

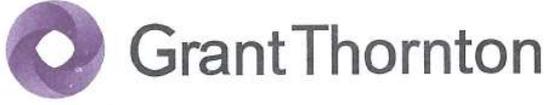
**(Convenience Translation of the Independent Auditors'
Report and Consolidated Financial Statements
Originally Issued in Turkish)**

**FONET BİLGİ TEKNOLOJİLERİ
ANONİM ŞİRKETİ**

**INTERIM CONSOLIDATED FINANCIAL
STATEMENTS FOR THE SIX-MONTH
PERIOD 1 JANUARY – 30 JUNE 2022**

Fonet Bilgi Teknolojileri Anonim Şirketi

CONTENTS	PAGE
Independent Auditors Opinion	1-2
Consolidated Statements of Financial Position	3-4
Consolidated Statements of Profit or Loss and Other Comprehensive Income	5
Consolidated Statements of Changes in Equity	6
Consolidated Statements of Cash Flows	7
Notes to the Consolidated Financial Statements	8-54



Eren Bağımsız Denetim A.Ş.
Maslak,Eski Büyükdere Cad
No.14 Kat :10
34396 Sarıyer /İstanbul,Turkey

T + 90 212 373 00 00
F + 90 212 291 77 97
www.grantthornton.com.tr

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

**FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ
INDEPENDENT AUDITOR’S REVIEW REPORT OF
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD 1 JANUARY – 30 JUNE 2022**

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Fonet Bilgi Teknolojileri Anonim Şirketi (“the Company”) and its subsidiary (referred to as the “Group”) as of 30 June 2022, and the interim condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six-month period then ended and notes to the interim financial information. Management is responsible for the preparation and presentation of these interim financial information in accordance with the Turkish Accounting Standard 34 Interim Financial Reporting (“TAS 34”). Our responsibility is to express a conclusion on these the accompanying interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not give a true view of the financial position of Fonet Bilgi Teknolojileri Anonim Şirketi and its subsidiary as of 30 June 2022 and of the results of its operations and its cash flows for the six-month-period then ended in all aspects in accordance with the Turkish Accounting Standard 34 Interim Financial Reporting (“TAS 34”).

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



Nazım Hikmet
Partner

İstanbul, 15 August 2022

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Consolidated Statements of Financial Position as of 31 June 2022

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

		Current Period	Prior Year
		Audited	Audited
		Consolidated	Consolidated
	Notes	30 June 2022	31 December 2021
ASSETS			
Current assets			
Cash and cash equivalents	5	8.465.459	12.526.812
Trade receivables			
- <i>Trade receivables from third parties</i>	7	44.379.638	42.608.057
Other receivables			
- <i>Other receivables from third parties</i>	8	135.752	155.906
Inventories	9	611.942	529.110
Prepaid expenses	10	3.172.786	1.421.694
Current income tax assets	25	--	485
Other current assets	17	233.151	185.490
Total current assets		56.998.728	57.427.554
Non-current assets			
Trade receivables			
- <i>Trade receivables from third parties</i>	7	41.203.542	33.106.962
Other receivables			
- <i>Other receivables from third parties</i>	8	35.500	35.500
Property, plant and equipment	13	414.253	1.148.085
Right of use assets	11	3.890.374	4.384.780
Intangible assets	12	112.236.480	92.029.541
Prepaid expenses	10	--	531.053
Deferred tax assets	25	2.912.618	2.241.902
Total non-current assets		160.692.767	133.477.823
Total assets		217.691.495	190.905.377

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Consolidated Statements of Financial Position as of 31 June 2022

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

		Current Period Audited Consolidated	Prior Year Audited Consolidated
	Notes	30 June 2022	31 December 2021
LIABILITIES			
Current liabilities			
Short-term borrowings			
- Bank borrowings	6	40.756	1.414.258
- Lease liabilities	6	731.482	612.278
- Other financial liabilities	6	1.388.937	713.815
Trade payables			
- Trade payables to third parties	7	626.600	2.571.937
Employee benefit obligations	16	5.469.919	3.702.658
Other payables			
- Other payables to related parties	24	--	11.690
- Other payables to third parties	8	483.216	508.216
Deferred income	10	15.898.892	10.344.000
Short term provisions			
- Short term provisions for employee benefits	16	466.525	356.730
- Other short-term provisions	15	1.455.399	659.820
Other current liabilities	17	558.220	253.059
Total current liabilities		27.119.946	21.148.461
Non-current liabilities			
Long-term borrowings			
- Lease liabilities	6	415.415	859.667
Deferred income	10	41.205.771	33.109.239
Long-term provisions			
- Long term provisions for employee benefits	16	3.236.644	1.748.561
Deferred tax liabilities	25	2.357.954	1.938.572
Total non-current liabilities		47.215.784	37.656.039
Total liabilities		74.335.730	58.804.500
Equity			
Paid- in capital	18	40.000.000	40.000.000
Accumulated other comprehensive income / expense not to be reclassified to profit or loss			
- Gain/loss arising from defined benefit plans	18	(1.642.587)	(630.511)
Restricted reserves			
- Legal reserves	18	5.552.771	3.410.180
Retained earnings		87.178.618	51.777.931
Net profit for the period		12.266.963	37.543.277
Total equity		143.355.765	132.100.877
Total liabilities and equity		217.691.495	190.905.377

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Consolidated Statements of Profit or Loss and Other Comprehensive Income**For the Period ended 30 June 2022**

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

		Reviewed January 1 – 30 June 2022	Reviewed January 1 – 30 June 2021	Not Reviewed April 1 – 30 June 2022	Not Reviewed April 1 – 30 June 2021
	Not	TL	TL		
Sales	19	44.665.394	37.309.166	26.264.288	19.850.912
Cost of sales (-)	19	(27.183.519)	(18.601.422)	(16.389.925)	(8.931.495)
Gross profit		17.481.875	18.707.744	9.874.363	10.919.417
General administrative expenses (-)	20	(6.257.590)	(3.355.696)	(2.243.259)	(1.833.201)
Marketing expenses (-)	20	(554.351)	(237.426)	(352.978)	(120.573)
Research and development expenses (-)	20	(122.700)	(1.535.949)	(122.700)	(1.531.200)
Other operating income	21	2.812.969	1.529.467	1.268.669	771.775
Other operating expense (-)	21	(1.533.872)	(1.307.564)	(154.626)	(484.754)
Operating profit		11.826.331	13.800.576	8.269.469	7.721.464
Income from investing activities	22	174.218	629.364	23.869	299.749
Financial income / (expense) before operating profit		12.000.549	14.429.940	8.293.338	8.021.213
Financial income	23	311.376	5.988	63.660	2.163
Financial expenses (-)	23	(498.711)	(225.236)	(10.549)	(99.394)
Profit before tax from continuing operations		11.813.214	14.210.692	8.346.449	7.923.982
Tax income / (expense) from continuing operations					
- Taxes on income	29	--	--	--	--
- Deferred tax (expense) / income	25	453.749	233.556	825.084	61.959
Profit for the period		12.266.963	14.444.248	9.171.533	7.985.941
Distribution of income for the period attributable to:					
Non-controlling interests		--	--	--	--
Equity holders of the parent		12.266.963	14.444.248	9.171.533	7.985.941
Earnings per share (kr)	26	0,31	0,36	0,23	0,20
Items not to be reclassified to profit or loss					
- Gain/loss arising from defined benefit plans		(1.254.021)	131.969	(2.216.490)	126.348
- Tax effect of gain/ loss arising from defined benefit plans		241.945	(26.815)	63.139	(25.802)
Other comprehensive income/ (loss)		(1.012.076)	105.154	(2.153.351)	100.546
Total comprehensive income		11.254.887	14.549.402	7.018.182	8.086.487
Distribution of total comprehensive income attributable to:					
Non-controlling interests		--	--	--	--
Equity holders of the parent		11.254.887	14.549.402	7.018.182	8.086.487
EBITDA	27	15.898.034	17.478.720	9.558.974	9.362.594
EBITDA Margin	27	35,59	46,85	36,40	47,16

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Consolidated Statements of Changes in Shareholders' Equity for the Period Ended 30 June 2022

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

			Other Comprehensive Income or Expense not to be Reclassified to Profit or Loss		Retained Earnings / Loss			
	Not es	Paid-in Capital	Profit / Loss on Remeasurements of Defined Benefit Plans	Restricted Reserves Allocated from Net Profit	Retained Earnings	Net Profit	Attributable to Equity Holders of the Parent Non- Controlling Interests	Equity
Balance as of 1 January 2021	18	40.000.000	(563.392)	2.281.006	25.415.086	27.738.975	94.871.675	94.871.675
Transfers		--	--	1.129.174	26.609.801	(27.738.975)	--	--
Net profit		--	--	--	--	14.444.248	14.444.248	14.444.248
Total comprehensive income		--	105.154	--	--	--	105.154	105.154
Previous year profit adjustment		--	--	--	(29.796)	--	(29.796)	(29.796)
Balance as of 30 June 2021	18	40.000.000	(458.238)	3.410.180	51.995.091	14.444.248	109.391.281	109.391.281
Balance as of 1 January 2022	18	40.000.000	(630.511)	3.410.180	51.777.932	37.543.277	132.100.878	132.100.878
Transfers		--	--	2.142.591	35.400.686	(37.543.277)	--	--
Net profit		--	--	--	--	12.266.963	12.266.963	12.266.963
Total comprehensive income		--	(1.012.076)	--	--	--	(1.012.076)	(1.012.076)
Balance as of 30 June 2022	18	40.000.000	(1.642.587)	5.552.771	87.178.618	12.266.963	143.355.765	143.355.765

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Consolidated Statements of Cash Flows for the Period Ended 31 June 2022

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

	Notes	Reviewed 1 January - 30 June 2020	Reviewed 1 January- June 2021
A. Cash flows from operating activities:			
Profit from continuing operations:		12.266.963	14.444.248
<i>Adjustments to reconcile profit / (loss)</i>			
Adjustments for depreciation and amortization expense	11	5.350.800	3.900.047
Adjustments for provisions related to employee benefits	16	585.802	185.853
Adjustment for deferred financing income	7	(2.563)	(11.667)
Adjustments for warranty provisions	15	795.579	144.899
Adjustments for impairment loss	7	94.352	894.995
Adjustments for interest expense	23	--	43.121
Adjustment for deferred financing expense	7	1.024.754	581.561
Other adjustments to reconcile profit (loss)	10	13.651.424	(353.461)
Adjustments for tax (income)/ expense	25	(251.334)	(252.518)
Adjustments for Working Capital			
Adjustments for decrease (increase) in trade receivables	7	(9.959.950)	(8.283.813)
Adjustments for decrease (increase) in other receivables	8	(1.199.399)	(376.197)
Adjustments for decrease (increase) in inventories	9	(82.832)	(322.269)
Adjustments for increase (decrease) in trade payables	7	(2.970.092)	382.138
Adjustments for decrease (increase) in other payables	8	(36.690)	(1.520.562)
Increase (decrease) in employee benefit liabilities	16	1.767.262	809.519
Change in other current and non-current assets	17	(47.661)	(21.381)
Change in other current and non-current liabilities	17	305.161	30.083
Net Cash Flows Generated from Operating Activities		21.291.576	10.274.596
B. Cash Flows From Investing Activities			
Cash flows from purchase sales of property, plant, equipment	11	(151.843)	155.763
Cash flows from purchase sales of intangible assets	12	(24.177.658)	(11.279.834)
Net Cash Used in Investing Activities		(24.329.501)	(11.124.071)
C. Cash Flows from Financing Activities			
Interest paid	23	--	(43.121)
Repayments of / proceeds from borrowings	6	(1.023.428)	83.506
Cash Used in Financing Activities		(1.023.428)	40.385
Net Increase / (Decrease) in Cash and Cash Equivalents	5	(4.061.353)	(809.090)
D. Cash and Cash Equivalents at 1 January	5	12.526.812	8.620.349
Cash and Cash Equivalents at 31 December		8.465.459	7.811.259

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

1. ORGANIZATION AND NATURE OF OPERATIONS OF THE GROUP

Fonet Bilgi Teknolojileri Anonim Şirketi ("The Company" or "Fonet") was established in in 1997 to provide computer software and technical support to both Public and Private Institutions. The Company has operated as a Limited Company until 31 May 2011. As of 1 September 2011, the Company changed its type and became an incorporated company.

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

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

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

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

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

The Company's main product is Fonet HIS ("Hospital Information Management System"). Fonet HIS ensures that all medical, administrative and financial business processes of health institutions are managed within the automation system. Fonet HIS consists of 60 separate software modules. Fonet HIS has been developed completely by their own engineers and actively operates in over 200 health institutions including hospitals in Somalia, Azerbaijan, Northern Cyprus and the Republic of Moldova.

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

1. ORGANIZATION AND NATURE OF OPERATIONS OF THE GROUP (CONTINUED)

The average number of personnel employed within the Group as of 30 June 2022 493 (31 December 2021: 480).

Detailed information about the personnel is as follows:

	30 June 2022	31 December 2021
Permanent indefinite-term contracted personnel of the Group	145	134
Fixed term contracted personnel employed by the Group within the scope of contracts with hospitals	348	346
Total number of personnel	493	480

The shareholders of the Company and shares are as follows:

Shareholders	30 June 2022		31 December 2021	
	Share Amount	Rate %	Share Amount	Rate %
Abdülkerim GAZEN	15.338.333	38,35	15.338.333	38,35
MIRI Strategic Emerging Markets Fund LP	6.040.382	15,10	6.040.382	15,10
Other	18.621.285	46,55	18.621.285	46,55
Paid capital	40.000.000	100	40.000.000	100

The Company's issued capital consists of 40.000.000 shares, all with a par value of 1 Turkish Liras each as at 30 June 2022 (31 December 2021: 40.000.000 shares).

As of 30 June 2022, 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 February 2015 and numbered 5/253. The Company's registered capital ceiling amount is 400.000.000 TL, all with a par value of 1 Turkish Liras and total shares of 400.000.000. The permission of the registered capital ceiling valid date is between 2022- 2026

Subsidiaries fully consolidated included in the accompanying consolidated financial statements:

Pidata Bilişim Teknolojileri Anonim Şirketi ("Pidata")

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

Company Title	Main operating activity	Type of activity	Country	Year of establishment
Pidata Bilişim Teknolojileri A.Ş.	Information Technologies	Services	Turkey/Ankara	2018

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of Presentation

Financial Reporting Standards

The companies of the Group in Turkey keep and prepare their legal books and statutory financial statements in accordance with the accounting principles determined by the Turkish Commercial Code ("TCC") and tax legislation.

The accompanying consolidated financial statements of the Group have been prepared in accordance with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" (the Communiqué) announced by Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") on 13 June 2013 which is published on Official Gazette numbered 28676 in order to comply with Turkish Accounting Standards / Turkish Financial Reporting Standards ("TFRS") and interpretations prepared in compliance with international standards. These standards are updated in parallel to the changes made in International Financial Reporting Standards ("IFRS").

The accompanying consolidated financial statements are based on the legal records of Fonet Bilişim Teknolojileri and have been prepared with the necessary adjustments and classifications in order to present the Group's financial position adequately, in accordance with IFRS, in order to make a correct presentation.

Presentation and Functional Currency

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

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

Going concern

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

The COVID-19 epidemic, which was declared a pandemic by the World Health Organization on 11 March 2020, continues to cause disruptions in activities around the world and adversely affect economic conditions. As a result of this, the effects of the pandemic continue in many areas such as asset prices, liquidity, exchange rates and interest rates, and uncertainties regarding the future continue. The effect of the pandemic in the world and in Turkey.

Adjustment of financial statements during periods of high inflation

In accordance with the CMB's decision dated March 17, 2005, and numbered 11/367, the application of inflation accounting has been terminated, effective as of January 1, 2005, for the Groups operating in Turkey and preparing their financial statements in accordance with Turkish Accounting Standards. Accordingly, as of January 1, 2005, Standard No. 29 "Financial Reporting in Hyperinflationary Economies" ("TAS 29") has not been applied.

Declaration of conformity with IFRS/TAS

The accompanying financial statements have been prepared in accordance with the provisions of the "Communiqué on Principles of Financial Reporting in the Capital Markets" ("Communiqué") numbered II-14.1 published in the Official Gazette dated 13 September 2014 and numbered 28676 of the Capital Markets Board ("CMB").

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

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

2.1 Basis of Presentation (continued)

Declaration of conformity with IFRS/TAS (continued)

The Group's reporting in accordance with the CMB regulations apply the Turkish Accounting Standards/Turkish Financial Reporting Standards and their annexes and comments ("TAS/IFRS") published by the Public Oversight, Accounting and Auditing Standards Authority ("POA") in accordance with Article 5 of the Communiqué.

2.2. Restatement and Errors in the Accounting Policies Estimates

Accounting policy changes resulting from the first application of a new standard, if any, are applied retrospectively or prospectively in accordance with the transitional provisions. Changes that do not include any transitional provisions, optional significant changes in accounting policy or accounting errors detected are applied retrospectively and prior period financial statements are restated. Changes in accounting estimates are applied in the current period if the change is made, if it relates to only one period, and both in the period when the change is made and prospectively if it is related to future periods.

2.3. Comparative information and restatement of prior period financial statements

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

2.4. The New Standards, Amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as of 30 June 2022 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2022 and thereafter. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as of 1 January 2022 are as follows:

Amendments to IFRS 3 – Reference to the Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of IFRS 3. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to IFRS 3 must be applied prospectively.

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

Amendments to IAS 16 – Proceeds before intended use

In May 2020, the IASB issued amendments to IAS 16 Property, plant and equipment. The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

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

2.4 The New Standards, Amendments and interpretations (continued)

i) The new standards, amendments and interpretations which are effective as of 1 January 2022 are as follows (continued)

Amendments to IAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a "directly related cost approach." Amendments must be applied prospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

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

Annual Improvements – 2018–2020 Cycle

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020 Cycle, amending the followings:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- IFRS 9 Financial Instruments – Fees in the "10 per cent test" for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.
- IAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of IAS 41.

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

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

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

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

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

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

2.4 The New Standards, Amendments and interpretations (continued)

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

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. In accordance with amendments issued in December 2021, entities have transition option for a "classification overlay" to avoid possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of IFRS 17.

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

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

In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments issued to IAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

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

Amendments to IAS 8 - Definition of Accounting Estimates

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments issued to IAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

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

2.4 The New Standards, Amendments and interpretations (continued)

ii) *Standards issued but not yet effective and not early adopted (continued)*

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments issued to IAS 1 are effective for annual periods beginning on or after 1 January 2023. In the absence of a definition of the term 'significant' in IFRS, the Board decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in IFRS and is widely understood by the users of financial statements, according to the Board. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them. Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

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

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

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to IAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

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

2.5 Summary of Significant Accounting Policies

Basis of Consolidation

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

Subsidiaries

As of 30 June 2022, the Group has control over financial and operating policies consolidated financial statements includes the financial statements of the subsidiaries.

As of 30 June 2022, the direct and indirect participation rates of the companies subject to consolidation are as follows:

Company Title	Share Rate %	Main operating activity	Type of activity	Country
Pidata Bilişim Teknolojileri A.Ş.	100	Information Technologies	Services	Turkey/Ankara

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Basis of Consolidation (Continued)

Subsidiaries (continued)

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.

- 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.

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

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

Trade receivables

Trade receivables that are created by way of providing goods or services directly to a debtor are carried at amortized cost. Trade receivables, net of unearned financial income, are measured at amortized cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income.

Inventories

It is the item that shows assets that are held to be sold for sale in the normal course of business, which 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 labor 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.

Property, Plant and Equipment

Property, plant and equipment are presented at cost less accumulated depreciation and accumulated impairment losses. Land and lands are not subject to depreciation and are shown at cost less accumulated impairment losses.

In cases where the assets cannot be converted into money over the value they carry, it is checked whether there is any impairment in the assets. If there is such an indication and the carrying value of the assets exceeds the estimated amount to be realized, the assets or cash generating units are brought to their realizable values.

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment (continued)

The realizable amount is the higher of the asset's net selling price and net book value in use. To determine the amount of net book value in use, estimated future cash flows are discounted using the pre-tax discount rate, which measures the time value of money and the risk nature of the asset. The net book value in use of an asset that does not generate independent cash flows is determined for the cash-generating company to which the asset is included. Provision for impairment expenses are recognized in the profit or loss statement.

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.

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.

The estimated useful lives of property, plant and equipment are as follows:

	<u>Useful Life</u>	<u>Useful Life</u>
	<u>30 June 2022</u>	<u>31 December 2021</u>
Buildings	50 years	50 years
Motor vehicles	5 years	5 years
Fixtures and fittings	3-15 years	3-15 years
Leasehold improvements	3-15 years	3-15 years

Intangible Assets

Intangible assets purchased

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Intangible Assets (continued)

Computer software

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

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 capitalized.

The estimated useful lives of intangible assets are as follows:

	Useful Life	Useful Life
	30 June 2022	31 December 2021
Rights	10-15 years	10-15 years
Development costs	12 years	12 years
New HIS working in Java based cloud	15 years	15 years
Tales ERP	15 years	15 years
Web portals	5 years	5 years
Other intangible fixed assets	3-10 years	3-10 years

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Intangible Assets (continued)

Derecognition of intangible assets

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

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 period in case when there is a possibility of cancellation of impairment.

Leases

Group - as a lessee

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

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

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

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

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

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Leases (continued)

Right-of-use asset

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

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

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

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

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

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

Lease liability

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

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

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

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

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

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Leases (continued)

Practical expedients

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

Group - as a lessor

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

Borrowing costs

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

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

Trade payables

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

Financial Instruments

Financial assets and liabilities are recognized in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets and liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issuance of financial assets and liabilities (excluding financial assets and liabilities at fair value through profit or loss) are added to or subtracted from the fair value of those financial assets and liabilities at initial recognition, as appropriate. Transaction costs directly related to the acquisition or issuance of financial assets and liabilities are recognized directly in profit or loss.

Financial assets

Financial assets bought and sold in the normal way are recorded or removed at the transaction date.

The Group manages its financial assets (a) the business model used by the entity to manage financial assets, (b) the amortized cost at subsequent recognition based on the characteristics of the contractual cash flows of the financial asset, through fair value through other comprehensive income or at fair value through profit or loss. classifies as measured through loss. Only when an entity changes its business model for the management of financial assets, it reclassifies all affected financial assets. The reclassification of financial assets is applied prospectively from the date of reclassification. In such cases, no adjustments are made for gains, losses (including impairment gains or losses) or interest previously recognized.

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Financial Instruments (continued)

Financial assets (continued)

Classification of financial assets

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

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

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

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

(i) Amortized cost and effective interest method

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

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

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

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

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

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

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Financial Instruments (continued)

Financial assets (continued)

Equity instruments at fair value through other comprehensive income

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

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

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

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

Foreign exchange gains and losses

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

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

Impairment of financial assets

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

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

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Financial Instruments (continued)

Financial assets (continued)

Measuring and accounting for expected credit losses

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

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

Derecognition of financial assets

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

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

Financial liabilities

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

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

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

The entity does not reclassify any financial liabilities.

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Financial Instruments (continued)

Derecognition of financial liabilities

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

Recognition of Revenue

The Group 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 company 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.)

Revenue from product sales

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

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

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Recognition of Revenue (continued)

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

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

Employee benefits

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

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

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

	<u>30 June 2022</u>	<u>31 December 2021</u>
Interest rate%	%21,00	%21,00
Inflation rate%	%16,40	%16,40

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Effects of exchange rate differences

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

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

Provisions, Contingent Assets and Liabilities

Provisions

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

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

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

Contingent Assets and Liabilities

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

Taxes Calculated on Corporate Income and Deferred Tax

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

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Provisions, Contingent Assets and Liabilities (continued)

Current tax

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

Deferred Tax

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

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

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

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

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

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

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

Current and Deferred Income Tax

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Earnings / (Loss) Per Share

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

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

Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity').

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity;
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies (continued):
 - (i) The entity and the reporting entity are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) subsidiary and fellow subsidiary is related to the others).
 - (iii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
 - (iv) Both entities are joint ventures of the same third party.
 - (v) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (vi) 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.
 - (vii) The entity is controlled or jointly controlled by a person identified in (a).
 - (viii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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.

Government Grants and Incentives

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

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

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

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

2.5 Summary of Significant Accounting Policies (Continued)

Events After the Reporting Date

Events after the reporting date; It covers all events between the reporting date and the date the statement of financial position is authorized for issue, even if they occur after any announcement or other selected financial information that affects profit or loss has been made public.

In the event that events requiring adjustment occur after the reporting date, the Group adjusts the amounts recognized in the financial statements in accordance with this new situation. Matters arising after the reporting date that do not require adjustment are disclosed in the notes according to their materiality.

Statement of Cash Flows

In the consolidated statement of cash flows, cash flows for the period are classified and reported on the basis of operating, investing and financing activities.

Cash flows from operating activities represent cash flows from the Group's activities from information technologies and sales.

Cash flows from investing activities represent the cash flows that the Group uses and receives from its investing activities (fixed and financial investments).

Cash flows from financing activities show the resources used by the Group in financing activities and the repayments of these resources.

Differences arising from the translation of the cash flow statement from the functional currency to the presentation currency are shown as translation differences in the cash flow statement.

2.6 Use of Estimates

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

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

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

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

2.6 Use of Estimates (Continued)

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

3. BUSINESS COMBINATION

None (31 December 2021: None).

4. SEGMENT REPORTING

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

5. CASH AND CASH EQUIVALENTS

	30 June 2022	31 December 2021
Cash on hands	1.168	1.168
Bank		
- Demand deposits	5.312.019	7.524.921
- Time deposits	3.152.272	5.000.723
Total	8.465.459	12.526.812

As of the reporting period, the time deposits of the Group are comprised of TL assets, with a maturity range of approximately 2-31 days and interest rates between 12,35% and 19,75%.

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022*(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)***6. FINANCIAL BORROWINGS**

Current borrowings	30 June 2022	31 December 2021
Bank loans	40.756	1.414.258
Current portion of non-current bank loans		--
Lease liabilities	731.482	612.278
Other financial liabilities	1.388.937	713.815
Total	2.161.175	2.740.351

Non-current borrowings	30 June 2022	31 December 2021
Lease liabilities	415.415	859.667
Total	415.415	859.667

The repayment schedule of financial liabilities	30 June 2022	31 December 2021
0-3 month	1.429.693	2.128.073
3-12 month	--	--
Total	1.429.693	2.128.073

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 comprised of right of use assets	30 June 2022	31 December 2021
1-2 years	731.482	612.278
2-3 years	303.564	348.935
3-4 years	111.851	292.287
4-5 years	--	218.445
Total	1.146.897	1.471.945

7. TRADE RECEIVABLES AND TRADE PAYABLES

Current trade receivables	30 June 2022	31 December 2021
Trade receivables	45.404.392	43.556.678
Notes receivable	--	--
Deferred financing income (-)	(1.024.754)	(948.621)
Provision for trade receivables (-)	(94.352)	(150.222)
Total	44.379.638	42.608.057

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022*(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)***7. TRADE RECEIVABLES AND TRADE PAYABLES (CONTINUED)**

The movement of provision for trade receivables is as follows:

	30 June 2022	30 June 2021
Beginning of the period	150.222	250.222
Provision during the period	11.752	644.773
Provision canceled during the period (Note 21)	(67.622)	--
End of the period	94.352	894.995
Non-current trade receivables	30 June 2022	31 December 2021
Trade receivables (*)	41.205.771	33.109.189
Deferred financing income (-)	(2.229)	(2.227)
Total	41.203.542	33.106.962
Current trade payables	30 June 2022	31 December 2021
Trade payables from related parties (Note 24)	--	--
Trade payables	629.163	2.580.866
Deferred financing income (-)	(2.563)	(8.929)
Total	626.600	2.571.937

(*) The Group signed an HIS Usage License Agreement worth US\$ 300,000 with Medpark International Hospital, the largest private hospital in the Republic of Moldova, on 16 December 2020, and the Republic of Turkey Northern Cyprus Health Information System Project with Türksat Uydu Haberleşme Kablo TV ve İşletme A.Ş. with a total value of USD 3.090.000 on 28 July 2021. The collection of the amounts will be within 24 – 36 months and therefore the Group has accounted this amount as deferred income.

The Group signed the HIMS Usage License Agreement in the State of Qatar on 3 May 2021 for a total price of USD 600.000. Within the scope of the said contract, HIMS Usage License fees will be realized in 2022 and have been accounted as deferred income as of June 2022 (Note 10).

8. OTHER RECEIVABLES and OTHER LIABILITIES

Other current receivables	30 June 2022	31 December 2021
Due from personnel	34.900	21.400
Deposits and guarantees given	99.933	108.412
VAT receivables	919	26.094
Total	135.752	155.906
Other non-current receivables	30 June 2022	31 December 2021
Deposits and guarantees given	35.500	35.500
Total	35.500	35.500

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022*(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)***8. OTHER RECEIVABLES and OTHER LIABILITIES (CONTINUED)**

Other current liabilities	30 June 2022	31 December 2021
Other payables to related parties (Note 24)	--	11.690
Taxes and funds payables	483.216	508.216
Total	483.216	519.906

9. INVENTORIES

	30 June 2022	31 December 2021
Merchandises (*)	611.942	529.110
Total	611.942	529.110

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

10. PREPAID EXPENSES AND DEFERRED INCOME

Current prepaid expenses	30 June 2022	31 December 2021
Prepaid expenses (*)	1.404.191	1.272.800
Order advances given (**)	1.607.176	383
Advances given for business purposes	161.419	148.511
Total	3.172.786	1.421.694

Non-current prepaid expenses	30 June 2022	31 December 2021
Prepaid expenses (*)	--	531.053
Total	--	531.053

(*) Prepaid expenses are comprised 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.

(**) Order advances given are comprised of advances given for software development services proved by the Group

Current Deferred Income	30 June 2022	31 December 2021
Deferred income (*)	15.898.892	9.836.802
Advances received	--	507.198
Total	15.898.892	10.344.000

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022*(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)***10. PREPAID EXPENSES AND DEFERRED INCOME (CONTINUED)**

Non-current deferred income	30 June 2022	31 December 2021
Deferred income (*)	41.205.771	33.109.239
Total	41.205.771	33.109.239

(*) Within the scope of the HIMS Usage License Agreement signed with Medpark International Hospital, the largest private hospital of the Republic of Moldova, on 16 December 2020, the license usage fee of USD 300.000 will be collected with 12 maturities within 24 months in line with the payment plan determined by the parties. Although the maturity amounts are not equal; payment schedule and progress payment amounts are calculated by weighting according to the project periods. After the end of the 24-month contract period, a new Maintenance and Technical Support Service Agreement can be signed as a result of the conditions agreed by the parties.

Within the scope of the Health Information System Project "HIMS Usage License Agreement" signed with 7 establishments in the Turkish Republic of Northern Cyprus on 28 July 2021 with a contract value of USD 3.090.000 which will be collected in 9 terms within 36 months in line with the payment plan determined by the parties. Although the maturity amounts are not equal; payment schedule and progress payment amounts are calculated by weighting according to the project periods. After the end of the 36-month contract period, a new Maintenance and Technical Support Service Agreement can be signed as a result of the conditions agreed by the parties.

The Group signed an HIMS Usage License Agreement with a contract value of USD 600.000 on 3 May 2021 with Gate Way Technology company located in Qatar. An advance payment of USD 39.200 was received within the scope of the contract. The project is planned to be completed at the end of the year, and the first payment for the project was received as of June 2022.

11. PROPERTY, PLANT AND EQUIPMENT

	01 January 2022	Additions	Disposals	30 June 2022
Cost				
Buildings	1.500.000	--	--	1.500.000
Motor vehicles	2.181.909	--	--	2.181.909
Fixtures and fittings	5.084.160	239.863	--	5.324.023
Leasehold improvements	894.736	--	--	894.736
Total	9.660.805	239.863	--	9.900.668
Accumulated depreciation (-)				
Buildings	(330.000)	(15.000)	--	(345.000)
Motor vehicles	(1.204.155)	(210.060)	--	(1.414.215)
Fixtures and fittings	(3.051.134)	(421.189)	--	(3.472.323)
Leasehold improvements	(690.736)	(88.020)	--	(778.756)
Total	(5.276.025)	(734.269)		(6.010.294)
Net book value	4.384.780			3.890.374

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	31 December 2020	Additions	Disposals	31 December 2021
<i>Cost</i>				
Buildings	1.500.000	--	--	1.500.000
Motor vehicles	1.696.711	485.198	--	2.181.909
Fixtures and fittings	3.877.253	1.206.907	--	5.084.160
Leasehold improvements	966.532	14.539	(86.335)	894.736
Total	8.040.496	1.706.644	(86.335)	9.660.805
<i>Accumulated depreciation (-)</i>				
Buildings	(300.000)	(30.000)	--	(330.000)
Motor vehicles	(832.554)	(371.601)	--	(1.204.155)
Fixtures and fittings	(2.337.138)	(713.996)	--	(3.051.134)
Leasehold improvements	(555.131)	(180.356)	44.751	(690.736)
Total	(4.024.823)	(1.295.953)	44.751	(5.276.025)
Net book value	4.015.673			4.384.780

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

	30 June 2022	31 December 2021
Buildings	1.155.000	1.170.000
Motor vehicles	767.694	977.754
Fixtures and fittings	1.851.700	2.033.026
Leasehold improvements	115.980	204.000
Total	3.890.374	4.384.780

As of 30 June 2022, there is an insurance coverage of TL 1.088.500 (31 December 2021: TL 1.088.500) on total assets. There are no restrictions on real estate.

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

12. INTANGIBLE ASSETS

	01 January 2022	Additions	Transfers	30 June 2022
Cost				
Rights	35.905.870	4.167.000	--	40.072.870
Development costs ".net based HIS"	4.588.814	--	--	4.588.814
Development costs —Java based cloud system	74.204.619	19.922.639	--	94.127.258
Tales ERP	4.460.431	--	--	4.460.431
Total	119.159.734	24.089.639	--	143.249.373
Accumulated amortization (-)				
Rights	(8.273.967)	(1.153.244)	--	(9.427.211)
Development costs ".net based HIS"	(3.856.981)	(157.112)	--	(4.014.093)
Development costs — Java based cloud system	(14.731.139)	(2.473.527)	--	(17.204.666)
Tales ERP	(268.106)	(98.817)	--	(366.923)
Total	(27.130.193)	(3.882.700)	--	(31.012.893)
Net book value	92.029.541			112.236.480
	31 December 2020	Additions	Transfers	31 December 2021
Cost				
Rights	11.214.338	7.545.000	17.146.532	35.905.870
Development costs ".net based HIS"	4.588.814	--	--	4.588.814
Development costs —Java based cloud system	74.319.377	17.031.774	(17.146.532)	74.204.619
Tales ERP	2.964.500	1.495.931	--	4.460.431
Total	93.087.029	26.072.705	--	119.159.734
Accumulated amortization (-)				
Rights	(5.547.000)	(1.814.401)	(912.566)	(8.273.967)
Development costs ".net based HIS"	(3.510.214)	(346.767)	--	(3.856.981)
Development costs — Java based cloud system	(11.313.990)	(4.329.715)	912.566	(14.731.139)
Tales ERP	(69.228)	(198.878)	--	(268.106)
Total	(20.440.432)	(6.689.761)	--	(27.130.193)
Net book value	72.646.597			92.029.541

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

	30 June 2022	31 December 2021
Rights	30.645.659	11.397.937
Development costs ".net based HIS"	574.721	731.833
Development costs — Java based cloud system	76.922.592	75.707.446
	108.142.972	87.837.216

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

12. INTANGIBLE ASSETS (CONTINUED)

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

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

	30 June 2022	31 December 2021
Personnel costs		
(the personnel work on software development, project implementation and system support departments)	24.089.639	18.527.706
Total	24.089.639	18.527.706

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

13. RIGHT OF USE ASSETS

	1 January 2022	Additions	Disposals	30 June 2022
Cost				
<i>Buildings</i>				
Included in the balance sheet within the scope of IFRS 16 right of use assets	2.322.040	--	--	2.322.040
Total	2.322.040	--	--	2.322.040
Accumulated amortization (-)				
<i>Buildings</i>				
Included in the balance sheet within the scope of IFRS 16 right of use assets	(1.173.955)	(733.832)	--	(1.907.787)
Total	(1.173.955)	(733.832)	--	(1.907.787)
Net book value	1.148.085			414.253

Group in the case of tenant

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

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

13. RIGHT OF USE ASSETS CONTINUED)

	31 December 2020	Additions	Disposals	31 December 2021
Cost				
<i>Buildings</i>				
Included in the balance sheet within the scope of IFRS 16 right of use assets	1.863.478	458.562	--	2.322.040
Total	1.863.478	458.562	--	2.322.040
Accumulated amortization (-)				
<i>Buildings</i>				
Included in the balance sheet within the scope of IFRS 16 right of use assets	(626.232)	(547.723)	--	(1.173.955)
Total	(626.232)	(547.723)	--	(1.173.955)
Net book value	1.237.246			1.148.085

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.)

In accordance with the article; 'Within the scope of the temporary second article of the Law No. 4691 on Technology Development Zones, amended by the 8th article of the Corporate Tax General Communiqué No 6, the earnings obtained by the management companies within this law and the income and corporate taxpayers operating in the region are exempt from income and corporate tax until 31 December 2028, exclusively from the software and R&D activities in this region. The Group 's revenues to be obtained as a result of research and development activities are within the scope of exemption from corporate tax.

15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other Current Provisions	30 June 2022	31 December 2021
Provisions for litigation	1.455.399	659.820
Total	1.455.399	659.820

The movement of litigation provision is as follows:

	01.01- 30.06.2022	01.01- 30.06.2021
Opening balance	659.820	429.175
Additional provision made during the period (Note 21)	1.064.324	144.899
Paid litigation amounts (-) (Note 21)	(268.745)	--
Closing Balance	1.455.399	574.074

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022*(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)***15. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES CONTINUED)**

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

	30 June 2022	
	Amount	Total
Ongoing lawsuits on behalf of the Group	49	669.711
Ongoing execution proceedings	2	45.723
Ongoing lawsuits against the Group	47	1.126.782
Ongoing enforcement proceedings	8	328.617
		2.170.833

The Group management has provided a provision in the amount of TL 1.455.399 in the financial statements with regards to lawsuits filed against the Group (31 December 2021 TL 659.820).

Contingent Liabilities

30 June 2022, collaterals, pledges and mortgages (CPM's) given by the Group are as follows:

	30 June 2022	31 December 2021
A. CPM given by the Group		
CPM's given for Group's own legal personality	14.692.675	15.303.450
CPM given by the company	--	--
B. CPM's given on behalf of fully consolidated companies		
CPM's given on behalf of third parties for ordinary course of business	--	--
C. 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	14.692.675	15.303.450

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

	30 June 2022	31 December 2021
Letters of guarantee	14.692.675	15.303.450
Total	14.692.675	15.303.450

16. EMPLOYEE BENEFITS

Current liabilities for employee benefits	30 June 2022	31 December 2021
Payables due to personnel	3.760.375	2.524.618
Social security withholdings payables	1.709.544	1.178.040
	5.469.919	3.702.658

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022*(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)***16. EMPLOYEE BENEFITS (CONTINUED)**

<i>Current provision for employee benefits</i>	30 June 2022	31 December 2021
Unused vacation provision	466.525	356.730
	466.525	356.730

Movement for unused vacation provision is as follows:

	01.01- 30.06.2022	01.01- 30.06.2021
Provision as of the beginning of the period, 1 January	356.730	329.831
<i>Current year provision</i>	109.795	--
<i>Current year terminated provision</i>	--	(66.118)
Closing balance, 30 June	466.525	263.713

<i>Non-current provisions</i>	30 June 2022	31 December 2021
Provision for employee termination benefits	3.236.644	1.748.561
	3.236.644	1.748.561

Provision for retirement pay liability

Under Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service achieves and reaches the retirement age (58 for women and 60 for men).

Retirement pay liability is not legally subject to any funding. Retirement pay liability is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. TAS 19 ("Employee Benefits") requires the Company's liabilities to be developed using actuarial valuation methods within the scope of defined benefit plans. The actuarial assumptions used in calculating the present value of liabilities are as follows:

	30 June 2022	31 December 2021
Interest rate	%21.00	%21.00
Inflation rate	%16.40	%16.40

Movement for retirement pay provision is as follows:

	01.01- 30.06.2022	01.01- 30.06.2021
Provision as of the beginning of the period, 1 January	1.748.561	1.042.688
<i>Service cost</i>	494.823	75.984
<i>Actuarial loss/ (gain)</i>	809.661	(4.608)
<i>Interest cost (Note 21)</i>	183.599	34.149
Closing balance, 30 June	3.236.644	1.148.213

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

16. EMPLOYEE BENEFITS (CONTINUED)*Provision for retirement pay liability (continued)*

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 June 2022 and 31 December 2021, 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.

The amount payable consists of one month's salary limited to a maximum of TL 15.371,40 for each period of service at 30 June 2022 (31 December 2021: TL 10.848,59).

17. OTHER ASSETS AND LIABILITIES

Other current assets	30 June 2022	31 December 2021
VAT carried forward	233.151	185.490
Total	233.151	185.490
Other current liabilities	30 June 2022	31 December 2021
Executive and BES Deductions	140.052	253.059
Expense accruals	418.168	--
Total	558.220	253.059

18. EQUITY, RESERVES AND OTHER EQUITY COMPONENTS

The Shareholders structure of the Company is as follow

Shareholders	30 June 2022		31 December 2021	
	Share Amount	Rate %	Share Amount	Rate %
Abdülkerim GAZEN	15.338.333	38,35	15.338.333	38,35
MIRI Strategic Emerging Markets Fund LP	6.040.382	15,10	6.040.382	15,10
Other	18.621.285	46,55	18.621.285	46,55
Paid capital	40.000.000	100	40.000.000	100

The Company's issued capital consists of 40.000.000 shares, all with a par value of 1 Turkish Liras each as at 30 June 2022 (31 December 2021: 40.000.000 shares).

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

18. EQUITY, RESERVES AND OTHER EQUITY COMPONENTS (CONTINUED)***Other comprehensive income/loss not to be reclassified to profit or loss***

	30 June 2022	31 December 2021
Actuarial gain/loss	(1.642.587)	(630.511)
	(1.642.587)	(630.511)

Restricted reserves allocated from profit

	30 June 2022	31 December 2021
Legal reserves	5.552.771	3.410.180
	5.552.771	3.410.180

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

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

19. REVENUE AND COST OF SALES (-)

	01.01.- 30.06.2022	01.01.- 30.06.2021	01.04.- 30.06.2022	01.04.- 30.06.2021
Sales revenue, net				
Domestic sales	38.625.428	35.779.955	22.359.510	18.745.757
Exports	7.879.500	1.528.543	5.753.912	1.105.155
Other sales	--	668	(9.600)	
Total Revenues	46.504.928	37.309.166	28.103.822	19.850.912
Sales returns and discounts (-)	(1.839.534)	--	(1.839.534)	--
Revenue, net	44.665.394	37.309.166	26.264.288	19.850.912
Cost of sales (-)				
Cost of services sold	27.183.519	18.454.873	16.389.925	8.870.926
Cost of merchandises sold	--	146.549	--	60.569
Cost of sales	27.183.519	18.601.422	16.389.925	8.931.495
Gross profit	17.481.875	18.707.744	9.874.363	10.919.417

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022*(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)***20. GENERAL ADMINISTRATION EXPENSES, RESEARCH EXPENSES (-)**

	01.01.- 30.06.2022	01.01.- 30.06.2021	01.04.- 30.06.2022	01.04.- 30.06.2021
General administrative expenses (-)	6.257.590	3.355.696	2.243.259	1.833.201
Marketing, selling and distribution expenses (-)	554.351	237.426	352.978	120.573
Research and development expenses (-)	122.700	1.535.949	122.700	1.531.200
Total	6.934.641	5.129.071	2.718.937	3.484.974

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

	01.01.- 30.06.2022	01.01.- 30.06.2021	01.04.- 30.06.2022	01.04.- 30.06.2021
Other income from operating activities				
Incentive income	2.413.141	1.330.591	1.349.423	776.628
Reversals of litigation (Note 15)	268.745	70.945	61.442	17.549
Reversal of provisions for receivables (Note 7)	67.622	--	--	--
Deferred financing income	48	8.448	(8.408)	5.331
Other	63.413	119.483	(133.788)	(27.733)
Total	2.812.969	1.529.467	1.268.669	771.775
Other expense from operating activities (-)				
Provision for litigation (Note 15)	1.064.324	144.899	381.293	14.136
Severance pay interest expenses (Note 16)	183.599	68.296	(183.599)	34.147
Deferred financing expenses	82.569	419.878	(237.745)	177.853
Provision for trade receivables (Note 7)	11.752	644.773	11.752	228.904
Other	191.628	29.718	182.925	29.714
Total	1.533.872	1.307.564	154.626	484.754

22. INCOME AND EXPENSES FROM INVESTING ACTIVITIES (-)

	01.01.- 30.06.2022	01.01.- 30.06.2021	01.04.- 30.06.2022	01.04.- 30.06.2021
Income from investing activities				
Interest income	174.218	601.031	23.869	300.625
Income from sales of property, plant and equipment	--	28.333	--	(876)
Total	174.218	629.364	23.869	299.749

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

23. FINANCIAL INCOME AND EXPENSES (-)

Financial income	01.01.- 30.06.2022	01.01.- 30.06.2021	01.04.- 30.06.2022	01.04.- 30.06.2021
Foreign exchange income	311.376	5.988	63.660	2.163
Total	311.376	5.988	63.660	2.163
Financial expenses (-)	01.01.- 30.06.2022	01.01.- 30.06.2021	01.04.- 30.06.2022	01.04.- 30.06.2021
Foreign exchange expenses	239.616	26.982	(307)	14.596
Right of use expenses	164.957	98.605	(44.061)	36.546
Letters of guarantee commission expenses	10.408	56.464	(19.414)	25.515
Interest expense	--	43.121	(9.399)	22.673
Other	83.730	64	83.730	--
Total	498.711	225.236	10.549	99.394

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 2022, there is no receivable from related parties. (31 December 2021: None)

Payables to related parties

	30 June 2022		31 December 2021	
	Trade	Non-trade	Trade	Non-trade
<i>Shareholder</i>				
Abdülkerim GAZEN	--	--	--	11.690
Total	--	--	--	11.690

The amount of rights granted to senior managers in the current period is TL 560.250 (Prior period: TL 1.485.850)

25. TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITY INCLUDED)***Current tax***

	30 June 2022	31 December 2021
Prepaid taxes and funds (-)	--	(485)
Total	--	(485)

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

25. TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITY INCLUDED) (CONTINUED)

Corporate Tax Provision

The corporate tax rate is applied to the tax base to be found as a result of adding the expenses that are not accepted as a deduction in accordance with the tax laws to the commercial income of the corporations and deducting the exceptions and deductions in the tax laws. If the profit is not distributed, no other tax is paid, and all or part of the profit is dividends;

- To real people
- Natural and legal persons who are exempt or exempt from Income and Corporate Tax,
- Limited taxpayer real and legal persons,

In case of distribution, 10% Income Tax Withholding is calculated. The addition of the period profit to the capital is not considered as profit distribution and no withholding tax is applied.

Corporations calculate a 25% temporary tax on their quarterly financial profits and declare it until the 17th day of the second month following that period and pay it until the evening of the 17th day. The temporary tax paid during the year belongs to that year and is deducted from the corporate tax to be calculated over the corporate tax return to be submitted in the following year.

75% of the profits arising from the sale of participation shares, which are in the assets of the corporations for at least two full years, and 50% of the gains from the sale of the immovables that are in the assets for the same period of time, are exempt from tax, provided that they are added to the capital as stipulated in the Corporate Tax Law.

According to the Turkish tax legislation, financial losses shown on the declaration can be deducted from the corporate income for the period, provided that they do not exceed 5 years. However financial losses cannot be offsite from last year's profits. There is no practice in Turkey to reach an agreement with the tax authority regarding the taxes to be paid. Corporate tax returns are submitted to the relevant tax office until the evening of the last day of the fourth month following the month in which the accounting period is closed. However, the tax inspection authorities can examine the accounting records within five years, and if an incorrect transaction is detected, the tax amounts to be paid may change.

With the article 11 of the Law No. 7316 on the Procedure for the Collection of Public Claims and Amending Certain Laws, published in the Official Gazette No. 31462 dated 22 April 2021, provisional 13th article added to the Corporate Tax Law No. 5520, corporate tax rate will be applied as 25% for the corporate earnings for the 2021 taxation period and 23% for the corporate earnings for the 2022 taxation period. This change will be valid for the taxation of corporate earnings for the periods starting from January 1, 2021, starting with the declarations that must be submitted as of 1 January 2021. In the financial statements dated 30 June 2022, 25% and 20% are used as tax rates for current tax and deferred tax calculations.

Tax provision in the income statement:	30 June 2022	31 December 2021
Current period corporate tax provision	--	--
Deferred tax provision	453.749	171.597
Total	453.749	171.597

Deferred Tax

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

25. TAXES ON INCOME (DEFERRED TAX ASSET AND LIABILITY INCLUDED) (CONTINUED)*Deferred Tax (Continued)*

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

The breakdown of cumulative temporary differences and deferred tax assets and liabilities provided using principal tax rates are as follows:

	Cumulative Temporary Differences		Deferred Tax	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
<i>Deferred tax assets</i>				
Depreciation adjustment	5.370.560	3.331.277	1.342.640	832.819
Severance pay provision	3.236.644	1.748.561	809.161	437.140
Provision for litigation	1.505.858	659.820	376.465	164.955
Deferred finance expense	1.026.991	950.898	256.748	237.725
Unused vacation provision	416.066	356.726	104.017	89.182
Provision for doubtful receivables	94.348	150.222	23.587	37.556
Deferred tax adjustment	--	228.533	--	57.133
Written off assets	--	233.694	--	58.424
Lease contracts	--	1.305.451	--	326.363
Adjustment on borrowings	--	2.421	--	605
Total	11.650.467	8.967.603	2.912.618	2.241.902

	Cumulative Temporary Differences		Deferred Tax	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
<i>Deferred Tax Liabilities</i>				
Lease contracts	(1.175.139)	(850.095)	(293.785)	(212.524)
Depreciation adjustment	(6.750.836)	--	(1.687.709)	--
Depreciation adjustment	(9.928)	(9.857)	(2.482)	(2.464)
Depreciation adjustment	(2.575)	(8.995)	(644)	(2.249)
Difference between the tangible assets registered value and tax base	--	(126.563)	--	(31.641)
Capitalized costs of programs in progress	--	(3.476.679)	--	(869.170)
Capitalized development costs	--	(3.147.594)	--	(786.899)
Other	(1.493.335)	(134.500)	(373.334)	(33.625)
Total	(9.431.813)	(7.754.283)	(2.357.954)	(1.938.572)
Deferred Tax Assets / (Liabilities), net	2.218.654	1.213.320	554.664	303.330

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

	30 June 2022	31 December 2021	30 June 2021
Opening balance of deferred tax assets / (liabilities)	303.330	(272.512)	(351.277)
Deferred tax expense / (income)	453.749	589.266	233.556
Deferred tax effect of other comprehensive income	(202.415)	(13.424)	(26.815)
Deferred tax asset / liability in the current period	554.664	303.330	(144.536)

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

26. EARNINGS PER SHARE

	01.01.- 30.06.2022	01.01.- 30.06.2021
Net profit / (loss) for the period from continued operations:		
Net profit / (loss) of parent company from continued operations	12.266.963	14.444.248
Weighted average number of shares	40.000.000	40.000.000
Earnings / (loss) per share from continued operations (TL)	0,31	0,36
Earnings / (loss) per share		
Profit / (loss) for the period	12.266.963	14.444.248
Net profit / (loss) of minority shares for the period	12.266.963	14.444.248
Weighted average number of shares	40.000.000	40.000.000
Earnings / (loss) per share (TL)	0,31	0,36
	01.01.- 30.06.2022	01.01.- 30.06.2021
Number of weighted shares at the beginning of the period	40.000.000	40.000.000
Number of shares issued within the period	--	--
Number of shares at the end-of-period	40.000.000	40.000.000

27. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**Financial Risk Factors****Capital Risk Management**

The Group monitors capital using the net financial debt to capital employed ratio. This ratio is found by dividing the financial debt used by the capital. Net financial debt is calculated by deducting cash and cash equivalents from the total debt amount. Capital employed is calculated as equity plus net financial debt as shown in the balance sheet

	01.01.- 30.06.2022	01.01.- 31.12.2021
Total liabilities	74.335.730	58.804.500
Less: cash and cash equivalents	(8.465.459)	(12.526.812)
Net (Cash)/Liabilities	65.870.271	46.277.688
Total equity	143.355.765	132.100.877
Capital	40.000.000	40.000.000
Net (Cash) Liabilities / Total Equity Ratio	0,46	0,35

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022*(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)***27. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)**

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

	01.01.- 30.06.2022	01.01.- 31.12.2021
Current assets	56.998.728	57.427.554
Current liabilities (-)	27.119.946	21.148.461
Net working capital excess / (deficit)	29.878.782	36.279.093
Current Ratio	2,10	2,72
Earnings Before Interest Tax Depreciation and Amortization (EBITDA)	01.01.- 30.06.2022	01.01.- 30.06.2021
Net income / (loss) for the period	12.266.963	14.444.248
Income / expenses from operating activities, net	(1.279.097)	(221.903)
Income / expenses from investment activities, net	(174.218)	(629.364)
Depreciation expenses	5.350.800	3.900.047
Financing (income) / expense, net	187.335	219.248
Tax (income) / loss, net	(453.749)	(233.556)
EBITDA	15.898.034	17.478.720
EBITDA margin	35,59	46,85

Financial Risk FactorsCredit 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 2021: None)

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

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:

	RECEIVABLES				Bank Deposits	Cash and Other
	Trade Receivables		Other Receivables			
	Related Parties	Other Parties	Related Parties	Related Parties		
30 June 2022						
Maximum credit risk exposures as of report date (A+B+C+D+E)	--	85.583.180	--	171.252	8.464.291	1.168
- Secured part of maximum credit risk exposure via collateral etc.	--	--	--	--	--	--
A. Net book value of the financial assets that are neither overdue nor impaired	--	85.583.180	--	171.252	8.464.291	1.168
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)	--	94.352	--	--	--	--
- Impairment asset (-)	--	(94.352)	--	--	--	--
- Net, secured part via collateral etc.	--	--	--	--	--	--
E. Off-balance sheet financial assets exposed to credit risk	--	--	--	--	--	--

	RECEIVABLES				Bank Deposits	Cash and Other
	Trade Receivables		Trade Receivables			
	Related Parties	Related Parties	Related Parties	Related Parties		
31 December 2021						
Maximum credit risk exposures as of report date (A+B+C+D+E)	--	75.715.019	--	191.406	12.525.644	1.168
- Secured part of maximum credit risk exposure via collateral etc.	--	--	--	--	--	--
A. Net book value of the financial assets that are neither overdue nor impaired	--	75.715.019	--	191.406	12.525.644	1.168
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)	--	150.222	--	--	--	--
- Impairment asset (-)	--	(150.222)	--	--	--	--
- Net, secured part via collateral etc.	--	--	--	--	--	--
E. Off-balance sheet financial assets exposed to credit risk	--	--	--	--	--	--

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022*(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)***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 June 2022	Book value	Total contractual cash outflow (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1 – 5 years (III)
Bank loans	40.376	40.376	40.376	--	--
Other financial liabilities	1.388.937	1.388.937	1.388.937	--	--
Trade payables	626.600	626.600	626.600	--	--
Finance lease obligations	1.146.897	1.146.897	731.482	303.564	111.851
Other payables and liabilities	483.216	483.216	483.216	--	--
Total	3.686.026	3.686.026	3.270.611	303.564	111.851
Liabilities from employee benefits	626.600	626.600	626.600	--	--
Deferred income	18.256.846	18.256.846	6.085.615	12.171.231	--
Total	23.726.765	23.726.765	11.555.534	12.171.231	--
Maturities accordance with the contract as of 31 December 2021	Book value	Total contractual cash outflow (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1 – 5 years (III)
Bank loans	1.414.258	1.414.258	1.414.258	--	--
Other financial liabilities	713.815	713.815	713.815	--	--
Trade payables	2.571.937	2.571.937	2.571.937	--	--
Finance lease obligations	1.471.945	1.471.945	612.278	348.935	292.287
Total	6.171.955	6.171.955	5.312.288	348.935	292.287
Liabilities from employee benefits	1.748.561	1.748.561	1.748.561	--	--
Total	1.748.561	1.748.561	1.748.561	--	--

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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

Notes to the interim consolidated financial statements as of 30 June 2022

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

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

Financial Risk Factors (Continued)

Market Risk

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

Interest Rate Risk

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

The Group's interest position table is as follows:

<u>Financial instruments with fixed interest</u>	<u>30 June 2022</u>	<u>31 December 2021</u>
Financial Liabilities (Note 6)	1.429.693	3.600.018
Cash and Cash Equivalents (Note 5)	(8.465.459)	(12.526.812)

28. EVENTS AFTER THE REPORTING DATE

The Group has signed an agreement with the Capital Markets Board and the Republic of Turkey to amend Article 6 titled "The Company's Capital and Type of Shares" and Article 10 and "General Assembly" of the Articles of Association. It was registered on 06 July 2022 and published in the Turkish Trade Registry Gazette dated 06 July 2022 numbered 10614, after obtaining the necessary legal permissions from the Ministry of Commerce and discussing and deciding at the Extraordinary General Assembly Meeting held on 04 July 2022.