



# **FONET INFORMATION TECHNOLOGIES INC.**

## **INTERIM PERIOD**

### **ACTIVITY REPORT OF THE BOARD OF DIRECTORS**

**01 January 2019 – 31 March 2019**

## INDEX

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### INTRODUCTION

I.	About Us.....	3
II.	Capital Structure.....	4
III.	Information On Privileged Shares.....	4
IV.	Company Management and Employee Information .....	5
V.	Corporate Activities.....	8
VI.	Financial Condition of The Company.....	9
VII.	Stock Information.....	11
VIII.	Sources of Finance .....	12
IX.	Changes In The Company's Articles Of Incorporation During The Period.....	12
X.	Benefiting from The Government Promotions .....	13
XI.	Research and Development Activities.....	13
XII.	Subsidiaries and Branches of the Company.....	14
XIII.	Other Issues .....	15

## INTRODUCTION

Fonet Information Technology A.Ş (the company) is subject to the laws of the Republic of Turkey and the provisions of the Turkish Commercial Code relating to the establishment of joint stock companies. Therefore, it operates in accordance with the provisions contained in the Turkish Commercial Code and especially the provisions contained in the articles of Association of the company and on condition that it stays within the scope of business.

Accordingly, the main business issue of the company is “IT sector” and its activity is defined in detail in Article 3 titled purpose and subject of the articles of association.

<b>Trade Name</b>	Fonet Bilgi Teknolojileri A.Ş
<b>Establishment Date</b>	10.01.2001
<b>Area of Activity</b>	Yazılım/Bilişim
<b>Capital Receipts</b>	18.000.000 TL
<b>Upper Limit of Registered Capital</b>	30.000.000 TL
<b>Address</b>	Kızılırmak Mahallesi 1445. Sokak No: 2B/1 The Paragon Tower Çankaya / ANKARA
<b>Tel</b>	+90 312 438 59 19
<b>Fax</b>	+90 312 440 36 52
<b>Trade Registration number</b>	350735
<b>Email Address</b>	fonet@fonetyazilim.com
<b>Web Address</b>	<a href="http://www.fonetyazilim.com">www.fonetyazilim.com</a>

## **I. About Us**

FONET; has been founded in 1997 to service in healthcare IT area. It is the It company that turned in to limited liability Corporation in 2001 and then turned in to joint-stock company in 2011. It gives services turnkey projects in Healthcare IT field which are related to Information Management System, System Integration and Consultancy services. Despite of healthcare information technology is the main activity subject of Fonet, it can be also in different information technology projects with field expertise.

Within the scope of the transformation in the health sector in our country in the late 90s and early 2000s, we focused on the health sector in line with the works of using information technologies in health sector and having Health Institutions serving at international standards and started to produce solutions in this context. It follows improving technology and regarding regulations closely and it keeps itself update. Fonet's aim is reaching all international standards all hospitals which has been given service by Fonet in the healthcare informatics system field.

### **Our Mission**

Developing advanced technology and also develop. In this way we contribute Turkey's economy and we intended to strengthen Turkey's position in global marketplace.

### **Our Vision**

To be a leader company in its sector that providing development and change with advanced technology in information sector, continuously increase value created for its customers, give a quality service with knowledge of technology, professional team, entrepreneur and customer oriented approach.

## II. Capital Structure

Our Company has adopted the registered capital system and has determined the upper limit of the registered capital as 30.000.000 TL until 2019 with the permission of the Capital Markets Board.

Our Company's issued capital is 18.000.000,00 Turkish Liras that has been paid in full within the upper limit of registered capital.

Our company started trading in Istanbul on May 04, 2017. Details of the shares that form the capital of our company, which has started trading in the TECHNOLOGY / BIST MAIN / BIST TECHNOLOGY / BIST INITIAL PUBLIC OFFERING / BIST ALL SHARES / BIST ALL SHARES-100 / BIST ANKARA markets, are as shown in the table below;

SHAREHOLDER	SHARE IN CAPITAL(TL)	RATIO IN CAPITAL(%)	VOTING RIGHT RATIO (%)
ABDÜLKERİM GAZEN	10.500.000,00	58,33	76,56
OTHER	7.500.000,00	41,67	23,44
<b>TOTAL</b>	<b>18.000.000,00</b>	<b>100</b>	<b>100</b>

## III. Information On Privileged Shares

Privileged Share Amount (Number) : 1.000.000 A grubu pay

Privileged Share Amount (TL) : 1.000.000 TL

### Explanations on Voting Rights of Privileged Shares

Each share in the General Assembly has 15 Voting Rights. If the company's Board of Directors consists of five members, two board members; consists of six or seven members, three board members; consists of eight or nine members, four board members of the Board of Directors (A) are elected by the General Assembly among the candidates to be determined by the shareholders.

If the shareholders of group (A) does not nominate to the Board of directors, the election shall be held by the General Assembly within the framework of the Capital Markets legislation and the provisions of the Turkish commercial code.

**Articles of Association Article 6:**

Group (A) shares have privileged about determination Members of the Board of Directors and use of voting rights.

Group (B) shares have no privileges.

**Articles of Association Article 10:**

At Ordinary and Extraordinary General Assembly Meetings (A) group shareholders have 15 voting rights for each share, (B) group shareholders have 1 voting rights for each one share.

**IV. Company Management and Employee Information**

The management and representation of the Company belongs to the Board of Directors. The company's activity and management are carried out by 6 members of the board of Directors elected by the General Assembly in accordance with the provisions of the Turkish commercial code. Members of the Board of Directors can be elected for a maximum of 3 years. The Board of Director Members whose term of office expire can be elected again.

The chairman of the Board of Directors is elected by the members of the Board of Directors that the (A) group of shareholders offer. The Members of The Board of Directors can also be The Members of The Board of Directors of the other companies.

The Members of The Board of Directors do not have activities within the scope of Prohibition of competing with the company through transactions on behalf of the company, itself or others.

As of 31 March 2019, the number of personnel is 469 and distribution is as follows;

<b>Employee Distribution</b>	<b>31.03.2019</b>	
Administrative Staff	14	
Technical Staff	109	
<b>Company Headquarters Total</b>		<b>123</b>
Hospital Staff *	<b>346</b>	
<b>Total</b>		<b>469</b>
<i>* Personnel working in hospitals related to certain fixed term service contract within the scope of the contracts.</i>		

#### THE MEMBERS OF THE BOARD

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Chairman	: Abdülkerim GAZEN
Vice Chairman	: Yasemin ŞAH
Member	: Dr. Emre SEZGİN
Member	: Daniel Anders Henrik WERNER
Independent Member	: Yusuf Serdar GÜRBÜZ
Independent Member	: İlker SALTOĞLU

*\*At the Ordinary General Assembly held on April 04, 2019, Mr. Mahmut Ibiş and Mrs. Nisabeim Gazen were elected as Members of the Board of Directors and the number of Members of the Board increased to 8.*

## SENIOR MANAGEMENT

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General Manager	: Mehmet GAZEN
Deputy General Manager	: Muhammed Fatih AKTAÇ
Deputy General Manager	: Ömer GAZEN
Deputy General Manager	: Yıldırım NAS
Software Development Director	: İbrahim ÖZTÜRK
Operation Director	: Mehmet ARSLAN
Information Technology Director	: Yusuf ARSLANTÜRK
Business Development Director	: Mehmet Yaşar KEŞKÜŞ
Corporate Relations Director	: Yusuf Emre ÖZENSOY
Human Resource Manager	: Simla BÜYÜKKARA

## COMMITTEES

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In order for the Board of Directors to perform its duties and responsibilities in a sound manner, Pursuant to Article 4.5 of the corporate governance communiqué no: II-17.1 of the Capital Markets Board, the Board of Directors has decided to create that “Audit Committee”, “Early Detection of Risk Committee” and “Corporate Governance Committee” and determine job definitions; The board of Directors has decided not to establish a different “Nomination Committee” and “Compensation Committee”, in place of this regarding committee’s duties has been undertaken by the “Corporate Governance Committee”. Committees have been formed with the decision of our Board of Directors dated 19 September 2017.



<b>AUDIT COMMITTEE</b>	
<b>Chairman</b>	Yusuf Serdar GÜRBÜZ
<b>Member</b>	İlker SALTOĞLU

<b>EARLY DETECTION OF RISK COMMITTEE</b>	
<b>Chairman</b>	Yusuf Serdar GÜRBÜZ
<b>Member</b>	Abdülkerim GAZEN
<b>Member</b>	Dr. Emre SEZGİN

<b>CORPORATE GOVERNANCE COMMITTEE</b>	
<b>Chairman</b>	İlker SALTOĞLU
<b>Member</b>	Abdülkerim GAZEN
<b>Member</b>	Dr. Emre SEZGİN
<b>Member</b>	Tuba BEKTAŞ

## **V. Corporate Activities**

- In the relevant accounting period, there is no legal action taken for the benefit of our company, its parent company and its subsidiary, or its subsidiary with the guidance of the parent company, or any measures taken or avoided for the benefit of the parent partner or its subsidiary.
- In the relevant accounting period, all of our commercial activities performed between both our controlling shareholder and our subsidiary were realized with accordance with market conditions.

- The company has no share in its acquisition.
- There are no administrative or judicial sanctions imposed on company and its managers due to practices contrary to the provisions of the law.
- Detailed information on other activities that are conducted is summarized under “XIII other issues”.

## VI. Financial Condition of The Company

- Budget objective has been attained.
- Our company's net profit for the period between 01 January 2019 - 31 March 2019 USD 612.933,52 the asset size is USD 13.247.757, 62 and the equity total is USD 9.967.511, 37.

### Balance-Sheet

<b>ASSETS</b>	<b>31March 2019</b>	<b>31 March 2018</b>
Current Assets	\$2.496.756,00	\$3.962.994,00
Nun-Current Assets	\$10.751.002,00	\$14.496.483,00
<b>TOTAL ASSETS</b>	<b>\$13.247.758,00</b>	<b>\$18.459.477,00</b>

<b>LIABILITIES</b>	<b>31 March 2019</b>	<b>31 March 2018</b>
Current Liabilities	\$2.440.943,00	\$3.995.546,00
Nun-Current Liabilities	\$839.303,00	\$1.144.514,00
Equity	\$9.967.512,00	\$13.319.417,00
<b>TOTAL LIABILITIES</b>	<b>\$13.247.758,00</b>	<b>\$18.459.477,00</b>

## Statement of Income

	31.03.2019	31.03.2018
<b>CONTINUING OPERATIONS</b>		
Revenue	\$4.206.433,09	\$1.505.386,00
Cost of Sales (-)	-\$2.585.132,01	-\$871.519,00
<b>Gross Profit (Loss) From Commercial Operations</b>	<b>\$1.621.301,08</b>	<b>\$633.866,00</b>
General Administrative Expenses (-)	-\$734.566,13	-\$285.941,00
Marketing Expenses (-)	-\$152.979,71	-\$32.340,00
Research and Development Expense (-)	-\$46.846,53	-\$147.878,00
Other Income from Operating Activities	\$282.380,61	\$76.752,00
Other Expenses from Operating Activities (-)	-\$106.568,83	-\$20.690,00
<b>PROFIT (LOSS) FROM OPERATING ACTIVITIES (-)</b>	<b>\$862.720,49</b>	<b>\$223.769,00</b>
Investment Activity Income	\$56.314,05	\$12.679,00
<b>PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)</b>	<b>\$919.034,54</b>	<b>\$236.448,00</b>
Finance Costs	-\$196.759,11	-\$39.139,00
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX</b>	<b>\$722.275,42</b>	<b>\$197.309,00</b>
<b>Tax (Expense) Income, Continuing Operations</b>	<b>\$5.715,66</b>	<b>-\$41.822,00</b>
Deferred Tax (Expense) Income (-)	\$5.715,66	-\$41.822,00
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>	<b>\$727.991,08</b>	<b>\$155.487,00</b>
<b>PROFIT (LOSS)</b>	<b>\$727.991,08</b>	<b>\$155.487,00</b>

### Ratio Analysis

<b>LIQUIDITY RATINGS</b>	<b>31.03.2017</b>	<b>31.03.2018</b>	<b>31.03.2019</b>
Current Ratio	0,31	0,97	1,02
Liquid Ratio	0,27	0,92	0,97
Cash Ratio	0,02	0,14	0,47
<b>FINANCIAL STRUCTURE RATINGS</b>	<b>31.03.2017</b>	<b>31.03.2018</b>	<b>31.03.2019</b>
Leverage Ratio	0,42	0,18	0,18
Financing Ratio	1,36	4,68	3,04
Debt Equity Ratio	0,73	0,21	0,33
<b>PROFIT RATINGS</b>	<b>31.03.2017</b>	<b>31.03.2018</b>	<b>31.03.2019</b>
Return On Equity	0,07	0,02	0,06
Economic Ratability	0,06	0,03	0,06
Earnings Per Share	-	0,08	0,46
<b>MARKET-BASED RATINGS</b>	<b>31.03.2017</b>	<b>31.03.2018</b>	<b>31.03.2019</b>
Market To Book Value Ratio	-	2,17	1,50

### VII. Stock Information

Public Offering Date: 27-28 Nisan 2017

Total Equity: 18.000.000,00 TL

Free Float Rate: %23,44

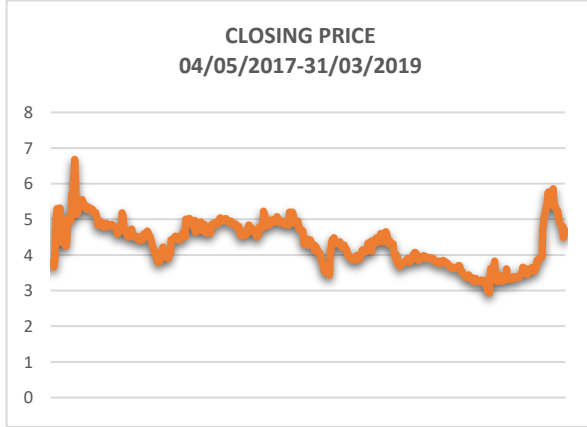
Stock Market Code: FONET

ISIN Code: TREFONT00028

Involving Group in Stock Market: B

Involving Index: BIST INF. TECHNOLOGY / BIST MAIN / BIST TECHNOLOGY / BIST INITIAL PUBLIC OFFERING / BIST ALL SHARES / BIST ALL SHARES-100 / BIST ANKARA

## HISTORICAL OUTLOOK



Between 04.05.2013 and 31.03.2019, an increase of 34% was observed in the price of the share.



Between 01.2019 and 31.03.2019, an increase of 41% was observed in the price of the share.

## VIII. Sources of Finance

Finance sources of the company is own equity and bank loans. The process of obtaining new finance sources are being continued and detailed information is given under “XIII other issues”.

## IX. Changes In The Company's Articles Of Incorporation During The Period

There has been no change in the Company's articles of incorporation within the period but; In the agenda of The Ordinary General Assembly meeting for the year 2018, the amount of registered capital ceiling to be increased from 30.000.000,00 TL to 100.000.000,00 TL, to extend the period of the upper limit of registered capital to be valid between 2019-2023 was adopted and in this direction legal procedures and applications have been started in order to be revised in Article 6 of the articles of association of the company, “Capital of Company and Type of Shares”.

## **X. Benefiting from The Government Promotions**

### **To be R&D Center**

As a result of the evaluation made by the Ministry of Science, Industry and Technology Evaluation and Audit Commission, it was deemed appropriate to give our Company A R & D center certificate. Thus, our company has been entitled to benefit from promotions and exemptions provided to R & D centers within the scope of Law No. 5746.

Gaining R & D center status, in addition to the fact that our company creates cost advantages in production activities, will increase cooperation with universities and other R & D institutions, this will clear the way for our company to focus its R & D efforts for the use of innovative and advanced technology and we believe that it will contribute positively to turnover and profitability by creating an important competitive advantage in the markets.

## **XI. Research and Development Activities**

R & D activities are continuing within the scope of the new HIMS project that works in Java-based cloud architecture. As of 31 March 2019, USD 9.176.781, 50 was spent for r&d activities, this amount was USD 8.662.982, 91 on the date of 31/03/2019

## **XII. Subsidiaries and Branches of the Company**

### **SUBSIDIARY**

Pidata has been founded as wholly-owned subsidiary of Fonet in 2018 to develop projects except HIMS and to achieve another information technology investment targets.

#### **Activity Areas of Pidata:**

- To make r&d researches,
- To research and develop value added products are needed in the market,
- To develop products except HIMS (expert system, hardware components, etc.) able to value added in Healthcare IT sector,
- To develop e-state projects and develop HIMS systems are related overseas.

### **BRANCHES**

We have two branches in Istanbul and Şanlıurfa.

#### **İstanbul Branch:**

Büyükdere Cad. Emlak Kredi BloklarıNo:33/4 Levent/İSTANBUL

Tel: +90.212 284 18 61

Fax: +90.212 284 18 63

#### **Şanlıurfa Branch:**

İpekyol Cad. No:12/1 ŞANLIURFA

Tel: +90.414 312 72 52

Fax: +90.414 315 76 04

### **XIII. Other Issues**

Special events that occur in the company after the end of the activity period and which may affect the rights of shareholders, creditors and other related persons and organizations are presented below;

Our Company's Ordinary General Assembly Meeting where activities and results was discussed and convened on 4th April 2019 Thursday at 10:00 am at the address of The Paragon Tower Kızılırmak Mahallesi 1445. Sokak No: 2B/18 Çankaya / ANKARA.

On the agenda of The Ordinary General Assembly meeting of 2018, increasing of the limit of the registered capital amount from 30.000.000,00 TL to 100.000.000,00 TL, extending the limit of the registered capital effective from date on between 2019-2023 was accepted and in this direction, the Articles 6 of the articles of association have been revised the article "Capital of Company and Type of Shares".

There was an election that related to the Members of The Board of Directors on the agenda of the Ordinary General Assembly meeting for 2018. The 6 members were re-elected as Members of the Board of Director. Mr. Mahmut İBİŞ whose duty was expired at the end of 2018 and Mrs. Nisabeyim Gazen who was nominated for the first time was elected as a Member of the Board of Directors.



**Events that occurred between 01 January 2019 – 31 March 2019:**

Our company made 13 special circumstances disclosure via public disclosure platform until 01.01.2019 - 31.03.2019. 1 disclosure “new business relationship” and the other 2 disclosures are related to tender. In other words they are related to our constructions-in-progress. Content of our special circumstances disclosure; it is related to invitation to the Ordinary General Assembly meeting, election of Audit Company, profit recommendation of retention, revision of amount and period of the limit of the registered capital, appointment of Deputy General Manager.

- Our company's public disclosure platform's statement dated 09.01.2019 is related to contract of “32-month period HIMS Full-Automation Support Service Purchase ”was made by Samsun Local Health Authority that was signed with the amount of 8.594.682,00 Turkish Liras.
- Our company's public disclosure platform's statement dated 14.02.2019 is related to participation in a tender of “36 months Hospital Information Management System (HIMS), Maintenance and Updating Service Procurement for our Health Facility” was made from Gaziantep Local Health Authority and it is related to second better offer has been given by our company.
- Our company's public disclosure platform's statement dated 04 March 2019 is related getting permission from capital markets to increase the current upper limit of registered capital amount of our company from 30 000 000,00 (thirty millions) Turkish liras to 100 000 000,00 (one hundred millions) Turkish liras in order to be valid for five years (between 2019-2023) as of 2019.

- Our company's public disclosure platform's statement dated 05.03.2019 is related to participation in a tender of “HIMS (Health Information Management System) Service Procurement of Computer Hardware and Software Support of Directorate and Affiliated I & II Healthcare Center for 33 month between 2019-2020-2021” was made from Denizli Local Health Authority that best offer has been given by our company with the amount of 7.452.527,00 Turkish Liras.
- On the date of 13.03.2019 our special circumstances disclosure is related to Our Company’s Ordinary General Assembly Meeting where activities and results was discussed and convened on 4th April 2019 Thursday at 10:00 am.

This report was prepared by the Ministry of Trade in accordance with the provisions published in the official gazette dated 28.08.2012 and numbered 28395” “Regulation on The Determination of Minimum Contents of Annual Activity Report of Companies” and it has been approved and signed by Members of the Board of Directors whose names are written below.

Best Regards,

**Abdülkerim GAZEN**  
Chairman

**Dr. Emre SEZGİN**  
Member of Board