



FONET INFORMATION TECHNOLOGIES INC.

**INTERIM PERIOD ACTIVITY REPORT
OF THE BOARD OF DIRECTORS**

1 January 2020 – 30 September 2020

“Strong Accumulation Innovative Technology”

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I. ABOUT US

Fonet Information Technology A.Ş (the company) is subject to the laws of the Republic of Turkey, Capital Market Law, 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 Capital Market Law 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.

Trade Name	Fonet Bilgi Teknolojileri A.Ş
Establishment Date	10.01.2001
Area of Activity	Software/Informatics
Capital Receipts	40.000.000 TL
Upper Limit of Registered Capital	100.000.000 TL
Address	Kızılırmak Mahallesi 1445. Sokak No: 2B/1 The Paragon Tower Çankaya / ANKARA
Phone	+90 312 438 59 19
Fax	+90 312 440 36 52
Trade Registry No	350735
E-Mail Address	fonet@fonetyazilim.com
Website	www.fonetyazilim.com

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.

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.

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

The company, which has adopted the registered capital system, has set its registered capital ceiling (upper limit) to 100.000.000 Turkish Liras until the year of 2023 along with the permission of the Capital Markets Board.

The company's issued capital is 40.000.000,00 Turkish Liras that has been paid in full within the upper limit of registered capital.

The company started trading in Istanbul on May 04, 2017. Details of the shares that form the capital of the 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	19.333.333,10	48,33	70,94
GOLDMAN SACHS INTERNATIONAL	2.942.861,00	7,36	4,14
DİĞER	17.723.805,90	44,31	24,92
TOPLAM	40.000.000,00	100	100

III. INFORMATION ON PRIVILEGED SHARES

Privileged Share Amount (Number): 2.222.222 A Group equities

Privileged Share Amount (TL): 2.222.222 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.

Board of Directors

NAME and SURNAME	ROLE	DUTY TERM
Abdülkerim GAZEN	Chairman of the Board	05.04.2019 - 03.04.2022
Yasemin ŞAH	Vice Chairman	05.04.2019 - 03.04.2022
Dr. Emre SEZGİN	Board Member	05.04.2019 - 03.04.2022
Daniel Anders Henrik WERNER	Board Member	05.04.2019 - 03.04.2022
Mahmut İBIŞ	Board Member	05.04.2019 - 03.04.2022
Nisabeyim GAZEN	Board Member	05.04.2019 - 03.04.2022
İlker SALTOĞLU	Independent Board Member	06.09.2017 - 06.09.2020
Yusuf Serdar GÜRBÜZ	Independent Board Member	06.09.2017 - 06.09.2020

Members of Executive Board

NAME and SURNAME	ROLE	TITLE
Mehmet GAZEN	Chairman of the Board	General Manager
Muhammed Fatih AKTAÇ	Member of Executive Board	Deputy General Manager
Ömer GAZEN	Member of Executive Board	Deputy General Manager
Mehmet ARSLAN	Member of Executive Board	Director of Corporate Relations
Yusuf ARSLANTÜRK	Member of Executive Board	Director of Information Technologies
Mehmet Yaşar KEŞKÜŞ	Member of Executive Board	Director of Business Development
Simla BÜYÜKKARA	Member of Executive Board	Human Resources Manager

COMMITTEES

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".

Audit Committee

The audit committee; it supervises the company's accounting system, public disclosure of financial information, independent audit and the functioning and effectiveness of the company's internal control and internal audit system.

NAME SURNAME	ROLE	TITLE
Yusuf Serdar GÜRBÜZ	Chairman of the Audit Committee	Independent Board Member
İlker SALTOĞLU	Member of the Audit Committee	Independent Board Member

Early Detection of Risk Committee

Early Detection of Risk Committee; it is responsible for early identification of risks that may endanger the existence, development and continuation of the company, taking necessary measures regarding the identified risks, and carrying out activities to manage the risk and it reviews risk management systems at least once a year.

NAME SURNAME	ROLE	TITLE
Yusuf Serdar GÜRBÜZ	Early Detection of Risk Committee Chairman	Independent Board Member
Dr. Emre SEZGİN	Early Detection of Risk Committee Member	Board Member

Corporate Governance Committee

Corporate governance committee determines whether corporate governance principles are applied in the company, if not, its rationale and conflicts of interest that arise from not fully complying with these principles and advises the board of directors to improve corporate governance practices and it supervises the work of the investor relations department.

NAME SURNAME	ROLE	TITLE
İlker SALTOĞLU	Corporate Governance Committee Chairman	Independent Board Member
Dr. Emre SEZGİN	Corporate Governance Committee Member	Board Member
Deniz ÖZLÜK	Corporate Governance Committee Member	Investor Relations Manager

As of 30th September, 2020, the number of personnel is 453 and distribution is as follows;

EMPLOYEE DISTRIBUTION	NUMBER	
Administrative Staff	23	
Technical Staff	106	
Company Headquarters Total		129
Field Staff *	324	
Total		453

**Personnel working in hospitals related to certain fixed term service contract within the scope of the contracts.*

V. CORPORATE ACTIVITIES

In the relevant accounting period, there is no legal action taken for the benefit of the 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 the commercial activities performed between both its controlling shareholder and its 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.

- The net profit of our company for the period of 1st January 2020 – 30th September 2020 is 17.621.267 Turkish Lira; the size of assets is 97.181.930 Turkish Lira and the total equity is 84.646.051 Turkish Lira.
- The financial statements of the company for the period of 1st January, 2020 – 30th September 2020 are presented below.

Statement of Income

	30 September 2020	30 September 2019
CONTINUING OPERATIONS		
Revenue	45.186.082	36.322.995
Cost of Sales (-)	-21.232.041	-19.856.584
Gross Profit (Loss) From Commercial Operations	23.954.041	16.466.411
General Administrative Expenses (-)	-4.834.752	-4.006.212
Marketing Expenses (-)	-748.758	-617.364
Research and Development Expense (-)	-2.744.522	-1.266.948
Other Income from Operating Activities	2.907.201	2.772.232
Other Expenses from Operating Activities (-)	-132.016	-438.383
PROFIT (LOSS) FROM OPER. ACTIVITY (-)	18.401.194	12.909.736
Investment Activity Income	66.375	685.956
Investment Activity Costs	-	-
PROFIT (LOSS) BEF. FIN. INCOME (EXPENSE)	18.467.569	13.595.692
Finance Incomes	43.315	-
Finance Costs (-)	-238.128	-331.261
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX	18.272.756	13.264.431
Tax (Expense) Income, Continuing Ops. (-)	-651.489	-1.724.569
Current Income Tax Expense	-	-
Deferred Tax (Expense) Income (-)	-651.489	-1.724.569
PROFIT (LOSS) FROM CONTINUING OPS.	17.621.267	11.539.862
PROFIT (LOSS)	17.621.267	11.539.862

Balance-Sheet

ASSETS	30 September 2020	31 December 2019
Current Assets	21.575.052	12.073.777
Nun-Current Assets	75.606.878	67.247.753
TOTAL ASSETS	97.181.930	79.321.530
LIABILITIES	30 September 2020	31 December 2019
Current Liabilities	9.618.675	9.131.688
Non-Current Liabilities	2.917.204	3.277.258
Equity	84.646.051	66.912.584
TOTAL LIABILITIES	97.181.930	79.321.530

Ratios

LIQUIDITY RATIOS	30 September 2020	31 December 2019
Current Ratio	2,24	1,32
Liquid Ratio	2,06	1,26
Cash Ratio	0,51	0,32

FINANCIAL STRUCTURE RATIOS	30 September 2020	31 December 2019
Leverage Ratio	0,13	0,16
Financing Ratio	6,75	5,39
Debt Equity Ratio	0,15	0,19

PROFITABILITY RATIOS	30 September 2020	31 December 2019
Asset Profitability	0,18	0,22
Equity Profitability	0,21	0,21

VII. STOCK INFORMATION

Public Offering Date: 27-28 Nisan 2017

Total Equity: 40.000.000,00 TL

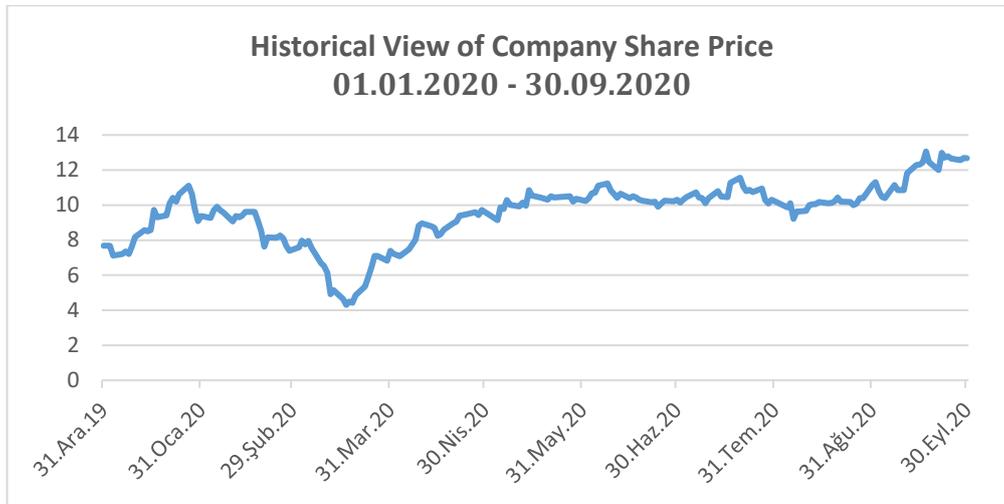
Free Float Rate: %41,67

Stock Market Code: FONET

ISIN Code: TREFONT00028

Involving Group in Stock Market: BIST MAIN - GRUP 1

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



The public offering date of the company's shares is 27-28 April 2017. The shares are started to be traded on Borsa Istanbul on 04 May 2017. The market price of the company's shares is 12,67 TL as of September 30, 2020. Between 01.01.2020 and 30.09.2020, it is seen that there is a 64,76% decrease in the market price of the company's shares. In this period, the Borsa Istanbul BIST 100 Index decreased by 0,09%.

VIII. SOURCES OF FINANCE

Finance sources of the company is own equity and bank loans.

IX. CHANGES IN THE COMPANY'S ARTICLES OF ASSOCIATION

The Company's Articles of Association did not change during the period.

X. BENEFITING FROM THE GOVERNMENT PROMOTIONS

Being 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 the company R & D center certificate. Thus, the 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 the company creates cost advantages in production activities, will increase cooperation with universities and other R & D institutions, this will clear the way for the 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.

XII. SUBSIDIARIES AND BRANCHES OF THE COMPANY

Subsidiaries

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 which 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 informatics solutions for the private sector,
- To develop e-state projects.

Branches

We have two branches in Istanbul and Şanlıurfa, and a liaison office at Stockholm, Sweden.

İstanbul Branch:

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

Phone: +90.212 284 18 61

Fax: +90 212 284 18 63

Şanlıurfa Branch:

İpekyol Cad. No:12/1 ŞANLIURFA

Phone: +90.414 312 72 52

Fax: +90.414 315 76 04

Liaison Office:

Klarabergsviadukten 70 D4, 111 64 Stockholm Sweden

Phone: +46-8-506 36 194

XIII. OTHER ISSUES

After the operating period comes to an end, in the company, there is no special occasion or issue which may affect the rights of shareholders, creditors, other related persons and organizations.

The company has announced the following developments to the public between 30th June 2020 and 30th September 2020 through the "Public Disclosure Platform" (KAP):

- **01.07.2020:** In accordance with the Capital Markets Board's Communiqué on Material Events Disclosure numbered II-15.1, our Company's statement is as follows.

Regarding the situation that our company announced to the public on 04.06.2020 and 30.06.2020 with the Material Event Disclosure (ÖDA) about "Notifications About News or Rumors";

Upon the contact request regarding the strategic and financial cooperation opportunities from GPI S.p.A., Italy-based company, we signed a consultancy agreement that has the relevant confidentiality provisions with Ventura Partners Kurumsal Danışmanlık A.Ş. on 03.01.2020. Also, non-disclosure agreements have been signed with GPI S.p.A accordingly.

In order to avoid any damage to the Company's legitimate interests by taking into account the fact that the uncertainty of possible transaction, any explanation on the subject negatively affects the agreement, and the value of the capital market instrument of the company and the investment decisions of the investors may be affected, disclosure to the public has been postponed with the decision of the Board of Directors that numbered 2020/01 and dated 03.01.2020.

Based on the request for the contact, the meeting with GPI S.p.A officials and representative of Ventura Partners Kurumsal Danışmanlık A.Ş was held on 18.02.2020 in our company's headquarter that located in Ankara. Our company were introduced through a meeting attended by these parties. The same day, our products were shown to the GPI S.p.A. officials in a hospital in Ankara where our software was used. After this meeting in Ankara, there has been no development on except for asking some technical details about our software via e-mail on 28.05.2020.

On 04.06.2020, in some media and media outlets, there was news that our Company has held talks with foreigners regarding the sale of shares; so we announced Material Event Disclosure (ÖDA) immediately in accordance with the provisions of Communiqué on Material Events Disclosure numbered II-15.1. Because of the absence of relevant company titles in the news, the confidentiality provisions of the consultancy agreement, and the non-disclosure agreement

signed with GPI S.p.A, the titles of the regarding company were not included in the ÖDA we made on 04.06.2020.

However, upon hearing the fact that the name of the foreign company that we contacted was known based on rumours, we published another Material Event Disclosure (ÖDA) on 30.06.2020 that disclose the consulting firm regarding the ÖDA on 04.06.2020 as Ventura Partners Kurumsal Danışmanlık A.Ş and the company that contacted in the purpose of evaluating the possibilities of strategic partnership and financial cooperation as GPI S.p.A. which based in Italy.

Apart from the details mentioned above, the situation remains uncertain since no progress has been made yet. In case of developments that will affect the investment decisions of our company's shareholders, the update related to the subject will be announced to the public immediately.

- **20.07.2020:** Our company signed the Bursa Integrated Health Campus HIS (Hospital Information Management System) Implementation Services Purchase Agreement with "Turkcell Satış ve Dijital İş Servisleri A.Ş." and "Turkcell Teknoloji Araştırma ve Geliştirme A.Ş" on 20.07.2020. The contract service period is until 24.06.2023 and the contract amount is 13.782.691,95 Turkish Lira.
- **23.07.2020:** The tender of "36 months Health Information Management System (HIMS) Service Procurement" that was made by Ordu Provincial Health Directorate which we announced on the date of 02.06.2020 concluded and our Company won the related tender. The legal objection process is expected and then the contract signing phase will be started. The tender price is 11.498.790,00 Turkish Lira.
- **04.08.2020:** The Independent Auditor's Report for the Second Term of 2020 was announced to the public.
- **04.08.2020:** Second Term Activity Report of 2020 was announced to the public.
- **04.08.2020:** Company General Information Form was announced to the public.