

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

**FONET BİLGİ TEKNOLOJİLERİ
ANONİM ŞİRKETİ**

**1 JANUARY - 30 SEPTEMBER 2020
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

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FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

(Convenience translation of interim condensed consolidated financial statements originally issued in Turkish)

Interim condensed consolidated statements of financial position as of 30 September 2020 and 31 December 2019

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

	Notes	Unaudited 30 September 2020	Audited 31 December 2019
ASSETS			
Current assets:			
Cash and cash equivalents	5	4.926.129	2.927.899
Trade receivables			
- <i>Trade receivables from third parties</i>	7	13.572.418	7.650.170
Other receivables			
- <i>Other receivables from third parties</i>	8	140.335	213.821
Inventories	9	1.803.433	522.616
Prepaid expenses	10	985.122	640.520
Current income tax assets	25	112.568	92.995
Other current assets	17	35.047	25.756
Total current assets		21.575.052	12.073.777
Non-current assets:			
Other receivables			
- <i>Other receivables from third parties</i>	8	39.380	39.380
Right of use assets	13	994.237	1.416.058
Property, plant and equipment	11	4.001.249	4.726.109
Intangible assets	12	68.408.585	58.579.889
Prepaid expenses	10	939.645	773.211
Deferred tax assets	25	1.223.782	1.713.106
Total non-current assets		75.606.878	67.247.753
Total assets		97.181.930	79.321.530

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

(Convenience translation of interim condensed consolidated financial statements originally issued in Turkish)

Interim condensed consolidated statements of financial position as of 30 September 2020 and 31 December 2019

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

	Notes	Unaudited 30 September 2020	Audited 31 December 2019
LIABILITIES			
Current liabilities:			
Short-term borrowings	6	2.313.518	1.187.593
Current portion of long-term borrowings	6	--	65.418
Other financial liabilities	6	155.217	212.168
Trade payables			
- <i>Trade payables to third parties</i>	7	769.343	1.368.436
Employee benefit obligations	16	2.802.968	2.471.601
Other payables			
- <i>Other payables to related parties</i>	24	2.081.547	--
- <i>Other payables to third parties</i>	8	482.119	651.341
Deferred income	10	--	2.291.805
Short term provisions			
- <i>Short term provisions for employee benefits</i>	16	377.761	299.181
- <i>Other short term provisions</i>	15	602.289	584.145
Other current liabilities			
- <i>Other short term liabilities to third parties</i>	17	33.913	--
Total current liabilities		9.618.675	9.131.688
Non-current liabilities:			
Long-term borrowings	6	449.340	1.020.879
Long-term provisions			
- <i>Long term provisions for employee benefits</i>	16	972.044	902.491
Deferred tax liabilities	25	1.495.820	1.353.888
Total non-current liabilities		2.917.204	3.277.258
Total liabilities		12.535.879	12.408.946
Equity:			
Paid- in capital	18	40.000.000	40.000.000
Accumulated other comprehensive income / expense not to be reclassified to profit or loss			
- <i>Gain/loss arising from defined benefit plans</i>	18	(671.308)	(783.508)
Restricted reserves	18	2.281.006	1.749.772
Retained earnings	18	25.415.086	11.295.290
Net profit for the period		17.621.267	14.651.030
Non-controlling interest		--	--
Total shareholders' equity		84.646.051	66.912.584
Total liabilities and equity		97.181.930	79.321.530

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

(Convenience translation of interim condensed consolidated financial statements originally issued in Turkish)

Interim condensed consolidated statements of profit or loss and other comprehensive income for the period ended 30 September 2020

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

	Notes	Unaudited			
		1.01- 30.09.2020	1.01- 30.09.2019	1.07- 30.09.2020	1.07- 30.09.2019
Sales	19	45.186.082	36.322.995	14.653.402	13.097.292
Cost of sales (-)	19	(21.232.041)	(19.856.584)	(7.313.335)	(6.488.845)
Gross profit		23.954.041	16.466.411	7.340.067	6.608.447
General administrative expenses (-)	20	(4.834.752)	(4.006.212)	(1.481.086)	(1.328.379)
Marketing expenses (-)	20	(748.758)	(617.364)	(113.780)	(106.608)
Research and development expenses (-)	20	(2.744.522)	(1.266.948)	(1.067.522)	(819.127)
Other operating income	21	2.907.201	2.772.232	1.333.291	1.025.901
Other operating expense (-)	21	(132.016)	(438.383)	630.622	(190.887)
Operating profit		18.401.194	12.909.736	6.641.592	5.189.347
Income from investing activities	22	66.375	685.956	25.585	89.600
Operating income before financial income/ (expense)		18.467.569	13.595.692	6.667.177	5.278.947
Financial income	23	43.315	--	23.556	--
Financial expenses (-)	23	(238.128)	(331.261)	(131.775)	(59.456)
Profit before tax from continuing operations		18.272.756	13.264.431	6.558.958	5.219.491
Taxes on income	25	--	--	--	--
Deferred tax (expense) / income	25	(651.489)	(1.724.569)	(134.896)	(492.765)
Profit for the period		17.621.267	11.539.862	6.424.062	4.726.726
Distribution of income for the period attributable to:					
Non-controlling interests		--	--	--	--
Equity holders of the parent		17.621.267	11.539.862	6.424.062	4.726.726
Earnings per share (kr)	26	0,44	0,29	0,16	0,26
Other Comprehensive Income:					
Items not to be reclassified to profit or loss					
- Gain/loss arising from defined benefit plans		132.433	(304.349)	(342.500)	(83.770)
- Tax effect of gain/ loss arising from defined benefit plans		(20.233)	66.957	52.326	18.430
Other comprehensive income/ (loss)		112.200	(237.392)	(290.174)	(65.340)
Total comprehensive income		17.733.467	11.302.470	6.133.888	4.661.386
Distribution of total comprehensive income attributable to:		17.733.467	11.302.470	6.133.888	4.661.386
Non-controlling interests		--	--	--	--
Equity holders of the parent		17.733.467	11.302.470	6.133.888	4.661.386

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

(Convenience translation of interim condensed consolidated financial statements originally issued in Turkish)

Interim condensed consolidated statements of changes in equity shareholders' for the period ended 30 September 2020

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

				Other Comprehensive Income or Expense not to be Reclassified to Profit or Loss			Accumulated profit			
	Note	Paid-in Capital	Share Premium	Gain/ Loss Arising from Defined Benefit Plans	Restricted Reserves	Retained Earnings	Net Profit	Equity Holders of the Parent	Non- Controlling Interests	Total
Balance at 1 January 2019	18	18.000.000	11.496.200	(448.017)	818.198	10.494.235	12.236.429	52.597.045	--	52.597.045
Transfers		22.000.000	(11.496.200)	--	931.574	801.055	(12.236.429)	--	--	--
Net profit		--	--	--	--	--	11.539.862	11.539.862	--	11.539.862
Other comprehensive income		--	--	(237.392)	--	--	--	(237.392)	--	(237.392)
Balance as of 30 September 2019	18	40.000.000	--	(685.409)	1.749.772	11.295.290	11.539.862	63.899.515	--	63.899.515
Balance at 1 January 2020	18	40.000.000	--	(783.508)	1.749.772	11.295.290	14.651.030	66.912.584	--	66.912.584
Transfers		--	--	--	531.234	14.119.796	(14.651.030)	--	--	--
Net profit		--	--	--	--	--	17.621.267	17.621.267	--	17.621.267
Other comprehensive income		--	--	112.200	--	--	--	112.200	--	112.200
Balance as of 30 September 2020	18	40.000.000	--	(671.308)	2.281.006	25.415.086	17.621.267	84.646.051	--	84.646.051

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

(Convenience translation of interim condensed consolidated financial statements originally issued in Turkish)

Interim condensed consolidated statements of cash flows for the period ended 30 September 2020

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

		Unaudited 1 January - 30 September 2020	Unaudited 1 January - 30 September 2019
	Notes		
A. Cash flows from operating activities:			
Profit from continuing operations:		17.621.267	11.539.862
<i>Adjustments to reconcile profit / (loss)</i>			
Adjustments for depreciation and amortization expense	11,12,13	5.215.524	3.970.900
Adjustments for provisions related to employee benefits	16	340.333	211.103
Adjustment for deferred financing expenses	7	9.475	(98.918)
Adjustments for warranty provisions	15	18.144	82.966
Adjustments for impairment loss	7	150.450	440.334
Adjustments for interest expense	23	38.131	137.588
Adjustment for deferred financing income	7	21.358	318.477
Adjustments for tax (income)/ expense	10	(2.291.805)	8.138.889
Other adjustments to reconcile profit (loss)	25	631.256	1.724.569
Adjustments for Working Capital		21,754,133	26,465,770
Adjustments for decrease (increase) in trade receivables	7	(6.094.056)	(436.180)
Adjustments for decrease (increase) in other receivables	8,10	(457.123)	(601.083)
Adjustments for decrease (increase) in inventories	9	(1.280.817)	(382.557)
Adjustments for increase (decrease) in trade payables	7	(608.568)	(749.833)
Adjustments for decrease (increase) in other payables	7,8	1.912.325	(460.915)
Increase (decrease) in employee benefit liabilities	16	331.367	561.011
Change in other current and non-current assets	17	(9.291)	(9.974.814)
Change in short-term and long-term liabilities	17	33.913	(5.955.074)
Cash Flows Generated from Operating Activities (+)		15.581.883	8.466.325
Payments related to employee benefits	17	(80.000)	(284.558)
Net Cash Generated from Operating Activities		15.501.883	8.181.767
B. Cash Flows From Investing Activities			
Cash flows from purchase sales of property, plant, equipment	11,13	45.440	(1.011.977)
Cash flows from purchase sales of intangible assets	12	(13.942.979)	(10.452.788)
Net Cash Used in Investing Activities		(13.897.539)	(11.464.765)
C. Cash Flows from Financing Activities			
Interest paid	23	(38.131)	(137.588)
Repayments of Borrowings	6	432.017	164.805
Cash Used in Financing Activities		393.886	27.217
Net Increase / (Decrease) in Cash and Cash Equivalents	5	1.998.230	(3.255.781)
D. Cash and Cash Equivalents at 1 January	5	2.927.899	6.095.046
Cash and Cash Equivalents at 30 September		4.926.129	2.839.265

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

(Convenience translation of interim condensed consolidated financial statements originally issued in Turkish)

Notes to the interim condensed consolidated financial statements as of 30 September 2020

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

1. GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Fonet Bilgi Teknolojileri Anonim Şirketi ("The Company" or "Fonet") was established in in 1997 to provide computer software and technical support (designing, developing, implementing, operating, maintaining and consulting services in information technology) to both Public and Private Institutions.

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

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

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

The Company's main product is Fonet HIS ("Hospital Information Management System"). Fonet HIS ensures that all medical, administrative and financial business processes of health institutions are managed within the automation system. Fonet HIS consists of 60 separate software modules.

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

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

The average number of personnel employed within the Group as of 30 September 2020 is 453 (31 December 2019: 460).

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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Notes to the interim condensed consolidated financial statements as of 30 September 2020

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

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

The shareholders of the Company and shares are as follows:

Shareholders	30 September 2020		31 December 2019	
	Share Amount	Share Rate %	Share Amount	Share Rate %
Abdülkerim GAZEN	19.333.333	48.33	23.333.333	58.33
Other (Public)	17.723.806	44.31	16.666.667	41.67
Goldman Sachs International	2.942.861	7.36	--	--
Paid capital	40.000.000	100.00	40.000.000	100.00

The Company's issued capital consists of 40.000.000 shares, all with a par value of 1 Turkish Liras each as at 30 September 2020 (31 December 2019: 40.000.000 shares).

As of 30 June 2020, 2.222.000 shares of 40.000.000 shares consist of Group A shares and 37.778.000 shares consist of Group B shares. Group A shares has a privilege in determining the members of the board of directors and in exercising voting rights in the general assembly.

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

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

Subsidiaries fully consolidated included in the accompanying consolidated financial statements:

PiData Bilişim Teknolojileri Anonim Şirketi ("PiData")

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

Company Title	Main operating activity	Main operating activity type	Country	Established year
PiData Bilişim Teknolojileri A.Ş.	Information Technology	Service	Turkey/Ankara	2018

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of Presentation

Financial Reporting Standards

The Company and its subsidiary located in Turkey record and prepare their statutory books and statutory financial statements in line with the Turkish Commercial Code ("TCC") and accounting principles stated by the tax legislation.

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

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

2.1. Basis of Presentation (Continued)

Financial Reporting Standards (Continued)

The interim condensed consolidated financial statements of the Group have been prepared in accordance with the Turkish Financial Reporting Standards, ("TFRS") and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") in line with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board of Turkey ("CMB") on 13 June 2013 which is published on Official Gazette numbered 28676. TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards ("IFRS") by the communiqués announced by the POA.

The interim condensed consolidated financial statements are presented in accordance with "Announcement regarding with TAS Taxonomy" which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB. For the period ended 30 September 2020, the Group prepared its interim condensed consolidated financial statements in accordance with the Turkish Accounting Standard No.34 Interim Financial Reporting. Interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group's annual financial statements as of 31 December 2019.

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at 30 September 2020 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and IFRIC interpretations effective as of 1 January 2020.

Financial Accounting Standards

The Group maintains and prepares its statutory record and legal financial statements in accordance with the accounting principles determined by the Turkish Commercial Code ("TCC") and tax legislation.

The interim condensed consolidated financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards, ("TAS/TFRS") and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") in line with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board of Turkey ("CMB") on 13 June 2013 which is published on Official Gazette numbered 28676.

The communique appropriate reporting companies involved in the CMB legislation Public Oversight according to Article 5 Accounting and Auditing Standards Board ("UPS") issued by Turkey Accounting Standards / Turkey Financial Reporting Standards as adopted with additional and reviews related to them ("IAS / IFRS").

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

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey. The Group has prepared its consolidated financial statements in accordance with this decision. The consolidated financial statements have been prepared under the historical cost convention except for the derivative instruments and available for sale financial assets presented at fair values and revaluations related to the differences between carrying value and fair value of tangible and intangible assets arising from business combinations.

There are no seasonal and periodic changes that will significantly affect the Group's activities.

Presentation and Functional Currency

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

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Notes to the interim condensed consolidated financial statements as of 30 September 2020

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

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

2.1. Basis of Presentation (Continued)

Going Concern

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

Comparatives and Restatement of prior periods' financial statements

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

Group has applied consistent accounting policies in the preparation of condensed interim consolidated financial statements presented except for the following changes and the Group does not have any other significant changes in accounting policy and accounting estimates in the current period.

2.2 Restatement and Errors in the Accounting Policies and Estimates

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

2.3 New and Amended Standards and Interpretations

The new standards, amendments and interpretations which are effective as at 30 September 2020 are as follows:

Amendment to IFRS 9, 'Financial instruments': effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and that when a financial liability measured at amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognized immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. This change does not have any impact on the Group's financial performance.

Amendment to IAS 28, 'Investments in associates and joint venture': effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9. This change does not have any impact on the Group's financial performance.

IFRS 16 'Leases - COVID 19 Changes regarding lease concessions; Valid for annual reporting periods starting on 1 June 2020 or after this date. Due to the COVID-19 epidemic, some privileges were granted to tenants in rent payments. These privileges can take several forms, including interruptions or delays in lease payments. On 28 May 2020, with the amendment issued by IASB IFRS 16 Leases, it has brought an optional facilitating application for tenants not to evaluate whether the lease privileges granted due to COVID-19 is a change in lease. Tenants may choose to account for such lease concessions in the absence of a change in lease, in accordance with the applicable provisions. This ease of application often causes the lease concession to be accounted for as variable lease payments during periods of incident or condition that triggered a reduction in lease payments.

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

2.3 New and Amended Standards and Interpretations (Continued)

The new standards, amendments and interpretations which are effective as at 30 September 2020 are as follows (Continued):

IFRIC 23, 'Uncertainty over income tax treatments'; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. This change does not have any impact on the Group's financial performance.

Annual improvements 2015-2017;

IFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.

IFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.

IAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity as stated below. These Improvements have no impact on the financial position and performance of the Group.

- Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- Recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform; effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

Amendments to IAS 1 and IAS 8- on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting.
- Clarify the explanation of the definition of material; and
- Incorporate some of the guidance in IAS 1 about immaterial information.

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

2.3 New and Amended Standards and Interpretations (Continued)

The new standards, amendments and interpretations which are effective as at 30 September 2020 are as follows (Continued):

Amendments to IFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

2015-2017 annual improvements;

TFRS 3 'Business Combinations', the entity that provides control, re-measures its previous share in the joint operation.

TFRS 11 'Joint Agreements', the entity that provides the joint control, does not re-measure the share it had previously acquired in the joint operation.

TAS 12 'Income Taxes' accounts for the income tax effects of the business in the same way.

Standards, amendments and interpretations that are issued but not effective as at 30 June 2020:

TFRS 17, "Insurance contracts"; Valid for annual reporting periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which currently allows for a wide range of applications. TFRS 17 will fundamentally change the accounting for all businesses that issue insurance contracts and investment contracts with discretionary participation features.

TAS 1, "Presentation of financial statements" amendment regarding the classification of liabilities; Valid for annual reporting periods beginning on or after 1 January 2022. TAS 1, These narrow changes in the "presentation of financial statements" standard explain that liabilities are classified as current or non-current depending on the rights existing at the end of the reporting period. The classification is not affected by events after the reporting date or the expectations of the business (for example, receiving a concession or breach of contract). The amendment also clarifies what TAS 1 means of "paying" an obligation.

Changes in TFRS 3, TAS 16, TAS 17 and some annual improvements to TFRS 1, TFRS 9, TAS 41 and TFRS 16; Valid for annual reporting periods starting on 1 January 2022 or after this date.

Amendments to TFRS 3 'Business combinations'; this change updates a reference to the Conceptual Framework for Financial Reporting in TFRS 3 without changing the accounting requirements for Business combinations.

Amendments to TAS 16 'Tangible Assets'; it prohibits that a company deducts revenue from the sale of manufactured products until the asset is ready for use to be deducted from the amount of the tangible fixed asset. Instead, the company will reflect such sales revenue and the associated cost to profit or loss.

TAS 37, "Amendments to Provisions, Contingent Liabilities and Contingent Assets" indicates what costs a company includes when deciding whether or not to amend a contract.

Annual improvements make minor changes to the explanatory examples of TFRS 1, 'Financial Instruments', IAS 41 'Agricultural Activities' and TFRS 16, applying TFRS 1, 'International Financial Reporting Standards' for the first time.

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

2.4. Summary of Significant Accounting Policies (Continued)

The interim condensed consolidated financial statements of the Group for the period ended 30 September 2020 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

Basis of Consolidation

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

Subsidiaries

As of 30 September 2020, the Group has control over financial and operating policies consolidated financial statements includes the financial statements of the subsidiaries.

As of 30 September 2020, the direct and indirect participation rates of the companies subject to consolidation are as follows:

				Share Rate in Capital (%)	
Subsidiaries	Establishment and Operations	Main Operation	Currency	30 September 2020	31 December 2019
PiData Bilişim Teknolojileri A.Ş.	Turkey/Ankara	Information Technologies	Turkish Lira	100,00%	100,00%

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

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

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

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

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

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

2.4. Summary of Significant Accounting Policies (Continued)

Basis of Consolidation (Continued)

Subsidiaries (Continued)

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

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

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

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

Full Consolidation Method:

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

- Paid-in capital of the consolidated statement of financial position is the paid-in capital of the Group; paid-in capital of subsidiaries is not included in the consolidated balance sheet.
- From all equity group items including the paid / issued capital of the subsidiaries within the scope of consolidation, the amounts corresponding to the shares other than the parent and subsidiaries have been reduced and the consolidated financial following the equity account group of the status table, it is shown as the account group Non-Controlling Shares.
- Current and non-current assets purchased by partnerships subject to consolidation method as a result, adjustments are made to ensure that these assets are presented at the acquisition cost to the companies subject to consolidation method and are included in the consolidated balance sheet at the amount prior to the sales transaction.
- The comprehensive income statement items of the Group and its subsidiaries were collected separately, and the sales of goods and services made by the companies subject to consolidation were reduced from the total sales and the cost of the goods sold.

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

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

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

2.4. Summary of Significant Accounting Policies (Continued)

Basis of Consolidation (Continued)

Related Parties

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

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

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

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

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

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

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

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

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

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

Revenue Recognition

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

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

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

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

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

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

2.4. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Revenue from product sales

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

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

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

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

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

Financial Assets

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

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

Effective interest method

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

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

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

2.4. Summary of Significant Accounting Policies (Continued)

Financial Assets (Continued)

Financial assets available for sale

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

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

Loans and receivables

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

Impairment of financial assets

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

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

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

Cash and Cash Equivalents

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

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

2.4. Summary of Significant Accounting Policies (Continued)

Financial Liabilities

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

Trade Payables

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

Recording and Extraction of Financial Assets and Liabilities

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

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

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

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

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

Inventories

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

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

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

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

2.4. Summary of Significant Accounting Policies (Continued)

Investment Property

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

The Group does not have investment properties.

Property, Plant and Equipment

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

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

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

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

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

Cost Method

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

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

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

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

	<u>Useful Life</u> 30 September 2020	<u>Useful Life</u> 31 December 2019
Buildings	50 years	50 years
Machinery and equipment	--	5 years
Motor vehicles	5 years	5 years
Fixtures and fittings	3-15 years	3-15 years
Leasehold improvements	3-15 years	3-15 years

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

2.4. Summary of Significant Accounting Policies (Continued)

Intangible Assets

Intangible assets purchased

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

Computer software

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

Derecognition of intangible assets

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

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

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

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

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

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

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

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

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

2.4. Summary of Significant Accounting Policies (Continued)

Intangible Assets (Continued)

	<u>Useful Life</u> 30 September 2020	<u>Useful Life</u> 31 December 2019
Rights	10-15 years	10-15 years
Development costs	12 years	12 years
New HIS working in Java based cloud	15 years	--
Tales ERP (Enterprise Resource Planning)	15 years	--
Web portals	5 years	51 years
Other intangible fixed assets	3-10 years	3-10 years

Leases

Group - as a lessee

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

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

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

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

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

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

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

2.4. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Group - as a lessee (Continued)

Right-of-use asset

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

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

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

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

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

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

Lease liability

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

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

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

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

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

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

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

2.4. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

Group - as a lessee (Continued)

Practical expedients

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

Group - as a lessor

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

Impairment of Assets

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

Borrowing Costs and Funds

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

Effects Of Exchange Rate Differences

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

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

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

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

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

2.4. Summary of Significant Accounting Policies (Continued)

Earnings Per Share

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

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

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

Events after the reporting date

Events after the balance sheet date refer to events occurring in favour or against the Group between the balance sheet date and the date when the financial statements are approved for publication. Based on whether or not corrections are made, two types of situations are defined:

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

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

Provisions, Contingent Asset and Contingent Liabilities

Provisions

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

Contingent Liabilities

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

Contingent Asset

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

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

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

2.4. Summary of Significant Accounting Policies (Continued)

Taxes on Income

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

Current tax

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

Deferred Tax

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

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

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Current and deferred tax for the period

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

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

2.4. Summary of Significant Accounting Policies (Continued)

Employee Benefits and Retirement Benefits

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 (Employee Benefits) stipulates the development of Company 's liabilities by using actuarial valuation methods under defined benefit plans.

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

Reporting of Cash Flows

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

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

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

Capital and Dividends

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

2.5. Significant Changes In The Current Period

In preparation of the interim condensed consolidated financial statements as of 30 September 2020, the Group has assessed the possible impacts of Covid-19 pandemic on the financial statements and reviewed the critical estimates and assumptions. The possibility of impairment within this scope has been evaluated in the interim condensed consolidated financial statements as of 30 September 2020.

The Group does not think that the situation will have a significant impact on its operations since it operates in the field of health informatics but still has taken necessary precautions.

3. BUSINESS COMBINATION

None (31 December 2019: None).

4. SEGMENT REPORTING

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

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5. CASH AND CASH EQUIVALENTS

	30 September 2020	31 December 2019
Cash on hand	1.054	3.147
Bank		
- Demand deposits	379.275	2.159.673
- Time deposits	4.545.800	765.079
Total	4.926.129	2.927.899

As of the reporting period, the time deposits of the Group are comprised of TL assets, with a maturity range of approximately 2-32 days and interest rates between 6,50% and 9,50%.

6. FINANCIAL BORROWINGS

Short-term borrowings	30 September 2020	31 December 2019
Bank borrowings	1.768.626	792.414
Current portion of non-current liabilities	--	65.418
Liabilities arising from right of use assets	544.892	395.179
Other	155.217	212.168
Total	2.468.735	1.465.179

Long-term borrowings	30 September 2020	31 December 2019
Liabilities from right of use assets	449.340	1.020.879
Total	449.340	1.020.879

Repayment schedule of financial liabilities	30 September 2020	31 December 2019
0-3 month	1.923.843	1.059.492
3-12 month	--	10.508
Total	1.923.843	1.070.000

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

Details of liabilities arising from right of use	30 September 2020	31 December 2019
0-3 month	123.066	98.795
3-12 month	421.826	296.384
1-5 years	449.340	1.020.879
Total	994.232	1.416.058

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6. TRADE RECEIVABLES AND TRADE PAYABLES

Short-term trade receivables	30 September 2020	31 December 2019
Trade receivables from related parties (Note 24)	--	--
Notes receivable	13.666.120	8.336.459
Deferred financing income (-)	(93.702)	(115.060)
Provision for trade receivables (-)	(150.450)	(571.229)
Total	13.572.418	7.650.170

The movement of provision for trade receivables is as follows:

	30 September 2020	30 September 2019
Beginning of the period	571.229	440.334
Provision during the period (Note 21)	(420.779)	63.997
Provision cancelled during the period (Note 21)	--	(176.274)
End of the period	150.450	328.057

Short-term trade payables	30 September 2020	31 December 2019
Trade payables to related parties (Note 24)	--	--
Trade payables	642.277	186.599
Notes payable	134.500	1.198.746
Deferred financing income (-)	(7.434)	(16.909)
Total	769.343	1.368.436

8. OTHER RECEIVABLES and OTHER LIABILITIES

Other short-term receivables	30 September 2020	31 December 2019
Due from personnel	1.875	13.500
Deposits and guarantees given	138.460	200.321
Total	140.335	213.821

Other long-term receivables	30 September 2020	31 December 2019
Deposits and guarantees given	39.380	39.380
Total	39.380	39.380

Other short-term payables	30 September 2020	31 December 2019
Other short-term payables to related parties (Note 24)	2.081.547	--
Taxes and funds payables	482.119	646.673
Other	--	4.668
Total	2.563.666	651.341

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9. INVENTORIES

	30 September 2020	31 December 2019
Merchandises	1.803.433	522.616
Total	1.803.433	522.616

10. PREPAID EXPENSES AND DEFERRED INCOMES

Current Prepaid Expenses	30 September 2020	31 December 2019
Prepaid expenses (*)	923.597	582.708
Advances given	--	9.796
Advances given for business purposes	61.525	48.016
Total	985.122	640.520

Non-current Prepaid Expenses	30 September 2020	31 December 2019
Prepaid expenses (*)	939.645	773.211
Total	939.645	773.211

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

Current Deferred Income	30 September 2020	31 December 2019
Deferred income	--	2.263.889
Other	--	27.916
Total	--	2.291.805

11. PROPERTY, PLANT AND EQUIPMENT

Cost	1 January 2020	Additions	30 September 2020
Buildings	1.500.000	--	1.500.000
Motor vehicles	1.722.576	--	1.722.576
Fixtures and fittings	3.472.335	99.541	3.571.876
Leasehold improvements	966.532	--	966.532
Total	7.661.443	99.541	7.760.984
Accumulated depreciation (-)			
Buildings	(270.000)	(22.500)	(292.500)
Motor vehicles	(535.338)	(242.311)	(777.649)
Fixtures and fittings	(1.768.172)	(414.609)	(2.182.781)
Leasehold improvements	(361.824)	(144.981)	(506.805)
Total	(2.935.334)	(824.401)	(3.759.735)
Net book value	4.726.109		4.001.249

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11. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

	30 September 2020	31 December 2019
Buildings	1.389.095	1.704.163
Motor vehicles	1.207.500	1.230.000
Fixtures and fittings	944.927	1.187.238
Leasehold improvements	459.727	604.708
Total	4.001.249	4.726.109

12. INTANGIBLE ASSETS

Cost	1 January 2020	Additions	Disposals	30 September 2020
Rights	6.462.747	--	--	6.462.747
Development costs ".net based HIS"	4.588.814	--	--	4.588.814
Development costs-Java based cloud system	62.485.188	12.046.692	(4.694)	74.527.186
Tales ERP (Enterprise Resource Planning)	--	1.756.000	--	1.756.000
Total	73.536.749	13.802.692	(4.694)	87.334.747
Accumulated amortization (-)				
Rights	(4.975.910)	(204.381)	--	(5.180.291)
Development costs ".net based HIS"	(3.130.536)	(286.801)	--	(3.417.337)
Development costs-Java based cloud system	(6.850.414)	(3.453.837)	--	(10.304.251)
Tales ERP (Enterprise Resource Planning)	--	(24.283)	--	(24.283)
Total	(14.956.860)	(3.969.302)	--	(18.926.162)
Net book value	58.579.889			68.408.585

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12. INTANGIBLE ASSETS (Continued)

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

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

	30 September 2020	31 December 2019
Rights	1.282.456	1.486.837
Development costs ".net based HIS"	1.171.477	1.458.278
Development costs — Java based cloud system	64.222.935	55.634.774
Tales ERP (Enterprise Resource Planning)	1.731.717	--
Total	68.408.585	58.579.889

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

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

	30 September 2020	31 December 2019
Personnel costs (the personnel work on software development, project implementation and system support departments)	16.111.490	13.161.455
Outsource costs (services and products rendered from 3rd parties)	--	565.000
Total	16.111.490	13.726.455

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

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13. RIGHT OF USE ASSETS

	1 January 2020	Addition	30 September 2020
Buildings	1.554.251	--	1.554.251
Building depreciation	(138.193)	(421.821)	(560.014)
Net book value	1.416.058	(421.821)	994.237

Group as a tenant

The Group has 2 lease agreement that is subject to operating leases.

The Group has two workplace rentals, Floor 1 and Floor 8 at The Paragon Business Center. The beginning date of the contracts are 15 August 2017 and 15 July 2018 respectively and the contract terms are valid for 5 years.

14. GOVERNMENT INCENTIVES

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

- Incentives within the scope of Technology Development Zones Law (100% Corporate Tax Exemption),
- Incentives within the scope of research and development law (Social Security Institution incentives etc.)
- TUBITAK European Union Project incentives for expenses made with regards to research and development expenses.

In accordance with the article; 'Within the scope of the temporary second article of the Law No. 4691 on Technology Development Zones, amended by the 8th article of the Corporate Tax General Communiqué No 6, the earnings obtained by the management companies within this law and the income and corporate taxpayers operating in the region are exempt from income and corporate tax until 31 December 2023, exclusively from the software and R&D activities in this region. I the Group 's revenues to be obtained as a result of research and development activities are within the scope of exemption from corporate tax.

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other Current Provisions	30 September 2020	31 December 2019
Provisions for lawsuits	602.289	584.145
Total	602.289	584.145

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

	Total	Amount
Ongoing lawsuits on behalf of the Group	50	762.322
Ongoing execution proceedings	2	45.724
Ongoing lawsuits against the Group	30	334.811
Ongoing enforcement proceedings	4	267.478

The Group management has provided a provision in the amount of TL 602.289 in the financial statements with regards to lawsuits filed against The Group (Prior period: TL 584.145 TL).

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16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**Contingent Liabilities**

	30 September 2020	31 December 2019
Guarantees given	9.504.741	16.157.166
Total	9.504.741	16.157.166

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

	30 September 2020	31 December 2019
CPM given by the Group		
A. CPM's given for Group's own legal personality		
CPM given by the company	9.504.741	16.157.166
B. CPM's given on behalf of fully consolidated companies	--	--
C. CPM's given on behalf of third parties for ordinary course of business	--	--
D. Total amount of other CPM's	--	--
i. Total amount of CPM's given on behalf of the majority shareholder	--	--
ii. Total amount of CPM's given on behalf of other Group companies which are not in scope of B and C	--	--
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	--	--
Total	9.504.741	16.157.166

16. EMPLOYEE BENEFITS

Liabilities from Employee Benefits	30 September 2020	31 December 2019
Payables due to personnel	1.868.400	1.686.115
Social security withholdings payables	934.568	785.486
	2.802.968	2.471.601

Current Provisions for Employee Benefits	30 September 2020	31 December 2019
Provisions for unused vacations	377.761	299.181
	377.761	299.181

Movements of the provisions for unused vacations are as follows:

	30 September 2020	30 September 2019
Beginning of the period	299.181	350.469
Provision amount cancelled in the current period	--	(350.469)
Provision amount allocated in the current period	78.580	494.915
End of the period	377.761	494.915

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16. EMPLOYEE BENEFITS (Continued)

	30 September 2020	31 December 2019
Provision for employee termination benefits	972.044	902.491
	972.044	902.491

Provision for Severance Pay

Under the Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age. Severance payment provision is calculated as 30 days gross salary for each service year.

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

	30 September 2020	30 September 2019
Net discount rate (%)	2.84 %	2,49 %
	30 September 2020	30 September 2019
Beginning of the period	902.491	675.428
Increases during the period	175.869	47.122
Actuarial profit / (loss)	(91.967)	304.349
Interest expense (Note 21)	65.651	19.535
Payments during the year	(80.000)	(284.558)
Closing balance	972.044	761.876

The main assumption is that the maximum liability amount for each year of service will increase in line with inflation. Therefore. The discount rate applied represents the expected real rate after adjusting for future inflation effects. Therefore, as of 30 September 2020 and 31 December 2019, the provisions in the accompanying financial statements are calculated by estimating the present value of the probable liability arising from the retirement of future employees.

In calculating the provision for severance pay of the Group, the ceiling amount of TL 7.117,17, valid as of 30 September 2020 was taken into account (31 December 2019: TL 6.379,86).

17. OTHER ASSETS AND LIABILITIES

Other current assets	30 September 2020	31 December 2019
VAT carried forward	35.047	25.756
Total	35.047	25.756

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17. OTHER ASSETS AND LIABILITIES (Continued)

Other current liabilities	30 September 2020	31 December 2019
Executive and BES Deductions	33.913	--
Total	33.913	--

18. EQUITY, RESERVES AND OTHER EQUITY COMPONENTS

The Shareholders structure of the Company is as follow

Shareholders	30 September 2020		31 December 2019	
	Share amount	Rate%	Share amount	Rate%
Abdülkerim GAZEN	19.333.333	48.33	23.333.333	58.33
Other (public)	17.723.806	44.31	16.666.667	41.67
Goldman Sachs International	2.942.861	7.36	--	--
Paid-in capital	40,000,000	100.00	40.000.000	100.00

The Company's issued capital consists of 40.000.000 shares, all with a par value of 1 Turkish Liras each as at 30 September 2020 (31 December 2019: 40.000.000 shares).

Other Comprehensive Income/Loss Not to be Reclassified to Profit or Loss

	30 September 2020	31 December 2019
Actuarial gain/loss	(671,308)	(783.508)
	(671,308)	(783.508)

Restricted reserves allocated from profit	30 September 2020	31 December 2019
Legal reserves	2.281.006	1.749.772
	2.281.006	1.749.772

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

Prior Year Profit / Losses (-)	30 September 2020	31 December 2019
Beginning of the period	11.295.290	10.494.235
Previous year profit / (loss) transfer	14.651.030	12.236.429
Transfer to capital	--	(10.503.800)
Transfer to legal reserves	(531.234)	(931.574)
Prior Year Profit / Losses (-)	25.415.086	11.295.290

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

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

19. REVENUE AND COST OF SALES (-)

	01.01.- 30.09.2020	01.01.- 30.09.2019	01.07.- 30.09.2020	01.07.- 30.09.2019
Sales revenue, net				
Domestic sales	44.341.408	36.167.537	14.344.358	13.094.064
Exports	844.201	408.931	308.571	142.089
Other sales	473	1.006	473	(134.582)
Total Revenue	45.186.082	36.577.474	14.652.929	13.101.771
Sales returns and discounts (-)	--	(254.479)	--	(4.479)
Revenue, net	45.186.082	36.322.995	14.653.402	13.097.292
Cost of sales (-)				
Cost of services sold	21.010.553	19.612.183	7.149.828	6.326.151
Cost of merchandises sold	221.488	244.401	163.507	162.694
Cost of sales	21.232.041	19.856.584	7.313.335	6.488.845
Gross profit	23.954.041	16.466.411	7.340.067	6.608.447

20. GENERAL ADMINISTRATION EXPENSES. RESEARCH EXPENSES (-)

	01.01.- 30.09.2020	01.01.- 30.09.2019	01.07.- 30.09.2020	01.07.- 30.09.2019
General administrative expenses (-)	4.834.752	4.006.212	1.481.086	1.328.379
Marketing, selling and distribution expenses (-)	748.758	617.364	113.780	106.608
Research and development expenses (-)	2.744.522	1.266.948	1.067.522	819.127
Total	8.328.032	5.890.524	2.662.388	2.254.114

21. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES (-)**Other income from operating activities**

	01.01.- 30.09.2020	01.01.- 30.09.2019	01.07.- 30.09.2020	01.07.- 30.09.2019
Incentive income	2.200.664	2.010.593	837.380	861.754
Reversal of provisions for receivables (Note 7)	420.779	176.274	416.402	176.274
Deferred financing income	73.329	35.624	62.890	889
Litigation return income	69.924	--	(155)	--
Reversals of deferred financing income	--	28.652	--	(24.056)
Other	142.505	521.089	16.774	11.040
Total	2.907.201	2.772.232	1.333.291	1.025.901

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21. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES (-) (Continued)**Other expenses from operating activities (-)**

	01.01.- 30.09.2020	01.01.- 30.09.2019	01.07.- 30.09.2020	01.07.- 30.09.2019
Interest expense for employee termination benefits (Note 16)	65.651	--	65.651	--
Deferred financing expenses	43.481	163.061	(21.465)	82.966
Provisions for law suits	18.144	82.966	(460.722)	30.559
Provision for doubtful trade receivables expenses	--	63.997	--	63.997
Cancellation of deferred financing expenses	--	98.918	--	--
Other	4.740	29.441	(214.086)	13.365
Total	132.016	438.383	(630.622)	190.887

22. INCOME AND EXPENSES FROM INVESTING ACTIVITIES (-)**Income from investing activities**

	01.01.- 30.09.2020	01.01.- 30.09.2019	01.07.- 30.09.2020	01.07.- 30.09.2019
Interest income	66.375	685.956	25.585	89.600
Total	66.375	685.956	25.585	89.600

23. FINANCIAL INCOME AND EXPENSES (-)**Financial income**

	01.01.- 30.09.2020	01.01.- 30.09.2019	01.07.- 30.09.2020	01.07.- 30.09.2019
Foreign exchange income	43.315	--	23.556	--
Total	43.315	--	23.556	--

Financial Losses (-)

	01.01.- 30.09.2020	01.01.- 30.09.2019	01.07.- 30.09.2020	01.07.- 30.09.2019
Foreign exchange expenses	30.736	--	27.545	19.682
Interest expenses	38.131	137.588	(39.405)	39.542
Letter of guarantee commission expenses	124.237	121.469	122.020	--
Stock exchange expense	16.593	--	1.584	--
Lease expenses	27.634	67.441	27.634	232
Other financial expenses	797	4.763	(7.603)	--
Total	238.128	331.261	131.775	59.456

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24. RELATED PARTIES

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

As of 30 June 2020, there is no receivable from related parties. (31 December 2019: None)

Payables to related parties

Shareholders	30 September 2020		31 December 2019	
	Trade	Non-trade	Trade	Non-trade
Abdülkerim GAZEN	--	2.081.547	--	--
Total	--	2.081.547	--	--

The amount of rights granted to senior managers in the current period is TL 903.150 (Prior period: TL 1.950.000)

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

Corporate Tax Provision

	30 September 2020	31 December 2019
Prepaid temporary taxes and funds (-)	(112.568)	(92.995)
Tax asset or liability	(112.568)	(92.995)

In Turkey, the corporation tax rate is 22% as of 30 September 2020 (31 December 2019: 22%). The corporate tax rate is applied to the tax base that will result in the deduction of non-deductible expenses in accordance with the tax legislation of the corporation's commercial income, the exemption in the tax laws (such as the exemption of participation profits) and deductions (such as investment discount). No further tax is paid if the profit is not distributed.

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Law Amending Certain Tax Laws and Certain Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities 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.

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

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

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

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

Tax provision in the income statement:	30 September 2020	30 September 2019
Current period corporate tax provision	--	--
Deferred tax provision	(651.489)	(1.724.569)
Total	(651.489)	(1.724.569)

Deferred Tax Assets and Liabilities

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

	Cumulative temporary differences		Deferred Tax	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Deferred Tax Assets				
Deferred financial income	93.702	115.060	20.614	25.313
Provision for doubtful receivables (Note 7)	150.450	571.229	33.099	125.670
Amortization of intangible assets	3.331.277	3.331.277	732.881	666.255
Provision for unused vacation (Note 16)	377.761	299.181	83.107	65.820
Provision for litigation (Note 15)	602.289	584.145	132.504	128.512
Deferred tax adjustment	--	2.263.889	--	498.056
Written off assets	24.200	--	5.324	--
Provision for employee termination benefits (Note 16)	972.044	902.491	213.852	198.548
Adjustment for borrowings	10.914	22.417	2.401	4.932
Total	5.562.637	8.089.689	1.223.782	1.713.106
Deferred Tax Liabilities				
Deferred financial expense	(7.434)	(16.909)	(1.635)	(3.720)
Adjustment for time deposits accounts	(971)	--	(214)	--
Difference between the tangible assets registered value and tax base	(126.563)	(126.563)	(27.844)	(25.313)
Capitalized costs of programs in progress	(3.476.679)	(3.476.679)	(764.869)	(695.336)
Capitalized development costs	(3.147.594)	(3.147.594)	(692.471)	(629.519)
Accrued trade receivable adjustments	(39.931)	--	(8.787)	--
Total	(6.799.172)	(6.767.745)	(1.495.820)	(1.353.888)
Deferred Tax Assets / (Liabilities), net	(1.236.535)	1.321.944	(272.038)	359.218

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

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

	30 September 2020	31 December 2019
Opening balance of deferred tax assets / (liabilities)	359.218	1.812.290
Deferred tax expense / (income)	(651.489)	(1.547.698)
Deferred tax effect of other comprehensive income	20.233	94.626
Deferred tax asset / liability in the current period	(272.038)	359.218

26. EARNINGS PER SHARE

	01.01.- 30.09.2020	01.01.- 30.09.2019
Net profit / (loss) for the period from continued operations:		
Net profit / (loss) of parent company from continued operations	17.621.267	11.539.862
Weighted average number of shares	40.000.000	40.000.000
Earnings / (loss) per share from continued operations (TL)	0,44	0,29
Earnings / (loss) per share		
Profit / (loss) for the period	17.621.267	11.539.862
Net profit / (loss) of parent company for the period	17.621.267	11.539.862
Weighted average number of shares	40.000.000	40.000.000
Earnings / (loss) per share (TL)	0,44	0,29
	01.01.- 30.09.2020	01.01.- 30.09.2019
Number of weighted shares at the beginning of the period	40.000.000	18.000.000
Number of shares issued within the period	--	22.000.000
Number of shares at the end-of-period	40.000.000	40.000.000

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

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

Capital Risk Management

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

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27. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)**Capital Risk Management (Continued)**

	01.01.- 30.09.2020	01.01.- 30.09.2019
Total Liabilities	12.535.879	14.497.662
Less: Cash and cash equivalents (-)	(4.926.129)	(2.839.265)
Net (Cash)/Liabilities	7.609.750	11.658.397
Total Equity	84.646.051	63.899.515
Capital	40.000.000	40.000.000
Net (Cash) Liabilities / Total Equity Ratio	0,09	0,18

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

	01.01.- 30.09.2020	01.01.- 30.09.2019
Current Assets	21.575.052	12.073.777
Short Term Liabilities (-)	9.618.675	9.131.668
Net working capital excess / (deficit)	11.956.377	2.942.089
Current Ratio	2,24	1,32
Earnings Before Interest Tax Depreciation and Amortization (EBITDA)	01.01.- 30.09.2020	01.01.- 30.09.2019
Net income for the period	17.621.267	11.539.862
Depreciation expenses	(2.775.185)	(2.333.849)
Tax (income) / loss net	(66.375)	(685.956)
Financing (income) / expense net	5.215.524	3.970.900
Income / expenses from investment activities, net	194.813	331.161
Other income / expenses from main activities, net	651.489	1.724.569
EBITDA	20.841.533	14.546.787
EBITDA margin	46,12%	40,05%

Financial Risk Factors*Credit risk*

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

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27. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)**Financial Risk Factors (Continued)**Credit risk (Continued)

The imposed credit risk by financial instrument type is as follows as 30 September 2020 and 31 December 2019.

30 September 2020	RECEIVABLES				Bank Deposits	Cash and Other
	Trade Receivables		Other Receivables			
	Related Parties	Other Parties	Related Parties	Related Parties		
Maximum credit risk exposures as of report date (A+B+C+D+E)	--	13.572.418	--	179.715	4.925.075	1.054
- Secured part of maximum credit risk exposure via collateral etc.	--	--	--	--	--	--
A. Net book value of the financial assets that are neither overdue nor impaired	--	13.572.418	--	179.715	4.925.075	1.054
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	--	--	--	--	--	--
C. Net book value of financial assets that are overdue but not impaired	--	--	--	--	--	--
D. Net book value of impaired financial assets	--	--	--	--	--	--
- Overdue (gross carrying amount)	--	150.450	--	--	--	--
- Impairment asset (-)	--	(150.450)	--	---	--	--
- Net, secured part via collateral etc.	--	--	--	--	--	--
E. Off-balance sheet financial assets exposed to credit risk	--	--	--	--	--	--

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

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27. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)**Financial Risk Factors (Continued)**Liquidity risk

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

Maturities accordance with the contract as of 30 September 2020	Book value	Total contractual cash outflow (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1 – 5 years (III)
<i>Non-derivative Financial Liabilities</i>					
Bank loans	1.768.626	1.768.626	1.768.626	--	--
Leasing payables	544.892	544.892	123.066	421.826	--
Trade payables	769.343	134.500	134.500	--	--
Other short term liabilities	155.217	155.217	155.217	--	--
		--	--	--	--
Total Liabilities	3.238.078	2.603.235	2.181.409	421.826	--

<i>Derivative Financial Liabilities</i>					
Trade payables	642.277	642.277	642.277	--	--
Liabilities from employee benefits	2.802.968	2.802.968	2.802.968	--	--
Deferred income	--	--	--	--	--
Other Liabilities	482.119	482.119	482.119	--	--
	--	--	--	--	--
	3.927.364	3.927.364	3.927.364	--	--

Maturities accordance with the contract as of 31 December 2019	Book value	Total contractual cash outflow (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1 – 5 years (III)
<i>Non-derivative Financial Liabilities</i>					
Bank loans	857.832	857.832	847.324	10.508	--
Other short term liabilities	212.168	212.168	212.168	--	--
Trade payables	1.186.249	1.198.746	1.198.746	--	--
Leasing payables	1.416.058	1.416.058	98.795	296.384	1.020.879
Total Liabilities	3.672.307	3.684.804	2.357.033	306.892	1.020.879

<i>Derivative Financial Liabilities</i>					
Trade payables	182.187	186.599	186.599	--	--
Liabilities from employee benefits	2.471.601	2.471.601	2.471.601	--	--
Deferred income	2.263.889	2.263.889	1.697.916	565.973	--
Other liabilities	651.341	651.341	651.341	--	--
	5.569.018	5.573.430	5.007.457	565.973	--

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

Market Risk

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

Interest Rate Risk

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

The Group's interest position table is as follows:

Financial instruments with fixed interest	30 September 2020	31 December 2019
Financial Liabilities (Note 6)	1.923.843	1.070.000
Cash and Cash Equivalents (Note 5)	4.545.800	765.079

28. EVENTS AFTER THE REPORTING DATE

The Group does not think that the situation will have a significant impact on its operations since it operates in the field of health informatics but has taken necessary precautions.