

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

**FONET BİLGİ TEKNOLOJİLERİ
ANONİM ŞİRKETİ**

**INTERIM CONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH PERIOD
1 JANUARY – 30 JUNE 2023**

Fonet Bilgi Teknolojileri Anonim Şirketi

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(Convenience translation of independent auditor’s review report
originally issued in Turkish)

**FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ
INDEPENDENT AUDITOR’S REVIEW REPORT OF
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD 1 JANUARY – 30 JUNE 2023**

To the Shareholders and the Board of Directors of
Fonet Bilgi Teknolojileri Anonim Şirketi

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Fonet Bilgi Teknolojileri Anonim Şirketi (“the Company”) and its subsidiary (referred to as the “Group”) as of 30 June 2023, and the interim condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six-month period then ended and notes to the interim financial information. Management is responsible for the preparation and presentation of these interim financial information in accordance with the Turkish Accounting Standard 34 Interim Financial Reporting (“TAS 34”). Our responsibility is to express a conclusion on these the accompanying interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not give a true view of the financial position of Fonet Bilgi Teknolojileri Anonim Şirketi and its subsidiary as of 30 June 2023 and of the results of its operations and its cash flows for the six-month-period then ended in all aspects in accordance with the Turkish Accounting Standard 34 Interim Financial Reporting (“TAS 34”).

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



Nazım Hikmet
Partner

İstanbul, 11 August 2023

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

(Convenience Translation of Consolidated Financial Statements Originally Issued in Turkish)

Consolidated Statements of Financial Position as of 30 June 2023*(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)*

		Current Period Audited Consolidated	Prior Year Audited Consolidated
	Notes	30 June 2023	31 December 2022
ASSETS			
Current assets			
Cash and cash equivalents	5	7.412.162	22.308.909
Financial Investments	7	718.399	1.634.441
Trade receivables			
- Trade receivables from third parties	8	110.853.125	88.293.058
Other receivables			
- Other receivables from third parties	9	472.622	244.322
Inventories	10	1.522.646	1.360.619
Prepaid expenses	11	1.515.133	5.774.188
Current income tax assets	26	16.150	--
Other current assets	18	338.764	38.709
Total current assets		122.849.001	119.654.246
Non-current assets			
Trade receivables			
- Trade receivables from third parties	8	17.252.412	12.492.333
Other receivables			
- Other receivables from third parties	9	115.500	35.500
Property, plant and equipment	14	4.168.023	1.474.550
Right of use assets	12	4.206.433	4.342.809
Intangible assets	13	189.442.107	143.290.447
Prepaid expenses	26	3.109.940	2.868.384
Total non-current assets		218.294.415	164.504.023
Total assets		341.143.416	284.158.269

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 30 June 2023*(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)*

		Current Period Audited Consolidated	Prior Year Audited Consolidated
	Notes	30 June 2023	31 December 2022
LIABILITIES			
Current liabilities			
Short-term borrowings			
- Bank borrowings	6	--	--
- Lease liabilities	6	1.063.738	606.245
- Other financial liabilities	6	955.151	1.405.078
Trade payables			
- Trade payables to third parties	8	3.632.193	2.121.026
Employee benefit obligations	17	15.118.874	9.424.727
Other payables			
- Other payables to related parties	25	--	--
- Other payables to third parties	9	1.285.154	1.545.755
Deferred income	11	74.760.457	59.133.448
Short term provisions			
- Short term provisions for employee benefits	17	879.002	651.212
- Other short-term provisions	16	1.379.429	1.146.325
Other current liabilities	18	93.500	83.910
Total current liabilities		99.167.498	76.117.726
Non-current liabilities			
Long-term borrowings			
- Lease liabilities	6	3.237.675	789.936
Deferred income	11	17.252.412	12.492.333
Long-term provisions			
- Long term provisions for employee benefits	17	2.152.325	4.648.626
Deferred tax liabilities	26	3.524.154	3.162.448
Total non-current liabilities		26.166.566	21.093.343
Total liabilities		125.334.064	97.211.069
Equity			
Paid- in capital	19	40.000.000	40.000.000
Repurchased shares	19	(5.297.687)	--
Accumulated other comprehensive income / expense not to be reclassified to profit or loss			
- Gain/loss arising from defined benefit plans	19	1.828.510	(2.149.148)
Restricted reserves			
- Legal reserves	19	10.050.471	6.532.041
Retained earnings		139.045.877	86.199.347
Net profit for the period		30.182.181	56.364.960
Non-controlling interest		--	--
Total equity		215.809.352	186.947.200
Total liabilities and equity		341.143.416	284.158.269

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 Six Months Period Ended 1 January – 30 June 2023***(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)*

		Not Reviewed Current Period 1 January- 30 June 2023	Not Reviewed Prior Period 1 January- 30 June 2022	Not Reviewed Current Period 1 April- 30 June 2023	Not Reviewed Prior Period 1 April- 30 June 2022
	Notes	TL	TL		
Net Sales	20	93.533.494	44.665.394	52.529.116	26.264.288
Cost of sales (-)	20	(53.271.318)	(27.183.519)	(26.477.473)	(16.389.925)
Gross profit		40.262.176	17.481.875	26.051.643	9.874.363
General administrative expenses (-)	21	(13.559.587)	(6.257.590)	(8.538.904)	(2.243.259)
Marketing expenses (-)	21	(1.140.934)	(554.351)	(607.254)	(352.978)
Research and development expenses (-)	21	(409.473)	(122.700)	(373.588)	(122.700)
Other operating income	22	6.388.501	2.812.969	3.242.599	1.268.669
Other operating expense (-)	22	(1.133.824)	(1.533.872)	(638.098)	(154.626)
Operating profit		30.406.859	11.826.331	19.136.398	8.269.469
Income from investing activities	23	772.668	174.218	505.103	23.869
Expense from investing activities (-)	23	(259.067)	--	(233.594)	--
Operating income before financial income / (expense)		30.920.460	12.000.549	19.407.907	8.293.338
Financial income	24	611.851	311.376	568.742	63.660
Financial expenses (-)	24	(434.448)	(498.711)	(336.443)	(10.549)
Profit before tax from continuing operations		31.097.863	11.813.214	19.640.206	8.346.449
Tax income / (expense) from continuing operations					
- Deferred tax (expense) / income	26	(915.682)	453.749	778.378	825.084
Profit/(loss) for the period from continuing operations		30.182.181	12.266.963	20.418.584	9.171.533
Distribution of income for the period attributable to:					
Non-controlling interests		--	--	--	--
Equity holders of the parent		30.182.181	12.266.963	20.418.584	9.171.533
Earnings per share (kr)	27	0,75	0,31	0,51	0,23
Items not to be reclassified to profit or loss					
Gain/loss arising from defined benefit plans		4.773.190	(1.254.021)	2.663.271	(2.216.490)
Tax effect of gain/ loss arising from defined benefit plans		(795.532)	241.945	(400.994)	63.139
Other comprehensive income/ (loss)		3.977.658	(1.012.076)	2.262.277	(2.153.351)
Total comprehensive income		34.159.839	11.254.887	22.680.861	7.018.182
Distribution of total comprehensive income attributable to:					
- Non-controlling interests					
- Equity holders of the parent		34.159.839	11.254.887	22.680.861	7.018.182
EBITDA	28	32.174.155	15.898.034	20.090.671	9.558.974
EBITDA Margin	28	34,40	35,59	38,25	36,40

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 Six Months Period Ended 1 January – 30 June 2023*(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)*

				Other Comprehensive Income or Expense not to be Reclassified to Profit or Loss			Accumulated profit			
	Not	Paid-in Capital	Repurchased shares	Gain/ Loss Arising from Defined Benefit Plans	Restricted Reserves	Retained Earnings	Net Profit	Attributable to Equity Holders of the Parent	Non- Controlling Interests	Total
Balance at 1 January 2022	19	40.000.000	--	(630.511)	3.410.180	51.777.932	37.543.277	132.100.878	--	132.100.878
Transfers	--	--	--	--	2.142.591	35.400.686	(37.543.277)	--	--	--
Net profit	--	--	--	--	--	--	12.266.963	12.266.963	--	12.266.963
Other comprehensive income	--	--	--	(1.012.076)	--	--	--	(1.012.076)	--	(1.012.076)
Balance as of 30 June 2022	19	40.000.000	--	(1.642.587)	5.552.771	87.178.618	12.266.963	143.355.765	--	143.355.765
Balance at 1 January 2023	19	40.000.000	--	(2.149.148)	6.532.041	86.199.347	56.364.960	186.947.200	--	186.947.200
Transfers	--	--	--	--	3.518.430	52.846.530	(56.364.960)	--	--	--
Repurchased shares	--	--	(5.297.687)	--	--	--	--	(5.297.687)	--	(5.297.687)
Net profit	--	--	--	--	--	--	30.182.181	30.182.181	--	30.182.181
Other comprehensive income	--	--	--	3.977.658	--	--	--	3.977.658	--	3.977.658
Balance as of 30 June 2023	19	40.000.000	(5.297.687)	1.828.510	10.050.471	139.045.877	30.182.181	215.809.352	--	215.809.352

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 the Six Months Period Ended 1 January – 30 June 2023*(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)*

	Notes	1 Ocak - 30 June 2023	1 Ocak - 30 June 2022
A. Cash flows from operating activities:			
Profit from continuing operations:		30.182.181	12.266.963
<i>Adjustments to reconcile profit / (loss)</i>			
Adjustments for depreciation and amortization expense	12-13	7.281.040	5.350.800
Adjustments for provisions related to employee benefits	17	1.709.147	585.802
Adjustment for deferred financing income	8	(5.775)	(2.563)
Adjustments for warranty provisions	16	233.104	795.579
Adjustments for impairment loss	8	86.313	94.352
Adjustment for deferred financing expense	8	266.398	1.024.754
Adjustments for tax (income)/ expense	26	120.150	(251.334)
Adjustments for Working Capital			
Adjustments for decrease (increase) in trade receivables	8	(27.672.857)	(9.959.950)
Adjustments for decrease (increase) in other receivables	9	3.934.605	(1.199.399)
Adjustments for decrease (increase) in inventories	10	(162.027)	(82.832)
Adjustments for increase (decrease) in trade payables	8	1.516.942	(2.970.092)
Adjustments for decrease (increase) in other payables	9	(260.601)	(36.690)
Increase (decrease) in employee benefit liabilities	17	5.694.147	1.767.262
Change in other current and non-current assets	18	(300.055)	(47.661)
Change in other current liabilities	18	9.590	305.161
Change in deferred income	11	20.387.088	13.651.424
Net Cash Generated from Operating Activities		43.019.390	21.291.576
B. Cash Flows From Investing Activities			
Cash flows from purchase sales of property, plant, equipment	12	(3.824.326)	(151.843)
Cash flows from purchase sales of intangible assets	13	(52.165.471)	(24.177.658)
Net Cash Used in Investing Activities		(55.989.797)	(24.329.501)
C. Cash Flows from Financing Activities			
Cash outflows related to the acquisition of the entity's own interests and other equity instruments	19	(5.297.687)	--
Financial investments	7	916.042	--
Cash flows related to lease transactions	14	2.905.232	--
Cash inflows / (outflows) related to debt payments	6	(449.927)	(1.023.428)
Cash Used in Financing Activities		(1.926.340)	(1.023.428)
Net Increase / (Decrease) in Cash and Cash Equivalents	5	(14.896.747)	(4.061.353)
D. Cash and Cash Equivalents at 1 January	5	22.308.909	12.526.812
Cash and Cash Equivalents at 30 June		7.412.162	8.465.459

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)***NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023***(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 1997 to provide computer software and technical support to both Public and Private Institutions. The Company has operated as a Limited Company until 31 May 2011. As of 1 September 2011, the Company changed its type and became an incorporated company.

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

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

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

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

S. No	Module Name	S. No	Module Name
1	Patient Record / Admission Management Sys.	31	Social Services Management System
2	Polyclinic Management System	32	Home Health Care Services Management System
3	Clinic Management System	33	Interoperability System
4	Emergency Management System	34	Decision Support Management System
5	Laboratory Information System	35	Material Resource and Inventory Management System
6	Radiology Information System	36	Fixture and Asset Management System
7	PACS (Picture Archiving and Communication S.)	37	Financial Information Man. S. (Invoice, Cash Desk, etc.)
8	Nursing Management System	38	Purchasing Information System
9	Operating Room Information System	39	Human Resources / Pay-Roll Information System
10	Pharmacy Information System	40	Personnel Attendance Control Management System
11	Cancer Management System	41	Document Management System
12	Mouth and Dental Health Information System	42	Medical Record Archive Management System
13	Physical Treatment and Rehabilitation Man. S.	43	Device Tracking Management System
14	Intensive Care Management System	44	Medical Device Calibration and Quality Control M. Sys.
15	Hemodialysis Management System	45	Quality Management System
16	Pathology Management System	46	Quality Indicator Management System
17	Psychology Management System	47	Laundry Management System
18	Oncology Management System	48	Occupational Health and Safety Management System
19	Diet Management System	49	LCD / Display Information and Qmatic Man. Sys.
20	Blood 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

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 Nijeria, Somalia, Azerbaijan, and the Republic of Moldova.

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ*(Convenience Translation of Consolidated Financial Statements Originally Issued in Turkish)***NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023***(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)***1. GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (CONTINUED)**

The average number of personnel employed within the Group as of 30 June 2023 is 493 (31 December 2022: 499).

Detailed information about the personnel is as follows:

	30 June 2023	31 December 2022
Permanent indefinite-term contracted personnel of the Group	146	151
Fixed-term contracted personnel employed by the Group within the scope of contracts with hospitals	348	348
Total number of personnel	494	499

The shareholders of the Company and shares are as follows:

Shareholders	30 June 2023		31 December 2022	
	Share Amount	Rate %	Share Amount	Rate %
Abdülkerim GAZEN	15.338.333	38,35	15.338.333	38,35
Other (public part)	24.661.667	61,65	24.661.667	61,65
Paid capital	40.000.000	100	40.000.000	100

The Company's issued capital consists of 40.000.000 shares, all with a par value of 1 Turkish Liras each as at 30 June 2023 (31 December 2022: 40.000.000 shares).

As of 30 June 2023, 2.222.000 shares of 40.000.000 shares consist of Group A shares and 37.777.778 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 2022- 2026.

Subsidiaries fully consolidated included in the accompanying consolidated financial statements:

Pidata Bilişim Teknolojileri Anonim Şirketi ("Pidata")

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

Company Title	Main operating activity	Type of activity	Country	Year of establishment
Pidata Bilişim Teknolojileri A.Ş.	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."

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

(Convenience Translation of Consolidated Financial Statements Originally Issued in Turkish)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023

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

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

2.1. Basis of Presentation

Financial Reporting Standards

Fonet Bilişim Teknolojileri A.Ş. keeps its accounting records and legal books in Turkish Lira ("TL") based on the commercial and financial legislation in force in Turkey and prepares its financial statements in TL accordingly.

The accompanying consolidated 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 June 2013 and numbered 28676 of the Capital Markets Board ("CMB").

Groups that make financial reporting in accordance with the CMB legislation are obliged to implement the Turkish Financial Reporting Standards ("TFRS") published by the Public Oversight Accounting and Auditing Standards Authority ("POA"), according to Article 5 of the Communiqué. It consists of Turkish Financial Reporting Standards, Turkish Accounting Standards ("TAS") / TFRS and related annexes and comments.

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 TFRS, in order to make a correct presentation.

Presentation and Functional Currency

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

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

Going concern

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

Adjustment of financial statements during periods of high inflation

On 20 January 2022, POA made a statement in order to eliminate the hesitations about whether the companies applying Turkish Financial Reporting Standards ("TFRS") will apply TAS 29 "Financial Reporting in High Inflation Economies" in the financial reporting period of 2021. Accordingly, it has been stated that businesses applying TFRS do not need to make any adjustments within the scope of TAS 29 "Financial Reporting in High Inflation Economies" ("TAS 29"), and no new statement has been made by the POA on the application of TAS 29 afterwards. Considering that no new disclosure has been made as of the date these financial statements were prepared, no inflation adjustment was made in accordance with TAS 29 in the preparation of the financial statements dated 31 December 2022.

Declaration of conformity with TFRS/TMS

The accompanying consolidated financial statements have been prepared in accordance with the provisions of the "Communiqué on the 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").

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

2.2 Changes in Accounting Policies

Declaration of conformity with TFRS/TMS (continued)

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

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

2.3 Comparative information and restatement of prior period financial statements

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

2.4 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as of 30 June 2023 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRS interpretations effective as of 1 January 2023 and thereafter. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i)The new standards, amendments and interpretations which are effective as of 1 January 2023 are as follows:

Amendments to TAS 8 - Definition of Accounting Estimates

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

The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to TAS 1 - Disclosure of Accounting Policies

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

The amendments did not have a significant impact on the financial position or performance of the Group.

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

2.4 The new standards, amendments and interpretations (continued)

i)The new standards, amendments and interpretations which are effective as of 1 January 2023 are as follows (continued):

Amendments to TAS 1 - Disclosure of Accounting Policies (continued)

When assessing the materiality of accounting policy information, entities need to consider both the size of transactions, other events or conditions, and their nature. In addition, examples of situations in which the entity may consider accounting policy information to be important are included.

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

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

The amendments did not have a significant impact on the financial position or performance of the Group.

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

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

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

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

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

TFRS 17 - The new Standard for insurance contracts

POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. In accordance with amendments issued by POA in December 2021, entities have transition option for a "classification overlay" to avoid possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of TFRS 17.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.4 The new standards, amendments and interpretations (continued)****ii) Standards issued but not yet effective and not early adopted****TFRS 17 - The new Standard for insurance contracts (Continued)**

POA issued TFRS in 17 February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. The mandatory effective date of the Standard postponed to accounting periods beginning on or after 1 January 2024 with the announcement made by the POA.

The standard will not have an impact on the financial position or performance of the Group.

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

In January 2020 and January 2023, POA issued amendments to TAS 1 to specify the requirements for classifying liabilities as current or non-current. According to the amendments made in January 2023 if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. In addition, January 2023 amendments require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities. The amendments clarified that the classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period. The amendments are effective for periods beginning on or after 1 January 2024. The amendments must be applied retrospectively in accordance with TAS 8. Early application is permitted. However, an entity that applies the 2020 amendments early is also required to apply the 2023 amendments, and vice versa.

The amendments are valid for annual accounting periods beginning on or after 1 January 2024. Changes made are applied retrospectively according to TAS 8. Early application is permitted. However, an entity that applies any of the changes early must also apply the other change early.

The amendments will not have an impact on the financial position or performance of the Group.

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

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

The amendments will not have an impact on the financial position or performance of the Group.

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ*(Convenience Translation of Consolidated Financial Statements Originally Issued in Turkish)***NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2023***(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)***2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****2.4 The new standards, amendments and interpretations (continued)****iii) The new amendments that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)**

The following amendments to IAS 12 as well as IAS 7 and IFRS 7 are issued by IASB but not yet adapted/issued by POA. Therefore, they do not constitute part of TFRS. The Company will make the necessary changes to its consolidated financial statements after the amendments are issued and become effective under TFRS.

Amendments to IAS 12 - International Tax Reform – Pillar Two Model Rules

In May 2023, IASB issued amendments to IAS 12, which introduce a mandatory exception in IAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. The amendments clarify that IAS 12 applies to income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD). The amendments also introduced targeted disclosure requirements for entities affected by the tax laws.

Amendments to IAS 7 and IFRS 7 - Disclosures: Supplier Finance Arrangements

The amendments issued in May 2023 specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Supplier finance arrangements are characterized by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. The amendments require an entity to provide information about terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those liabilities. In the context of quantitative liquidity risk disclosures required by IFRS 7, supplier finance arrangements are also included as an example of other factors that might be relevant to disclose.

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

2.5 Summary of Significant Accounting Policies***Basis of consolidation***

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

Subsidiaries

As of 30 June 2023, the Group has control over financial and operating policies consolidated financial statements includes the financial statements of the subsidiaries.

As of 30 June 2023, 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

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

2.5 Summary of Significant Accounting Policies

Control is considered to exist when the parent directly or indirectly controls more than half of the voting rights in a partnership and has the power to govern the financial and operating policies of the entity. In the consolidation of the financial statements, all profits and losses including intercompany balance, transactions and unrealized profits and losses are set off. Consolidated financial statements are prepared by applying consistent accounting policies for similar transactions and accounts.

Basis of consolidation

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

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

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

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

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

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

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

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

Trade receivables

Trade receivables resulting from the provision of products or services to the buyer are shown as deducted unaccrued finance income. Trade receivables after unaccrued financial income are calculated by discounting the amounts to be obtained in the following periods of the receivables recorded from the original invoice value using the effective interest method. Short-term receivables with no specified interest rate are shown at their original invoice value unless the effect of the original effective interest rate is significant.

When there is an objective finding that there is no collection opportunity, a provision for impairment is made for the related trade receivables. Objective evidence is when the claim is pending or in preparation for litigation or enforcement, the buyer is in significant financial difficulty, the buyer is in default, or it is probable that a significant and unpredictable delay will occur. The amount of the provision in question is the difference between the book value of the receivable and the recoverable amount. The recoverable amount is the discounted value of all cash flows, including the amounts that can be collected from guarantees and guarantees, based on the original effective interest rate of the trade receivable.

Following the provision for impairment, if all or part of the amount of the impaired receivable is collected, the collected amount is deducted from the provision for impairment and recorded in other operating income.

The "simplified approach" defined in IFRS 9 has been preferred within the scope of the impairment calculations of trade receivables (with a maturity of less than one year) that are accounted at amortized cost in the financial statements and that do not contain a significant financing component. With this approach, the Group measures the provision for losses on trade receivables at an amount equal to lifetime expected credit losses, unless the trade receivables are impaired for certain reasons (excluding realized impairment losses).

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost elements included in inventories are materials, labour and an appropriate amount for factory overheads. The cost of borrowings is not included in the costs of inventories. The cost of inventories is determined on the weighted average basis for each purchase. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

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.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.5 Summary of Significant Accounting Policies (Continued)*****Property, Plant and Equipment (Continued)***

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

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

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

Cost Method

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

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

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

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

	Useful Life	Useful Life
	30 June 2023	31 December 2022
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.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.5 Summary of Significant Accounting Policies (Continued)*****Intangible Assets (Continued)******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).

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 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
	30 June 2023	31 December 2022
Rights	10-15 years	10-15 years
Development costs	12 years	12 years
New HIS working in Java based cloud	15 years	15 years
Tales ERP	15 years	15 years
Web portals	5 years	5 years
Other intangible fixed assets	3-10 years	3-10 years

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.5 Summary of Significant Accounting Policies (Continued)*****Impairment of Assets***

Assets with an indefinite life, such as goodwill, are not amortized. Each year, an impairment test is applied for these assets. For assets that are subject to amortization, an impairment test is applied in case of situations or events where it is not possible to recover the book value. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. The recoverable amount is the higher of fair value less costs to sell or value in use. For assessment of impairment, assets are grouped at the lowest level with separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that are subject to impairment are reviewed for possible reversal of impairment at each reporting date.

Leases***Group - as a lessee***

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

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

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Leases (continued)

Right-of-use asset

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

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

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

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

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

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

Lease liability

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

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

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Leases (continued)

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.

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.

Borrowing costs

Borrowings are recognized initially at the proceeds received; net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the statement of income over the period of the borrowings. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale.

All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

Trade payables

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Financial Instruments (continued)

Financial assets (continued)

Classification of financial assets

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

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

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

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

(i) Amortized cost and effective interest method

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

- a) Financial assets that are credit-impaired when purchased or created. For such financial assets, an entity applies a credit-adjusted effective interest rate to the amortized cost of the financial asset since initial recognition.
- b) Financial assets that were not credit-impaired financial assets at the time of purchase or origination but subsequently become credit-impaired financial assets. For such financial assets, the entity applies the effective interest rate to the amortized cost of the asset in subsequent reporting periods.

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

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Financial Instruments (continued)

Financial assets (continued)

Equity instruments at fair value through other comprehensive income

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

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

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

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

Foreign exchange gains and losses

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

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

Impairment of financial assets

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

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

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Financial Instruments (continued)

Financial assets (continued)

Measuring and accounting for expected credit losses

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

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

Derecognition of financial assets

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

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

Financial liabilities

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

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

- a) Financial liabilities at fair value through profit or loss: These liabilities, including derivatives, are measured at fair value at subsequent recognition.
- b) Financial liabilities arising when the transfer of the financial asset does not meet the conditions for derecognition or if the continuing relationship approach is applied: If the Group continues to present an asset in the financial statements to the extent of its continuing relationship, it also reflects a related liability in the financial statements. The transferred asset and the associated liability are measured to reflect the rights and obligations that the entity continues to hold. The liability attached to the transferred asset is measured in the same manner as the net book value of the transferred asset.
- c) Contingent consideration recognized by the acquirer in a business combination to which TFRS 3 is applied: After initial recognition, the fair value changes in such contingent consideration are measured through profit or loss.

The entity does not reclassify any financial liabilities.

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

2.5 Summary of Significant Accounting Policies (Continued)

Financial Instruments (continued)

Derecognition of financial liabilities

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

Recognition of Revenue

The Group earns its revenue by selling the software programs it has produced. Revenue is recognized when control of products is transferred to the customer. Group revenue mainly consists of sales revenue of software products mentioned in the first footnote.

Revenues; within the scope of "TAS 15 Revenue from Customer Contracts" standard, it is reflected in the financial statements at an amount reflecting the price that the Group expects to be entitled to in return for the transfer of the goods or services it has committed to its customers.

For this purpose, a 5-step process is applied in the recognition of revenue within the framework of IFRS 15 provisions.

- Identification of contracts with the customer
- Determination of separate performance criteria and obligations in the contract
- Determination of the contract price
- Distribution of the sales price to the liabilities
- Recognition of revenue as contractual obligations are fulfilled

In accordance with IFRS 15, when the Group fulfils the performance obligations promised in the customer contracts, in other words, when the control of the goods and services is transferred to the customer, the revenue is recognized in the financial statements. The Group records performance obligations over time or at a specific moment.

If the timing of the payments agreed by the parties to the contract provides a significant financial benefit, the promised price is adjusted for the effect of the time value of money when determining the transaction price.

If the Group, at the beginning of the contract, predicts that the period between the transfer date of the promised good or service to the customer and the date the customer pays for such good or service will be one year or less, it chooses the facilitating application and does not adjust the promised price for the effect of a significant financing component.

Additional explanations for some important income groups are given below.

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

2.5 Summary of Significant Accounting Policies (Continued)

Recognition of Revenue (continued)

Revenue from product sales

The Group generates revenue by selling the software programs it has produced. Revenue is recognized when control of products is transferred to the customer.

Group revenue mainly consists of sales revenues of software products mentioned in the first footnote.

software development services

Software development services that constitute the Group's field of activity; It consists of the services provided by providing human resources to the customer or projected software development services by being understood over the man hour. The control of software development services passes to the customer as the service is provided, and the customer receives and consumes the benefit from this act at the same time.

The completion phase of the contract is determined by the time spent, and the revenue, working hours and direct expenses from the contracts are recognized over the contract fees as they occur. Revenues from such services are recorded as income on an accrual basis over the hours of service provided on the basis of the contract, in accordance with the periodicity principle.

In the short-term and one-time services, the Group takes the income into the financial statements "at a certain moment of time" when the control is passed to the customer.

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.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.5 Summary of Significant Accounting Policies (Continued)*****Recognition of Revenue (continued)***

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

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

Employee benefits

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

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

The severance pay liability in the accompanying consolidated financial statements has been calculated in accordance with the recognition and valuation principles specified in TAS 19 "Employee Benefits". Since the severance pay obligations are identical with the 'Specific Post-employment Benefit Plans' defined in this standard in terms of their characteristics, these liabilities have been calculated and included in the financial statements using some of the assumptions explained below. The main assumptions used as of 30 June 2022 and 31 December 2021 are as follows:

	30 June 2022	31 December 2022
Interest rate%	%22,20	%21,40
Inflation rate%	%19,90	%16,90

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

Financial income and financial expenses

Financial income mainly consists of interest income and foreign exchange income. Financial income is recognized in the statement of comprehensive income on an accrual basis.

Financial expenses mainly consist of foreign exchange difference expenses and interest expenses related to loans. Assets that necessarily require a long period of time to be ready for their intended use or sale are defined as qualifying assets. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that began to be capitalized on or after 1 January 2009 are capitalized as part of the asset. Other borrowing costs are recorded in the statement of comprehensive income.

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

2.5 Summary of Significant Accounting Policies (Continued)

Effects of exchange rate differences

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

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

Provisions, Contingent Assets and Liabilities

Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date considering the risks and uncertainties surrounding the obligation.

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

Contingent Assets and Liabilities

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

Taxes Calculated on Corporate Income and Deferred Tax

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

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2.5 Summary of Significant Accounting Policies (Continued)*****Provisions, Contingent Assets and Liabilities (continued)******Current tax***

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

Deferred Tax

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

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

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

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

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

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

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

Current and Deferred Income Tax

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Earnings / (Loss) Per Share

Earnings per share stated in the income statement are determined by dividing the net income per share of the parent group by the weighted average number of shares in the related year.

Companies in Turkey can increase their capital by distributing shares ("bonus shares") to existing shareholders from retained earnings and equity inflation adjustment differences. When earnings per share are calculated, these bonus shares are considered as issued shares. Therefore, the weighted average share weight used in calculating the

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.

Government Grants and Incentives

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

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

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Events After the Reporting Date

Events after the reporting date; It covers all events between the reporting date and the date the statement of financial position is authorized for issue, even if they occur after any announcement or other selected financial information that affects profit or loss has been made public. In the event that events requiring adjustment occur after the reporting date, the Group adjusts the amounts recognized in the financial statements in accordance with this new situation. Matters arising after the reporting date that do not require adjustment are disclosed in the notes according to their materiality.

Statement of Cash Flows

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

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

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

2.6 Use of Estimates

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

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

- a) The application of research findings or other information to a plan prepared to produce new, unique and significantly improved products, processes, systems and products is defined as development and the costs incurred for these activities are capitalized by the Group. When capitalizing on the remuneration of staff directly involved in the creation of the asset, management considers how much time each staff member spends in research and development. Expenses related to research activities are recorded as direct expense.
- b) Severance pay liability is determined using actuarial assumptions (discount rates, future salary increases and employee turnover rates).
- c) Provisions for litigation are determined by the management in each period by taking the opinions of the Company's legal advisors on the possible consequences of ongoing lawsuits as of the date of preparation of the financial statement, which may lead to cash outflows.
- d) The Group management has made important assumptions in the determination of the useful economic lives of the tangible assets in line with the experience of the technical team.

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- e) The Group reviews its assets in order to set aside a provision for impairment when it is revealed that the assets may not be sold at their book value, in line with the developing events or changing conditions. If there is such an indication and the carrying value of the assets exceeds the estimated recoverable value, the assets and cash-generating units are presented at their estimated recoverable value. The recoverable value of the assets is the higher of the net selling price or value in use.
- f) The impairment loss in trade receivables and other receivables is based on the Company management's assessment of the volume of trade receivables, past experiences and general economic conditions.
- g) The company recognizes deferred tax assets and liabilities for temporary timing differences arising from the differences between the tax base legal financial statements and the financial statements prepared in accordance with TFRS. These differences are generally due to the fact that the tax base amounts of some income and expense items take place in different periods in the legal financial statements and the financial statements prepared in accordance with TFRS.

3. BUSINESS COMBINATION

None (31 December 2022: 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

	30 June 2023	31 December 2022
Cash on hands	955	4.868
Banks		
- Demand deposits	3.924.636	5.898.663
- Time deposits	3.486.571	16.405.378
Total	7.412.162	22.308.909

As of the reporting period, the time deposits of the Group are comprised of TL assets, with a maturity range of approximately 6-34 days and interest rates between 10% and 20,00%.

6. FINANCIAL BORROWINGS

Current liabilities	30 June 2023	31 December 2022
Bank loans	--	--
Lease liabilities	1.063.738	606.245
Other financial liabilities	955.151	1.405.078
Total	2.018.889	2.011.323

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Non-current borrowings	30 June 2023	31 December 2022
Lease liabilities	3.237.675	789.936
Total	3.237.675	789.936
The repayment schedule of the financial liabilities	30 June 2023	31 December 2022
0-3 months	955.151	1.405.078
Total	955.151	1.405.078

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 16.

Details of liabilities comprised of right of use	30 June 2023	31 December 2022
Less than 1 year	1.063.738	606.245
2-3 years	693.552	379.180
3-4 years	828.121	326.236
4-5 years	769.483	84.520
5-6 years	679.313	--
6-7 years	267.206	--
Total	4.301.413	1.396.181

7. FINANCIAL ASSETS

As of 30 June 2023, the details of the Group's short-term financial investments are as follows:

a.) Tangible assets

	30 June 2023	31 December 2022
Stocks traded on the stock exchange	718.399	980.000
	718.399	980.000

b.) Currency protected deposit

	30 June 2023	31 December 2022
Currency protected deposit account (CPDA) (*)	--	654.441
	--	654.441

(*) As of 30 June 2023, the annual average interest rate of currency protected deposits is 14%.

30 June 2023	Nominal Value	Interest Accrual	Fair Value
CPDA	628.968	25.473	654.441
Total	628.968	25.473	654.441

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Short-term trade receivables	30 June 2023	31 December 2022
Trade receivables	111.119.523	88.208.793
Notes receivable	--	900.000
Deferred financing income (-)	(266.398)	(815.735)
Doubtful trade receivables	117.484	31.171
Provision for doubtful trade receivables (-)	(117.484)	(31.171)
Total	110.853.125	88.293.058

The movement of provision for trade receivables is as follows:

	30 June 2023	30 June 2022
Beginning of the period	31.171	150.222
Provision during the period (Note 22)	86.313	11.752
Provision cancelled during the period (Note 21)	--	(67.622)
End of the period	117.484	94.352

Long-term trade receivables	30 June 2023	31 December 2022
Trade receivables (*)	17.252.412	12.492.333
Deferred financing income (-)	--	--
Total	17.252.412	12.492.333

Short-term Trade Payables	30 June 2023	31 December 2022
Trade payables from related parties (Note 25)	--	--
Trade payables	3.637.968	2.130.762
Deferred financing income (-)	(5.775)	(9.736)
Total	3.632.193	2.121.026

- (*) The Group signed an HIS Usage License Agreement worth USD 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 12 – 36 months and therefore the Group has accounted this amount as deferred income.

9. OTHER RECEIVABLES and OTHER LIABILITIES

Other short-term receivables	30 June 2023	31 December 2022
Due from personnel	160.500	9.000
Deposits and guarantees given	312.122	235.322
VAT receivables	--	--
Total	472.622	244.322

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Other Non-Current Receivables	30 June 2023	31 December 2022
Deposits and guarantees given	115.500	35.500
Total	115.500	35.500
Other Current Liabilities	30 June 2023	31 December 2022
Other payables to related parties (Note 25)	--	--
Taxes and funds payables	1.285.154	1.545.755
Total	1.285.154	1.545.755

10. INVENTORIES

	30 June 2023	31 December 2022
Merchandises (*)	1.522.646	1.360.619
Total	1.522.646	1.360.619

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

11. PREPAID EXPENSES AND DEFERRED INCOME

Current Prepaid Expenses	30 June 2023	31 December 2022
Prepaid expenses (*)	603.598	961.970
Advances given for purchases (**)	792.051	4.786.716
Advances given for business purposes	119.484	25.502
Total	1.515.133	5.774.188

(*) Prepaid expenses are comprised of vehicle and building insurances and 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.

(**) Advances given for purchases consist of software advances given to the company from which the Group receives software development services.

Current Deferred Income	30 June 2023	31 December 2022
Deferred income (*)	74.760.457	54.133.448
Advances received	--	5.000.000
Total	74.760.457	59.133.448

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Non-current Deferred Income	30 June 2023	31 December 2022
Deferred income (*)	17.252.412	12.492.333
Total	17.252.412	12.492.333

- (*) Within the scope of the Health Information System Project "HIMS Usage License Agreement" signed with 7 establishments in the Turkish Republic of Northern Cyprus 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.

12. PROPERTY, PLANT AND EQUIPMENT

	31 December 2022	Addition	Disposal	30 June 2023
Cost				
Buildings	1.500.000	--	--	1.500.000
Motor vehicles	2.981.909	--	--	2.981.909
Fixtures and fittings	5.616.047	457.559	--	6.073.606
Leasehold improvements	905.086	4.000	--	909.086
Total	11.003.042	461.559	--	11.464.601
Accumulated depreciation (-)				
Buildings	(360.000)	(15.000)	--	(375.000)
Motor vehicles	(1.609.989)	(253.233)	--	(1.863.222)
Fixtures and fittings	(3.822.433)	(320.544)	--	(4.142.977)
Leasehold improvements	(867.811)	(9.158)	--	(876.969)
Total	(6.660.233)	(597.935)	--	(7.258.168)
Net book value	4.342.809			4.206.433

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	31 December 2021	Addition	Disposal	31 December 2022
Cost				
Buildings	1.500.000	--	--	1.500.000
Motor vehicles	2.181.909	800.000	--	2.981.909
Fixtures and fittings	5.084.160	531.891	--	5.616.047
Leasehold improvements	894.736	10.350	--	905.086
Total	9.660.805	1.342.241	--	11.003.042
Accumulated depreciation (-)				
Buildings	(330.000)	(30.000)	--	(360.000)
Motor vehicles	(1.204.155)	(405.834)	--	(1.609.989)
Fixtures and fittings	(3.051.134)	(771.299)	--	(3.822.433)
Leasehold improvements	(690.736)	(177.075)	--	(867.811)
Total	(5.276.025)	(1.384.208)	--	(6.660.233)
Net book value	4.384.780			4.342.809

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

	30 June 2023	31 December 2022
Buildings	1.125.000	1.140.000
Motor vehicles	1.118.687	1.371.920
Fixtures and fittings	1.930.629	1.793.614
Leasehold improvements	32.117	37.275
Total	4.206.433	4.342.809

To As of 30 June 2023, there is an insurance coverage of 1.130.000 TL (31 December 2022: 1.088.500 TL) on total assets. There are no restrictions on real estate.

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Cost	1 December 2023	Addition	Transfers	30 June 2023
Rights	73.777.924	18.732.200	--	92.510.124
Development costs ".net based HIS"	4.588.814	--	--	4.588.814
Development costs —Java based cloud system	94.634.118	33.433.271	--	128.067.389
Tales ERP	6.142.706	--	--	6.142.706
Total	179.143.562	52.165.471	--	231.309.033
Accumulated amortization (-)				
Rights	(10.973.690)	(2.342.256)	--	(13.315.946)
Development costs ".net based HIS"	(4.166.060)	(126.244)	--	(4.292.304)
Development costs —Java based cloud system	(20.116.109)	(3.446.494)	--	(23.562.603)
Tales ERP	(597.256)	(98.817)	--	(696.073)
Total	(35.853.115)	(6.013.811)	--	(41.866.926)
Net book value	143.290.447			189.442.107
	31 December 2021	Addition	Transfers	31 December 2022
Cost				
Rights	35.905.870	16.821.800	21.050.254	73.777.924
Development costs ".net based HIS"	4.588.814	--	--	4.588.814
Development costs —Java based cloud system	74.204.619	41.479.753	(21.050.254)	94.634.118
Tales ERP	4.460.431	1.682.275	--	6.142.706
Total	119.159.734	59.983.828	--	179.143.562
Accumulated amortization (-)				
Rights	(8.273.967)	(1.950.511)	(749.212)	(10.973.690)
Development costs ".net based HIS"	(3.856.981)	(309.079)	--	(4.166.060)
Development costs —Java based cloud system	(14.731.139)	(6.134.182)	749.212	(20.116.109)
Tales ERP	(268.106)	(329.150)	--	(597.256)
Total	(27.130.193)	(8.722.922)	--	(35.853.115)
Net book value	92.029.541			143.290.447

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

	30 June 2023	31 December 2022
Rights	79.194.178	62.804.234
Development costs ".net based HIS"	296.510	422.754
Development costs —Java based cloud system	104.504.786	74.518.009
Tales ERP	5.446.633	5.545.450
Total	189.442.107	143.290.447

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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:

	30 June 2023	31 December 2022
Personnel costs		
(the personnel work on software development, project implementation and information technologies departments)	33.433.271	43.162.029
Total	33.433.271	43.162.029

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

14. RIGHT OF USE ASSETS

Cost	1 January 2023	Additions	Disposals	30 June 2023
Buildings				
Included in the balance sheet within the scope of IFRS 16 right of use assets	3.108.692	3.362.767	--	6.471.459
Total	3.108.692	3.362.767	--	6.471.459
Accumulated amortization (-)				
Buildings				
Included in the balance sheet within the scope of IFRS 16 right of use assets	(1.634.142)	(669.294)	--	(2.303.436)
Total	(1.634.142)	(669.294)	--	(2.303.436)
Net book value	1.474.550			4.168.023

Group in the case of tenant

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

The Group has five workplace rentals, Floor 1 and Floor 12 at The Paragon Business Centre in Çankaya, Ankara, Emlak Kredi Blokları 33/4 in Levent, Istanbul, Klarabergsviadukten 70, D4 11 68 in Stockholm, Sweden and Technology Development Zone in Hacettepe University Teknokent in Ankara, Turkey The beginning date of the contracts are 15 August 2017, 01 July 2021 18 May 2023, 18 May 2023, 1 August 2019, 02 January 2020 and 26 January 2021 respectively and the contract terms are valid for 5 years.

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	31 December 2021	Additions	Disposals	31 December 2022
Cost				
<i>Buildings</i>				
Included in the balance sheet within the scope of IFRS 16 right of use assets	2.322.040	786.652	--	3.108.692
Total	2.322.040	786.652	--	3.108.692
Accumulated amortization (-)				
<i>Buildings</i>				
Included in the balance sheet within the scope of IFRS 16 right of use assets	(1.173.955)	(460.187)	--	(1.634.142)
Total	(1.173.955)	(460.187)	--	(1.634.142)
Net book value	1.148.085			1.474.550

15. 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:

- Incentives within the scope of Technology Development Zones Law (100% Corporate Tax Exemption),
- 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.

16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other Current Provisions	30 June 2023	31 December 2022
Provisions for lawsuits	1.379.429	1.146.325
Total	1.379.429	1.146.325

The movement table of the litigation provision is as follows:

	01.01- 30.06.2023	01.01- 30.06.2022
Opening balance	1.146.325	659.820
Additional provision made during the period (Note 22)	233.104	1.064.324
Paid litigation amounts (-) (Note 22)	--	(268.745)
Closing Balance	1.379.429	1.455.399

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

	Amount	Total
Ongoing lawsuits on behalf of the Group	35	757.430
Ongoing execution proceedings	2	45.724
Ongoing lawsuits against the Group	29	979.809
Ongoing enforcement proceedings	4	399.620

The Group management has provided a provision in the amount of 1.329.429 in the financial statements with regards to lawsuits filed against the Group (31 December 2021 TL 1.146.325).

Contingent Liabilities

As of 30 June 2023, collaterals, pledges and mortgages (CPM's) given by the Group are as follows:

	30 June 2023	31 December 2022
CPM given by the Group		
A. CPM's given for Group's own legal personality		
CPM given by the company	29.716.047	10.418.725
CPM's given on behalf of fully consolidated companies	--	--
B. CPM's given on behalf of third parties for ordinary course of business		
Total amount of other CPM's	--	--
C. Total amount of CPM's given on behalf of the majority shareholder		
i.Total amount of CPM's given on behalf of other Group companies which are not in scope of B and C	--	--
ii.iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	--	--
CPM given by the Group	--	--
Total	29.716.047	10.418.725

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

	30 June 2023	31 December 2022
Letters of guarantee	29.716.047	10.418.725
Total	29.716.047	10.418.725

17. LIABILITIES FROM EMPLOYEE BENEFITS

Liabilities from Employee Benefits	30 June 2023	31 December 2022
Payables due to personnel	8.071.682	4.932.681
Social security withholdings payables	7.047.192	4.492.046
	15.118.874	9.424.727

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Current Provisions for Employee Benefits	30 June 2023	31 December 2022
Provisions for unused vacations	879.002	651.212
Total	879.002	651.212

Movements of the provisions for unused vacations are as follows:

	01.01- 30.06.2023	01.01- 30.06.2022
Beginning of the period	651.212	356.730
Provision amount for the current period	227.790	109.795
Payments (-)	--	--
End of the period	879.002	466.525

	30 June 2023	31 December 2022
Provision for employee termination benefits	2.152.325	4.648.626
	2.152.325	4.648.626

Provision for severance pay

According to the Turkish Labor Law, the company is obliged to pay severance pay to each employee who completes at least one year of service and retires after 25 years of working life, whose employment relationship is terminated, who is called for military service or who dies.

As of 30 June 2023, the severance pay ceiling to be paid is subject to the monthly ceiling of TL 23.489,83 (31 December 2022: 19.982,83) for each year of service.

Severance pay liability is not legally subject to any funding.

Severance pay liability is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. TAS 19 ("Employee Benefits") requires the Company's liabilities to be developed using actuarial valuation methods within the scope of defined benefit plans.

The actuarial assumptions used in calculating the present value of liabilities are as follows:

	01.01- 30.06.2023	01.01- 30.06.2022
Beginning of the period	4.648.626	1.748.561
Service cost (Note 21)	300.545	494.823
Actuarial profit /(loss)	(3.182.126)	809.661
Interest expense (Note 22)	497.403	183.599
Compensation paid	(112.123)	--
Closing balance	2.152.325	3.236.644

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The actuarial assumptions used in calculating the present value of liabilities are as follows:

	30 June 2023	31 December 2022
Interest rate %	22,20	21,40
Inflation rate %	19,90	16,90
Annual discount rate (%)	%1,92	%3,72

18. OTHER ASSETS AND LIABILITIES

Other current assets	30 June 2023	31 December 2022
VAT carried forward	338.294	38.709
VAT to be deducted	470	--
Total	338.764	38.709
Other current liabilities	30 June 2023	31 December 2022
Executive and BES Deductions	93.500	83.910
Total	93.500	83.910

19. EQUITY, RESERVES AND OTHER EQUITY COMPONENTS

The Shareholders structure of the Company is as follows:

	30 June 2023		31 December 2022	
Capital Shares	Share Amount	Rate %	Share Amount	Rate %
Abdülkerim GAZEN	15.338.333	38,35	15.338.333	38,35
Other (public part)	24.661.667	61,65	24.661.667	61,65
Capital Paid	40.000.000		40.000.000	100

The Company's issued capital consists of 40.000.000 shares, all with a par value of 1 Turkish Liras each as at 30 June 2023 (31 December 2022: 40.000.000 shares)

Repurchased shares

	30 June 2023	31 December 2022
Repurchased shares (-) (*)	(5.297.687)	--
	(5.297.687)	--

- (*) Within the scope of the repurchase program initiated by the Company based on the decision taken by the Board of Directors dated 16 February 2023, to protect the shareholders, to ensure that the share price is stable and in line with its real value, since the price of the shares traded in Borsa Istanbul does not reflect the actual performance of the Company's operations, and In order to protect the trust of the investors in the Company, repurchased has been realized within the framework of the announcements made by the Capital Markets Board's Communiqué on Repurchased Shares II-22.1 and the principle decision numbered 9/177 dated 14.02.2023. Determining the maximum number of shares that can be subject to share repurchase as 4.000.000 (TL 4.000.000 nominal), the fund to be set aside for the share buyback to be determined as 50.000.000 TL at most, to be covered from the Company's equity, and the duration of the share buyback program. It was decided to set it as 1 year.

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As of 30 June 2023, the dates and nominal amounts of the Company's share purchases are given below.

Date	Amount
16.02.2023	2.002.559
17.02.2023	291.879
20.02.2023	1.080.553
21.02.2023	375.660
22.02.2023	186.000
23.02.2023	314.910
27.03.2023	337.830
28.03.2023	708.296
	5.297.687

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

	30 June 2023	31 December 2022
Actuarial gain/loss	1.828.510	(2.149.148)
	1.828.510	(2.149.148)

Restricted reserves allocated from profit

	30 June 2023	31 December 2022
Legal reserves	10.050.471	5.552.771
Special funds	--	979.270
	10.050.471	6.532.041

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.

20. REVENUE AND COST OF SALES (-)

Sales revenue, net	01.01.- 30.06.2023	01.01.- 30.06.2022	01.04.- 30.06.2023	01.04.- 30.06.2022
Domestic sales (*)	91.206.084	38.625.428	51.167.082	22.359.510
Exports	2.327.410	7.879.500	1.362.034	5.753.912
Other sales	--	--	--	(9.600)
Total	93.533.494	46.504.928	52.529.116	28.103.822
Returns and discounts from sales (-)	--	(1.839.534)	--	(1.839.534)
Revenue, net	93.533.494	44.665.394	52.529.116	26.264.288

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	01.01.- 30.06.2023	01.01.- 30.06.2022	01.04.- 30.06.2023	01.04.- 30.06.2022
Cost of sales (-)				
Cost of services sold	53.241.892	27.183.519	26.448.047	16.389.925
Cost of merchandise sold	29.426	--	29.426	--
Cost of sales	53.271.318	27.183.519	26.477.473	16.389.925
Gross profit	40.262.176	17.481.875	26.051.643	9.874.363

21. GENERAL ADMINISTRATIVE EXPENSES, RESEARCH EXPENSES (-)

	01.01.- 30.06.2023	01.01.- 30.06.2022	01.04.- 30.06.2023	01.04.- 30.06.2022
General administrative expenses (-)	13.559.587	6.257.590	8.538.904	2.243.259
Marketing, selling and distribution expenses (-)	1.140.934	554.351	607.254	352.978
Research and development expenses (-)	409.473	122.700	373.588	122.700
Total	15.109.994	6.934.641	9.519.746	2.718.937

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

	01.01.- 30.06.2023	01.01.- 30.06.2022	01.04.- 30.06.2023	01.04.- 30.06.2022
Other income from operating activities				
Deferred financing income	549.337	48	734	(8.408)
Incentive income	5.684.240	2.413.141	3.169.433	1.349.423
Reversals of litigation (Note 16)	--	268.745	--	61.442
Reversal of provisions for receivables (Note 8)	--	67.622	(27.324)	--
Other	154.924	63.413	99.756	(133.788)
Total	6.388.501	2.812.969	3.242.599	1.268.669

	01.01.- 30.06.2023	01.01.- 30.06.2022	01.04.- 30.06.2023	01.04.- 30.06.2022
Other expense from operating activities (-)				
Severance pay interest expenses (Note 17)	497.403	183.599	253.350	(183.599)
Provision for litigation (Note 16)	233.104	1.064.324	221.594	381.293
Stock market expense	205.293	--	75.254	--
Donation and grants	100.000	--	--	--
Reversal of provisions for receivables (Note 8)	86.313	11.752	86.313	11.752
Deferred financing expenses	3.961	82.569	(2.324)	(237.745)
Other	7.750	191.628	3.911	182.925
Total	1.133.824	1.533.872	638.098	154.626

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	01.01.- 30.06.2023	01.01.- 30.06.2022	01.04.- 30.06.2023	01.04.- 30.06.2022
Income from investing activities				
Interest income	772.668	174.218	505.103	23.869
Income from sales of property, plant and equipment	--	--	--	--
Total	772.668	174.218	505.103	23.869
Expense from investing activities				
Expense from sales of tangible assets	--	--	(25.473)	--
Depreciation of securities	259.067	--	259.067	--
Total	259.067	--	233.594	--

24. FINANCIAL INCOME AND EXPENSES (-)

	01.01.- 30.06.2023	01.01.- 30.06.2022	01.04.- 30.06.2023	01.04.- 30.06.2022
Financial income				
Foreign exchange income	611.851	311.376	568.742	63.660
Total	611.851	311.376	568.742	63.660
Financial expenses (-)				
Right of use expenses	295.560	164.957	253.595	(44.061)
Letters of guarantee commission expenses	100.751	10.408	49.082	(19.414)
Interest expense	--	--	--	(9.399)
Foreign exchange expenses	9.534	239.616	5.163	(307)
Other	28.603	83.730	28.603	83.730
Total	434.448	498.711	336.443	10.549

25. 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 30 June 2023, there is no receivables or payables from related parties. (31 December 2022: None)

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

	30 June 2023	31 December 2022
Prepaid taxes and funds (-)	16.150	--
VAT assets/liabilities	16.150	--

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Corporations calculate a temporary tax of 25% 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 on 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 30th day of the fourth month following the month in which the accounting period is closed. However, the tax inspection authorities can examine the accounting records within five years, and if an incorrect transaction is detected, the tax amounts to be paid may change.

The Corporate Tax rate will be applied as 23% for the corporate earnings for the 2022 taxation period, and as 25% for the corporate earnings for the 2023 taxation period.

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on 20 January 2022, Law No. It has been enacted with the number 7352 and it has been decided that the financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope of the Repeated Article 298 are met. The Public Oversight Authority made a statement on the Implementation of Financial Reporting in High Inflation Economies under IFRS on 20 January 2022, and it was stated that there was no need to make any adjustments within the scope of TAS 29 Financial Reporting in Hyperinflationary Economies in the financial statements for 2023.

With the Law No. 7394 on the Evaluation of Immovable Property Owned by the Treasury and Amending the Value Added Tax Law, published in the Official Gazette dated 15 April 2022 and numbered 31810, and the Law No. With the paragraph added to the temporary article 13 of the Corporate Tax Law, the Corporate Tax rate will be applied as 25% for the corporate earnings for the 2023 taxation period.

Tax provision in the income statement	30 June 2023	30 June 2022
Current period corporate tax provision	--	--
Deferred tax provision	(915.682)	453.749
Total	(915.682)	453.749

Deferred Income Tax Assets and Liabilities

Group, deferred income tax assets and liabilities. It calculates by taking into account the effects of temporary differences that arise as a result of different evaluations between the legal financial statements of balance sheet items. These temporary differences generally arise from the recognition of income and expenses in different reporting periods in accordance with the communiqué and tax laws.

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26. TAXES ON INCOME (Deferred Tax Asset and Liability Included) (CONTINUED)***Deferred Income Tax Assets and Liabilities (Continued)***

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	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
<i>Deferred tax assets</i>				
Amortization of intangible assets	3.331.277	5.096.915	832.819	1.172.290
Severance pay provision	2.152.325	4.648.626	538.081	1.069.184
Lease contracts	4.054.777	--	1.013.694	--
Deferred finance expense	266.398	815.739	66.600	187.620
Provision for litigation	1.379.429	1.146.325	344.857	263.655
Unused vacation provision	879.002	651.212	219.751	149.779
Provision for doubtful receivables	117.484	31.171	29.371	7.169
Written off assets	--	--	--	--
Adjustment on borrowings	--	--	--	--
Securities valuation	259.067	--	64.767	--
Other	--	81.248	--	18.687
Total	12.439.759	12.471.236	3.109.940	2.868.384

	Cumulative temporary differences		Deferred Tax	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
<i>Deferred Tax Liabilities</i>				
Capitalized costs of programs in progress	(6.624.273)	(3.147.594)	(1.656.070)	(723.947)
Capitalized development costs	--	(3.476.679)	--	(799.636)
Lease contracts	(3.789.891)	(1.712.511)	(947.473)	(393.878)
Difference between the tangible assets registered value and tax base	(126.563)	(207.811)	(31.641)	(47.797)
Adjustment for time deposits accounts	(5.624)	(195.432)	(1.406)	(44.949)
Deferred financial expense	(5.775)	(9.744)	(1.444)	(2.241)
Currency translation adjustment	(3.544.478)	--	(886.120)	--
Other	--	(5.000.000)	--	(1.150.000)
Total	(14.096.604)	(13.749.771)	(3.524.154)	(3.162.448)
Deferred Tax Assets / (Liabilities), net	(1.656.845)	(1.278.535)	(414.214)	(294.064)

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

	30 June 2023	31 December 2022	30 June 2022
Opening balance of deferred tax assets / (liabilities)	(294.064)	303.330	303.330
Deferred tax expense / (income)	(915.682)	(292.571)	453.749
Deferred tax effect of other comprehensive income	795.532	(304.823)	(202.415)
Deferred tax asset / liability in the current period	(414.214)	(294.064)	554.664

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	01.01.- 30.06.2023	01.01.- 30.06.2022
Net profit / (loss) for the period from continued operations:		
Net profit / (loss) of parent company from continued operations	30.182.181	12.266.963
Weighted average number of shares	40.000.000	40.000.000
Earnings / (loss) per share from continued operations (TL)	0,75	0,31
Earnings / (loss) per share		
Profit / (loss) for the period	30.182.181	12.266.963
Net profit / (loss) of minority shares for the period	--	--
Net profit / (loss) of parent company for the period	30.182.181	12.266.963
Weighted average number of shares	40.000.000	40.000.000
Earnings / (loss) per share (TL)	0,75	0,31
	01.01.- 30.06.2023	01.01.- 30.06.2022
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

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

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

Capital Risk Management

The Group monitors 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.

	01.01.- 30.06.2023	01.01.- 30.06.2022
Total liabilities	125.334.064	74.335.730
Less: cash and cash equivalents	(7.412.162)	(8.465.459)
Net (Cash)/Liabilities	117.921.902	65.870.271
Total equity	215.808.521	143.355.765
Capital	40.000.000	40.000.000
Net (Cash) Liabilities / Total Equity Ratio	0,55	0,46

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

	01.01.- 30.06.2023	01.01.- 30.06.2022
Current assets	122.848.170	56.998.728
Current liabilities (-)	99.167.498	27.119.946
Net working capital excess / (deficit)	23.680.672	29.878.782
Current Ratio	1,24	2,10
Earnings Before Interest Tax Depreciation and Amortization (EBITDA)	01.01.- 30.06.2023	01.01.- 30.06.2022
Net income / (loss) for the period	30.182.181	12.266.963
Income / expenses from operating activities, net	(5.254.677)	(1.279.097)
Income / expenses from investment activities, net	(772.668)	(174.218)
Depreciation expenses	7.281.040	5.350.800
Financing (income) / expense, net	(177.403)	187.335
Tax (income) / loss, net	915.682	(453.749)
EBITDA	32.174.155	15.898.034
EBITDA margin	34,40	35,59

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 2022: None)

As of 30 June 2023 and 31 December 2022, the credit risk exposure by types of financial instruments is as follows.

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28. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)**Financial Risk Factors (Continued)**Credit risk*The imposed credit risk by financial instrument type is as follows:*

30 June 2023	RECEIVABLES				Bank Deposits	Cash and Other
	Trade Receivables		Trade Receivables			
	Related Parties	Related Parties	Related Parties	Related Parties		
Maximum credit risk exposures as of report date (A+B+C+D+E)	--	128.105.537	--	588.122	7.411.207	955
- Secured part of maximum credit risk exposure via collateral etc.	--	--	--	--	--	--
A. Net book value of the financial assets that are neither overdue nor impaired	--	128.105.537	--	588.122	7.411.207	955
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)	--	117.484	--	--	--	--
- Impairment asset (-)	--	(117.484)	--	--	--	--
- Net, secured part via collateral etc.	--	--	--	--	--	--
E. Off-balance sheet financial assets exposed to credit risk	--	--	--	--	--	--

31 December 2022	RECEIVABLES				Bank Deposits	Cash and Other
	Trade Receivables		Trade Receivables			
	Related Parties	Related Parties	Related Parties	Related Parties		
Maximum credit risk exposures as of report date (A+B+C+D+E)	--	100.785.391	--	279.822	22.304.041	4.868
- Secured part of maximum credit risk exposure via collateral etc.	--	-	--		-	--
A. Net book value of the financial assets that are neither overdue nor impaired	--	100.785.391	--	279.822	22.304.041	4.868
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)	--	31.171	--	--	--	--
- Impairment asset (-)	--	(31.171)	--	--	--	--
- Net, secured part via collateral etc.	--	--	--	--	--	--
E. Off-balance sheet financial assets exposed to credit risk	--	--	--	--	--	--

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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 30 June 2023	Book value	Total contractual cash outflow (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1 – 5 years (III)
<i>Non-derivative Financial Liabilities</i>					
Bank loans					
Other financial liabilities	955.151	955.151	955.151	--	--
Trade payables	3.632.193	3.632.193	3.632.193	--	--
Finance lease obligations	4.301.413	3.354.894	1.063.738	693.552	1.597.604
Other payables and liabilities	1.285.154	1.285.154	1.285.154	--	--
Total	10.173.911	9.227.392	6.936.236	693.552	1.597.604

<i>Non-derivative Financial Liabilities</i>					
Liabilities from employee benefits	15.118.874	15.118.874	15.118.874	--	--
Deferred income	92.012.869	92.012.869	51.757.239	23.003.217	17.252.413
Total	107.131.743	107.131.743	66.876.113	23.003.217	17.252.413

Maturities accordance with the contract as of 31 December 2022	Book value	Total contractual cash outflow (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1 – 5 years (III)
<i>Non-derivative Financial Liabilities</i>					
Bank loans	--	--	--	--	--
Other financial liabilities	1.405.078	1.405.078	1.405.078	--	--
Trade payables	2.121.026	2.121.026	2.121.026	--	--
Finance lease obligations	1.396.181	1.396.181	606.245	379.180	410.756
Total	4.922.285	4.922.285	4.132.349	379.180	410.756
Liabilities from employee benefits	5.794.951	5.794.951	5.794.951	--	--
Total	5.794.951	5.794.951	5.794.951	--	--

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28. 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:

Financial instruments with fixed interest	30 June 2023	31 December 2022
Financial Liabilities (Note 6)	955.151	1.405.078
Cash and Cash Equivalents (Note 5)	3.486.571	16.405.378

29. EVENTS AFTER THE REPORTING DATE

None.