitted as of July 1, 2021. In the financial statements dated 31 December 2021, 25% is used as the tax rate in deferred tax calculations.

Tax provision in the income statement:	**31 December 2021**	**31 December 2020**
Current period corporate tax provision	--	--
Deferred tax provision	589.266	(671.423)
Total	**589.266**	**(671.423)**

Deferred Tax Assets and Liabilities

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

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

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

Deferred Tax Assets and Liabilities (CONTINUED)

As of 31 December 2021, and 31 December 2020, the temporary differences that are subject to deferred tax and the distribution of deferred tax assets calculated using the effective tax rates as of the balance sheet date are summarized below:

	Cumulative temporary differences		**Deferred Tax**	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Deferred tax assets				
Provision for doubtful receivables	3.331.277	3.331.277	832.819	732.881
Severance pay provision	1.748.561	1.042.688	437.140	229.391
Lease contracts	1.305.451	1.943.858	326.363	427.649
Deferred finance expense	950.898	179.906	237.725	39.579
Provision for litigation	659.820	429.175	164.955	94.419
Unused vacation provision	356.726	329.831	89.182	72.563
Provision for doubtful receivables	150.222	250.222	37.556	55.049
Written off assets	233.694	24.963	58.424	5.492
Adjustment on borrowings	2.421	8.158	605	1.795
Other	228.533	--	57.133	--
Total	**8.967.603**	**7.540.078**	**2.241.902**	**1.658.818**

	Cumulative temporary differences		**Deferred Tax**	
	31 December 2021	**31 December 2020**	**30 December 2020**	**31 December 2020**
Deferred Tax Liabilities				
Capitalized costs of programs in progress	(3.476.679)	(3.476.679)	(869.170)	(764.869)
Capitalized development costs	(3.147.594)	(3.147.594)	(786.899)	(692.471)
Lease contracts	(850.095)	(1.863.482)	(212.524)	(409.966)
Difference between the tangible assets registered value and tax base	(126.563)	(126.567)	(31.641)	(27.845)
Adjustment for time deposits accounts	(9.857)	(12.049)	(2.464)	(2.651)
Deferred financial expense	(8.995)	(17.896)	(2.249)	(3.937)
Other	(134.500)	(134.504)	(33.625)	(29.591)
Total	**(7.754.283)**	**(8.778.771)**	**(1.938.572)**	**(1.931.330)**
Deferred Tax Assets / (Liabilities), net			**303.330**	**(272.512)**

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

	31 December 2021	**31 December 2020**
Opening balance of deferred tax assets / (liabilities)	(272.512)	359.839
Deferred tax expense / (income)	589.266	(671.423)
Deferred tax effect of other comprehensive income	(13.424)	39.072
Deferred tax asset / liability in the current period	**303.330**	**(272.512)**

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

26. EARNINGS PER SHARE

Net profit / (loss) for the period from continued operations:	**01.01.- 31.12.2021**	**01.01.- 31.12.2020**
Net profit / (loss) of parent company from continued operations		
Weighted average number of shares	37.543.277	27.738.975
	40.000.000	40.000.000
Earnings / (loss) per share from continued operations (TL)		
	0,94	**0,69**
Earnings / (loss) per share		
Profit / (loss) for the period		
Net profit / (loss) of minority shares for the period	37.543.277	27.738.975
Net profit / (loss) of parent company for the period	--	--
Weighted average number of shares	37.543.277	27.738.975
Net profit / (loss) for the period from continued operations:	40.000.000	40.000.000
Earnings / (loss) per share (TL)	**0,94**	**0,69**

	01.01.- 31.12.2021	**01.01.- 31.12.2020**
Number of weighted shares at the beginning of the period	40.000.000	40.000.000
Number of shares issued within the period	--	--
Number of shares at the end-of-period	40.000.000	40.000.000

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

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

Capital Risk Management

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

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

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

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

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

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

Capital Risk Management (Continued)

	01.01.- 31.12.2021	**01.01.- 31.12.2020**
Total liabilities	58.804.500	13.859.317
Less: cash and cash equivalents	(12.526.812)	(8.620.349)
Net (Cash)/Liabilities	**46.277.688**	**5.238.968**
Total equity	132.100.877	94.871.675
Capital	40.000.000	40.000.000
Net (Cash) Liabilities / Total Equity Ratio	**0.35**	**0.06**

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

	01.01.- 31.12.2021	**01.01.- 31.12.2020**
Current assets	57.427.554	27.622.292
Current liabilities (-)	21.148.461	9.355.333
Net working capital excess / (deficit)	**36.279.093**	**18.266.959**
Current Ratio	**2.72**	**2.95**

Earnings Before Interest Tax Depreciation and Amortization (EBITDA)	**01.01.- 31.12.2021**	**01.01.- 31.12.2020**
Net income / (loss) for the period	37.543.277	27.738.975
Income / expenses from operating activities, net	(2.457.733)	(3.919.489)
Income / expenses from investment activities, net	(1.074.474)	(293.420)
Depreciation expenses	8.533.436	7.147.271
Financing (income) / expense, net	(1.208.980)	527.254
Tax (income) / loss, net	(589.266)	671.423
EBITDA	**40.746.260**	**31.872.014**
EBITDA margin	**47,67**	**49,09**

(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 2020: None)

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

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

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

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

Financial Risk Factors (Continued)

Credit risk (Continued)

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

	RECEIVABLES					
	Trade Receivables		**Other Receivables**			
31 December 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)

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 2021	Book value	Total contractual cash outflow (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1 – 5 years III)
Bank loans	1.414.258	1.411.837	1.411.837	--	--
Other financial liabilities	713.815	713.815	713.815	--	--
Trade payables	2.571.937	2.571.937	2.571.937	--	--
Finance lease obligations	1.471.945	1.471.945	612.278	348.935	292.287
Total	**6.171.955**	**6.169.534**	**5.309.867**	**348.935**	**292.287**
Liabilities from employee benefits	1.748.561	1.748.561	1.748.561	--	--
Total	**1.748.561**	**1.748.561**	**1.748.561**	**--**	**--**

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 current liabilities	250.448	250.448	250.448	--	--
Finance lease obligations	1.001.658	1.001.658	1.001.658	--	--
Trade payables	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 payables	593.423	593.423	593.423	--	--
	--	--	--	--	--
	5.370.671	**5.370.671**	**4.577.897**	**--**	**792.774**

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

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

Financial Risk Factors (Continued)

Market Risk

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

Interest Rate Risk

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

The Group's interest position table is as follows:

	31 December 2021	31 December 2020
Financial instruments with fixed interest		
Financial Liabilities (Note 6)	3,600,018	2,457,022
Cash and Cash Equivalents (Note 5)	(12,526,812)	(8,620,349)

28. EVENTS AFTER THE REPORTING DATE

An approval has been given with the letter of the Market Board dated 14.02.2022 and numbered E-29833736-110.03.03-17267 to increase the registered capital ceiling of Fonet Bilgi Teknolojileri A.Ş. to 400.000.000 TL, valid for the years 2022-2026, and in this context, to amend the Article 6 of the Company's Articles of Association, titled "Company's Capital and Type of Shares".