

**FONET BİLGİ TEKNOLOJİLERİ
ANONİM ŞİRKETİ**

**CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 30
SEPTEMBER 2019**

**(CONVENIENCE TRANSLATION OF
CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS ORIGINALLY ISSUED IN
TURKISH)**

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FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

**CONSOLIDATED FINANCIAL POSITIONS (BALANCE SHEETS)
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

ASSETS	Note	30.09.2019	Audited 31.12.2018
Current Assets		13.460.636	15.649.467
Cash and cash equivalents	5	2.839.265	6.095.046
Financial assets	6	-	-
Trade Receivables			
-Reletad parties	26	-	-
-Third parties	8	8.175.736	8.498.367
Other receivables			
-Reletad parties	26	509.000	-
-Third parties	9	259.045	166.962
Inventories	10	1.070.422	687.865
Prepaid expenses			
-Reletad parties	26	-	-
-Third parties	11	491.584	162.974
Current income tax assets	27	90.246	20.789
Other current assets			
-Reletad parties	26	-	-
-Third parties	18	25.338	17.464
Non Current Assets		64.936.541	57.245.160
Financial assets	6	-	-
Trade Receivables			
-Reletad parties	26	-	-
-Third parties	8	-	-
Other receivables			
-Reletad parties	26	-	-
-Third parties	9	39.380	39.380
Right-of-use assets	14	947.227	-
Tangible fixed assets	12	4.897.006	4.651.329
Intangible assets	13	56.456.953	49.208.765
Prepaid expenses			
-Reletad parties	26	-	-
-Third parties	11	482.757	-
Deferred tax assets	27	2.113.218	3.345.686
Other non-current assets			
-Reletad parties	26	-	-
-Third parties	18	-	-
TOTAL ASSETS		78.397.177	72.894.627

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

**CONSOLIDATED FINANCIAL POSITIONS (BALANCE SHEETS)
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(All amounts expressed in Turkish Lira (TL) unless otherwise stated.)

			Audited
LIABILITIES	Note	30.09.2019	31.12.2018
Current Liabilities		10.548.215	15.778.011
Short-term borrowings	7	1.078.066	254.899
Current portion of long-term borrowings	7	169.296	1.476.120
Other financials borrowings	7	162.359	130.097
Trade payables			
-Reletad parties	26	-	-
-Third parties	8	1.182.826	2.031.577
Other payables			
-Reletad parties	26	-	94.645
-Third parties	9	450.027	816.297
Employee benefit obligations	16	2.544.964	1.983.953
Deferred income			
-Reletad parties	26	-	-
-Third parties	11	3.824.217	7.993.086
Taxation on income	27	-	-
Short-term provisions			
-Short-term provisions for employee benefits	17	494.915	350.469
-Other short-term provisions	16	632.731	549.765
Other current liabilities			
-Reletad parties	26	-	-
-Third parties	18	8.814	97.103
Non- Current Liabilities		3.949.447	4.519.571
Long-term borrowings	7	663.058	46.858
Trade payables			
-Reletad parties	26	-	-
-Third parties	8	-	-
Other payables			
-Reletad parties	26	-	-
-Third parties	10	-	-
Deferred income			
-Reletad parties	26	-	-
-Third parties	11	565.973	2.263.889
Long-term provisions			
-Long-term provisions for employee benefits	17	761.876	675.428
-Other long-term provisions	16	-	-
Deferred tax liability	27	1.958.540	1.533.396
Other current liabilities	18	-	-
Equity		63.899.515	52.597.045
Equity holders of the parent		63.899.515	52.597.045
Paid-in capital	19	40.000.000	18.000.000
Share premium	19	-	11.496.200
Other comprehensive income/loss not to be reclassified to profit or loss	19	-	-
Actuarial gain/(loss) arising from defined benefit plans	19	(685.409)	(448.017)
Other comprehensive Income/Loss to be reclassified to Profit or Loss	19	-	-
Restricted reserves allocated from profits	19	1.749.772	818.198
Previous year profits / (loss)	19	11.295.290	10.494.235
Net income/(loss) for the period		11.539.862	12.236.429
Non-controlling interests		-	-
TOTAL LIABILITIES AND EQUITY		78.397.177	72.894.627

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS and OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(All amounts expressed in Turkish Lira (TL) unless otherwise stated.)

PROFIT OR LOSS	Note	01.01.- 30.09.2019	01.01.- 30.09.2018	01.07.- 30.09.2019	01.07.- 30.09.2018
Sales revenue	20	36.322.995	19.464.498	13.097.292	6.889.933
Cost of sales(-)	20	(19.856.584)	(12.309.487)	(6.488.845)	(4.299.781)
GROSS PROFIT / (LOSS)		16.466.411	7.155.011	6.608.447	2.590.152
General aAdministrative expenses (-)	21	(4.006.212)	(4.846.132)	(1.328.379)	(2.219.788)
Marketing, selling and distribution expenses (-)	21	(617.364)	(489.093)	(106.608)	(249.922)
Research and development expenses (-)	21	(1.266.948)	(15.971)	(819.127)	-
Other operating incomes	22	2.772.232	1.973.625	1.025.901	560.913
Other operating expenses (-)	22	(438.383)	(142.272)	(190.887)	(20.332)
OPERATING PROFIT / (LOSS)		12.909.736	3.635.168	5.189.347	661.023
Income from investment activities	23	685.956	148.812	89.600	87.955
Expense from investment activities	23	-	-	-	-
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		13.595.692	3.783.980	5.278.947	748.978
Financial incomes	24	-	-	-	-
Financial expenses (-)	24	(331.261)	(445.327)	(59.456)	(135.001)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUED OPERATIONS		13.264.431	3.338.653	5.219.491	613.977
Tax Income/Expense of Continued Operations		(1.724.569)	(1.242.581)	(492.765)	(252.363)
Current Income Tax Expense	27	-	-	-	-
Deferred Tax Income/(Expense)	27	(1.724.569)	(1.242.581)	(492.765)	(252.363)
NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS		11.539.862	2.096.072	4.726.726	361.614
Earnings per Share from Continued Operations		-	-	-	-
NET PROFIT/ (LOSS) FOR THE YEAR		11.539.862	2.096.072	4.726.726	361.614
Attributable to		11.539.862	2.096.072	4.726.726	361.614
Non-controlling interest		-	-	-	-
Equity holders of the parent		11.539.862	2.096.072	4.726.726	361.614
Earnings per Share from Continued Operations	28	0,29	0,12	0,26	0,02
NET PROFIT/ (LOSS) FOR THE YEAR		11.539.862	2.096.072	4.726.726	361.614
OTHER COMPREHENSIVE INCOME /(LOSS)					
Not to be reclassified to profit or loss					
-Actuarial gain/loss arising from defined benefit plans	25	(304.349)	(171.060)	(83.770)	(358.188)
-Tax (expense)/income of other comprehensive income	25	66.957	37.633	18.430	75.059
To be reclassified to profit or loss		-	-	-	-
Currency translation tdjustment		-	-	-	-
OTHER COMPREHENSIVE INCOME /(LOSS)		(237.392)	(133.427)	(65.340)	(283.129)
TOTAL COMPREHENSIVE INCOME		11.302.470	1.962.645	4.661.386	78.485
Attributable to		11.302.470	1.962.645	4.661.386	78.485
Non-controlling interest		-	-	-	-
Equity holders of the parent		11.302.470	1.962.645	4.661.386	78.485

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED 30 SEPTEMBER 2019

(All amounts expressed in Turkish Lira (TL) unless otherwise stated.)

	Note	Paid Capital	Share premium	Other comprehensive income/loss not to be		Other comprehensive Income/Loss to be reclassified to Profit or Loss	Restricted reserves allocated from profits	Retained Earnings		Equity holders OF Parent	Non- controlling interest	Total equity
				Other Gains (Losses)	Actuarial gain/(loss) arising from defined benefit plans			Previous year profits / (loss)	Net income/(loss) for the period			
Balances at 01.01.2018	19	18.000.000	11.496.200	-	(270.342)	-	590.856	6.624.152	4.097.425	40.538.291	-	40.538.291
Capital increase,s cash		-	-	-	-	-	-	-	-	-	-	-
Transfers		-	-	-	-	-	227.342	3.870.083	(4.097.425)	-	-	-
Total comprehensive income / (loss)												
Net Profit / (Loss) for The Year		-	-	-	-	-	-	-	2.096.072	2.096.072	-	2.096.072
Other comprehensive income / (loss)		-	-	-	(133.427)	-	-	-	-	(133.427)	-	(133.427)
Balances at 30 September 2018	19	18.000.000	11.496.200	-	(270.342)	-	590.856	6.624.152	4.097.425	42.500.936	-	42.500.936
Balances at 01.01.2019	19	18.000.000	11.496.200	-	(448.017)	-	818.198	10.494.235	12.236.429	52.597.045	-	52.597.045
Capital increase,s cash		22.000.000	(11.496.200)	-	-	-	931.574	801.055	(12.236.429)	-	-	-
Transfers		-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income / (loss)												
Net Profit / (Loss) for The Year		-	-	-	-	-	-	-	11.539.862	11.539.862	-	11.539.862
Other comprehensive income / (loss)		-	-	-	(237.392)	-	-	-	-	(237.392)	-	(237.392)
Balances at 30 September 2019	19	40.000.000	11.496.200	-	(448.017)	-	818.198	10.494.235	12.236.429	63.899.515	-	63.899.515

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2019
(All amounts expressed in Turkish Lira (TL) unless otherwise stated.)

	Note	01.01.- 30.09.2019	01.01.- 30.09.2018
A. CASH FLOW FROM OPERATING ACTIVITIES			
Profit /(Loss) Before Tax		11.539.862	2.096.072
Adjustments to Reconcile Cash Flow Generated from Operating Activities:			
Adjustments for depreciation and amortization	12-13	3.970.900	2.860.660
Adjustments for provision for employee benefits	17	211.103	211.986
Adjustments for provision for law suits	16	82.966	(17.306)
Adjustment for deferred financing expenses	8	(98.918)	(143.789)
Adjustment for deferred financing incomes	8	318.477	44.081
Adjustments for provision for doubtful receivables	8	440.334	--
Adjustments for interest expense	24	137.588	339.900
Adjustments for deferred income	11	8.138.889	--
Adjustments for tax income/ (loss)	27	1.724.569	1.242.581
Operating Profit before Working Capital Changes		26.465.770	6.634.185
Adjustments for decrease (increase) in trade receivables	8	(436.180)	(351.156)
Change in other receivables	9	(601.083)	(219.775)
Adjustments for decrease (increase) in inventories	10	(382.557)	(581.220)
Adjustments for increase (decrease) in trade payables	8	(749.833)	1.187.216
Change in other payables	9	(460.915)	67.959
Increase (decrease) in employee benefit liabilities	17	561.011	877.822
Change in other current and non-current assets		(9.974.814)	(370.966)
Change in short-term and long-term liabilities		(5.955.074)	7.000.934
Cash Flows Generated From Operating Activities		8.466.325	14.244.999
Paid related to employee benefits	17	(284.558)	(33.254)
Tax expenses (-)	27	--	--
Net Cash Generated From Operating Activities		8.181.767	14.211.745
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Provided from Sales of tangible fixed assets	12	-	-
Cash Provided from sales of intangible fixed assets	13	-	-
Cash outflows arising from purchase of fixed assets	12	(1.011.977)	(1.416.905)
Cash outflows arising from purchase of intangible fixed assets	13	(10.452.788)	(13.224.642)
Net Cash Used In Investing Activities		(11.464.765)	(14.641.547)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash provided from stock issuance		-	-
Interest received	24	-	-
Interest paid	24	(137.588)	(339.900)
Change in borrowings	7	164.805	(1.001.935)
Net Cash Used in Financing Activities		27.217	(1.341.835)
Net Increase In Cash And Cash Equivalents	5	(3.255.781)	(1.771.637)
Cash And Cash Equivalents At The Beginning Of The Period	5	6.095.046	3.295.265
Cash And Cash Equivalents At The End Of The Period		2.839.265	1.523.628

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Fonet Bilgi Teknolojileri Anonim Şirketi (“The Company”) has been founded in 1997 to provide computer software and technical support (designing, developing, implementing, operating, maintaining and consulting services in information technology) to Public and Private Institutions.

The Company is located and providing its main services Kızılırmak Mah. Ufuk Üniversitesi Cad. 1445 Sokak No:2 The Paragon Tower İş Merkezi B Blok 1-6 Çukurambar Çankaya Ankara – TURKEY. Besides the Company has also branches in Istanbul and Şanlıurfa.

The centrel address has been rented for 5 year with an agreement signed in 15.08.2017.

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

The Company’s main brand is hospital information management system (Fonet HBYS). Fonet HBYS enables the management of hospitals' business processes within the automation system. Fonet HBYS consists of approximately 52 separate software modules. All of the software modules belong to Fonet.

The average number of employee working in the Company as of 30 September 2019 is 133 (31 December 2018: 113).

Detailed information about the personnel is as follows

	30 September 2019	31 December 2018
Permanent contracted personnel of the company	133	113
Determined time contract personnel of the Company within the scope of contracts with hospitals	336	341
Total	469	454

The Shaheholders structure of The Company is as follow :

	30 September 2019		31 December 2018	
Shareholders	Share Amount	Rate %	Share Amount	Rate %
Abdülkerim GAZEN	23.333.333	58,33%	10.500.000	58,33%
Publicly traded	16.666.667	41,67%	7.500.000	41,67%
Total paid capital	40.000.000	100,00%	18.000.000	100,00%

The Company’s issued capital consists of 40.000.000 shares, all with a par value of 1 Turkish Liras each as at 30 September 2019 (31 December 2018: 18.000.000 shares).

The Company has increased its capital from TL 18.000.000 to TL 40.000.000 with the decision of the Board of Directors dated 27.05.2019. The increased capital has been provided from previous profit amount of 10.503.000 and share Premium amount of 11.496.200 TL. The capital increase transactions were announced in Turkey Trade Registry Gazette dated 07.24.2019 and numbered 9875.

The Compnay’s registered capital ceiling amount is 100.000.000 TL, all with a par value of 1 Turkish Liras and total shares are 100.000.000. The permission of the registered capital ceiling valid date is between 2019-2023.

The Company is registered to the Capital Markets Board (“CMB”) and its shares have been quoted on the Borsa Istanbul (“BIST”) since 2017. As of June 30, 2019, the publicly listed shares are 41,67% of the total shares. (December 31, 2018: 41,67%

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

After the capital increase, 2.222.000 shares of the 40,000,000 shares are Group A and 37.778.000 shares are Group B. The Group A shares have the privilege regarding the determination of the members of the board of directors and the right to vote in the general assembly.

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

The Company has accepted the registered capital system in accordance with the provisions of the Capital Market Law and has been involved to the registered capital system with the permission of the Capital Markets Board dated 27.02.2015 and numbered 5/253.

Consolidated subsidiary details are as follows:

Pidata Bilişim Teknolojileri Anonim Şirketi (“Pidata”), was established on 16 July 2018 and registered in Ankara. The establishing of the company was announced in the Turkish Trade Registry Gazette dated July 19, 2018 and numbered 9624. All of the shares of Pidata belong to The Fonet. From now on, it will be referred as “Group” or “Community” together with Fonet and Pidata

Company Title	Main operating activity	Main operating activity Type	Country	Established Year
Pidata Bilişim Teknolojileri A.Ş.	Information Technology	Service	Türkiye/Ankara	2018

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**2.1. Financial reporting standards**

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

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

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

Comparative Information

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current year financial statements and the significant changes are explained.

Currency Used In The Financial Statements

The financial statements of the Company is presented in the currency (functional currency) of the economic environment in which the Company operate. Financial position and results of operations of the Company are stated in Turkish Lira (TL) which is the Company’s ruling currency and presentation currency for financial statements.

Going concern

The Group prepared consolidated financial statements in accordance with the going concern assumption.

Netting/Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Statement of Compliance to The TFRS

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

For the nine month period ended 30 September 2019, the Group prepared its interim condensed consolidated financial statements in accordance with the Turkish Accounting Standard No.34 “Interim Financial Reporting”. Interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, therefore should be read in conjunction with the Group’s annual financial statements, as at 31 December 2018.

Basis of consolidation

The condensed consolidated interim financial statements include the accounts of the parent company, Fonet and its subsidiary on the basis set out in sections below. 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.

3. BUSINESS COMBINATION

There is none (31 December 2018: None).

4. SEGMENTAL REPORTING

There is none (31 December 2018: None).

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 30 SEPTEMBER 2019
(Amounts are expressed in Turkish Lira (“TL”) unless otherwise stated.)

5. CASH AND CASH EQUIVALENTS

	30 September 2019	31 December 2018
Cash	2.577	431
Banks		
Time Deposit	270.288	299.876
Demand Deposit	2.566.400	5.794.739
Total	2.839.265	6.095.046

The Company's time deposits are approximately 2 to 32 days in maturity, the currency of time deposits are Turkish Lira.

6. FINANCIAL ASSETS

There is none (31 December 2018: None).

7. FINANCIAL LIABILITIES

Short term financial liabilities

	30 September 2019	31 December 2018
Bank borrowings	793.897	254.899
Short term liabilities of long term liabilities	169.296	1.476.120
Liabilities arising from renting	284.169	-
Other financial liabilities	162.359	130.097
Total	1.409.721	1.861.116

Long term financial liabilities

	30 September 2019	31 December 2018
Bank borrowings	-	46.858
Liabilities arising from renting	663.058	-
Total	663.058	46.858

The redemption schedule of bank borrowings are as follows:

	30 September 2019	31 December 2018
0-3 mont	1.065.416	819.920
3-12 month	60.136	1.041.196
1-5 year	-	46.858
More than 5 year	-	-
Total	1.125.552	1.907.974

The redemption schedule of liabilities arising from renting are as follows:

	30 September 2019	31 December 2018
0-3 mont	142.085	-
3-12 month	142.085	-
1-5 year	663.058	-
More than 5 year	-	-
Total	947.227	-

8. TRADE RECEIVABLES AND TRADE PAYABLES**Short- Term Trade Receivables**

	30 September 2019	31 December 2018
Trade receivables	8.666.854	9.257.178
Notes receivables	-	-
Deferred financing incomes (-)	(163.061)	(318.477)
Provision for doubtful receivables (-)	(328.057)	(440.334)
Total	8.175.736	8.498.367

Movements of the provision for doubtful receivables are as follows:

	30 September 2019	31 December 2018
Beginning of the period	440.334	147.248
Increases during the period	63.997	362.048
Less; collections (-)	(176.274)	(68.962)
Less; deducted from legal records	-	-
End of the period	328.057	440.334

Long-Term Trade Receivables

There is none (31 December 2018: None).

Short Term Liabilities

	30 September 2019	31 December 2018
Trade payables	508.306	1.995.995
Notes payables	703.172	134.500
Deferred financing incomes (-)	(28.652)	(98.918)
Total	1.182.826	2.031.577

Long Term Liabilities

There is none (31 December 2018: None).

9. OTHER RECEIVABLES AND PAYABLES**Other Short- Term Receivables**

	30 September 2019	31 December 2018
Deposits and guarantees given	192.045	149.362
Due from personnel	67.000	17.600
Other sundry receivables	-	-
Total	259.045	166.962

Long Short- Term Receivables

	30 September 2019	31 December 2018
Deposits and guarantees given	39.380	39.380
Total	39.380	39.380

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9. OTHER RECEIVABLES AND PAYABLES (cont’d)

Other Short- Term Liabilities

	30 September 2019	31 December 2018
Taxes and funds payables	432.748	815.021
Other sundy payables	17.279	1.276
Total	450.027	816.297

Other Long- Term Liabilities

	30 September 2019	31 December 2018
Other sundy payables	-	-
Total	-	-

10. INVENTORIES

	30 September 2019	31 December 2018
Merchandises	1.070.422	687.865
Total	1.070.422	687.865

Trade goods consist of the hardware and software inventories for various projects the Company has acquired.

11. PREPAID EXPENSES and DEFERRED INCOMES

Short-Term Prepaid Expenses

	30 September 2019	31 December 2018
Prepaid expenses	357.706	111.711
Advances given	2.851	126
Advances given for business purposes	131.027	51.137
Total	491.584	162.974

Long-Term Prepaid Expenses

	30 September 2019	31 December 2018
Prepaid expenses	482.757	-
Total	482.757	-

Short-Term Deferred Incomes

	30 September 2019	31 December 2018
Order advances received	137.241	137.241
The part of the service to be provided by the contracts the next months	3.656.250	7.833.333
Other	30.726	22.512
Total	3.824.217	7.993.086

Long-Term Deferred Incomes

	30 September 2019	31 December 2018
The part of the service to be provided by the contracts in next years	565.973	2.263.889
Total	565.973	2.263.889

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12.TANGIBLE FIXED ASSETS

	31.12.2018			30.09.2019
Tangible fixed assets	Balance	Additions	Disposal	Balance
Property, plant and equipment	1.500.000	-	-	1.500.000
Machinery and equipment	216.915	-	-	216.915
Vehicles	1.166.428	556.150	-	1.722.578
Furniture and fittings	2.936.223	436.920	-	3.373.143
Leasehold improvements	1.270.878	18.907	-	1.289.785
Total	7.090.444	1.011.977	-	8.102.421

Accumulated depreciation

Property, plant and equipment	(240.000)	(22.500)	-	(262.500)
Machinery and equipment	(216.915)	-	-	(216.915)
Vehicles	(223.322)	(228.536)	-	(451.858)
Furniture and fittings	(1.266.227)	(369.536)	-	(1.635.763)
Leasehold improvements	(492.651)	(145.728)	-	(638.379)
Total	(2.439.115)	(766.300)	-	(3.205.415)

Tangible fixed assets, net	4.651.329	4.897.006
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	31.12.2017	Consolidated			31.12.2018
Tangible fixed assets	Balance	subsidiary effect	Additions	Disposal	Balance
Property, plant and equipment	1.500.000	-	-	-	1.500.000
Machinery and equipment	216.915	-	-	-	216.915
Vehicles	475.441	-	690.987	-	1.166.428
Furniture and fittings	2.572.616	16.764	346.843	-	2.936.223
Leasehold improvements	323.254	84.377	863.247	-	1.270.878
Total	5.088.226	101.141	1.901.077	-	7.090.444

Accumulated depreciation

Property, plant and equipment	(210.000)	-	(30.000)	-	(240.000)
Machinery and equipment	(216.915)	-	-	-	(216.915)
Vehicles	(103.617)	-	(119.705)	-	(223.322)
Furniture and fittings	(867.454)	(1.282)	(397.491)	-	(1.266.227)
Leasehold improvements	(323.141)	(4.304)	(165.206)	-	(492.651)
Total	(1.721.127)	(5.586)	(712.402)	-	(2.439.115)

Tangible fixed assets, net	3.367.099	4.651.329
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As of 30 September 2019 total insurance coverage on property, plant and equipment amounts to 800.000 TL.

The machinery and equipment have been amortized as of balance sheet dates.

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

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13. INTANGIBLE FIXED ASSETS

Intangible Fixed Assets	01.01.2018			31.12.2018			30.09.2019
	Balance	Additions	Disposal	Balance	Additions	Disposal	Balance
Rights	6.451.694	-	-	6.451.694	11.052	-	6.462.746
Development costs ".net based HBYS"	4.588.814	-	-	4.588.814	-	-	4.588.814
Development costs "New HBYS working on cloud system based on JAVA"	31.279.087	17.479.646	-	48.758.733	10.441.736	-	59.200.469
Other intangible assets	2.359.050	-	-	2.359.050	-	-	2.359.050
Total	44.678.645	17.479.646	-	62.158.291	10.452.788	-	72.611.079
Accured Depreciation							
Rights	(4.435.430)	(268.823)	-	(4.704.253)	(202.765)	-	(4.907.018)
Development costs ".net tabanlı HBYS"	(2.365.734)	(382.401)	-	(2.748.135)	(286.801)	-	(3.034.936)
Development costs "New HBYS working on cloud system based on JAVA"	(499.410)	(2.638.678)	-	(3.138.088)	(2.715.034)	-	(5.853.122)
Other intangible assets	(2.359.050)	-	-	(2.359.050)	-	-	(2.359.050)
Total	(9.659.624)	(3.289.902)	-	(12.949.526)	(3.204.600)	-	(16.154.126)
Intangible Fixed Assets, net	35.019.021			49.208.765			56.456.953

The company capitalises 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 capitalization amounts during the period are as follows:

	01.01.-30.09.2019	01.01.-31.12.2018
Personnel costs (the personnels work on software development, project implementation and system support departments)	9.876.736	8.960.647
Outsourced costs	565.000	8.518.999
Total	10.441.736	17.479.646

(*) Development costs "based .net" are belong to previous years' cost that The Company finalized its development activities since 2013.

All other intangible assets (web portals) have been amortized.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 30 SEPTEMBER 2019
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14. RIGHT-OF-USE ASSETS

	01.01.2019			30.06.2019
	Balance	Additions	Disposal	Balance
Buildings	-	1.053.170		1.053.170
Buildings depreciations	-	(105.943)		(105.943)
Net book value		947.227		947.227

Company in the case of tenant

The Company has 1 lease agreement that is subject to operating leases. The details of the mentioned lease agreements are as follows. The term of the contract is five years.

Leased Location	Contract Start Date	Contract Date of Completion	Monthly Rent Amount	Yearly Rent Amount
Commercial Building - The Paragon Business Center	15.08.2017	15.08.2022	34.531	414.372

15. GOVERNMENT GRANTS

There are investment incentive certificates to which the Company has been entitled by the official authorities in connection with certain capital expenditures. The grants obtained by the Company in nature are as follows:

- Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),
- Taxes and funds exemptions for R&D centres which are regulated under research and development law.
- Cash refund from Tübitak - Teydeb for research and development expenses,

16. PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Other Short-Term Provisions

	30 September 2019	31 December 2018
Provisions for law suits	632.731	549.765
Total	632.731	549.765

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

	Number	Amount
Ongoing lawsuits on behalf of the Company	6	140.195
Ongoing execution proceedings	10	371.040
Ongoing lawsuits against the Company	50	701.776
Ongoing enforcement proceedings	3	131.973

The Company management has made provision in the financial statements, the amount of 632.731 TL (Prior period: 549.765 TL) for the ongoing lawsuits.

Other LongTerm Provisions

There is none (31 December 2018: None).

16. PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (cont’d)**Contingent Assets**

There is none (31 December 2018: None).

Contingent Liabilities

	30 September 2019	31 December 2018
Guarantees given	11.006.898	9.421.329
Mortgages given	-	-
Total	11.006.898	9.421.329

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

	30 September 2019	31 December 2018
A. CPM’s given on behalf of own corporate entities	11.006.898	9.421.329
B. CPM’s given on behalf of fully consolidated subsidiaries	-	-
C. CPM’s given for continuation of its economic activities on behalf of third parties.	-	-
D. Total amount of other CPM’s	-	-
i) Total amount of CPM’s given on behalf of the parent company	-	-
ii) Total amount of CPM’s given to 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	11.006.898	9.421.329

17.EMPLOYEE BENEFIT OBLIGATIONS**Employee Benefit Obligations**

	30 September 2019	31 December 2018
Payables due to personnel	1.707.560	1.362.243
Social security withholdings payables	837.404	621.710
Total	2.544.964	1.983.953

Provision for employee termination benefits

	30 September 2019	31 December 2018
Provisions for unused vacations	494.915	350.469
Total	494.915	350.469

Movements in the provisions for unused vacations are as follows:

	30 September 2019	31 December 2018
As at 1 January	350.469	125.672
Reversal	(350.469)	(125.672)
Additions	494.915	350.469
End of the period	494.915	350.469

Retirement Pay Provisions

	30 September 2019	31 December 2018
Provision for employee termination benefits	761.876	675.428
Total	761.876	675.428

17. EMPLOYEE BENEFIT OBLIGATIONS (cont’d)**Retirement Pay Provisions**

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

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

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

	30 September 2019	31 December 2018
Net discount rate (%)	% 2,49	% 2,01
	30 September 2019	31 December 2018
Beginning of the period	675.428	558.242
Increases during the period	47.122	46.593
Interest expense	19.535	13.587
Actuarial profit /(loss)	304.349	227.788
Payments during the year	(284.558)	(170.782)
End of the period	761.876	675.428

The principal assumption is that maximum liability of employee termination benefit for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 6.017,60 which has been taken into consideration in calculating the reserve for employment termination benefit of the Company.

Amount of payable consist of one month’s salary limited to a maximum of full 6.017,6 TL as of 30 September 2019 (31 December 2018: 5.434,42 TL).

18. OTHER ASSETS AND LIABILITIES**Other current assets**

	30 September 2019	31 December 2018
VAT carried forward	25.338	17.464
Total	25.338	17.464

Other non-current assets

There is none (31 December 2018: None)

Other short-term liabilities

	30 September 2019	31 December 2018
Other	8.814	97.103
Total	8.814	97.103

Other long-term liabilities

There is none (31 December 2018: None)

19.EQUITY

The Shareholders structure of The Company is as follow :

Shareholders	30 September 2019		31 December 2018	
	Share Amount	Rate %	Share Amount	Rate %
Abdülkerim GAZEN	23.333.333	58,33%	10.500.000	58,33%
Publicly traded	16.666.667	41,67%	7.500.000	41,67%
Total paid capital	40.000.000	100,00%	18.000.000	100,00%

The Company’s issued capital consists of 40.000.000 shares, all with a par value of 1 Turkish Liras each as at 30 September 2019 (31 December 2018: 18.000.000 shares).

Share Premium

	30 September 2019	31 December 2018
Share premium (*)	-	11.496.200
Total	-	11.496.200

(*) In the current period, the Company has added all share premium to the capital.

Other comprehensive income/loss not to be reclassified to profit or loss

	30 September 2019	31 December 2018
Actuarial gain/loss	(685.409)	(448.017)
Toplam	(685.409)	(448.017)

Movements of the actuarial gain /(loss) are as follows:

	30 September 2019	31 December 2018
Beginning of the period	(448.017)	(270.342)
Increases during the period	(237.392)	(177.675)
End of the period	(685.409)	(448.017)

Other comprehensive Income/Loss to be reclassified to Profit or Loss

There is none (31 December 2018: None)

Restricted Reserves Allocated From Profits

	30 September 2019	31 December 2018
Legal reserves	1.749.772	818.198
Total	1.749.772	818.198

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.

	30 September 2019	31 December 2018
Beginning of the period	10.494.235	6.624.152
Previous year profits / (loss)	12.236.429	4.097.425
Transfer to the capital	(10.503.800)	-
Transfer to the legal reserves	(931.574)	(227.342)
Dividends	-	-
Previous year profits / (loss)	11.295.290	10.494.235

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20.SALES (REVENUES) AND COST OF SALES (-)

Sales, (Revenues)	01.01.- 30.09.2019	01.01.- 30.09.2018	01.07.- 30.09.2019	01.07.- 30.09.2018
Domestic sales	36.167.537	19.133.435	13.094.064	6.762.248
Exports	408.931	332.546	142.289	128.885
Other income	1.006	-	(134.582)	-
Total revenues	36.577.474	19.465.981	13.101.771	6.891.133
Sales returns	(254.479)	(1.483)	(4.479)	(1.200)
Other discounts	-	-	-	-
Net Sales	36.322.995	19.464.498	13.097.292	6.889.933
Cost of Sales (-)	01.01.- 30.09.2019	01.01.- 30.09.2018	01.07.- 30.09.2019	01.07.- 30.09.2018
Cos of services sold	19.612.183	11.965.767	6.326.151	4.003.925
Cost of merchandises sold	244.401	343.720	162.694	295.856
Cost of other sales	-	-	-	-
Cost of Sales	19.856.584	12.309.487	6.488.845	4.299.781
Gros Profit / (Loss)	16.466.411	7.155.011	6.608.447	2.590.152

21.RESEARCH EXPENSES, MARKETING EXPENSES, GENERAL ADMINISTRATION EXPENSES

	01.01.- 30.09.2019	01.01.- 30.09.2018	01.07.- 30.09.2019	01.07.- 30.09.2018
General administrative expenses	4.006.212	4.846.132	1.328.379	2.219.788
Marketing expenses (-)	617.364	489.093	106.608	249.922
Research Expenses	1.266.948	15.971	819.127	-
Total	5.890.524	5.351.196	2.254.114	2.469.710

22.OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other income from operating activities:

	01.01.- 30.09.2019	01.01.- 30.09.2018	01.07.- 30.09.2019	01.07.- 30.09.2018
Incentive revenues	2.010.593	1.665.234	861.754	619.937
Deferred financing expenses	35.624	30.721	889	(113.068)
Reversals of deferred financing income	28.652	98.885	(24.056)	45.422
Reversal of provisions for doubtful receivables	176.274	32.843	176.274	-
Other	521.089	145.942	11.040	8.622
Total	2.772.232	1.973.625	1.025.901	560.913

1.100.025 TL of the incentive income is comprised of research and development incentive income within the scope of Law No. 5746 and TL 21.306 from other incentive income.

Other expenses from operating activities:

	01.01.- 30.09.2019	01.01.- 30.09.2018	01.07.- 30.09.2019	01.07.- 30.09.2018
Deferred financing income	163.061	55.243	30.559	11.162
Reversals of deferred financing expenses	98.918	39.652	-	-
Provisions for doubtful receivables	63.997	-	63.997	-
Provisions for law suits	82.966	-	82.966	-
Other	29.441	47.377	13.365	9.170
Total	438.383	142.272	190.887	20.332

23.INCOMES and EXPENSES FROM INVESTING ACTIVITIES**Income from investing activities**

	01.01.- 30.09.2019	01.01.- 30.09.2018	01.07.- 30.09.2019	01.07.- 30.09.2018
Interest incomes	685.956	148.812	89.600	87.955
Incomes on sales of fixed assets	-	-	-	-
Total	685.956	148.812	89.600	87.955

Expense from investing activities

There is none (01.01.-30.06.2018: None)

24.FINANCIAL INCOMES and EXPENSES**Financial Incomes**

There is none (01.01.-30.06.2018: None)

Financial Losses (-)

	01.01.- 30.09.2019	01.01.- 30.09.2018	01.07.- 30.09.2019	01.07.- 30.09.2018
Interest expenses	137.588	339.900	19.682	91.776
Commission expenses	121.469	98.196	39.542	38.830
Leasing financ expenses	67.441	-	-	-
Other	4.763	7.231	232	4.395
Total	331.261	445.327	59.456	135.001

25.ANALYSIS OF OTHER COMPREHENSIVE INCOME MATERIALS**Other comprehensive income/loss not to be reclassified to profit or loss**

In this item, other items of comprehensive income, such as the following are defined as other items of comprehensive income and reported as equity items in the period in which they arise and in no case be transferred to profit or loss, are followed:

	01.01.- 30.09.2019	01.01.- 30.09.2018	01.07.- 30.09.2019	01.07.- 30.09.2018
Actuarial gain/loss	(304.349)	(171.060)	(83.770)	(358.188)
Deferred tax arising from actuarial gain/loss	66.957	37.633	18.430	75.059
Total	(237.392)	(133.427)	(65.340)	(283.129)

Other comprehensive Income/Loss to be reclassified to Profit or Loss

There is none (01.01.-30.06.2018: None)

26.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.

Receivables from related parties:

Shareholders	<u>30 September 2019</u>		<u>31 December 2018</u>	
	Trade	Other	Trade	Other
Abdülkerim GAZEN	-	509.000	-	-
Total	-	509.000	-	-

Receivables from related parties include the debts given to the shareholder and the interest rate is calculated and reflected to the shareholder on a quarterly basis. The shareholder has given a note dated 30.09.2019 to the Company for his debts.

Payables to related parties:

Shareholders	<u>30 September 2019</u>		<u>31 December 2018</u>	
	Trade	Other	Trade	Other
Abdülkerim GAZEN	-	-	-	94.645
Total	-	-	-	94.645

27.TAX ASSETS AND LIABILITIES**Current income tax assets**

	<u>30 September 2019</u>	<u>31 December 2018</u>
Corporate tax	-	-
Prepaid tax and other legal payables (-)	90.246	20.789
Period profit tax liability	90.246	20.789

Corporate Tax

The corporate tax rate is 22 % in the year 2019 in Turkey. The corporate tax rate which will be realized over the corporate earnings that is subject to taxation, is calculated over the tax assessment after adding the non-deductable expenses and deducting the tax- exempt profit, income that are not subject to taxation and other discounts (if there is previous year losses and utilized investment discounts).

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017,"Bazı Vergi Kanunları ile Diğer Bazı Kanunlarda Değişiklik Yapılmasına Dair Kanun", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

According to Turkish tax legislation, tax returns, financial losses on income for the period, not exceeding 5 years. However, it is not permitted to deduct loss from retained earnings. There is no any implementation with the tax authorities in Turkey about the tax payments to reach a mutual understanding. The corporate tax return must be filed by the 25th day of the fourth month after the end of the company's accounting period. Furthermore, tax authorities has the authority to inspect the accounting records in 5 year. In case the tax authority ascertains any faulty in records, the amount of tax that will be paid can change.

Tax Provisions in Income Statements	<u>01.01.-30.09.2019</u>	<u>01.01.-30.09.2018</u>
Tax for the period	-	-
Deferred tax income / (charge)	(1.724.569)	(1.242.581)
Total	(1.724.569)	(1.242.581)

27. TAX ASSETS AND LIABILITIES (cont’d)**Deferred Tax**

Company is entering the deferred tax assets and liabilities into account for the temporary timing differences which are generated from the differences between statutory financial statements and financial statements that are prepared according to the Turkish Accounting Standards (“TAS”). These differences generally arise, because some of the income and expense items’ amounts that are subject to taxation are placed in different periods in statutory financial statements and in financial statements prepared according to the TAS and it is specified below.

Tax rate for calculating deferred tax assets and liabilities is %22 at 30 September 2019 (31 December 2018: 20 %).

	Temporary Differences		Deferred tax	
	30 September	31 December	30 September	31 December
Deferred tax assets	2019	2018	2019	2018
Unearned finans expenses	163.061	318.477	35.873	70.068
Provision for doubtful receivables	328.057	440.334	72.173	96.873
Adjustment for depreciations	208.816	233.271	41.763	46.654
Adjustment for amortizations	3.048.607	2.740.319	609.721	548.064
Provision for unused vacations	494.915	350.469	108.881	77.103
Provision for law suits	632.731	549.765	139.201	120.948
Adjustment for deferred incomes	4.222.223	10.097.222	928.889	2.221.389
Provision for employee termination benefits	761.876	675.428	167.613	148.594
Adjustment for borrowings	41.381	72.697	9.104	15.993
Total	9.901.667	15.477.982	2.113.218	3.345.686
Deferred tax liabilities				
Unearned finans incomes	(28.652)	(98.918)	(6.305)	(21.760)
Adjustment for time deposit	-	(10.727)	-	(2.362)
Accrued trade receivable corrections	(2.267.131)	-	(498.769)	-
Adjustment for depreciations	(2.941)	(2.694)	(588)	(539)
Capitalized development costs (“Java based HBYS”)	(4.116.793)	(4.396.079)	(823.359)	(879.216)
Capitalized development costs (“.Net HBYS”)	(3.147.594)	(3.147.594)	(629.519)	(629.519)
Total	(9.563.111)	(7.656.012)	(1.958.540)	(1.533.396)
Deferred tax assets/ (liabilities), net	338.556	7.821.970	154.678	1.812.290

Movements of the deferred tax are as follows:

	01.01.-30.09.2019	01.01.-31.12.2018
Balance as of January 1	1.812.290	870.144
Deferred tax income or loss	(1.724.569)	892.033
Deferred tax reduced from equity	66.957	50.113
Balance at the end of the period	154.678	1.812.290

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIODS ENDED 30 SEPTEMBER 2019

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

28.EARNINGS PER SHARE

	01.01.-30.09.2019	01.01.-30.09.2018
Net profit / (loss) for the period from continued operations:		
Net profit / (loss) for the period	11.539.862	2.096.072
Weighted average number of shares	40.000.000	18.000.000
Earnings per share	0,29	0,12
Earnings per share/ (loss)		
Profit / (loss) for te period	11.539.862	2.096.072
Net period profit / (loss) of minority shares	-	-
Net period profit / (loss) of parent company	11.539.862	2.096.072
Weighted average number of shares	40.000.000	18.000.000
Earnings per share	0,29	0,12

	30 September 2019	31 December 2018
Number of weighted shares at the beginning of the period	18.000.000	18.000.000
Number of shares issued within the period	22.000.000	-
Number of shares at the end-of-period	40.000.000	18.000.000

29.FOREIGN CURRENCY POSITION

Foreign currency positions.

Foreing currency risk is a financial risk which arises from currency exposures. The Compnay does not have any asset and liability in foreign currency.

30.FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's main risks arising from financial instruments are interest rate risk, liquidity risk and credit risk.

Capital Risk Management

The Company; as well as in the previous period, the capital adequacy of the debt / equity ratio monitors. This ratio is calculated by dividing net debt to total equity. Net debt, total debt net of cash and cash equivalents shown in the balance sheet as borrowings, trade and other payables are deducted.

	30 September 2019	31 December 2018
Total Liabilities	14.497.662	20.297.582
Less: Cash and cash equivalents	(2.839.265)	(6.095.046)
Net Liabilities	11.658.397	14.202.536
Total Equity	63.899.515	52.597.045
Capital	40.000.000	18.000.000
Net Liabilities / Total Equity	0,18	0,27

The current ratio of liquidity ratios is as follows.

	30 September 2019	31 December 2018
Current assets	13.460.636	15.649.467
Short term liabilities	10.548.215	15.778.011
Current ratio	1,28	0,99
Net working capital excess / (deficit)	2.912.421	(128.544)

EBITDA

	01.01.-30.09.2019	01.01.-30.09.2018
Net income / (loss) for the period	11.539.862	2.096.072
Other income / expenses from main activities, net	(2.333.849)	(1.831.353)
Income / expenses from investment activities, net	(685.956)	(148.812)
Depreciations expenses	3.970.900	2.860.660
Financing expenses	331.261	445.327
Tax income / (loss)	1.724.569	1.242.581
EBITDA	14.546.787	4.664.475
EBITDA margin	40,05 %	23,96 %

Financial Risk Factors**Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to significant concentration of credit risk consist principally of cash and cash equivalents and trade receivables. Maximum credit risk on the Company is limited to the amounts disclosed on the financial statements.

The Company maintains cash and cash equivalents with various financial institutions. It is the Company's policy to limit exposure to any one institution and revalue the credibility of the related financial institutions continuously.

The credit risk associated with trade receivables is partially limited due to a large customer base and due to management's limitation on the extension of credit to customers. The Company generally requires collateral to extend credit to its customers excluding its distributors.

The Society's credit risks mainly arises from trade receivables. The Company manages this risk by limiting the duration of the credit. Credit limits are monitored regularly by the Company and the customer's financial position, taking into account the customer's credit quality and other factors considered. The Company does not have any derivative financial instruments. (31 December 2018: None).

Liquidity Risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The risk is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions. The maturity breakdown of financial assets and liabilities has been indicated by considering the period from the balance sheet date to maturity date. Those financial assets and liabilities which have no maturities have been classified under “1 to 5 years”.

Based on the expected maturity of the liquidity management of the Company, carries out under the contract in accordance with the maturity.

Market Risk

Market risk due to changes in market prices, the fair value or future cash flows of a financial instrument will negatively affect a business is the risk that fluctuations.

Interest rate risk

Interest rate risk arises from the possibility of interest rate changes that affect the financial statements. The Company is exposed to interest rate risk because of timing differences of its assets and liabilities which is expired in a current period. There is not any risk management pattern and implementation which is defined and in Company. Company administration manages the interest rate risk by making decision and with its implementations although there isn't any risk management model defined in the Company.

As of 30 September 2019 and 31 December 2018, the Company's interest position is as follows:

Financial instruments with fixed interest	30 September 2019	31 December 2018
Borrowins (Not 7)	1.287.911	3.183.478
Cash and Cash Equivalents (Not 5)	2.566.400	5.794.739

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies.

Fair value hierarchy table

The Group classifies the fair value measurement of each class of financial instruments according to thesource, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates.

Level 3: Valuation techniques does not contain observable market inputs.

The Company does not have any hedge accounting practice. (31 December 2018: None).

31.EVENTS AFTER BALANCE SHEET DATE

There is none (31 December 2018: None).

32.OTHER CONSIDERATIONS WHICH EFFECT FINANCIAL STATEMENTS DRAMATICALLY OR WHICH ARE NECESSARY FOR THE SAKE OF FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND APPREHENSIBLE

There is none (31 December 2018: None).