NETAŞ TELEKOMÜNİKASYON A.Ş.
AND ITS' SUBSIDIARIES

AS AT AND FOR THE YEAR ENDED
31 DECEMBER 2019
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

(CONVENIENCE TRANSLATION OF
THE REPORT AND THE CONSOLIDATED FINANCIAL
STATEMENTS ORIGINALLY ISSUED IN TURKISH)

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(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Netaş Telekomünikasyon Anonim Şirketi

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Netaş Telekomünikasyon Anonim Şirketi (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

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

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Key audit matter	How the matter was addressed in the audit
Recognition of revenue	
As explained in Note 21 of the consolidated financial statements as of 31 December 2019, the Group recognised revenue amounting to TL 1.327.640.194. Contracts with customers are accounted separately and at the beginning of each contract, the Group considers the goods or services that are promised within the scope of the contract. The Group recognises revenue on contracts with customers when the Group satisfies the performance obligations by transferring the goods or services to the customer. When the control of an asset is transferred (or as transferred) to the customer, the ownership of the asset is transferred. The Group determines whether the identified performance obligations are satisfied over time or at a point in time, at the beginning of each contract. Since the commercial contracts can be complicated, significant judgments are required by the Management in relation to determination of the accounting basis for each situation. There are risks of miscalculation and misrecognition of revenue in the correct period due to inclusion of estimations of the management on the determination of revenue earned but not invoiced or invoiced but not earned and due to modifications of the contracts related to changes in price or scope of the contracts. For this reason, recognition of revenue in the correct period and in the correct amount requires significant judgment of the management and it is considered as a key audit matter.	The design, implementation and functioning of the internal controls related to recognition of revenue in the consolidated financial statements, have been tested and evaluated by the assistance of our information technology specialists. The appropriateness of the accounting policies applied by the management for the recognition of revenue for each type of revenue stream has been evaluated. Selected samples of the contracts with customers has been reviewed and questioned with the management to test whether the performance obligations are satisfied over time or at a point in time and with the supporting documents retained, the correctness of recognition of revenue in the correct period is tested. Within the scope of the substantive procedures, evaluation process of the management on the revenue recognized has been examined for the selected samples, contracts, invoices and payments are tested, analytical procedures have been applied, and the historical accuracy of the management's estimates has been evaluated by comparing the estimates made in the previous periods. Confirmation letters have been received for the selected samples of outstanding balances with customers and examined conformity with the financial statements. In addition, the adequacy of the disclosures provided have been evaluated in accordance with the disclosure requirements of TFRSs.

Key audit matter	How the matter was addressed in the audit
Goodwill impairment test	
As disclosed in Note 13 of the consolidated financial statements as of 31 December 2019, the Group has goodwill amounting to TL 108.872.627 provided in intangible assets. In accordance with TFRSs, the Group is required to test impairment of goodwill annually. Goodwill balance is significant to the consolidated financial statements in terms of the amount and the impairment tests conducted by the Group management includes significant estimates and assumptions. Such assumptions are; growth rate of earnings before interest tax depreciation and amortization ("EBITDA"), long term growth rate, discounted cash flows. The assumptions are highly sensitive to the expected future market or economic conditions. Thus, annual impairment testing of goodwill considered as a key audit matter.	Assessment of accuracy of cash generating units identified by the management has been performed. Discussion with Group management has been held where assessments related to the future projections have been assessed in the light of the macroeconomic data and sectoral developments. Assessment of the reasonableness of the cash flow projections for the cash generating unit and the comparison of the prior year actual financial performances has been performed. Assessment of the reasonableness of key assumptions incorporated in discounted cash flows such as long-term growth rates, discount rate has been evaluated by the comparison of these assumptions with the assumptions used in the sector with the support of our valuation specialist. The structure and the mathematical accuracy of the discounted cash flow model has been assessed. The sensitivity of the assumptions determined by the management to the market conditions has been performed. The adequacy of the disclosures provided including estimations and the judgements related to testing of and the results along with the sensitivities have been evaluated in accordance with the disclosure requirements of TFRSs.

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

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

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

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

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5) Other Matters

The consolidated financial statements of the Group as of and for the year period ended 31 December 2018 were audited by another independent auditor who expressed an unmodified opinion on those consolidated financial statements on 8 March 2019.

Within the scope of our audit we have performed related to the 2019, we have also audited the restatements disclosed in note 2.2 related to 2018. In our opinion, the restatements are appropriate and have been applied appropriately. Aside from these restatements, we do not express an audit opinion or any other assurance on consolidated financial statements related to 2018 as we are not assigned as to perform independent audit of 2018 consolidated financial statements or any other procedures related to 2018.

6) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 5 March 2020.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2017 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Sinem Arı Öz.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Sinem Arı Öz, SMMM
Partner

5 March 2020
İstanbul, Türkiye

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NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2019, 2018 and 2017

(Unless otherwise stated the amounts are in TL).

	Notes	Current Period 31 December 2019	Restated(*) Previous Period 31 December 2018	Restated(*) Previous Period 1 January 2018
ASSETS				
Current Assets		**1.495.185.090**	**1.360.046.995**	**1.215.540.886**
Cash and Cash Equivalents	5	195.340.538	192.787.683	187.212.070
Trade Receivables		871.112.583	820.134.934	783.373.147
Due from related parties	*28*	*8.287.038*	*7.142*	-
Trade receivables, third parties	*7*	*862.825.545*	*820.127.792*	*783.373.147*
Other Receivables		531.110	1.728.286	1.479.485
Other receivables, third parties	*8*	*531.110*	*1.728.286*	*1.479.485*
Inventories	9	124.259.454	89.782.997	74.080.893
Contract Assets related to Goods and Services Provided		239.795.554	199.663.095	118.376.945
Contract Assets related to Goods and Services Provided	*11*	*239.795.554*	*199.663.095*	*118.376.945*
Prepaid Expenses	10	10.409.097	12.956.423	8.178.799
Current Income Tax Assets	26	16.324.031	5.335.193	227.117
Other Current Assets	19	37.412.723	37.658.384	42.612.430
Non-Current Assets		**511.005.625**	**335.863.301**	**276.676.540**
Trade Receivables		42.312.492	37.505.767	71.865.551
Trade receivables, third parties	*7*	*42.312.492*	*37.505.767*	*71.865.551*
Property, Plant and Equipment	12	58.083.609	51.441.407	36.598.628
Right of Use Assets	2	52.251.621	-	-
Financial Investments		5.533.199	4.733.887	2.928.818
Intangible Assets		190.731.271	129.450.068	103.327.185
Goodwill	*13*	*108.872.627*	*96.422.343*	*69.131.791*
Other intangible assets	*13*	*81.858.644*	*33.027.725*	*34.195.394*
Investments Accounted Using the Equity Method	3	9.401.553	7.784.350	6.155.424
Other Non-Current Assets	19	29.887.249	25.401.602	18.909.728
Prepaid Expenses	10	1.626.760	554.765	416.766
Deferred Tax Assets	26	121.177.871	78.991.455	36.474.440
TOTAL ASSETS		**2.006.190.715**	**1.695.910.296**	**1.492.217.426**

(*) The restatement effects are explained in Note 2.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2019, 2018 and 2017

(Unless otherwise stated the amounts are in TL).

	Notes	Current Period 31 December 2019	Restated(*) Previous Period 31 December 2018	Restated(*) Previous Period 1 January 2018
LIABILITIES				
Short Term Liabilities		**1.198.142.317**	**1.042.607.751**	**876.171.165**
Short Term Borrowings		434.015.226	487.836.269	302.073.547
Bank Loans	*6*	*407.122.680*	*487.836.269*	*302.073.547*
Lease Liabilities		*26.892.546*	-	-
Trade Payables		512.397.434	326.972.225	415.020.635
Due to related parties	*28*	*93.593.477*	*353.107*	*1.715.824*
Trade payables, third parties	*7*	*418.803.957*	*326.619.118*	*413.304.811*
Other Payables		22.141.209	17.064.203	10.710.962
Other payables, third parties	*8*	*22.141.209*	*17.064.203*	*10.710.962*
Employee Benefit Obligations	17	24.660.041	22.373.870	11.623.440
Contract Liabilities		106.554.998	83.881.957	55.182.524
Contract Liabilities	*11*	*106.554.998*	*83.881.957*	*55.182.524*
Provisions		*36.704.941*	*32.824.733*	25.889.324
Provisions for Employee Benefits	*17*	*29.428.553*	*24.116.396*	*20.324.706*
Other Short Term Provisions	*15*	*7.276.388*	*8.708.337*	*5.564.618*
Deferred Revenue	18	61.319.303	66.589.646	52.676.354
Current Income Tax Liabilities	26	349.165	5.064.848	2.994.379
Long Term Liabilities		**271.838.979**	**35.646.940**	**61.517.051**
Long Term Borrowings		226.254.958	-	24.044.293
Bank Loans	*6*	*196.209.584*	-	*24.044.293*
Lease Liabilities		*30.045.374*	-	-
Trade Payables		61.801	57.416	46.357
Trade payables, third parties	7	*61.801*	*57.416*	*46.357*
Provisions		29.114.925	33.762.755	26.385.750
Provisions for Employee Benefits	17	*29.114.925*	*33.762.755*	26.385.750
Deferred Tax Liabilities	26	16.407.295	1.826.769	11.040.651
SHAREHOLDERS' EQUITY				
Equity Attributable to Equity Holders of the Parent		**535.890.730**	**617.655.605**	**554.529.210**
Share Capital	20	64.864.800	64.864.800	64.864.800
Share Capital Adjustments		41.612.160	41.612.160	41.612.160
Other comprehensive income to be reclassed in profit and loss		(4.241)	(42.740)	(10.603)
Currency Translation Differences		*(4.241)*	*(42.740)*	*(10.603)*
Other comprehensive income not to be reclassed in profit and loss		300.432.088	233.635.192	86.267.718
Remeasurement gain/ (loss) on defined benefit plans		*(9.309.272)*	*(7.862.007)*	*(8.901.434)*
Currency Translation Differences		*309.741.360*	*241.497.199*	*95.169.152*
Restricted Reserves	20	34.897.360	34.897.360	34.897.360
Retained Earnings		242.688.833	326.897.775	326.897.775
Net (Loss) for the Period	20	(148.600.270)	(84.208.942)	-
Non-controlling interests		**318.689**	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2.006.190.715**	**1.695.910.296**	**1.492.217.426**

(*) The restatement effects are explained in Note 2.

NETAŞ TELEKOMÜNİKASYON A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated the amounts are in TL).

		Current Period 1 January- 31 December 2019	Restated(*) Previous Period 1 January- 31 December 2018
INCOME OR LOSS FROM OPERATIONS			
Revenue	21	1.327.640.194	1.024.463.920
Cost of Sales (-)	21	(1.167.599.493)	(890.226.071)
GROSS PROFIT		**160.040.701**	**134.237.849**
Sales, Marketing and Distribution Expenses (-)	22	(97.234.551)	(67.776.617)
General Administrative Expenses (-)	22	(87.612.151)	(83.895.910)
Research and Development Expenses (-)	22	(7.405.105)	(13.407.445)
Other Income from Operating Activities	23	14.807.993	1.483.323
Other Expenses from Operating Activities (-)	23	(44.448.943)	(146.363.708)
OPERATING (LOSS)		**(61.852.056)**	**(175.722.508)**
Income from Investment Activities	24	85.437	72.674
Expenses from Investment Activities (-)	24	(316.717)	(18.675)
Income from Investments Accounted Using the Equity Method	3	1.000.942	375.187
OPERATING (LOSS) BEFORE FINANCE INCOME AND EXPENSES		**(61.082.394)**	**(175.293.322)**
Financial Income	25	72.110.488	153.910.189
Financial Expenses (-)	25	(189.265.051)	(87.815.832)
(LOSS) BEFORE TAX		**(178.236.957)**	**(109.198.965)**
Tax Income		**29.457.192**	**24.990.023**
Current Tax Expenses	*26*	*(437.037)*	*(5.150.867)*
Deferred Tax Income	*26*	*29.894.229*	*30.140.890*
NET (LOSS) FOR THE PERIOD		**(148.779.765)**	**(84.208.942)**
Attributable to:			
Non-controlling Interest		(179.495)	-
Equity Holders of the Parent		(148.600.270)	(84.208.942)
(Loss) per share		(2,2937)	(1,2982)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income or expenses that will not be reclassified subsequently to profit of loss		**66.796.896**	**147.367.474**
Currency translation differences		68.244.161	146.328.047
Remeasurement gain/ (loss) on defined benefit plans		(1.809.081)	1.299.284
Remeasurement gain/ (loss) on defined benefit plans, deferred tax		361.816	(259.857)
Other comprehensive income or expenses that will be reclassified subsequently to profit of loss		**38.499**	**(32.137)**
Currency translation differences		38.499	(32.137)
OTHER COMPREHENSIVE INCOME		**66.835.395**	**147.335.337**
TOTAL COMPREHENSIVE INCOME		**(81.944.370)**	**63.126.395**
Attributable to:			
Non-controlling Interest		(179.495)	-
Equity Holders of the Parent		(81.764.875)	63.126.395

(*) The restatement effects are explained in Note 2.

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

(Convenience translation of the report and the consolidated financial statements originally issued in Turkish)

			Other comprehensive income or expenses will be reclassified subsequently to profit or loss	Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss			Retained Earnings				
	Share Capital	Share Capital Adjustments	Currency Translation Differences	Currency Translation Differences	Remeasurement gain/ (loss) on defined benefit plans	Restricted Reserves	Retained Earnings	Net (Loss) for the Period	Equity Holders of the Parent	Non-controlling Interest	TOTAL
Balance as at 31 December 2017	**64.864.800**	**41.612.160**	**6.008.477**	**291.106.537**	**(8.901.434)**	**34.897.360**	**215.018.724**	**-**	**644.606.624**	**-**	**644.606.624**
Mandatory changes in accounting policies	-	-	-	(15.431.643)	-	-	(39.091.077)	-	(54.522.720)	-	(54.522.720)
Restatement effects	-	-	(6.019.080)	(180.505.742)	-	-	150.970.128	-	(35.554.694)	-	(35.554.694)
(Restated) as of 1 January 2018(*)	**64.864.800**	**41.612.160**	**(10.603)**	**95.169.152**	**(8.901.434)**	**34.897.360**	**326.897.775**	**-**	**554.529.210**	**-**	**554.529.210**
Total comprehensive income	**-**	**-**	**(32.137)**	**146.328.047**	**1.039.427**	**-**	**-**	**(84.208.942)**	**63.126.395**	**-**	**63.126.395**
Transfer	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2018	**64.864.800**	**41.612.160**	**(42.740)**	**241.497.199**	**(7.862.007)**	**34.897.360**	**326.897.775**	**(84.208.942)**	**617.655.605**	**-**	**617.655.605**
Balance as at 1 January 2019	**64.864.800**	**41.612.160**	**28.564.108**	**495.474.961**	**(7.862.007)**	**34.897.360**	**175.927.647**	**(19.814.091)**	**813.664.938**	**-**	**813.664.938**
Restatement effects	-	-	(28.606.848)	(253.977.762)	-	-	150.970.128	(64.394.851)	(196.009.333)	-	(196.009.333)
(Restated) as of 1 January 2019(*)	**64.864.800**	**41.612.160**	**(42.740)**	**241.497.199**	**(7.862.007)**	**34.897.360**	**326.897.775**	**(84.208.942)**	**617.655.605**	**-**	**617.655.605**
Total comprehensive income	**-**	**-**	**38.499**	**68.244.161**	**(1.447.265)**	**-**	**-**	**(148.600.270)**	**(81.764.875)**	**(179.495)**	**(81.944.370)**
Additions to the scope of consolidation	-	-	-	-	-	-	-	-	-	498.184	498.184
Transfer	-	-	-	-	-	-	(84.208.942)	84.208.942	-	-	-
Balance as at 31 December 2019	**64.864.800**	**41.612.160**	**(4.241)**	**309.741.360**	**(9.309.272)**	**34.897.360**	**242.688.833**	**(148.600.270)**	**535.890.730**	**318.689**	**536.209.419**

(*) The restatement effects are explained in Note 2.

	Notes	Current Period 1 January- 31 December 2019	Restated(*) Previous Period 1 January- 31 December 2018
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Net (Loss) for the Period		**(148.779.765)**	**(84.208.942)**
(Loss) from Continuing Operations		*(148.779.765)*	*(84.208.942)*
Adjustments to Reconcile Profit/Loss		**167.761.085**	**(27.465.492)**
Adjustments for Depreciation and Amortisation Expenses	*12-13-19*	61.430.161	32.539.262
Adjustments for (Reversal of) Impairment Loss Recognised in Profit or Loss		(3.289.044)	(2.753.150)
Adjustments for (Reversal of) Provision of Receivables	*7*	*(3.289.044)*	*12.981.830*
Adjustment for Reversal of Provision of Inventory	*9*	-	*(15.734.980)*
Adjustments For Provisions		40.077.918	43.012.594
Adjustments for Provisions Related with Employee Benefits	*17*	*40.560.967*	*38.862.231*
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	*15*	*1.557.603*	*1.643.580*
Adjustments for (Reversal of) Other Provisions	*15*	*(2.040.652)*	*2.506.783*
Adjustments for Interest (Income) and Expenses		162.839.937	71.214.846
Adjustments for Interest Income	*25*	*(9.838.767)*	*(9.655.423)*
Adjustments for Interest Expense	*25*	*179.721.554*	*81.948.273*
Unearned Financial Loss/Income from Credit Sales	*23*	*(7.042.850)*	*(1.078.004)*
Adjustments For Unrealised Foreign Exchange Losses (Gains)	*25*	(63.071.033)	(146.059.835)
Adjustments for Share of Profit of Investments Accounted for Using the Equity Method	*3*	(1.000.942)	(375.187)
Adjustments for Losses Tax Expense	26	(29.457.192)	(24.990.023)
Adjustments for (Gains)/Lossesdisposal of non-current assets		231.280	(53.999)
Adjustments for (Gains)/Losses Arising From Sale of Property, Plant and Equipment	*12*	*231.280*	*(53.999)*
Changes in Working Capital		**150.599.894**	**71.674.754**
Adjustments for Decrease / (Increase) in Trade Receivables		50.882.255	282.908.321
Decrease (Increase) in Trade Receivables from Related Parties	*28*	*(7.903.507)*	*(6.537)*
Decrease (Increase) in Trade Receivables from Unrelated Parties	*7*	*58.785.762*	*282.914.858*
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(3.600.368)	15.640.633
Adjustments for Decrease (Increase) in Other Receivables Related with Operations from Third Parties	*8-19*	*(3.600.368)*	*15.640.633*
Adjustments for Decrease / (Increase) in Inventories	9	(4.120.001)	24.312.743
Decrease / (Increase) in Prepaid Expenses	10	(14.651.748)	2.420.927
Adjustments for (Decrease) in Trade Payables		136.708.210	(230.492.331)
Increase (Decrease) in Trade Payables to Related Parties	*28*	88.968.206	(1.866.758)
(Decrease)/Increase in Trade Payables to Unrelated Parties	*7*	*47.740.004*	*(228.625.573)*
Increase (Decrease) in Payables due to Employee Benefits	17	(575.461)	5.638.503
(Decrease)/Increase in Contract Assets	*11*	(13.700.613)	(31.620.114)
Adjustments for Decrease in Other Operating Payables		2.743.312	1.944.456
(Decrease) in Other Operating Payables to Unrelated Parties	*8*	*2.743.312*	*1.944.456*
(Decrease)/ Increase in Contract Liabilities	11	11.304.944	6.328.056
Other Adjustments for Other (Decrease)/ Increase in Working Capital		(14.390.636)	(5.406.440)
Cash Flows (Used in) Generated From Operations		**169.581.214**	**(39.999.680)**
Payments Related with Provisions for Employee Benefits	17	(41.705.721)	(26.394.579)
Income Taxes Paid	26	(5.150.867)	(3.016.501)
Payments Related with Lawsuits	15	(1.076.899)	(1.413.608)
		121.647.727	**(70.824.368)**

(*) The restatement effects are explained in Note 2.

	Notes	Current Period 1 January- 31 December 2019	Restated(*) Previous Period 1 January- 31 December 2018
B.CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES			
Proceeds from Sales of Property, Plant, Equipment and Intangible Assets		85.437	72.674
Proceeds from Sales of Property, Plant, Equipment	*24*	*85.437*	*72.674*
Purchase of Property, Plant, Equipment and Intangible Assets		(7.907.144)	(17.732.020)
Purchase of Property, Plant, Equipment	*12*	*(5.470.680)*	*(15.910.061)*
Purchase of Intangible Assets	*13*	*(2.436.464)*	*(1.821.959)*
Interest Received	25	9.838.767	9.655.423
		2.017.060	**(8.003.923)**
C.CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES			
Proceeds from Borrowings/Outflows,net	6	90.767.785	155.460.036
Interest Paid		(154.993.344)	(75.689.880)
Payments of lease liabilities		(20.016.801)	-
		(84.242.360)	**79.770.156**
NET INCREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)		**39.422.427**	**941.865**
D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(36.869.572)	4.633.748
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**2.552.855**	**5.575.613**
E.CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5	192.787.683	187.212.070
CASH AND CASH EQUIVALENTS AT END OF YEAR (A+B+C+D+E)	5	**195.340.538**	**192.787.683**

(*) The restatement effects are explained in Note 2.

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Netaş Telekomünikasyon A.Ş. (the "Company") and its' subsidiaries (together the "Group") is an incorporated company, registered in Istanbul. The Company is engaged in the manufacture and trade of telecommunication equipment, project installation services, technical support, repair and maintenance services, IT services, strategic outsourcing services, implementation activities, and associated services. The shares of the Company are quoted on the Borsa İstanbul ("BIST") since 1993. The former headquarter which was located at Alemdağ Street No: 171 Ümraniye/ İstanbul has been registered at Yenişehir Mah. Osmanlı Bulvarı No: 11 34912 Kurtköy-Pendik/İstanbul at Istanbul Trade Registry Office as of 23 July 2013.

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

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

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

Based on the decision of the Board of Directors of the Company dated 11 April 2012, a "Limited Liability Partnership" (Netas Telecom Liability Partnership) through the allocation of 161.800 Tenge (approximately 1.100 USD) of founding capital in Almaty, Kazakhstan has been established and its registration has been completed on 4 July 2012, as being effective on 25 June 2012.

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

In Malta, a company (Netaş Telecommunications Malta Ltd.) was established through the allocation of 1.200 Euro of founding capital, all of which belongs to the Company, and its registration was completed on 4 November 2014.

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

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

NETRD Bilgi Teknolojileri ve Telekomünikasyon A.Ş. ("NETRD"), of which 50.000 TL founding capital is completely owned by the Group, was established on 29 August 2018 in Istanbul. The operations of the Company, including all kinds of information and telecommunication systems, hardware and software design and coding, research and development activities, product development, consultancy, including all kinds of information activities and services, technical support, technological solution, integration, VOIP to develop, install, service, operate and operate advanced communication technologies in Turkey or abroad, to provide business services and to carry out all these activities on behalf of its own customers or to the customers it serves. In line with the decision taken by Company's Board of Directors on 14 March 2019, the Company Management was authorized for the sales of NETRD. Negotiations are still ongoing within this scope and an exclusivity agreement was signed with Orion Parent LLC to evaluate strategic alternatives for the sale of NETRD's shares. As of the balance sheet date, there is no sale. Information on the financial results of the subsidiary planned to be sold is presented in Note 32.

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

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

As of 31 December 2019 the Group has no blue-collar employees (31 December 2018: None). The average number of white-collar personnel employed in the Group as of 31 December 2019 is 2.478 (31 December 2018: 2.453).

Approval of Consolidated Financial Statements

The financial statements were approved by the Board of Directors on 5 March 2020. The General Assembly and relevant regulatory bodies have the right to amend the consolidated financial statements.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

a) Statement of Compliance

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

The consolidated financial statements are presented in accordance with the formats provided in Examples of Financial Statements and User guide issued by CMB and the TAS Taxonomy issued by POA. The consolidated financial statements and explanatory notes of the Group are presented in accordance with the formats provided in Examples of Financial Statements and User guide published on 7 June 2019 by POA.

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

2.1 Basis of Presentation (Cont'd)

b) Basis of presentation of consolidated financial statements:

The details of the Company's subsidiaries as of 31 December 2019 are as follows:

	Place and establishment of operation	Group's shares in capital and voting rights	Main operating activities
Netaş Bilişim Teknolojileri A.Ş.	Turkey	%100	Consultancy of project installments and network solutions
BDH Bilişim Destek Hizmetleri Sanayi ve Ticaret A.Ş.	Turkey	%100	Technical supports and maintenance services
Netaş Telecom Limited Liability Partnership	Republic of Kazakhstan	%100	Consultancy of project installment, design and technical support services
Netaş Telecommunications Malta Ltd	Malta	%100	Supply of telecomunication equipment
NETRD Bilgi Teknolojileri ve Telekomünikasyon A.Ş.	Turkey	%100	Computer programming activities
Netas Telecommunications Algeria Sarl LLC (*)	Algeria	%49	Manufacture of small installation and electric lighting equipment

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

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

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

The Company reassesses whether or not it controls an invested company/asset if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company and other parties;
- rights arising from other contractual arrangements; and

Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

2.1 Basis of Presentation (Cont'd)

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

As of 31 December 2019 and 2018 the details of associate of the Group is given below:

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

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

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or a joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or a joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or a joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of TFRS 9 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with TAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with TAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

2.1 Basis of Presentation (Cont'd)

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

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

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

c) Functional Currency and Reporting Currency

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

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

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

• Monetary assets and liabilities have been converted to the functional currency with the The Central Bank of Turkish Republic (CBRT) foreign exchange buying rate.

• Non-monetary items have been converted into the functional currency at the exchange rates prevailing at the transaction date.

• Profit or loss accounts have been converted into the functional currency using the exchange rates at the transaction date, except for depreciation expenses.

• The capital is followed according to historical costs.

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

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

2.1 Basis of Presentation (Cont'd)

c) Functional Currency and Reporting Currency (Cont'd)

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

- Assets and liabilities has been translated to TL by using USD rate as of 31 December 2019 (1 USD: 5,9402 TL), 31 December 2018; (1 USD: 5,2609 TL)

- statements of profit or loss and statements of cash flows have been translated to TL by using twelve months average exchange rate (1 USD: 5,6708 TL) for the year ended 31 December 2019 (for the year ended 31 December 2018 1 USD: 4,814 TL).

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

The functional currency of Netaş Telecom Limited Liability Partnership, a subsidiary of the Company operating in Kazakhstan is Kazakhstan Tenge and included in the consolidated financial statements by converting into TL, the presentation currency of the consolidated financial statements. The functional currency of the Netas Telecommunications Algeria Sarl LLC, a subsidiary of the Company operating in Algeria, is Algerian Dinar and included in the consolidated financial statements by converting into TL, the presentation currency of the consolidated financial statements.

2.2 Comparative Information and Restatement of Prior Period Consolidated Financial Statements

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

The Group has identified some adjustments in 2019 related to previous periods and restated its previous year financial statements in order to comply with the current year consolidated financial statements. Within this scope; consolidated statement of financial position as of 31 December 2018 and 1 January 2018 and consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018, and the statement of changes in equity and the statement of cash flows for the year ended 31 December 2018 have been restated.

Restatement of Prior Period Consolidated Financial Statements and Reclassifications:

1) The Group accounts its unbilled receivables arising from the overtime contracts as being earned but not yet billed receivables under the "Unbilled receivables" in its consolidated financial statements.

In previous years, The Group recognized its foreign currency unbilled receivables in USD, the functional currency, with in historic amounts instead of the original currency of the unbilled receivables in the consolidated financial statements, which caused the unbilled receivables in foreign currency amounts being misstated consolidated financial statements. The management of the Company identified that the unbilled receivables as of 1 January 2018 and 31 December 2019 are overstated by an amount of USD 9.250.345 and USD 21.785.867 and restated consolidated financial statements in this respect. Consolidated statement of financial position as of 1 January 2018 and as of 31 December 2019, consolidated statement of financial position is restated for an amount of TL 34.891.375 and, TL 113.359.932 respectively and consolidated statement of profit or loss for the period ended 31 December 2018 is restated for an amount of, TL 46.130.468.

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

2.2 Comparative Information and Restatement of Prior Period Consolidated Financial Statements (Cont'd)

2) The management of the Company reviewed its long standing deferred costs as contract assets arising from the contracts with customers and concluded that the amounts related to these assets should be recognized as an expense. Hence, the management of the Company agreed that the deferred cost as of 1 January 2018 and 31 December 2018 should be lower by USD 12.492.537 and USD 20.151.987 respectively. Accordingly, consolidated statement of financial position as of 1 January 2018 and 31 December 2018 have been restated for an amount of TL 47.120.601, and TL 106.017.589 respectively and the consolidated financial statement of profit or loss for the year ended, 31 December 2018 have been restated for an amount of TL 12.240.572 was restated.

3) The management of the Company identified a classification error on the currency translation differences arising from the conversion financial statements of the subsidiaries into USD for consolidation purpose whose functional currency are not in USD and conversion of consolidated financial statements to the presentation currency between currency translation differences and retained earnings. The misstatement does not have an effect on total equity of the Group.

4) The Group management has written off the balance of a VAT refund related to the export-registered sales made in the previous years under other VAT account for an amount of TL 1.120.067 since the balance due from the customer was bankrupted in previous years and the VAT receivable balance was not non-recoverable since then.

5) The management of the Company reviewed its assumptions regarding the classification of unused vacation provisions and reclassified unused vacation provisions in short-term provisions to long-term provisions considering that it is not possible to use the all unused vacation within 1 year.

The effects of the restated described above are presented below:

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

2.2 Comparative Information and Restatement of Prior Period Consolidated Financial Statements (Cont'd)

	Reported Previous Year 31 December 2018	Restatement Effects	Restated Previous Year 31 December 2018
ASSETS			
Current Assets	**1.563.754.051**	**(203.707.056)**	**1.360.046.995**
Cash and Cash Equivalents	192.787.683	-	192.787.683
Trade Receivables	916.704.334	(96.569.400)	820.134.934
Due from related parties	*7.142*	-	*7.142*
Trade receivables, third parties	*916.697.192*	*(96.569.400)*	*820.127.792*
Other Receivables	1.728.286	-	1.728.286
Other receivables, third parties	*1.728.286*	-	*1.728.286*
Inventories	89.377.544	405.453	89.782.997
Contract Assets related to Goods and Services Provided	305.680.684	(106.017.589)	199.663.095
Prepaid Expenses	13.361.876	(405.453)	12.956.423
Current Income Tax Assets	-	5.335.193	5.335.193
Other Current Assets	44.113.644	(6.455.260)	37.658.384
Non-Current Assets	**297.685.066**	**38.178.235**	**335.863.301**
Trade Receivables	54.296.299	(16.790.532)	37.505.767
Trade receivables, third parties	*54.296.299*	*(16.790.532)*	*37.505.767*
Property, Plant and Equipment	51.441.407	-	51.441.407
Financial Investments	4.733.887	-	4.733.887
Intangible Assets	129.450.068	-	129.450.068
Goodwill	*96.422.343*	-	*96.422.343*
Other intangible assets	*33.027.725*	-	*33.027.725*
Investments Accounted Using the Equity Method	7.784.350	-	7.784.350
Other Non-Current Assets	25.401.602	-	25.401.602
Prepaid Expenses	554.765	-	554.765
Deferred Tax Assets	24.022.688	54.968.767	78.991.455
TOTAL ASSETS	**1.861.439.117**	**(165.528.821)**	**1.695.910.296**

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

2.2 Comparative Information and Restatement of Prior Period Consolidated Financial Statements (Cont'd)

	Reported Previous Year 31 December 2018	Restatement Effects	Restated Previous Year 31 December 2018
LIABILITIES			
Short Term Liabilities	**1.016.624.156**	**25.983.595**	**1.042.607.751**
Short Term Borrowings	487.836.269	-	487.836.269
Trade Payables	298.956.476	28.015.749	326.972.225
Due to related parties	*353.107*	-	*353.107*
Trade payables, third parties	*298.603.369*	*28.015.749*	*326.619.118*
Other Payables	17.064.203	-	17.064.203
Other payables, third parties	*17.064.203*	-	*17.064.203*
Employee Benefit Obligations	22.373.870	-	22.373.870
Contract Liabilities	83.881.957	-	83.881.957
Provisions	34.856.887	(2.032.154)	32.824.733
Provisions for Employee Benefits	*28.613.313*	*(4.496.917)*	*24.116.396*
Other Short Term Provisions	*6.243.574*	*2.464.763*	*8.708.337*
Deferred Revenue	66.589.646	-	66.589.646
Current Income Tax Liabilities	5.064.848	-	5.064.848
Long Term Liabilities	**31.150.023**	**4.496.917**	**35.646.940**
Long Term Borrowings	-	-	-
Trade Payables	57.416	-	57.416
Trade payables, third parties	*57.416*	-	*57.416*
Provisions	29.265.838	4.496.917	33.762.755
Provisions for Employee Benefits	*29.265.838*	*4.496.917*	*33.762.755*
Deferred Tax Liabilities	1.826.769	-	1.826.769
SHAREHOLDERS' EQUITY			
Equity Attributable to Equity Holders of the Parent	**813.664.938**	**(196.009.333)**	**617.655.605**
Share Capital	64.864.800	-	64.864.800
Share Capital Adjustments	41.612.160	-	41.612.160
Other comprehensive income to be reclassed in profit and loss	28.564.108	(28.606.848)	(42.740)
Currency Translation Differences	*28.564.108*	*(28.606.848)*	(42.740)
Other comprehensive income not to be reclassed in profit and loss	487.612.954	(253.977.762)	233.635.192
Remeasurement gain/ (loss) on defined benefit plan	*(7.862.007)*	-	(7.862.007)
Currency Translation Differences	*495.474.961*	*(253.977.762)*	241.497.199
Restricted Reserves	34.897.360	-	34.897.360
Retained Earnings	175.927.647	150.970.128	326.897.775
Net (Loss) for the Period	(19.814.091)	(64.394.851)	(84.208.942)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1.861.439.117**	**(165.528.821)**	**1.695.910.296**

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

2.2 Comparative Information and Restatement of Prior Period Consolidated Financial Statements (Cont'd)

	Reported 1 January- 31 December 2018	Restatement Effects	Restated 1 January- 31 December 2018
INCOME OR LOSS FROM OPERATIONS			
Revenue	1.039.787.975	(15.324.055)	1.024.463.920
Cost of Sales (-)	(916.893.118)	26.667.047	(890.226.071)
GROSS PROFIT	**122.894.857**	**11.342.992**	**134.237.849**
Sales, Marketing and Distribution Expenses (-)	(58.914.211)	(8.862.406)	(67.776.617)
General Administrative Expenses (-)	(44.988.291)	(38.907.619)	(83.895.910)
Research and Development Expenses (-)	(13.407.445)	-	(13.407.445)
Other Income from Operating Activities	1.483.323	-	1.483.323
Other Expenses from Operating Activities (-)	(100.233.240)	(46.130.468)	(146.363.708)
OPERATING (LOSS)	**(93.165.007)**	**(82.557.501)**	**(175.722.508)**
Income from Investment Activities	72.674	-	72.674
Expenses from Investment Activities (-)	(18.675)	-	(18.675)
Income from Investments Accounted Using the Equity Method	375.187	-	375.187
OPERATING (LOSS) BEFORE FINANCE INCOME AND EXPENSES	**(92.735.821)**	**(82.557.501)**	**(175.293.322)**
Financial Income	153.910.189	-	153.910.189
Financial Expenses (-)	(87.815.832)	-	(87.815.832)
(LOSS) BEFORE TAX	**(26.641.464)**	**(82.557.501)**	**(109.198.965)**
Tax Income	**6.827.373**	**18.162.650**	**24.990.023**
Current Tax Expenses	*(5.150.867)*	-	*(5.150.867)*
Deferred Tax Income	*11.978.240*	*18.162.650*	*30.140.890*
NET (LOSS) FOR THE PERIOD	**(19.814.091)**	**(64.394.851)**	**(84.208.942)**

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

2.2 Comparative Information and Restatement of Prior Period Consolidated Financial Statements (Cont'd)

	Reported Previous Year 1 January 2018	**Restatement Effects**	**Restated Previous Year 1 January 2018**
ASSETS			
Current Assets	**1.286.317.631**	**(70.776.745)**	**1.215.540.886**
Cash and Cash Equivalents	187.212.070	-	187.212.070
Trade Receivables	806.226.238	(22.853.091)	783.373.147
Due from related parties	-	-	-
Trade receivables, third parties	*806.226.238*	*(22.853.091)*	*783.373.147*
Other Receivables	1.479.485	-	1.479.485
Other receivables, third parties	*1.479.485*	-	*1.479.485*
Inventories	70.801.802	3.279.091	74.080.893
Contract Assets related to Goods and Services Provided	165.497.546	(47.120.601)	118.376.945
Prepaid Expenses	11.457.890	(3.279.091)	8.178.799
Current Income Tax Assets	-	227.117	227.117
Other Current Assets	43.642.600	(1.030.170)	42.612.430
Non-Current Assets	**263.534.876**	**13.141.664**	**276.676.540**
Trade Receivables	83.903.835	(12.038.284)	71.865.551
Trade receivables, third parties	*83.903.835*	*(12.038.284)*	*71.865.551*
Property, Plant and Equipment	36.598.628	-	36.598.628
Financial Investments	2.928.818	-	2.928.818
Intangible Assets	103.327.185	-	103.327.185
Goodwill	*69.131.791*	-	*69.131.791*
Other intangible assets	*34.195.394*	-	*34.195.394*
Investments Accounted Using the Equity Method	6.155.424	-	6.155.424
Other Non-Current Assets	18.909.728	-	18.909.728
Prepaid Expenses	416.766	-	416.766
Deferred Tax Assets	11.294.492	25.179.948	36.474.440
TOTAL ASSETS	**1.549.852.507**	**(57.635.081)**	**1.492.217.426**

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

2.2 Comparative Information and Restatement of Prior Period Consolidated Financial Statements (Cont'd)

	Reported Previous Year 1 January 2018	Restatement Effects	Restated Previous Year 1 January 2018
LIABILITIES			
Short Term Liabilities	**845.140.220**	**31.030.945**	**876.171.165**
Short Term Borrowings	302.073.547	-	302.073.547
Trade Payables	382.578.302	32.442.333	415.020.635
Due to related parties	*1.715.824*	-	*1.715.824*
Trade payables, third parties	*380.862.478*	*32.442.333*	*413.304.811*
Other Payables	10.710.962	-	10.710.962
Other payables, third parties	*10.710.962*	-	*10.710.962*
Employee Benefit Obligations	11.623.440	-	11.623.440
Contract Liabilities	55.182.524	-	55.182.524
Provisions	27.300.712	(1.411.388)	25.889.324
Provisions for Employee Benefits	*21.736.094*	*(1.411.388)*	*20.324.706*
Other Short Term Provisions	*5.564.618*	-	*5.564.618*
Deferred Revenue	52.676.354	-	52.676.354
Current Income Tax Liabilities	2.994.379	-	2.994.379
Long Term Liabilities	**60.105.663**	**1.411.388**	**61.517.051**
Long Term Borrowings	24.044.293	-	24.044.293
Trade Payables	46.357	-	46.357
Trade payables, third parties	*46.357*	-	*46.357*
Provisions	24.974.362	1.411.388	26.385.750
Provisions for Employee Benefits	*24.974.362*	*1.411.388*	*26.385.750*
Deferred Tax Liabilities	11.040.651	-	11.040.651
SHAREHOLDERS' EQUITY			
Equity Attributable to Equity Holders of the Parent	**644.606.624**	**(90.077.414)**	**554.529.210**
Share Capital	64.864.800	-	64.864.800
Share Capital Adjustments	41.612.160	-	41.612.160
Other comprehensive income to be reclassed in profit and loss	6.008.477	(6.019.080)	(10.603)
Currency Translation Differences	*6.008.477*	*(6.019.080)*	(10.603)
Other comprehensive income not to be reclassed in profit and loss	282.205.103	(195.937.385)	86.267.718
Remeasurement gain/ (loss) on defined benefit plan	*(8.901.434)*	-	(8.901.434)
Currency Translation Differences	*291.106.537*	*(195.937.385)*	95.169.152
Restricted Reserves	34.897.360	-	34.897.360
Retained Earnings	215.018.724	111.879.051	326.897.775
Net (Loss) for the Period	-		-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1.549.852.507**	**(57.635.081)**	**1.492.217.426**

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

2.3 Change in Accounting Policies

If changes in accounting estimates are related to only one period, they are recognized in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively. There have not been any significant changes in Group's accounting estimates. Significant accounting errors in the current year are disclosed in Note 2.2.

Except for the following changes, the Group has applied consistent accounting policies in the consolidated financial statements for the periods presented, and there are no significant changes in the accounting policies and estimates.

The Group has applied accounting policy changes resulting from the new standard, amendments and interpretations effective as of 1 January 2019 and the first application of the "TFRS 16 Leases" standard, in accordance with the transitional provisions of the relevant standard.

Impacts of the first time adoption of TFRS 16 on the consolidated financial statements of the Group are as below:

First time adoption of TFRS 16 Leases

The Group has applied TFRS 16 "Leases", which replaces TAS 17, for the effective period beginning on 1 January 2019. The cumulative impact of applying TFRS 16 is accounted in consolidated financial statements retrospectively at the start of the current accounting period. The simplified transition approach of the related standard does not require a restatement in the comparative periods. The Group measured right-of-use assets at an amount equal to the lease liability (adjusted by the amount of any prepaid or accrued lease payments) under TFRS 16 simplified transition approach.

With the transition to TFRS 16 "Leases", a "lease liability" is recognized in the consolidated financial statements for the lease contracts which were previously measured under IAS 17 as operational leases. At transition, lease liabilities are measured at the net present value of the remaining lease payments, discounted at the Group's incremental borrowing rate on the effective transition date. The Group measured the right-of-use assets at an amount equal to the lease liability (adjusted by the amount of any prepaid or accrued lease payments) under IFRS 16 simplified transition approach.

The reconciliation of operating lease commitments followed under TAS 17 before the first implementation date and the lease obligations are accounted in the consolidated financial statements under TFRS 16 as of 1 January 2019 are as follows:

	1 January 2019
Operating lease commitments within the scope of TAS 17	**67.722.135**
Short term and low value leases	-
Operating lease commitments not within the scope	28.554.492
Total lease liabilities within the scope of TFRS 16 (undiscounted)	**96.276.627**
Total lease liabilities within the scope of TFRS 16 (discounted with incremental borrowing rate)	**66.115.784**
Short-term lease liabilities	25.840.062
Long-term lease liabilities	40.275.722

The weighted average of the Group's incremental borrowing rates for Turkish Lira is 19%, for USD is %6 and for Euro is %5 as at 1 January 2019.

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

2.3 Change in Accounting Policies (cont'd)

As of 1 January 2019 and 31 December 2019, details of the right of use assets that are accounted in consolidated financial statements are as follows:

	31 December 2019	1 January 2019
Buildings	40.158.687	42.574.012
Vehicles	12.092.934	23.541.772
Right of use assets	**52.251.621**	**66.115.784**

Within the scope of lease contracts related to TFRS 16, the Group has accounted for depreciation and interest expenses instead of operational lease expenses. During the year ended 31 December 2019, the Group has accounted for the depreciation expenses amounting to TL 25.344.142 and interest and foreign exchange expenses amounting to TL 10.432.017.

As of 1 January and 31 December 2019, the details of the right of use assets that are accounted in the consolidated financial statements are as follows:

	Buildings	Vehicles	Total
Right of use assets- 1 January 2019	42.574.012	23.541.772	66.115.784
Additions	10.191.647	1.288.332	11.479.979
Depreciation charge for the year	(12.606.972)	(12.737.170)	(25.344.142)
Right of use assets- 31 December 2019	**40.158.687**	**12.092.934**	**52.251.621**

The following are the new accounting policies on the Group's implementation of TFRS 16:

Right of use asset

The right of use asset is initially recognized at cost comprising of:
a) 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 lessee for restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories)

The Group re-measure the right of use asset:
a) after netting-off depreciation and reducing impairment losses from right of use asset and
b) adjusted for certain re-measurements of the lease liability recognized at the present value

The Group applies TMS16 "Property, Plant and Equipment" to amortize the right of use asset and to asses for any impairment.

The Group applies TAS 36 "Impairment of Assets" to determine whether the right of use assets has been impaired and recognize any impairment losses identified.

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group's incremental borrowing rate.

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

2.3 Change in Accounting Policies (Cont'd)

Alternative borrowing rates were determined by taking into consideration the borrowing rates of the Group companies at the contract dates.

Lease payments included in the measurement of the lease liability comprise the following:

a) Fixed payments, including in-substance fixed payments,
b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date,
c) The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewable period if the Group is reasonably certain to exercise an extension option and
d) Penalties for early termination of a lease unless the Group is reasonably certain to terminate early.

After initial recognition, the lease liability is measured:
a) increasing the carrying amount to reflect interest on lease liability,
b) reducing the carrying amount to reflect the lease payments made and
c) re-measuring the book value to reflect re-evaluations and re-configurations. The Group reflects the reassurance amount of the lease obligations to its financial statements as a correction in the presence of the right of use assets.

Extension and termination options

In determining the lease liability, the Group considers the extension and termination options. The majority of extension and termination options held are exercisable both by the group and by the respective lessor. Extension options are included in the lease term if the lease is reasonably certain to be extended. The group re-measures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment.

If a significant change in circumstances takes place, related lease term assessment is revisited by the Group. The Group does not have a significant level of lease contract with an extension and early termination option, which is not included in the lease obligation and right of use assets because it is not reasonably certain.

Variable lease payments

Lease payments arising from a part of the Group's lease agreement consist of variable lease payments. The mentioned variable lease payments, which are not covered by TFRS 16, are recorded rent expenses into profit or loss statements

Practical implications

Short-term lease payments and payments for leases of low-value assets like IT equipment (mainly printers, laptops and mobile phones etc.) are not included in the measurement of the lease liabilities in the scope of TFRS 16. Lease payments of these contracts are continued to be recognized in profit or loss in the related period. The Group applied a single discount rate to a portfolio of leases which have similar characteristics (asset classes which have similar remaining rent periods in a similar economic environment).

The Group – as a lessor

The Group does not have any activities as a lessor.

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

2.5 Summary of Significant Accounting Policies

2.5.1 Revenue

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

The Group, recognizes revenue when the control of an asset transferred (or transferring) to the customer, the asset has transferred if all criterias of account for a contract are met according to TFRS 15. The Group provides to customers design, equipment, installation, maintenance, guarantee, licence and other performance obligations. The Group may provide those performance obligations on standalone or bundle basis.

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

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

When the time between the progress payments is longer than a reporting period, since a significiant performance is satisfied and the cost incurred are in proportion to the proress of the performance obligation, the input method is used for this performance obligations' revenue recognition.

Design Performance Obligation

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

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

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

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.1 Revenue (Cont'd)

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

Hardware Performance Obligation

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

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

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

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

Installation Performance Obligation

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.1 Revenue (Cont'd)

Maintenance Performance Obligation

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

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

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

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

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

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

Warranty Performance Obligation

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

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

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.1 Revenue (Cont'd)

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

Licence Performance Obligation

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

Outsourcing and Support Services Performance Obligation

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

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

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

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

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

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

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.1 Revenue (Cont'd)

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

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

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

2.5.2 Inventories

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

2.5.3 Plant, Property and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss.

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

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

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.3 Plant, Property and Equipment (Cont'd)

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

2.5.4 Intangible Assets

Intangible assets acquired separately

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

Licenses

Separately acquired licenses is carried at their acquisition costs. Licenses acquired in a business combination are accounted for at their fair values at the acquisition date. Licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives.

Computer software

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

Costs associated with developing or maintaining computer software program are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

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

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

Contractual customer relationships

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

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

2.5.5 Impairment of tangible and intangible assets other than goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.
Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

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

2.5.6 Borrowing Costs

Interest expenses directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recorded in the profit and loss statement in the period in which they are incurred.

2.5.7 Financial Instruments

Classification and Measurement

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

(a) Financial assets carried at amortized cost

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

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

2.5 Summary of Significant Accounting Policies (Cont’d)

2.5.7 Financial Instruments (Cont’d)

Impairment

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

(b) Financial assets carried at fair value

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

Financial assets carried at fair value through profit or loss

The Group does not have any financial assets whose fair value is reflected to profit or loss.

Financial assets carried at fair value through other comprehensive income

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

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

Financial liabilities

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

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.7 Financial Instruments (Cont'd)

Credit risk

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

Foreign currency risk

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

Liquidity risk

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

2.5.9 Goodwill

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

2.5.10 Effects of Change in Foreign Exchange Rates

The effects of change in foreign exchange rates on the financial statements have been disclosed in note 2 "Basis of Financial Statements" section 2.1.c "Functional and Reporting Currency". For the purpose of presentation of the consolidated financial statements as TL, balance sheet has been translated to TL by using Turkish Central Bank foreign exchange buying rates as of 31 December 2019 (1 USD = 5,9402 TL , 1 EUR = 6,6506 TL , 1 CAD = 4,5376 TL, 1 GBP = 7,7765 TL and 1 BDT = 0,06879 TL , 1 AZN=3,4967, 1 DZD=0,04967).

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.10 Effects of Change in Foreign Exchange Rates (Cont'd)

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

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

2.5.11 Earnings/ (Losses) per Share

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

2.5.12 Subsequent Events

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information. The Group adjusts the amounts recognized in its consolidated financial statements if adjusting events occur after the reporting date.

The subsequent events that do not require correction after the reporting period are explained in the footnotes of the consolidated financial statements if they affect the economic decisions of the users of the financial statements.

2.5.13 Provisions, Contingent Liabilities and Assets

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

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

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

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.14 Related Parties

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

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

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

ii) has significant influence over the reporting entity; or

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

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

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

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

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

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

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

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

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

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

2.5. Summary of Significant Accounting Policies (Cont'd)

2.5.15 Reporting of Financial Information on Segment Basis

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

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

As of 31 December 2019, it was decided by the Group management to separate Telecom group companies on the basis of business groups and to be followed in a separate activity segment. The classification transactions made within the reporting footnote according to the segments does not have any effect on the profit or loss statement.

2.5.16 Government Grants and Incentives

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

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

Government grants are presented in the consolidated financial statements regardless of whether the grants are obtained in cash or by decreasing a liability to the government. Government grants are presented in Note 14.

2.5.17 Taxes Calculated on Corporation Earnings

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

Current tax

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

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.17 Taxes Calculated on Corporation Earnings (Cont'd)

Deferred tax

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

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

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

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

Current and deferred tax for the year

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

2.5.18 Employee Benefits

Termination and retirement benefits

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

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.18 Employee Benefits (Cont'd)

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

Profit-sharing and bonus plans

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

Retirement Plans

As it is disclosed in Note 17, the Group pays a special pension to employees who have worked over 15 years for the Group. The assumptions used in the calculation of future obligations are disclosed in Note 17.

2.5.19 Statements of Cash Flows

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

2.5.20 Share Capital and Dividends

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

2.5.21 Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Intangible assets

The fair value of intangible assets recognized as a result of a business combination is based on market values. The market value of intangible assets is the estimated amount for which an intangible could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair values of other intangible assets are carried at cost and are considered to approximate its respective carrying amount.

(b) Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

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

2.5 Summary of Significant Accounting Policies (Cont'd)

2.5.21 Determination of Fair Values (Cont'd)

(c) Trade and Other Receivables/Due from Related Parties

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(d) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Fair value of trade and other payables is carried out at cost and is considered to approximate its respective carrying amount.

2.6 Significant Accounting Estimates, Judgements and Assumptions

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas at estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the consolidated financial statements is included in the following notes:

Note 7	Trade receivables and payables: Estimations and accounting judgments regarding to collectability of receivables
Note 9	Inventories: Estimations regarding to inventory provision
Note 12, 13	Property, plant and equipment and intangible assets: Estimations regarding to useful lives
Note 13	Goodwill: Estimations regarding to impairment of goodwill
Note 15	Provisions: Estimations regarding to provision amounts
Note 21	Revenue and cost of sales: Estimation of revenue and cost based on project based analysis
Note 26	Tax Assets and liabilities: Estimations regarding to recoverability of deferred tax assets
Note 29	Financial instruments and risk management: Estimations and accounting judgments regarding to collectability of receivables.

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

2.7 The New Standards, Amendments and Interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2019 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2019. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at January 1, 2019 are as follows:

- TFRS 16 Leases

The Group adopted TFRS 16 using the modified retrospective approach. The impact of the transition and the changes in the accounting policies of the Group related to adoption of TFRS 16 and are disclosed in Note 2.3

- Amendments to TAS 28 "Investments in Associates and Joint Ventures"
- TFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements – 2015–2017 Cycle
- Plan Amendment, Curtailment or Settlement" (Amendments to TAS 19)
- Prepayment Features with Negative Compensation (Amendments to TFRS 9)

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

Standards issued but not yet effective and not early adopted

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

- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- TFRS 17 - The new Standard for insurance contracts
- Definition of a Business (Amendments to TFRS 3)
- Definition of Material (Amendments to TAS 1 and TAS 8)
- Amendments to TFRS 9, TAS 39 and TFRS 7- Interest Rate Benchmark Reform

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

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing TFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing TFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

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

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

3. INVESTMENTS ACCOUNTED USING THE EQUITY METHOD

Associates

Details of significant associate:

As of 31 December 2019, the details of important associates are as in the following;

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

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

	31 December 2019	31 December 2018	31 December 2017
Current assets	42.666.427	31.820.099	32.789.365
Non-current assets	34.321.463	23.512.486	15.602.416
Short term liabilities	22.245.462	13.234.199	9.072.256
Long term liabilities	3.064.353	429.729	888.245
Net assets	**51.678.075**	**41.668.657**	**38.431.280**
Share of the Group in net assets	5.167.808	4.166.866	3.843.128

	1 January 2019- 31 December 2019	1 January 2018- 31 December 2018
Net profit	11.117.182	4.529.808
Other comprehensive expenses	(1.107.764)	(777.941)
Total comprehensive income	10.009.418	3.751.867
Share of the Group in total comprehensive income	1.000.942	375.187

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

	2019	2018
As of 1 January	7.784.350	6.155.424
Share from the profit of the year	1.000.942	375.187
Currency translation reserves	616.261	1.253.739
As of 31 December	**9.401.553**	**7.784.350**

4. SEGMENT REPORTING

There are 6 business segments containing information that Group Management evaluates performance and uses to decide on resource allocation. The following table shows the information about each segment. The operational profit and breakdowns below are regularly considered in evaluating the performance of segments. In order to reach the operating profit/ loss amount used to evaluate the performance of the segment, other income and expenses from operating activities are deducted from the consolidated operating profit/ loss amount presented in the consolidated financial statements.

For the year ended 31 December 2019	**Enterprise**	**Public**	**International**	**Technology**	**Telecom**	**BDH**	**Unallocated**	**Total**
Revenue	578.653.545	303.224.335	64.511.120	99.314.621	158.542.024	123.394.549	-	1.327.640.194
Cost of sales (-)	(539.801.093)	(246.872.981)	(54.126.827)	(77.834.046)	(147.783.620)	(101.180.926)	-	(1.167.599.493)
Gross margin	**38.852.452**	**56.351.354**	**10.384.293**	**21.480.575**	**10.758.404**	**22.213.623**	**-**	**160.040.701**
Sales,marketing and distribution expenses (-)	(36.861.395)	(11.050.521)	(13.773.435)	-	(13.085.935)	(22.463.265)	-	(97.234.551)
General administrative expenses (-)	-	-	-	-	-	-	(87.612.151)	(87.612.151)
Research and development expenses (-)	-	-	-	(7.405.105)	-	-	-	(7.405.105)
Operating profit / (loss) of segment	**1.991.057**	**45.300.833**	**(3.389.142)**	**14.075.470**	**(2.327.531)**	**(249.642)**	**(87.612.151)**	**(32.211.106)**

For the year ended 31 December 2018	**Enterprise**	**Public**	**International**	**Technology**	**Telecom**	**BDH**	**Unallocated**	**Total**
Revenue	425.410.089	332.090.981	80.006.029	80.968.980	44.921.618	61.066.223	-	1.024.463.920
Cost of sales (-)	(386.502.928)	(278.899.768)	(60.214.278)	(77.928.493)	(41.130.414)	(45.550.190)	-	(890.226.071)
Gross margin	**38.907.161**	**53.191.213**	**19.791.751**	**3.040.487**	**3.791.204**	**15.516.033**	**-**	**134.237.849**
Sales,marketing and distribution expenses (-)	(32.056.361)	(20.922.805)	(12.187.078)	-	(2.610.373)	-	-	(67.776.617)
General administrative expenses (-)	-	-	-	-	-	-	(83.895.910)	(83.895.910)
Research and development expenses (-)	-	-	-	(13.407.445)	-	-	-	(13.407.445)
Operating profit / (loss) of segment	**6.850.800**	**32.268.408**	**7.604.673**	**(10.366.958)**	**1.180.831**	**15.516.033**	**(83.895.910)**	**(30.842.123)**

4. SEGMENT REPORTING (Cont'd)

31 December 2019	**Enterprise**	**Public**	**International**	**Technology**	**Telecom**	**BDH**	**Unallocated (**)**	**Total**
Trade receivables	165.454.257	498.256.235	106.311.180	28.559.940	88.800.216	12.089.350	5.666.859	905.138.037
Due from related parties	21.720	-	-	-	8.265.318	-	-	8.287.038
Inventories	5.790.733	87.369.568	7.345.873	877.429	20.507.713	1.931.069	437.069	124.259.454
Contract assets	98.291.405	75.331.867	36.567.023	3.332.339	9.504.889	9.969.742	6.798.289	239.795.554
Segments assets	**269.558.115**	**660.957.670**	**150.224.076**	**32.769.708**	**127.078.136**	**23.990.161**	**12.902.217**	**1.277.480.083**
Trade payables (*)	201.527.883	84.298.584	22.625.767	2.591.667	58.281.621	26.794.074	22.746.162	418.865.758
Due to related parties	524.861	18.611	9.843.250	-	83.047.150	-	159.605	93.593.477
Contract liabilities	41.778.775	13.272.748	32.343.384	-	16.598.271	2.451.014	110.806	106.554.998
Deferred revenue	2.744.241	58.293.392	54.777	33.602	61.029	129.234	3.028	61.319.303
Segment liabilities	**246.575.760**	**155.883.335**	**64.867.178**	**2.625.269**	**157.988.071**	**29.374.322**	**23.019.601**	**680.333.536**

31 December 2018	**Enterprise**	**Public**	**International**	**Technology**	**Telecom**	**BDH**	**Unallocated (**)**	**Total**
Trade receivables (*)	236.347.435	431.142.482	98.284.113	34.394.576	39.363.703	17.599.426	501.824	857.633.559
Due from related parties	7.142	-	-	-	-	-	-	7.142
Inventories	6.147.946	74.641.974	5.989.412	665.120	1.325.831	688.293	324.421	89.782.997
Contract assets	59.272.725	65.245.211	33.042.696	6.050.035	3.153.509	32.474.768	424.151	199.663.095
Segments assets	**301.775.248**	**571.029.667**	**137.316.221**	**41.109.731**	**43.843.043**	**50.762.487**	**1.250.396**	**1.147.086.793**
Trade payables (*)	153.391.781	87.129.790	34.247.151	453.664	5.882.991	25.273.763	20.297.394	326.676.534
Due to related parties	353.107	-	-	-	-	-	-	353.107
Contract liabilities	50.076.735	11.519.035	16.317.930	-	1.760.429	4.163.108	44.720	83.881.957
Deferred revenue	893.010	65.250.530	346.059	29.759	61.029	130	9.129	66.589.646
Segment liabilities	**204.714.633**	**163.899.355**	**50.911.140**	**483.423**	**7.704.449**	**29.437.001**	**20.351.243**	**477.501.244**

(*) Unallocated trade payables are comprised of as rent, insurance, consultancy and etc. Trade payables related to Nortel companies as of 31 December 2019 and 2018 are included in unallocated section.

4. SEGMENT REPORTING (Cont'd)

31 December 2017	Enterprise	Public	International	Technology	Telecom	BDH	Unallocated (**)	Total
Trade receivables (**)	170.966.397	470.512.865	122.086.455	25.973.499	6.158.132	10.554.671	48.986.679	855.238.698
Due from related parties	-	-	-	-	-	-	-	-
Inventories	9.412.965	54.857.855	4.924.858	343.871	4.295.866	1.708	243.770	74.080.893
Contract assets	16.203.478	72.078.470	2.369.453	14.049.910	966.390	9.238.440	3.470.804	118.376.945
Segments assets	**196.582.840**	**597.449.190**	**129.380.766**	**40.367.280**	**11.420.388**	**19.794.819**	**52.701.253**	**1.047.696.536**
Trade payables (**)	144.738.125	148.829.673	81.093.860	1.126.294	6.745.688	14.463.315	16.354.213	413.351.168
Due to related parties	1.715.824	-	-	-	-	-	-	1.715.824
Contract Liabilities	32.335.840	19.549.592	1.099.784	-	1.042.249	1.113.596	41.463	55.182.524
Deferred revenues	2.553.394	49.268.440	845.650	-	-	130	8.740	52.676.354
Segment liabilities	**181.343.183**	**217.647.705**	**83.039.294**	**1.126.294**	**7.787.937**	**15.577.041**	**16.404.416**	**522.925.870**

(**) Unallocated trade payables are shown as rent, insurance, consultancy and etc. Trade receivables and payables related to Nortel companies as of 1 January 2018 are included in unallocated section.

4. SEGMENT REPORTING (Cont'd)

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

	For the Year Ended 31 December 2019	For the Year Ended 31 December 2018
Operating (loss) of segment	(32.211.106)	(30.842.123)
Other (expenses)/income from operating activities (net)	(29.640.950)	(144.880.385)
Other (expenses)/income from investments (net)	(231.280)	53.999
Income from investments accounted using the equity method	1.000.942	375.187
Finance (expenses)/income (net)	(117.154.563)	66.094.357
(Loss) before tax	**(178.236.957)**	**(109.198.965)**

Assets	**31 December 2019**	**31 December 2018**	**31 December 2017**
Segment assets	1.277.480.083	1.147.086.793	1.047.696.536
Other assets (*)	728.710.632	548.823.503	444.520.890
Total assets	**2.006.190.715**	**1.695.910.296**	**1.492.217.426**

Liabilities	**31 December 2019**	**31 December 2018**	**31 December 2017**
Segment liabilities	680.333.536	477.501.244	522.925.870
Other liabilities (*)	789.647.760	600.753.447	414.762.346
Total liabilities	**1.469.981.296**	**1.078.254.691**	**937.688.216**

(*) Other assets and liabilities include assets and liabilities other than segment assets and liabilities.

5. CASH AND CASH EQUIVALENTS

	31 December 2019	**31 December 2018**	**31 December 2017**
Bank- demand deposits	167.930.867	75.451.741	72.023.775
Bank- time deposits	26.156.222	116.933.685	114.553.052
Credit card receivables	1.253.449	402.257	635.243
	195.340.538	**192.787.683**	**187.212.070**

Currency	**Original Currency Amount**	**Interest Rate %**	**Maturity**	**31 December 2019**
USD	4.310.667	0,05-2,5	Jan 20-Sep 20	25.606.222
TL	550.000	8	Jan 20	550.000
				26.156.222

Currency	**Original Currency Amount**	**Interest Rate %**	**Maturity**	**31 December 2018**
USD	17.925.428	1,65-4,0	Jan 19-Sep 19	94.303.885
EUR	350.000	0,05	Jan 19	2.109.800
TL	20.520.000	21,5	Jan 19	20.520.000
				116.933.685

5. CASH AND CASH EQUIVALENTS (Cont'd)

Currency	Original Currency Amount	Interest Rate %	Maturity	31 December 2017
USD	25.202.584	1,90-2,50	Jan 18-Sep 18	95.061.627
EUR	2.022.000	0,60	Jan 18	9.130.341
TL	10.361.084	12,0	Jan 18	10.361.084
				114.553.052

As of 31 December 2019, 2018 and 2017 there are no restriction / blockage on bank accounts.

6. BORROWINGS

	31 December 2019	31 December 2018	31 December 2017
Short term bank loans			
Short term unsecured loans	402.024.285	482.638.393	302.073.436
Non interest bearing unsecured spot loans(*)	5.098.395	5.197.876	111
	407.122.680	**487.836.269**	**302.073.547**

As of 31 December 2019, effective interest rate for TL loans is 15,95 %, and effective interest rate for USD loans is 3,85%. (31 December 2018: effective interest rate for TL loans is 19,44 %, 1 January 2018: effective interest rate for TL loans is 15,33 %and effective interest rate for USD loans is 4,44%).

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

The details of short-term unsecured loans of the Group are given below;

Currency	Original Currency Amount	Interest Rate(%) (*)	Maturity	31 December 2019
TL	378.263.485	9,75-27,66	Jan 20-July 20	378.263.485
USD	4.000.000	3,85	Rotative	23.760.800
				402.024.285

Currency	Original Currency Amount	Interest Rate(%) (*)	Maturity	31 December 2018
TL	482.638.393	15,10-42,00	Jan 19-May 19	482.638.393
				482.638.393

Currency	Original Currency Amount	Interest Rate(%) (*)	Maturity	31 December 2017
USD	25.102.209	4,30-4,60	April 18-Jun 18	94.683.023
TL	207.390.413	13,35-15,70	Feb 18-Oct 18	207.390.413
				302.073.436

6. BORROWINGS (Cont'd)

	31 December 2019	31 December 2018	31 December 2017
Long term bank loans			
Long term unsecured loans	196.209.584	-	24.044.293
	196.209.584	**-**	**24.044.293**

The detail of long-term unsecured loans of the Group is given below;

Currency	Original Currency Amount	Interest Rate(%) (*)	Maturity	31 December 2019
TL	196.209.584	10,00-12,56	Nov 21- Dec 22	196.209.584

Currency	Original Currency Amount	Interest Rate(%) (*)	Maturity	31 December 2017
TL	24.044.293	16,51-16,75	January 19	24.044.293

(*) Presents the lower and upper rates.

The Group has no collaterals given for bank loans as of 31 December 2019, 2018 and 2017.

The movement of borrowings of the Group is given in the table below. Cash flows arising from the borrowings of the Group are classified under the cash inflows/ outflows arising from financing activities in the consolidated statement of cash flows.

	2019	2018	2017
1 January	487.836.269	326.117.840	354.859.452
Financing cash flows, net	96.939.102	155.460.036	(14.176.375)
Interest accrual changes	(18.556.893)	(6.258.393)	(3.690.226)
Currency translations	37.113.786	12.516.786	(10.875.011)
31 December	**603.332.264**	**487.836.269**	**326.117.840**

7. TRADE RECEIVABLES AND PAYABLES

Trade Receivables from Third Parties	**31 December 2019**	**31 December 2018**	**31 December 2017**
Trade receivables	634.695.299	564.436.989	540.356.682
Unbilled receivables	320.157.512	339.849.061	279.278.659
Notes receivables	-	894.353	-
Discount on trade receivables (*)	(822.961)	(1.133.976)	(599.276)
Allowances for doubtful receivables (-)	(91.204.305)	(83.918.635)	(35.662.918)
	862.825.545	**820.127.792**	**783.373.147**

Movement of Allowance for Doubtful Receivables	**2019**	**2018**	**2017**
1 January-Calculated according to TAS 39	(83.918.635)	(35.662.918)	(29.733.577)
Changes in accounting policies TFRS 9	-	(13.480.037)	-
Reported as of 1 January	**(83.918.635)**	**(49.142.955)**	**(29.733.577)**
Charge for the year	-	(19.190.438)	(3.890.144)
Provision no longer required	3.289.044	6.208.608	8.033
Currency translation differences	(10.574.714)	(21.793.850)	(2.047.230)
As of 31 December	**(91.204.305)**	**(83.918.635)**	**(35.662.918)**

(*) As of 31 December 2019, Group has trade receivables amounting to USD 11.458.374 incurred on an agreement, with a maturity of 4 years and that will be collected each year by equal collections. Trade receivables as of reporting date are accounted at amortized cost using the effective interest rate method (31 December 2018: USD 15.277.832, 1 January 2018: USD 19.097.290).

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

Long Term Trade Receivables from Third Parties	**31 December 2019**	**31 December 2018**	**31 December 2017**
Receivables from Nortel companies	-	-	51.685.143
Other trade receivables	46.360.192	47.219.245	54.045.633
Provision amount for Nortel companies	-	-	(25.842.571)
Discount on trade receivables (*)	(4.047.700)	(9.713.478)	(8.022.654)
	42.312.492	**37.505.767**	**71.865.551**

Movement of Allowance for Nortel Receivables	**2019**	**2018**	**2017**
As of 1 January	-	(25.842.571)	(21.700.114)
Charge for the period	-	(8.999.320)	(2.499.506)
Provision no longer required	-	30.212.447	-
Foreign currency exchange differences	-	4.629.444	(1.642.951)
As of 31 December	-	-	**(25.842.571)**

Trade Payables to Third Parties	**31 December 2019**	**31 December 2018**	**31 December 2017**
Trade payables	418.478.772	326.293.238	412.606.709
Other trade payables	325.185	325.880	698.102
	418.803.957	**326.619.118**	**413.304.811**

Long Term Trade Payables to Third Parties	**31 December 2019**	**31 December 2018**	**31 December 2017**
Payables to Nortel companies	29.162	25.827	18.517
Other trade payables	32.639	31.589	27.840
	61.801	**57.416**	**46.357**

8. OTHER RECEIVABLES AND PAYABLES

	31 December 2019	31 December 2018	31 December 2017
Other Receivables			
Deposits and guarantees given	330.022	299.656	225.264
Other	201.088	1.428.630	1.254.221
	531.110	**1.728.286**	**1.479.485**

Short Term Other Payables	31 December 2019	31 December 2018	31 December 2017
Taxes and duties payables	21.965.687	16.886.952	10.529.984
Other	175.522	177.251	180.978
	22.141.209	**17.064.203**	**10.710.962**

9. INVENTORIES

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

	31 December 2019	31 December 2018	31 December 2017
Raw materials	36.368.671	31.477.718	26.466.826
Finished goods	43.959.596	38.321.461	37.841.366
Trade goods	43.931.187	19.983.818	20.399.113
Other inventories	-	-	1.702.373
Allowance for inventory impairment (-)	-	-	(12.328.785)
	124.259.454	**89.782.997**	**74.080.893**

Movement for allowance:	2019	2018
Opening balance	-	(12.328.785)
Released for the year	-	15.734.980
Foreign currency translation difference	-	(3.406.195)
Closing balance	-	-

10. PREPAID EXPENSES

Short term prepaid expenses	31 December 2019	31 December 2018	31 December 2017
Advances given for inventories	1.588.485	4.829.891	1.602.356
Short term prepaid expenses	8.820.612	8.126.532	6.576.443
	10.409.097	**12.956.423**	**8.178.799**

Long term prepaid expenses	31 December 2019	31 December 2018	31 December 2017
Long term prepaid expenses	1.626.760	554.765	416.766
	1.626.760	**554.765**	**416.766**

11. CONTRACT ASSETS AND LIABILITIES

Details of the contract assets are given below;

Customer	31 December 2019			31 December 2018			31 December 2017		
	Short Term	Long Term	Total	Short Term	Long Term	Total	Short Term	Long Term	Total
Enterprise	98.291.405	-	98.291.405	59.272.725	-	59.272.725	16.203.478	-	16.203.478
Publlic	75.331.867	-	75.331.867	65.245.211	-	65.245.211	72.078.470	-	72.078.470
International	36.567.023	-	36.567.023	33.042.696	-	33.042.696	2.369.453	-	2.369.453
BDH	9.969.742	-	9.969.742	32.474.768	-	32.474.768	9.238.440	-	9.238.440
Telecom	9.504.889	-	9.504.889	3.153.509	-	3.153.509	966.390	-	966.390
Technology	3.332.339	-	3.332.339	6.050.035	-	6.050.035	14.049.910	-	14.049.910
Other	6.798.289	-	6.798.289	424.151	-	424.151	3.470.804	-	3.470.804
	239.795.554	-	**239.795.554**	**199.663.095**	-	**199.663.095**	**118.376.945**	-	**118.376.945**

Details of the contract liabilities are given below;

Customer	31 December 2019			31 December 2018			31 December 2017		
	Short Term	Long Term	Total	Short Term	Long Term	Total	Short Term	Long Term	Total
Enterprise	41.778.775	-	41.778.775	50.076.735	-	50.076.735	32.335.840	-	32.335.840
International	32.343.384	-	32.343.384	16.317.930	-	16.317.930	1.099.784	-	1.099.784
Telecom	16.598.271	-	16.598.271	1.760.429	-	1.760.429	3.319.369	-	3.319.369
Public	13.272.748	-	13.272.748	11.519.035	-	11.519.035	17.272.473	-	17.272.473
BDH	2.451.014	-	2.451.014	4.163.108	-	4.163.108	1.113.596	-	1.113.596
Technology	-	-	-	-	-	-	-	-	-
Other	110.806	-	110.806	44.720	-	44.720	41.462	-	41.462
	106.554.998	-	**106.554.998**	**83.881.957**	-	**83.881.957**	**55.182.524**	-	**55.182.524**

12. PROPERTY, PLANT AND EQUIPMENT

	Machinery and Equipment	Vehicles	Furniture and fixtures	Leasehold Improvements	Construction in Progress	Total
Cost						
1 January 2019	**223.341.214**	**280.626**	**21.390.577**	**55.510.645**	**7.054.522**	**307.577.584**
Translation difference	27.301.571	42.026	2.377.990	5.736.969	846.240	36.304.796
Purchases	7.266.386	164.449	3.771.339	8.924.293	6.211.215	26.337.682
Transfers(*)	-	-	-	-	(7.572.348)	(7.572.348)
Disposals	(10.670.040)	(42.545)	(1.277.929)	(1.465.370)	-	(13.455.884)
31 December 2019	**247.239.131**	**444.556**	**26.261.977**	**68.706.537**	**6.539.629**	**349.191.830**
Accumulated Depreciation						
1 January 2019	**(206.505.766)**	**(273.913)**	**(17.223.340)**	**(32.133.158)**	**-**	**(256.136.177)**
Translation difference	(26.439.837)	(35.848)	(2.237.002)	(4.374.347)	-	(33.087.034)
Period charge	(7.536.112)	(10.085)	(1.608.278)	(5.869.702)	-	(15.024.177)
Disposals	10.674.648	-	1.336.023	1.128.496	-	13.139.167
31 December 2019	**(229.807.067)**	**(319.846)**	**(19.732.597)**	**(41.248.711)**		**(291.108.221)**
Net book value at 31 December 2019	**17.432.064**	**124.710**	**6.529.380**	**27.457.826**	**6.539.629**	**58.083.609**

As of 31 December 2019 depreciation charge is TL 15.024.177. TL 6.271.097 is accounted in cost of sales, TL 8.187.689 in general administrative expenses, TL 565.391 in sales, marketing and distribution expenses.

As of 31 December 2019, there are not any mortgage and financial leasing on property, plant and equipment.

(*) TL 7.572.348 is transferred from property, plant and equipment to other intangible assets (Note 13).

12. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Machinery and Equipment	Vehicles	Furniture and fixtures	Leasehold Improvements	Construction in Progress	Total
Cost						
1 January 2018	**157.159.078**	**201.200**	**14.286.158**	**38.072.808**	**875.293**	**210.594.537**
Translation difference	62.131.902	79.426	5.764.050	15.234.237	841.090	84.050.705
Purchases	5.910.833	-	1.340.369	2.203.600	6.455.259	15.910.061
Transfers(*)	294.105	-	2.549	538.888	(1.117.120)	(281.578)
Disposals	(2.154.704)	-	(2.549)	(538.888)	-	(2.696.141)
31 December 2018	**223.341.214**	**280.626**	**21.390.577**	**55.510.645**	**7.054.522**	**307.577.584**
Accumulated Depreciation						
1 January 2018	**(143.815.845)**	**(190.936)**	**(11.042.782)**	**(18.946.346)**	**-**	**(173.995.909)**
Translation difference	(57.303.440)	(76.021)	(4.515.865)	(7.964.120)	-	(69.859.446)
Period charge	(7.228.405)	(6.956)	(1.664.693)	(5.222.692)	-	(14.122.746)
Disposals	1.841.924	-	-	-	-	1.841.924
31 December 2018	**(206.505.766)**	**(273.913)**	**(17.223.340)**	**(32.133.158)**	**-**	**(256.136.177)**
Net book value at 31 December 2018	**16.835.448**	**6.713**	**4.167.237**	**23.377.487**	**7.054.522**	**51.441.407**

As of 31 December 2018 depreciation charge is TL 14.122.746. TL 8.539.836 is accounted in cost of sales, TL 5.055.362 in general administrative expenses, TL 527.548 in sales, marketing and distribution expenses.

As of 31 December 2018, there are not any mortgage and financial leasing on property, plant and equipment.

(*) TL 281.578 is transferred from property, plant and equipment to other intangible assets (Note 13).

12. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

	Useful lives
Machinery and Equipment	10
Vehicles	5-10
Leasehold Improvement	5-10
Furniture and fixtures	5-15

13. INTANGIBLE ASSETS

Goodwill

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

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

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

Cost	**2019**	**2018**	**2017**
Opening balance	96.422.343	69.131.791	64.500.278
Translation difference	12.450.284	27.290.552	4.631.513
Closing balance	**108.872.627**	**96.422.343**	**69.131.791**

According to the accounting policies, provided in Note 2.5.9, Group performed impairment testing of goodwill.

With the estimated statement of profit or loss and potential projects of the future and revenue streams of Enterprise and BDH segments covering the period between 1 January 2020 and 31 December 2024, a valuation report has been prepared.

A valuation report has been prepared for the determination of the value to be used in the testing of impairment of goodwill as of 31 December 2019. The valuation report has been prepared by an independent valuation company. Income Approach has been applied in the valuation study of Enterprise and BDH segments. The present value of cash flows expected to be generated by the Company in the future is calculated by discounting cash flows today using a discount rate appropriate to the Company's risk profile.

The result of income approach and sensitivity analysis, indicates that, the firm value of Enterprise and BDH segments is between USD 54 million and USD 64 million. As of the valuation date, the value of the company calculated between USD 21 million and USD 32 million by considering the net debt of USD 32 million.

13. INTANGIBLE ASSETS (Cont'd)

Goodwill (Cont'd)

Considering the future cash flows of the Group, the Company Management concluded that there is no impairment in the goodwill amount as of 31 December 2019.

Significant assumptions used in discounted cash flow projections

The significant assumptions used in the calculation of recoverable amounts are discount rates and final growth rates. The after-tax discount rate was used in the valuation studies. The Weighted Average Cost of Capital rate used in the study is variable and 0,76 over the years since the tax rate will be changed during the projection period. Throughout the projection period, the company's debt / capital ratio is predicted to be 25% and a business risk premium of 1% has been taken into account in the WACC calculation.

Other Intangible Assets

	1 January- 31 December 2019		
	Customer Relations (*)	**Other Intangible Assets (**)**	**Total**
Cost			
Opening balance	**56.121.397**	**109.874.802**	**165.996.199**
Additions	-	52.543.190	52.543.190
Transfers from construction in progress	-	7.572.348	7.572.348
Disposals	-	-	-
Translation difference	7.246.529	17.036.772	24.283.301
Closing balance	**63.367.926**	**187.027.112**	**250.395.038**
Accumulated amortization			
Opening balance	**(40.688.013)**	**(92.280.461)**	**(132.968.474)**
Translation difference	(5.541.120)	(12.456.731)	(17.997.851)
Period charge	(6.049.406)	(11.520.663)	(17.570.069)
Closing balance	**(52.278.539)**	**(116.257.855)**	**(168.536.394)**
Net book value	**11.089.387**	**70.769.257**	**81.858.644**

(*) The purchase of shares of Netaş Bilişim Teknolojileri Anonim Şirketi ("Netaş Bilişim") and its subsidiary BDH Bilişim Destek Hizmetleri Sanayi ve Ticaret A.Ş. ("BDH") was completed on 11 October 2011. The contractual customer portfolio amount is related to this purchase.

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

As of 31 December 2019 amortization charge is TL 17.570.069. TL 10.171.257 is accounted in cost of sales, TL 6.866.616 in general administrative expenses and TL 532.196 in sales, marketing and distribution expenses.

13. INTANGIBLE ASSETS (Cont'd)

Other Intangible Assets

	1 January- 31 December 2018		
	Customer Relations (*)	**Other Intangible Assets(**)**	**Total**
Cost			
Opening balance	**40.237.278**	**77.354.124**	**117.591.402**
Additions	-	1.821.959	1.821.959
Transfers from construction in progress	-	281.578	281.578
Disposals	-	(281.578)	(281.578)
Translation difference	15.884.119	30.698.719	46.582.838
Closing balance	**56.121.397**	**109.874.802**	**165.996.199**
Accumulated amortization			
Opening balance	**(25.147.682)**	**(58.248.326)**	**(83.396.008)**
Translation difference	(10.404.928)	(23.968.393)	(34.373.321)
Period charge	(5.135.403)	(10.063.742)	(15.199.145)
Closing balance	(40.688.013)	(92.280.461)	(132.968.474)
Net book value	**15.433.384**	**17.594.341**	**33.027.725**

As of 31 December 2018 amortization charge is TL 15.199.145. TL 9.312.572 is accounted in cost of sales, TL 5.521.573 in general administrative expenses and TL 365.000 in sales, marketing and distribution expenses.

(*) The purchase of shares of Netaş Bilişim Teknolojileri Anonim Şirketi ("Netaş Bilişim") and its subsidiary BDH Bilişim Destek Hizmetleri Sanayi ve Ticaret A.Ş. ("BDH") was completed on 11 October 2011. The contractual customer portfolio amount is related to this purchase.

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

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

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

14. GOVERNMENT GRANTS

For the year ended 31 December 2019 the Group has received approved and accrued incentive from TÜBİTAK TL 7.764.115 (31 December 2018: TL 6.741.920 and 1 January 2018: TL 21.648.681)

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

As of 31 December 2019, the Group has a corporate tax benefit of TL 517.489.187 due to research and development disbursement and TL 12.619.575 amount is utilized by the year end (As of 31 December 2018, the Group has a corporate tax benefit of TL 344.020.426 due to research and development disbursement and TL this amount is transferred by the year end. As of 1 January 2018, the Group has a corporate tax benefit of TL 268.583.663 due to research and development disbursement and TL 61.227.387 amount is utilized by the year end). The Group has booked deferred tax assets for unused R&D tax benefit (Note 26). The unused tax advantages of the Group related to research and development activities has unlimited maturity.

For the year ended 31 December 2019, the amount of income tax incentive within the scope of Act numbered 5746 is TL 13.202.943 (31 December 2018: TL 14.552.522, 1 January 2018: TL 13.278.261) and the total amount of social premium incentive within the scope of Act numbered 5746 and Social Security and General Health Insurance Act numbered 5510 is TL 13.384.392 (31 December 2018: TL 11.452.614 and 1 January 2018: TL 10.089.367).

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions	**31 December 2019**	**31 December 2018**	**31 December 2017**
Provision for legal cases	5.833.883	5.353.179	5.123.207
Other provisions	1.442.505	3.355.158	441.411
	7.276.388	**8.708.337**	**5.564.618**

For the year ended 31 December 2019, the Group has cash outflows of TL 1.076.899 for legal cases during the year (31 December 2018: TL 1.413.608 and 1 January 2018: TL 585.907).

	Provision for Legal Cases	**Other Provisions (*)**	**Total**
1 January 2019	5.353.179	3.355.158	8.708.337
Provision booked and no longer required	1.557.603	(2.040.652)	(483.049)
Payments	(1.076.899)	-	(1.076.899)
Currency translations	-	127.999	127.999
2019	**5.833.883**	**1.442.505**	**7.276.388**

	Provision for Legal Cases	**Other Provisions (*)**	**Total**
1 January 2018	5.123.207	441.411	5.564.618
Provision booked and no longer required	1.643.580	2.506.783	4.150.363
Payments	(1.413.608)	-	(1.413.608)
Currency translations	-	406.964	406.964
2018	**5.353.179**	**3.355.158**	**8.708.337**

(*) Consist of general provisions related to subscription, electric, gas, water and communication and etc.

16. COMMITMENTS

The Group's off-balance sheet commitments and contingencies as of 31 December 2019, 2018 and 2017 are as follows:

	31 December 2019	**31 December 2018**	**31 December 2017**
Guarantee letters given (*)	548.219.384	562.325.200	405.351.746
	548.219.384	**562.325.200**	**405.351.746**

(*) The Group has no off-balance sheet commitments and contingencies in favor of subsidiaries which are fully consolidated as of 31 December 2019, 2018 and 2017.

16. COMMITMENTS (Cont'd)

Maturities and the currencies of the letters of guarantees given are given below:

		Original Currency		
31 December 2019	**TL Equivalent**	**TL**	**USD**	**EURO**
	548.219.384	147.770.924	58.159.276	8.265.530

		Original Currency		
31 December 2018	**TL Equivalent**	**TL**	**USD**	**EURO**
	562.325.200	135.535.390	76.039.442	4.438.274

		Original Currency			
1 January 2018	**TL Equivalent**	**TL**	**USD**	**EURO**	**DZD**
	405.351.746	104.369.762	73.323.974	5.360.920	6.255.408

The off-balance sheet commitments and contingencies as of 31 December 2019, 2018 and 2017 are as follows:

Commitments, Pledges, Mortgages ("CPM") are given by the Company	**31 December 2019**	**31 December 2018**	**1 January 2018**
A. Total amount of CPM is given on behalf of own legal personality	548.219.384	562.325.200	405.351.746
B. Total amount of CPM is given in favor of subsidiaries which are fully consolidated	-	-	-
C. Total amount of CPM is given for assurance of third party's debts in order to conduct of usual business activities	-	-	-
D. Total Amount of other CPM	-	-	-
i. Total amount of CPM is given in favor of parent company	-	-	-
ii. Total amount of CPM is given in favor of other group companies, which B and C doesn't include	-	-	-
iii. The amount of CPM is given in favor of third party which C doesn't include	-	-	-
	548.219.384	**562.325.200**	**405.351.746**

16. COMMITMENTS (Cont'd)

Currencies of letters of guarantees received are given below:

		Original Currency		
	TL Equivalent	**TL**	**USD**	**EURO**
31 December 2019	**2.992.721**	672.616	390.577	-

		Original Currency		
	TL Equivalent	**TL**	**USD**	**EURO**
31 December 2018	**4.718.521**	926.616	720.771	-

		Original Currency		
	TL Equivalent	**TL**	**USD**	**EURO**
31 December 2017	**17.551.063**	6.129.901	2.560.975	390.083

Guarantees Given

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

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

17. EMPLOYEE BENEFITS

Employee Benefit Obligations:

Employee Benefit Obligations:

	31 December 2019	31 December 2018	31 December 2017
Payables to employees	14.928.418	13.631.501	753.957
Social security payables	9.731.623	8.742.369	10.869.483
	24.660.041	**22.373.870**	**11.623.440**

Short Term and Long Term Provisions for Employee Benefits:

Short Term	**31 December 2019**	**31 December 2018**	**31 December 2017**
Provision for employee premiums	23.875.917	20.103.031	17.246.698
Unused vacation provision	5.552.636	4.013.365	3.078.008
	29.428.553	**24.116.396**	**20.324.706**
Long Term			
Unused vacation provision	8.940.257	11.005.780	3.984.555
Provision for severance indemnity	19.799.908	21.813.865	21.076.530
Provision for retirement benefits	374.760	943.110	1.324.665
	29.114.925	**33.762.755**	**26.385.750**
Total			
Provision for employee premiums	23.875.917	20.103.031	17.246.698
Unused vacation provision	14.492.893	15.019.145	7.062.563
Provision for severance indemnity	19.799.908	21.813.865	21.076.530
Provision for retirement benefits	374.760	943.110	1.324.665
	58.543.478	**57.879.151**	**46.710.456**

An actuarial valuation was performed by an independent and authorized company for the Company's total liability for severance indemnity and retirement benefit as of 31 December 2019. Expected interest and service charges for 2020 have also been calculated by the actuarial firm. Expected service and interest charges will be amortized on a periodic basis during the year.

Severance Indemnity

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

The provision is made in respect of all eligible employees, at a rate of 30 days gross pay for each year of service. The retirement pay provision ceiling at the respective balance sheet dates, is subject to a maximum of TL 6.379,86 per year as of 31 December 2019. (31 December 2018: TL 5.434,42 and 1 January 2018: TL 4.732,48 per year).The provision for employee termination benefits is not funded, as there is no funding requirement.

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

As the maximum liability is revised semi-annually, the maximum amount of TL 6.730,15 (1 January 2019: TL 6.017,60 1 January 2018: TL 5.001,76) which is effective from 1 January 2020 has been taken into consideration in calculating the reserve for employment termination benefits of the Company and its subsidiaries in Turkey.

17. EMPLOYEE BENEFITS (Cont'd)

Severance Indemnity (Cont'd)

The movement for severance indemnity provision is as follows:

	31 December 2019	31 December 2018	31 December 2017
Present value of severance indemnity provision	19.799.908	21.813.865	21.076.530
Net liability in balance sheet	**19.799.908**	**21.813.865**	**21.076.530**
Current service cost	2.202.063	2.892.335	2.577.704
Interest cost	1.532.879	2.142.275	1.830.487
Extra payment or loss / (gain)	(1.294.863)	90.507	416.012
Period charge at 31 December	**2.440.079**	**5.125.117**	**4.824.203**

Movement for severance indemnity provision:	**2019**	**2018**
1 January	21.813.865	21.076.530
Period charge	2.440.079	5.125.117
Severance indemnity paid	(6.758.908)	(3.269.546)
Actuarial (gain)/ loss	2.304.872	(1.118.236)
31 December	**19.799.908**	**21.813.865**

Special Retirement Benefit Plan Provision

As of 31 December 2012 the Company repealed the Lump Sum plan for new eligibility and HR department announced this to all employees on 27 December 2012. Accordingly, only the employees who are already entitled to Lump Sum as of 31 December 2012 will continue to be considered as members and also continue accrual of future benefits as well. This calculation is yearly prepared by Aon Hewitt and reported at their current value.

The movement for retirement benefit provision is as follows:

Movement for retirement benefit provision:	**2019**	**2018**
1 January	943.110	1.324.665
Period charge	(8.853)	76.169
Actuarial (gain) / loss	(495.791)	(181.048)
Benefit paid	(63.706)	(276.676)
31 December	**374.760**	**943.110**

The assumption calculated to determine present value of severance indemnity and retirement benefit provision as of 31 December 2019, 2018 and 2017 are as follows:

Assumptions	**31 December 2019**	**31 December 2018**	**31 December 2017**
Annual inflation rate	8,20%	12,00%	8,30%
Annual discount rate	12,10%	16,30%	11,50%
Net discount rate	3,60%	3,84%	2,95%

17. EMPLOYEE BENEFITS (Cont'd)

Provision for Employee Bonus and Unused Vacation

The movement for employee bonus provision is as follows:

Movement for employee bonus provision:	**2019**	**2018**
1 January	20.103.031	17.246.698
Period charge	36.770.160	24.122.480
Payments	(32.997.274)	(21.266.147)
31 December	**23.875.917**	**20.103.031**

The movement for unused vacation provision is as follows:

Movement for unused vacation provision:	**2019**	**2018**
1 January	15.019.145	7.062.563
Period charge	1.359.581	9.538.465
Payments	(1.885.833)	(1.581.883)
31 December	**14.492.893**	**15.019.145**

18. DEFERRED REVENUE

As of 31 December 2019, the amount of deferred revenue is comprised of advances received for an amount of TL 22.923.454 related to the defense projects and TL 38.395.849 related to system integration projects. (31 December 2018: TL 26.124.604 related to the defense projects and TL 40.465.042 related to system integration projects, 1 January 2018: TL 23.836.043 related to the defense projects and TL 28.840.311 system integration projects). These amounts are considered as contractual obligations under TFRS 15.

19. OTHER ASSETS AND LIABILITIES

Other Current Assets	**31 December 2019**	**31 December 2018**	**31 December 2017**
VAT receivable	35.388.518	35.646.342	41.655.642
Personnel and business advances	451.041	562.076	441.836
Other	1.573.164	1.449.966	514.952
	37.412.723	**37.658.384**	**42.612.430**

Other Non-Current Assets	**31 December 2019**	**31 December 2018**	**31 December 2017**
Other non-current assets (*)	13.244.001	12.573.486	7.945.069
Long term prepaid taxes	16.643.248	12.828.116	10.964.659
	29.887.249	**25.401.602**	**18.909.728**

(*) The balance includes of spare parts which will be used in long term. The total depreciation expenses for spare parts is TL 3.491.773, which is fully recognized under cost of sales (31 December 2018: TL 3.217.372 1 January 2018: TL 2.647.585). It is the service products that are provided by BDH, customer and BDH inventories to be followed in all steps by giving special identification to each product, followed by event and inventory records related to the contract conditions and mobile use in the field.

20. SHAREHOLDERS' EQUITY

Paid in Capital

Shareholding structure of Company as of 31 December 2019, 2018 and 2017 are as follows:

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

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

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

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

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

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

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

Share Capital Adjustments

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

20. SHAREHOLDERS' EQUITY (Cont'd)

Share Capital Adjustments (cont'd)

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

Legal Reserves

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

The details of restricted reserves are as follows as of 31 December 2019, 2018 and 2017:

	31 December 2019	31 December 2018	31 December 2017
Primary legal reserves	11.997.507	11.997.507	11.997.507
Secondary legal reserves	22.899.853	22.899.853	22.899.853
Total	**34.897.360**	**34.897.360**	**34.897.360**

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

As of 31 December 2019, the primary legal reserve amount of the group is 18% of the paid-in capital and there is no limit to the secondary legal reserve amount. These reserves can only be used to cover losses, to maintain the company in times when things are not going well, or to prevent unemployment and to mitigate the effects of such losses, unless they exceed half of the paid-in capital of the company.

The total amount of the Company's net income and all available resources that can be distributed in its' statutory financial statements as of 31 December 2019 are TL 136.353.124 (31 December 2018: TL 139.923.267 and 1 January 2018: TL 192.931.629).

Retained Earnings

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

21. REVENUE AND COST OF SALES

Revenue:

	For the Year Ended 31 December 2019	For the Year Ended 31 December 2018
Net domestic sales	**1.159.949.992**	**854.718.932**
United States	90.156.865	73.175.098
Asia	9.966.360	1.360.210
Africa	46.764.502	66.075.431
Europe	20.802.475	29.134.249
Net export	**167.690.202**	**169.744.988**
Total net sales	**1.327.640.194**	**1.024.463.920**

Cost of Sales:

	For the Year Ended 31 December 2019	For the Year Ended 31 December 2018
Equipment expenses	636.233.578	233.765.754
Personnel expenses	277.825.751	226.109.388
Service/Support expenses	184.432.169	379.613.244
Depreciation and amortization expenses	32.308.480	17.159.574
Rent expenses	14.195.317	7.303.584
Transportation expenses	3.492.868	4.379.270
Other	19.111.330	21.895.257
	1.167.599.493	**890.226.071**

21. REVENUE AND COST OF SALES (Cont'd)

	31 December 2019						
Performance Obligations:	**Enterprise**	**Public**	**International**	**Technology**	**Telecom**	**BDH**	**Total**
Design performance obligation	922.998	39.611.086	-	99.314.621	1.336.002	-	141.184.707
Hardware performance obligation	200.168.110	88.836.791	33.972.759	-	118.590.623	-	441.568.283
Installation performance obligation	10.903.805	55.617.414	4.557.771	-	5.393.170	-	76.472.160
Maintenance performance obligation	75.457.033	39.871.277	16.089.633	-	14.649.185	123.394.549	269.461.677
Licence performance obligation	212.209.587	76.837.551	9.408.918	-	2.670.085	-	301.126.141
Other performance obligations	78.992.012	2.450.216	482.039	-	15.902.959	-	97.827.226
	578.653.545	**303.224.335**	**64.511.120**	**99.314.621**	**158.542.024**	**123.394.549**	**1.327.640.194**
Satisfaction of Performance Obligations:							
Overtime	30.346.396	182.905.021	35.274.228	99.314.621	6.055.749	123.394.549	477.290.564
At a point in time	548.307.149	120.319.314	29.236.892	-	152.486.275	-	850.349.630
	578.653.545	**303.224.335**	**64.511.120**	**99.314.621**	**158.542.024**	**123.394.549**	**1.327.640.194**

21.REVENUE AND COST OF SALES (Cont'd)

	31 December 2018						
Performance Obligations:	**Enterprise**	**Public**	**International**	**Technology**	**Telecom**	**BDH**	**Total**
Design performance obligation	577.739	78.225.295	5.659.217	80.968.980	4.820.104	-	170.251.335
Hardware performance obligation	107.030.498	131.684.871	22.955.082	-	7.651.875	-	269.322.326
Installation performance obligation	9.514.328	72.518.690	17.956.250	-	-	-	99.989.268
Maintenance performance obligation	72.213.898	2.010.585	17.650.766	-	19.267.671	61.066.223	172.209.143
Licence performance obligation	185.711.348	31.468.426	14.754.757	-	1.290.979	-	233.225.510
Other performance obligations	50.362.278	16.183.114	1.029.957	-	11.890.989	-	79.466.338
	425.410.089	**332.090.981**	**80.006.029**	**80.968.980**	**44.921.618**	**61.066.223**	**1.024.463.920**
Satisfaction of Performance Obligations:							
Overtime	401.635.281	158.010.788	17.876.949	80.968.980	11.246.678	61.066.223	730.804.899
At a point in time	23.774.808	174.080.193	62.129.080	-	33.674.940	-	293.659.021
	425.410.089	**332.090.981**	**80.006.029**	**80.968.980**	**44.921.618**	**61.066.223**	**1.024.463.920**

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

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

	For the Year Ended 31 December 2019	**For the Year Ended 31 December 2018**
Sales, marketing and distribution expenses	97.234.551	67.776.617
General administrative expenses	87.612.151	83.895.910
Research and development expenses	7.405.105	13.407.445
	192.251.807	**165.079.972**

Personnel expenses	99.158.058	100.771.779
Depreciation and amortization expenses	29.121.681	15.379.688
Consultancy, audit and legal expenses	23.050.152	10.479.576
Travel and meeting expenses	7.594.942	5.241.612
Fair and advertising expenses	4.833.012	4.277.597
Software expenses	4.043.227	2.499.100
Cafeteria expenses	3.089.366	1.999.546
Communication expenses	2.587.387	1.643.815
Severance indemnity and pension provision expenses	2.412.164	1.637.891
Electricity,water and gas expenses	2.295.638	1.437.132
Maintenance expenses	1.875.411	2.932.730
Personnel transportation expenses	1.830.546	1.430.502
Private health insurance expenses	1.477.169	1.262.392
Rent expenses	684.105	7.620.756
Training expenses	589.908	435.109
Provision expenses	382.578	222.129
Other	7.226.463	5.808.618
	192.251.807	**165.079.972**

23. INCOME AND EXPENSES FROM OTHER OPERATING ACTIVITIES

Income from Other Operating Activities	For the Year Ended 31 December 2019	For the Year Ended 31 December 2018
Discount income, net (*)	7.042.850	1.078.004
R&D Incentives	4.041.069	-
Reversal for doubtful receivables expenses (IFRS 9)	3.289.044	-
Service income	221.915	249.824
Other income and gains	213.115	155.495
	14.807.993	**1.483.323**

Expenses from Other Operating Activities	For the Year Ended 31 December 2019	For the Year Ended 31 December 2018
Foreign exchange expenses, net	34.541.890	113.926.315
Legal case expenses	5.249.144	3.687.732
Other tax expenses	648.409	518.201
Uncollectible receivables	-	8.999.320
Doubtful receivable allowance expenses (IFRS 9)	-	12.981.830
Other expenses and losses	4.009.500	6.250.310
	44.448.943	**146.363.708**

(*) Discount income/ (expenses) related to trade receivables are accounted under Other Income/ (Expenses) from Operating Activities.

24. INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from Investing Activities	For the Year Ended 31 December 2019	For the Year Ended 31 December 2018
Income from sales of property, plant and equipment	57.810	11.235
Income from scrap sales	27.627	61.439
	85.437	**72.674**

Expenses from Investing Activities	For the Year Ended 31 December 2019	For the Year Ended 31 December 2018
Loss from sales of tangible assets	316.717	18.675
	316.717	**18.675**

25. FINANCE INCOME / (EXPENSES)

Financial Income	For the Year Ended 31 December 2019	For the Year Ended 31 December 2018
Foreign exchange gains, net (*)	62.271.721	144.254.766
Interest income	9.838.767	9.655.423
	72.110.488	**153.910.189**

Financial Expenses	For the Year Ended 31 December 2019	For the Year Ended 31 December 2018
Bank interest expenses	169.617.949	81.948.273
Interest expenses on leases	10.103.605	-
Guarantee letter commissions	7.697.379	5.103.929
Foreign exchange loss on leases	328.412	-
Other financial expenses	1.517.706	763.630
	189.265.051	**87.815.832**

(*) Foreign exchange gain and loss related to cash and cash equivalents, borrowings, and other financial liabilities.

26. TAX ASSETS AND LIABILITIES

Corporate Tax

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

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

As of 31 December 2019 tax rate is %22. (31 December 2018: %22, 1 January 2018: %20). Corporate tax rate is applied on taxable corporate income, which is calculated by adding non-deductible expenses and deducting tax exemptions and deductions to be commercial income, in accordance with the tax legislation. In Turkey, advance tax payments are filed on a quarterly basis.

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

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

Corporate tax rate in Malta is 35% (2018: 35 %, 2017: 35 %). Corporate tax rate in Kazakhstan is 20% (2018: 20 %, 2017: 20 %). Corporate tax rate in Algeria is 26%.

Withholding tax

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

Deferred Taxes

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

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017,"Law on the Amendment of Certain Tax Laws and Some Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

26. TAX ASSETS AND LIABILITIES (Cont'd)

Deferred tax assets/ (liabilities)	31 December 2019	31 December 2018	31 December 2017
Trade receivables	(53.610.333)	(43.130.139)	(56.273.922)
Tangible and intangible assets	(10.857.658)	(12.255.815)	(10.581.353)
Trade payables and cost provisions	14.562.439	8.332.772	1.178.940
Carryforward tax losses	30.901.689	4.930.763	2.431.458
Unused R&D tax exemption	111.071.315	75.684.494	42.695.803
Provision for unused vacation	3.431.613	3.304.216	1.553.766
Inventory and contract assets	(5.092.396)	17.460.779	20.776.315
Provisions for employee premiums	3.634.132	4.422.667	3.794.273
Deferred revenues	1.151.892	1.182.359	2.124.862
Contract liabilities	1.952.385	11.909.608	12.141.644
Severance indemnity and retirement provisions	4.745.774	4.031.681	4.480.239
Other	2.879.724	1.291.301	1.111.764
	104.770.576	**77.164.686**	**25.433.789**

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

Movement for deferred taxes is as follows:	2019	2018
Balance as of January, 1– restated	**77.164.686**	**25.433.789**
Impacts due to the changes in accounting policies	-	10.894.667
Balance as of January, 1– restated	**77.164.686**	**36.328.456**
Current charge deferred tax expenses	29.894.229	30.140.890
Charge to equity	361.816	(259.857)
Translation difference	(2.650.155)	10.955.197
Closing, 31 December	**104.770.576**	**77.164.686**

	31 December 2019	31 December 2018
Current tax expenses	(437.037)	(5.150.867)
Deferred tax income	29.894.229	30.140.890
Tax Income	**29.457.192**	**24.990.023**

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their statement of financial position accounts prepared in accordance with TFRS promulgated by POA Financial Reporting Standards and their statutory financial statements. These temporary differences usually results from the recognition of revenue and expenses in different reporting periods for TFRS and Tax Laws.

26. TAX ASSETS AND LIABILITIES (Cont'd)

	31 December 2019	31 December 2018	31 December 2017
Corporate tax	437.037	5.150.867	3.016.501
Prepaid taxes	(16.411.903)	(5.421.212)	(249.239)
Current tax liabilities/ (Current income tax assets)	**(15.974.866)**	**(270.345)**	**2.767.262**

Movement for deferred taxes as of 31 December 2019 and 2018 are as follows;

	31 December 2018 (Reported)	Restatement Effect	1 January 2019 (Restated)	Charge to Period	Charge to Equity	Translation Difference	31 December 2019
Tangible and intangible assets	(12.255.815)	-	(12.255.815)	215.981	-	1.182.176	(10.857.658)
Trade receivables	(68.069.323)	24.939.184	(43.130.139)	2.669.066	-	(13.149.260)	(53.610.333)
Trade payables and cost provisions	1.627.059	6.705.713	8.332.772	6.551.754	-	(322.087)	14.562.439
Inventory and contract assets	(5.863.091)	23.323.870	17.460.779	(21.642.662)	-	(910.513)	(5.092.396)
Deferred revenue	1.182.359	-	1.182.359	233.260	-	(263.727)	1.151.892
Provisions for employee bonuses	4.422.667	-	4.422.667	(247.224)	-	(541.311)	3.634.132
Provision for unused vacation	3.304.216	-	3.304.216	517.824	-	(390.427)	3.431.613
Severance indemnity and retirement provisions	4.031.681	-	4.031.681	908.429	361.816	(556.152)	4.745.774
Contract liabilities	11.909.608	-	11.909.608	(9.595.056)	-	(362.167)	1.952.385
Unused R&D tax exemption (Note 14)	75.684.494	-	75.684.494	24.452.600	-	10.934.221	111.071.315
Carryforward tax losses	4.930.763	-	4.930.763	24.185.295	-	1.785.631	30.901.689
Other	1.291.301	-	1.291.301	1.644.962	-	(56.539)	2.879.724
	22.195.919	**54.968.767**	**77.164.686**	**29.894.229**	**361.816**	**(2.650.155)**	**104.770.576**

	1 January 2018 (Reported)	Restatement Effect	1 January 2018 (Restated)	Changes in accounting policies	Charge to Period	Charge to Equity	Translation Difference	31 December 2018
Tangible and intangible assets	(10.581.353)	-	(10.581.353)	-	4.370.913	-	(6.045.375)	(12.255.815)
Trade receivables	(63.950.025)	7.676.103	(56.273.922)	7.446.199	19.754.345	-	(14.056.761)	(43.130.139)
Trade payables and cost provisions	1.178.940	-	1.178.940	(3.277.878)	9.119.698	-	1.312.012	8.332.772
Inventory and contract assets	3.272.470	17.503.845	20.776.315	(5.908.650)	336.603	-	2.256.511	17.460.779
Deferred revenue	2.124.862	-	2.124.862	-	(1.688.739)	-	746.236	1.182.359
Provisions for employee bonuses	3.794.273	-	3.794.273	-	(795.582)	-	1.423.976	4.422.667
Provision for unused vacation	1.553.766	-	1.553.766	-	1.040.492	-	709.958	3.304.216
Severance indemnity and retirement provisions	4.480.239	-	4.480.239	-	(1.791.056)	(259.857)	1.602.355	4.031.681
Contract liabilities	12.141.644	-	12.141.644	12.634.996	(16.159.904)	-	3.292.872	11.909.608
Unused R&D tax exemption (Note 14)	42.695.803	-	42.695.803	-	14.763.496	-	18.225.195	75.684.494
Carryforward tax losses	2.431.458	-	2.431.458	-	1.408.686	-	1.090.619	4.930.763
Other	1.111.764	-	1.111.764	-	(218.062)	-	397.599	1.291.301
	253.841	**25.179.948**	**25.433.789**	**10.894.667**	**30.140.890**	**(259.857)**	**10.955.197**	**77.164.686**

26. TAX ASSETS AND LIABILITIES (Cont'd)

Reconciliation between tax expenses for the years ended 31 December 2019 and 2018 and calculated tax expense using corporate tax rate in Turkey (%22) is as follows:

	31 December 2019	31 December 2018
Tax reconciliation		
(Loss) before tax	(178.236.957)	(109.198.965)
Tax rate	22%	22%
Computed tax expense	39.212.131	24.023.772
Tax effects of:		
Non-deductible expenses	(6.504.554)	(2.284.552)
Tax exempt income	-	5.009.707
Used R&D deduction	12.619.575	-
Unused R&D deduction	(35.386.821)	(6.614.545)
Tax effect of other adjustments (effects on deferred tax balances due to change in income tax rate from %20 to %22)	7.371.463	6.423.139
Other adjustment and monetary loss/gain	12.145.398	(1.567.498)
Total tax income	**29.457.192**	**24.990.023**

As of 31 December 2019, the Company has TL 504.869.613 unused R&D tax exemption provided by Support of Research and Development Act, numbered 5746 and the tax exemption is unlimited (31 December 2018: TL 344.020.426, 1 January 2018: TL 207.356.276).

The Group's carryforward tax losses subject to recognition of deferred tax asset as of 31 December 2019, 2018 and 2017 are as follows:

Related year	Using year	31 Aralık 2019	31 Aralık 2018	31 Aralık 2017
2014	2019	-	6.135.314	6.135.314
2016	2021	3.012.410	3.012.410	3.012.410
2017	2022	2.094.794	2.094.794	2.094.794
2018	2023	16.923.357	10.703.483	
2019	2024	125.470.611	-	-
		147.501.172	**21.946.001**	**11.242.518**

27. (LOSS) PER SHARE

	For the Year Ended 31 December 2019	For the Year Ended 31 December 2018
Number of shares	64.864.800	64.864.800
Net (loss) for the year	(148.779.765)	(84.208.942)
(Loss) per share (kurus)	(2,2937)	(1,2982)

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

28. RELATED PARTY DISCLOSURES

Due from related parties as of 31 December 2019, 2018 and 2017 is as follows:

Due from Related Parties	31 December 2019	31 December 2018	31 December 2017
ZTE İstanbul Telekomünikasyon	8.265.318	-	
Kron Telekomünikasyon A.Ş.	21.720	7.142	-
	8.287.038	**7.142**	**-**

Due to Related Parties	31 December 2019	31 December 2018	31 December 2017
ZTE Corporation	92.831.650	-	-
Kron Telekomünikasyon A.Ş.	524.861	353.107	1.715.824
ZTE İstanbul Telekomünikasyon	236.966	-	-
	93.593.477	**353.107**	**1.715.824**

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

28. RELATED PARTY DISCLOSURES (Cont'd)

Main transactions with related parties are as follows for the year ended 31 December 2019 and 2018.

Sales	**For the Year Ended 31 December 2019**	**For the Year Ended 31 December 2018**
ZTE İstanbul Telekomünikasyon	22.688.267	89.333
Kron Telekomünikasyon A.Ş.	108.580	73.009
	22.796.847	**162.342**

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

Purchases	**For the Year Ended 31 December 2019**	**For the Year Ended 31 December 2018**
ZTE Corporation	108.371.010	-
Kron Telekomünikasyon A.Ş.	504.734	790.237
ZTE İstanbul Telekomünikasyon	258.871	-
	109.134.615	**790.237**

Benefits to Top Management:

Top management of the Group comprised of; the members of the management and executive committee, General Managers and Deputy General Managers. For the year ended 31 December 2019, total remuneration for the directors and management board of the Group is TL 19.904.131 (31 December 2018: TL 13.531.021, 1 January 2018: TL 10.796.299). As of 31 December 2019, 2018 and 2017 there is no credit granted to the Group's Management.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

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

As of 31 December 2019, 2018 and 2017 the Group's net debt / total equity ratios are as follows:

	31 December 2019	**31 December 2018**	**31 December 2017**
Short-term and long-term borrowings	603.332.264	487.836.269	326.117.840
Cash and cash equivalents	(195.340.538)	(192.787.683)	(187.212.070)
Net financial debt	407.991.726	295.048.586	138.905.770
Equity	535.890.730	617.655.605	554.529.210
Net financial debt/ Equity	**76%**	**48%**	**25%**

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Credit risk

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

31 December 2019	Trade Receivables		Other Receivables	
	Related Parties	Other	Other	Deposits at Banks
Maximum credit risks as of balance sheet date (A+B+C+D)	**8.287.038**	**905.138.037**	**531.110**	**195.340.538**
Maximum risk guaranteed by collateral	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	8.287.038	665.300.310	531.110	195.340.538
(B) Net book value of overdue but not impaired financial assets	-	239.837.727	-	-
Guaranteed by collateral	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-
Overdue (gross book value)	-	91.204.305	-	-
Impairment (-)	-	(91.204.305)	-	-
Guaranteed by collateral	-	-	-	-
Unexpired (gross book value)	-	-	-	-
Impairment (-)	-	-	-	-
Guaranteed by collateral	-	-	-	-
(D) Off balance sheet risks	-	-	-	-

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Credit risk (Cont'd)

31 December 2018	**Trade Receivables**		**Other Receivables**	
	Related Parties	**Other**	**Other**	**Deposits at Banks**
Maximum credit risks as of balance sheet date (A+B+C+D)	**7.142**	**857.633.559**	**1.728.286**	**192.787.683**
Maximum risk guaranteed by collateral	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	7.142	654.859.393	1.728.286	192.787.683
(B) Net book value of overdue but not impaired financial assets	-	202.774.166	-	-
Guaranteed by collateral	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-
Overdue (gross book value)	-	83.918.635	-	-
Impairment (-)	-	(83.918.635)	-	-
Guaranteed by collateral	-	-	-	-
Unexpired (gross book value)	-	-	-	-
Impairment (-)	-	-	-	-
Guaranteed by collateral	-	-	-	-
(D) Off balance sheet risks	-	-	-	-

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Credit risk (Cont'd)

31 December 2017	**Trade Receivables**		**Other Receivables**	
	Related Parties	**Other**	**Other**	**Deposits at Banks**
Maximum credit risks as of balance sheet date (A+B+C+D)	-	**855.238.698**	**1.479.485**	**187.212.070**
Maximum risk guaranteed by collateral	-	-	-	-
(A) Net book value of unexpired or not impaired financial assets	-	739.258.384	1.479.485	187.212.070
(B) Net book value of overdue but not impaired financial assets (*)	-	115.980.314	-	-
Guaranteed by collateral	-	-	-	-
(C) Net book value of impaired assets	-	-	-	-
Overdue (gross book value)	-	35.662.918	-	-
Impairment (-)	-	(35.662.918)	-	-
Guaranteed by collateral	-	-	-	-
Unexpired (gross book value)	-	-	-	-
Impairment (-)	-	-	-	-
Guaranteed by collateral	-	-	-	-
(D) Off balance sheet risks	-	-	-	-

(*) The amount of overdue but not impaired financial assets is consisted of TL 25.842.572 receivables from Nortel companies. As a result of net-off Nortel companies' receivables and payables, 5 % provision amount is adjusted.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Credit risk (Cont'd)

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

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

31 December 2019	Undue	1-30 days overdue	1-3 months overdue	3-6 months overdue	6-12 months overdue	1-5 years overdue
Credit loss ratio (%)	0,0004	0,0012	0,0018	0,0032	0,0066	0,0180
As of period	659.428.394	58.315.360	48.558.783	10.172.224	31.268.669	97.394.607
Expected credit loss	23.671.198	112.299	251.439	168.265	244.924	5.094.988

31 December 2018	Undue	1-30 days overdue	1-3 months overdue	3-6 months overdue	6-12 months overdue	1-5 years overdue
Credit loss ratio (%)	0,0032	0,0106	0,0199	0,0328	0,0748	0,2163
As of period	645.178.651	66.988.771	18.055.677	21.093.116	52.047.199	54.270.145
Expected credit loss	22.989.730	158.127	397.323	1.069.870	2.144.742	5.910.680

31 December 2017	Undue	1-30 days overdue	1-3 months overdue	3-6 months overdue	6-12 months overdue	1-5 years overdue
Credit loss ratio (%)	-	-	-	-	-	-
As of period	739.258.384	51.302.959	7.531.226	18.473.277	12.830.280	25.842.572
Expected credit loss	-	-	-	-	-	-

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Liquidity risk (Cont'd)

31 December 2019:

Maturities due to agreements	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
Non- derivative financial liabilities	**1.194.870.628**	**1.308.350.117**	**804.528.963**	**201.027.971**	**302.793.183**
Financial liabilities	603.332.264	664.390.729	269.990.320	149.376.270	245.024.139
Lease Liabilities	56.937.920	109.358.944	-	51.651.701	57.707.243
Due to related parties	93.593.477	93.593.477	93.593.477	-	-
Other trade payables to third parties	418.865.758	418.865.758	418.803.957	-	61.801
Other payables to third parties	22.141.209	22.141.209	22.141.209	-	-

31 December 2018:

Maturities due to agreements	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
Non- derivative financial liabilities	**831.930.113**	**877.864.335**	**437.518.625**	**440.288.294**	**57.416**
Financial liabilities	487.836.269	533.770.491	93.482.197	440.288.294	-
Due to related parties	353.107	353.107	353.107	-	-
Other trade payables to third parties	326.676.534	326.676.534	326.619.118	-	57.416
Other payables to third parties	17.064.203	17.064.203	17.064.203	-	-

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Liquidity risk (Cont'd)

31 December 2017:

Maturities due to agreements	Carrying amount	Cash outflows due to agreements	Up to 3 months	3-12 months	1-5 years
Non- derivative financial liabilities	**751.895.794**	**776.757.533**	**431.969.988**	**316.266.842**	**28.520.703**
Financial liabilities	326.117.840	350.979.579	6.238.391	316.266.842	28.474.346
Due to related parties	1.715.824	1.715.824	1.715.824	-	-
Other trade payables to third parties	413.351.168	413.351.168	413.304.811	-	46.357
Other payables to third parties	10.710.962	10.710.962	10.710.962	-	-

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Interest rate risk

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

	31 December 2019	31 December 2018	31 December 2017
Fixed interest rate financial instruments	**460.714.291**	**579.572.078**	**440.670.781**
Cash and Cash Equivalents (*)	26.156.222	116.933.685	114.553.052
Financial liabilities	434.558.069	462.638.393	326.117.729
Variable interest rate financial instruments	**163.675.800**	**20.000.000**	**-**
Financial liabilities	163.675.800	20.000.000	-
Interest-free financial instruments	**5.098.395**	**5.197.876**	**111**
Financial liabilities	5.098.395	5.197.876	111

(*) As of 31 December 2019, 2018 and 2017 includes bank time deposits.

Foreign currency risk

The Group's foreign currency risk is mainly associated with change in value of US Dollar against TL and other currencies. In order to avoid possible losses due to fluctuations of foreign exchange rates, the Group places its assets with the same currency for liabilities and bears its contractual expenses in the same currency of contracts if possible.

	31 December 2019	31 December 2018
Export	167.690.202	169.744.988
Import	38.033.368	86.645.720

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk (Cont'd)

As of 31 December 2019, 2018 and 2017, the Group's foreign currency position table is given below:

		Original Currency				
31 December 2019	**TL Equivalent (*)**	**TL**	**Avro**	**GBP**	**BDT**	**Other**
Current Assets	**96.564.496**	**55.612.080**	**3.457.555**	**221**	**-**	**604.238.178**
Cash and cash equivalents	32.387.818	16.555.359	472.729	221	-	468.725.847
Trade receivables, third parties	63.872.388	39.019.462	2.958.234	-	-	133.696.851
Other receivables, third parties	304.290	37.259	26.592	-	-	1.815.480
TOTAL ASSETS (A)	**96.564.496**	**55.612.080**	**3.457.555**	**221**	**-**	**604.238.178**
Short Term Liabilities	**509.395.144**	**490.410.768**	**2.270.904**	**633**	**-**	**274.930.154**
Financial liabilities	383.361.880	383.361.880	-	-	-	-
Trade payables, third parties	103.892.055	84.907.679	2.270.904	633	-	238.265.380
Other payables, third parties	22.141.209	22.141.209	-	-	-	36.664.774
Long Term Liabilities	**196.209.584**	**196.209.584**	**-**	**-**	**-**	**-**
Long term financial liabilities	196.209.584	196.209.584	-	-	-	-
TOTAL LIABILITIES (B)	**705.604.728**	**686.620.352**	**2.270.904**	**633**	**-**	**274.930.154**
Net Foreign Currency Asset / (Liability) Position (A-B)	**(609.040.232)**	**(631.008.272)**	**1.186.651**	**(412)**	**-**	**329.308.024**

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

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk (Cont'd)

		Original Currency				
31 December 2018	**TL Equivalent (*)**	**TL**	**Avro**	**GBP**	**BDT**	**Other**
Current Assets	**252.889.282**	**83.793.736**	**7.899.114**	**4.043**	**2.449.425**	**146.067.197**
Cash and cash equivalents	42.890.888	37.918.156	722.246	4.043	2.449.425	17.418.936
Trade receivables, third parties	208.468.777	44.642.377	7.140.956	-	-	126.832.781
Other receivables, third parties	1.529.617	1.233.203	35.912	-	-	1.815.480
TOTAL ASSETS (A)	**252.889.282**	**83.793.736**	**7.899.114**	**4.043**	**2.449.425**	**146.067.197**
Short Term Liabilities	**622.017.178**	**609.277.893**	**2.026.212**	**41.805**	**-**	**12.219.450**
Financial liabilities	487.836.269	487.836.269	-	-	-	-
Trade payables, third parties	116.970.207	104.269.718	2.026.212	41.805	-	9.412.226
Other payables, third parties	17.210.702	17.171.906	-	-	-	2.807.224
Long Term Liabilities	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL LIABILITIES (B)	**622.017.178**	**609.277.893**	**2.026.212**	**41.805**	**-**	**12.219.450**
Net Foreign Currency Asset / (Liability) Position (A-B)	**(369.127.896)**	**(525.484.157)**	**5.872.902**	**(37.762)**	**2.449.425**	**133.847.747**

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

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk (Cont'd)

		Original Currency				
31 December 2017	**TL Equivalent (*)**	**TL**	**Avro**	**GBP**	**BDT**	**Other**
Current Assets	**228.463.549**	**175.665.776**	**9.142.174**	**33.441**	**12.601.173**	**691.689.123**
Cash and cash equivalents	35.754.805	17.233.160	2.216.912	33.441	12.601.173	574.000.091
Trade receivables, third parties	191.303.139	157.087.401	6.925.262	-	-	115.837.736
Other receivables, third parties	1.405.605	1.345.215	-	-	-	1.851.296
TOTAL ASSETS (A)	**228.463.549**	**175.665.776**	**9.142.174**	**33.441**	**12.601.173**	**691.689.123**
Short Term Liabilities	**285.142.938**	**280.460.437**	**369.833**	**4.347**	**450.000**	**107.728.131**
Financial liabilities	207.390.524	207.390.524	-	-	-	-
Trade payables, third parties	67.031.853	62.369.948	369.833	4.347	450.000	105.911.965
Other payables, third parties	10.720.561	10.699.965	-	-	-	1.816.166
Long Term Liabilities	**24.044.293**	**24.044.293**	**-**	**-**	**-**	**-**
Long term financial liabilities	24.044.293	24.044.293	-	-	-	-
TOTAL LIABILITIES (B)	**309.187.231**	**304.504.730**	**369.833**	**4.347**	**450.000**	**107.728.131**
Net Foreign Currency Asset / (Liability) Position (A-B)	**(80.723.682)**	**(128.838.954)**	**8.772.341**	**29.094**	**12.151.173**	**583.960.992**

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

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk (Cont'd)

31 December 2019

	Profit /(Loss)	
	Appreciation	Devaluation
Effect of 10 % appreciation/devaluation in TL -USD exchange rate :		
Net asset / (liability) in TL	(63.100.827)	63.100.827
Hedged portion from TL risk (-)	-	-
(1) Net effect of TL	**(63.100.827)**	**63.100.827**
Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :		
Net asset / (liability) in EUR	789.194	(789.194)
Hedged portion from EUR risk (-)	-	-
(2) Net effect of EUR	**789.194**	**(789.194)**
Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:		
Net asset / (liability) in other currencies	1.407.610	(1.407.610)
Hedged portion from other currencies risk (-)	-	-
(3) Net effect of other currencies	**1.407.610**	**(1.407.610)**
TOTAL (1+2+3)	**(60.904.023)**	**60.904.023**

31 December 2018

	Profit / (Loss)	
	Appreciation	Devaluation
Effect of 10 % appreciation/devaluation in TL -USD exchange rate :		
Net asset / (liability) in TL	(52.548.416)	52.548.416
Hedged portion from TL risk (-)	-	-
(1) Net effect of TL	**(52.548.416)**	**52.548.416**
Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :		
Net asset / (liability) in EUR	3.540.185	(3.540.185)
Hedged portion from EUR risk (-)	-	-
(2) Net effect of EUR	**3.540.185**	**(3.540.185)**
Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:		
Net asset / (liability) in other currencies	12.095.441	(12.095.441)
Hedged portion from other currencies risk (-)	-	-
(3) Net effect of other currencies	**12.095.441**	**(12.095.441)**
TOTAL (1+2+3)	**(36.912.790)**	**36.912.790**

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Foreign currency risk (Cont'd)

31 December 2017	Profit / (Loss)	
	Appreciation	Devaluation
Effect of 10 % appreciation/devaluation in TL -USD exchange rate :		
Net asset / (liability) in TL	(12.883.895)	12.883.895
Hedged portion from TL risk (-)	-	-
(1) Net effect of TL	**(12.883.895)**	**12.883.895**
Effect of 10 % appreciation/devaluation in EURO – USD exchange rate :		
Net asset / (liability) in EUR	3.961.151	(3.961.151)
Hedged portion from EUR risk (-)	-	-
(2) Net effect of EUR	**3.961.151**	**(3.961.151)**
Effect of 10 % appreciation/devaluation in exchange rate of other foreign currencies:		
Net asset / (liability) in other currencies	850.377	(850.377)
Hedged portion from other currencies risk (-)	-	-
(3) Net effect of other currencies	**850.377**	**(850.377)**
TOTAL (1+2+3)	**(8.072.368)**	**8.072.368**

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The following methods and assumptions are used to estimate the fair value of financial instruments:

Financial Assets:

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

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

Financial Liabilities:

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

The Fair Value Measurement Hierarchy

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

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

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

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

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

31. SUBSEQUENT EVENTS

None.

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

Netaş Bilişim Teknolojileri A.Ş., that the Group has 100% shareholding rate, has signed an exclusivity agreement with Orion Parent LLC in order to evaluate strategic alternatives for NetRD Bilgi Teknolojileri ve Telekomünikasyon on 19 March 2019. As of the date of statement of financial position, the sales have not been completed.

Statement of financial position and statement of profit or loss of NETRD as of 31 December 2019 are as follows:

	Current Year 31 December 2019	**Previous Year 31 December 2018**
ASSETS		
Current Assets	**34.935.629**	**55.475**
Cash and Cash Equivalents	2.891.921	30.881
Trade Receivables	26.685.956	-
Due from related parties	-	-
Trade receivables, third parties	*26.685.956*	-
Contract Assets	-	22.874
Prepaid Expenses	877.564	452
Other Current Assets	4.480.188	1.268
		-
Non-Current Assets	**18.086.935**	-
Property, Plant and Equipment	3.316.521	-
Right of Use Assets	6.312.211	-
Intangible Assets	2.501.959	-
Goodwill	*2.501.959*	-
Deferred Tax Assets	5.956.244	-
TOTAL ASSETS	**53.022.564**	**55.475**

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

	Current Year 31 December 2019	**Previous Year 31 December 2018**
LIABILITIES		
Short Term Liabilities	**35.314.103**	**7.328**
Short Term Borrowings	11.505.538	-
Bank Loans	*9.998.824*	-
Lease Liabilities	*1.506.714*	-
Trade Payables	14.269.126	-
Due to related parties	*11.843.701*	-
Trade payables, third parties	*2.425.425*	*7.081*
Employee Benefit Obligations	4.032.226	247
Provisions	5.472.760	-
Provisions for Employee Benefits	*5.323.958*	-
Other Short Term Provisions	*148.802*	-
Other Payables	34.453	-
Long Term Liabilities	**5.164.802**	**-**
Long Term Borrowings	5.164.802	-
Lease Liabilities	*5.164.802*	-
SHAREHOLDERS' EQUITY	**12.543.659**	**48.147**
Share Capital	50.000	50.000
Net Profit for the Period	11.922.881	3.904
Currency Translation Differences	566.874	(5.757)
Retained Earnings	3.904	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**53.022.564**	**55.475**

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

	Current Year 1 January- 31 December 2019	Previous Year 1 January- 31 December 2018
INCOME OR LOSS FROM OPERATIONS		
Revenue	82.043.178	-
Cost of Sales (-)	(71.375.019)	-
GROSS PROFIT	**10.668.159**	**-**
Research and Development Expenses (-)	(12.527)	-
Other Income from Operating Activities	28.660	3.904
Other Expenses from Operating Activities (-)	(1.897.886)	-
OPERATING PROFIT	**8.786.406**	**3.904**
Financial Income	382.751	-
Financial Expenses (-)	(2.932.399)	-
PROFIT BEFORE TAX	**6.236.758**	**3.904**
Tax Income	5.686.123	-
Current Tax Expenses	-	-
Deferred Tax Income	5.686.123	-
NET PROFIT FOR THE PERIOD	**11.922.881**	**3.904**