

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

**CONSOLIDATED FINANCIAL STATEMENTS AND FOOTNOTES AS OF  
SEPTEMBER 30, 2020**

<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)</b>		1-2
<b>CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT</b>		3
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>		4
<b>CONSOLIDATED CASH FLOW STATEMENT</b>		5-6
<b>CONSOLIDATED FOOTNOTES REGARDING FINANCIAL STATEMENTS</b>		7-45
NOTE 1	COMPANY'S ORGANIZATION AND SUBJECT OF ACTIVITY	
NOTE 2	PRINCIPLES REGARDING PRESENTATION OF FINANCIAL STATEMENTS	
NOTE 3	RELATED PARTY DISCLOSURES	
NOTE 4	CASH AND CASH EQUIVALENTS	
NOTE 5	FINANCIAL LIABILITIES	
NOTE 6	TRADE RECEIVABLES AND PAYABLES	
NOTE 7	RECEIVABLES AND LIABILITIES ARISING FROM CUSTOMER CONTRACTS	
NOTE 8	LIABILITIES UNDER EMPLOYEE BENEFITS	
NOTE 9	TANGIBLES FIXED ASSETS	
NOTE 10	INTANGIBLES FIXED ASSETS	
NOTE 11	RIGHT OF USE ASSETS	
NOTE 12	EQUITY	
NOTE 13	SALES REVENUE AND COST OF SALES	
NOTE 14	RESEARCH AND DEVELOPMENT EXPENSES, MARKETING EXPENSES, GENERAL ADMINISTRATIVE EXPENSES	
NOTE 15	OTHER OPERATING INCOME / EXPENSES	
NOTE 16	FINANCIAL INCOME	
NOTE 17	FINANCIAL EXPENSES	
NOTE 18	ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS	
NOTE 19	EARNINGS PER SHARE	
NOTE 20	FEATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS	
NOTE 21	POST-BALANCE SHEET EVENTS	

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**  
**CONSOLIDATED FINANCIAL STATEMENTS DATED 30 SEPTEMBER 2020 and 31 DECEMBER 2019 (BALANCE SHEET)**  
(All amounts are shown in TL.)

	Note Ref.	Non-Audited CURRENT PERIOD 30.09.2020	Audited PREVIOUS PERIOD 31.12.2019
<b>ASSETS</b>			
<b>Current Assets</b>			
<b>Cash and Cash Equivalents</b>	4	<b>96.716.368</b>	<b>27.146.794</b>
<b>Financial Investments</b>		<b>399.018</b>	<b>-</b>
-Financial Assets at Fair Value Through Profit / Loss		399.018	-
-- Financial Assets Classified as Fair Value Through Profit / Loss		399.018	-
<b>Trade Receivables</b>	6	<b>39.579.905</b>	<b>34.206.816</b>
-Trade Receivables from Related Parties	3-6	1.378	3.201.199
-Trade Receivables from Unrelated Parties	6	39.578.527	31.005.617
<b>Other Receivables</b>		<b>665.148</b>	<b>724.255</b>
-Other Receivables from Related Parties		596.449	443.014
-Other Receivables from Unrelated Parties		68.699	281.241
<b>Receivables from Customer Contracts</b>	7	<b>13.586.161</b>	<b>9.603.624</b>
-Contract Assets from Sales of Goods and Services	3-7	13.586.161	9.603.624
<b>Inventories</b>		<b>3.512.021</b>	<b>1.098.673</b>
<b>Prepaid Expense</b>		<b>7.143.004</b>	<b>2.085.187</b>
-Prepaid Expenses to Related Parties		663.437	738.268
-Prepaid Expenses to Unrelated Parties		6.479.567	1.346.919
<b>Assets Related to Current Period Tax</b>		<b>35.168</b>	<b>9.497</b>
<b>Other Current Assets</b>		<b>451.940</b>	<b>81.525</b>
-Other Current Assets from Unrelated Parties		451.940	81.525
<b>Total Current Assets</b>		<b>162.088.733</b>	<b>74.956.371</b>
<b>Non-Current Assets</b>			
<b>Other Receivables</b>		<b>22.574</b>	<b>27.338</b>
-Other Receivables from Unrelated Parties		22.574	27.338
<b>Investments Valued by Equity Method</b>		<b>-</b>	<b>2.038</b>
<b>Tangible Fixed Assets</b>	9	<b>2.884.513</b>	<b>2.069.513</b>
-Vehicles		51.419	268.712
-Furniture and fixtures		2.585.389	1.433.832
-Special Cost		247.705	366.969
<b>Right-of-Use Assets</b>	11	<b>3.464.072</b>	<b>5.537.631</b>
<b>Intangible Assets</b>	10	<b>67.254.067</b>	<b>74.595.167</b>
-Goodwill		11.870.314	26.292.242
-Brands		588.889	626.389
-Computer Software		21.743	29.383
-Capitalized Development Costs		54.772.326	47.646.072
-Other Intangible Fixed Assets		795	1.081
<b>Prepaid Expense</b>		<b>99.550</b>	<b>566.029</b>
-Prepaid Expenses to Related Parties		-	7.517
-Prepaid Expenses to Unrelated Parties		99.550	558.512
<b>Deferred Tax Asset</b>		<b>2.376.795</b>	<b>1.373.960</b>
<b>Other Fixed Assets</b>		<b>1.460</b>	<b>1.460</b>
-Other Fixed Assets to Related Parties		-	-
-Other Fixed Assets to Unrelated Parties		1.460	1.460
<b>Total Non-Current Assets</b>		<b>76.103.031</b>	<b>84.173.136</b>
<b>Total Assets</b>		<b>238.191.764</b>	<b>159.129.507</b>

The attached footnotes are an integral part of these financial statements.

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**  
**CONSOLIDATED FINANCIAL STATEMENTS DATED 30 SEPTEMBER 2020 and 31 DECEMBER 2019 (BALANCE SHEET)**  
(All amounts are shown in TL.)

	Note Ref.	Non-Audited CURRENT PERIOD 30.09.2020	Audited PREVIOUS PERIOD 31.12.2019
<b>LIABILITIES</b>			
<b>Short-Term Liabilities</b>			
<b>Short-Term Borrowings</b>	5	<b>250.000</b>	<b>265.974</b>
-Short-Term Borrowings from Unrelated Parties		<b>250.000</b>	<b>265.974</b>
--Bank Loans(From Unrelated Parties)		250.000	265.974
<b>Short-term Portion of Long-term Borrowings</b>	3-5	<b>7.228.372</b>	<b>3.670.170</b>
-Short-term Portion of Long-term Borrowings from Related Parties		<b>182.522</b>	<b>134.237</b>
--Debts from Leasing Transactions(Related Parties)		182.522	134.237
-Short-term Portion of Long-term Borrowings from Unrelated Parties		<b>7.045.850</b>	<b>3.535.933</b>
--Bank Loans		4.818.299	1.214.980
--Debts from Leasing Transactions(Unrelated Parties)		2.227.551	2.320.953
<b>Other Financial Liabilities</b>		<b>14.245</b>	<b>51.805</b>
-Other Miscellaneous Financial Liabilities		14.245	51.805
<b>Trade Payables</b>	6	<b>12.808.643</b>	<b>5.692.857</b>
-Trade Payables to Unrelated Parties		12.808.643	5.692.857
<b>Payables Under Employee Benefits</b>	8	<b>3.269.974</b>	<b>2.983.907</b>
<b>Other Payables</b>		<b>2.556.265</b>	<b>1.579.286</b>
-Other Payables to Unrelated Parties		2.556.265	1.579.286
<b>Liabilities from Customer Contracts</b>	7	<b>1.712.785</b>	<b>1.742.234</b>
-Contractual Liabilities From Sales Goods and Services		1.712.785	1.742.234
<b>Government Incentives and Grants</b>		<b>282.986</b>	<b>390.021</b>
<b>Deferred Income(Excluding Obligations Arising From Customer Contracts)</b>		-	<b>9.534</b>
-Deferred Income from Unrelated Parties		-	9.534
<b>Current Period Profit Tax Liability</b>		<b>447.204</b>	<b>18.846</b>
<b>Short-Term Provisions</b>		<b>2.011.167</b>	<b>1.821.765</b>
-Short-Term Provisions for Employee Benefits		1.514.681	1.388.692
-Other Short-Term Provisions		496.486	433.073
<b>Other Short-Term Liabilities</b>		<b>170.788</b>	<b>125.333</b>
<b>Other Short-Term Liabilities Unrelated Parties</b>		170.788	125.333
<b>Total Short-Term Liabilities</b>		<b>30.752.429</b>	<b>18.351.732</b>
<b>Long-Term Liabilities</b>			
<b>Long-Term Borrowings</b>	5	<b>9.794.811</b>	<b>4.112.332</b>
-Long-Term Borrowings from Related Parties	3	<b>532.499</b>	<b>676.609</b>
--Debts from Leasing Transactions(Related Parties)		532.499	676.609
-Long-Term Borrowings from Unrelated Parties	5	<b>9.262.312</b>	<b>3.435.723</b>
--Bank Loans		8.453.606	799.301
--Debts from Leasing Transactions(Unrelated Parties)		808.706	2.636.422
<b>Liabilities from Customer Contracts</b>	7	<b>329.710</b>	<b>572.934</b>
-Contractual Liabilities From Sales Goods and Services		329.710	572.934
<b>Government Incentives and Grants</b>		<b>881.000</b>	<b>1.285.904</b>
<b>Long-Term Provisions</b>		<b>4.272.138</b>	<b>3.425.676</b>
-Long-Term Provisions for Employee Benefits		4.272.138	3.425.676
<b>Total Long-Term Liabilities</b>		<b>15.277.659</b>	<b>9.396.846</b>
<b>TOTAL LIABILITIES</b>		<b>46.030.088</b>	<b>27.748.578</b>
<b>EQUITY</b>			
<b>Shareholders' Equity</b>	12	<b>131.339.848</b>	<b>89.941.897</b>
- Paid-in Capital		<b>19.750.000</b>	<b>19.750.000</b>
-Capital Adjustment Differences		-	-
- Share Premium (Discount)		<b>31.066.576</b>	<b>35.421.880</b>
- Accum. Other comprehensive income/(expense) not to be reclassified in Profit/Loss		<b>(144.918)</b>	<b>(416.870)</b>
--Revaluation measurement gains/losses		<b>(144.918)</b>	<b>(416.870)</b>
---Acturial Gain/Loss Fund from defined benefit plan)		(144.918)	(416.870)
-Restrained Reserves From Profit		<b>2.979.089</b>	<b>2.445.527</b>
-- Real Estate or Subsidiary Sales Gain to be Added to Capital		544.262	544.262
--Legal Reserves		2.434.827	1.901.265
-Previous Years' Profits/(Losses)		<b>66.632.040</b>	<b>15.546.825</b>
-Net Profit (Loss) For The Period		<b>11.057.061</b>	<b>17.194.535</b>
<b>Non-Controlling Shares</b>		<b>60.821.828</b>	<b>41.439.032</b>
<b>Total Equity</b>		<b>192.161.676</b>	<b>131.380.929</b>
<b>Total Liabilities</b>		<b>238.191.764</b>	<b>159.129.507</b>

The attached footnotes are an integral part of these financial statements.

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**  
**CONSOLIDATED PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT**  
**FOR THE PERIOD JANUARY 1, 2020 -SEPTEMBER 30, 2020 AND JANUARY 1, 2019 -SEPTEMBER 30, 2019**  
**(All amounts are expressed in Turkish Lira ("TL"))**

	Note Ref	Current Period 01.01.2020 30.09.2020	Previous Period 01.01.2019 30.09.2019	Current Period 01.07.2020 30.09.2020	Previous Period 01.07.2019 30.09.2019
Sales Revenue	13	113.381.663	87.160.024	39.852.110	30.858.530
Cost of Sales (-)	13	(80.772.293)	(58.188.888)	(27.305.419)	(19.761.145)
<b>GROSS PROFIT (LOSS)</b>		<b>32.609.370</b>	<b>28.971.136</b>	<b>12.546.691</b>	<b>11.097.385</b>
General Administrative Expenses	14	(11.111.305)	(8.633.442)	(2.842.427)	(3.278.188)
Marketing Expenses	14	(223.979)	(329.566)	(106.895)	(123.804)
Research and Development Expenses	14	(9.836.659)	(6.168.045)	(4.255.081)	(3.878.925)
Other Operating Income	15	4.025.776	1.961.416	1.827.926	224.731
Other Operating Expenses	15	(3.800.615)	(1.471.084)	(2.577.299)	(189.090)
<b>OTHER OPERATING PROFIT(LOSS)</b>		<b>11.662.588</b>	<b>14.330.415</b>	<b>4.592.915</b>	<b>3.852.109</b>
Income from Investment Operations		244.468	49.040	2.368	49.040
Expenses from Investment Operations		-	-	-	27.448
Shares from Profits (Losses) of Investments Valued by Equity Method		(2.038)	(22.500)	(2.038)	(22.500)
<b>OPER.PROFIT OR LOSS BEFORE FINANCIAL INCOME(EXP.)</b>		<b>11.905.018</b>	<b>14.356.955</b>	<b>4.593.245</b>	<b>3.906.097</b>
Financial Income	16	6.884.911	2.803.259	4.299.168	1.118.458
Financial Expenses	17	(2.199.007)	(2.573.160)	(781.793)	(609.122)
<b>CONTINUING OPER.PROFIT OR LOSS BEFORE TAX</b>		<b>16.590.922</b>	<b>14.587.054</b>	<b>8.110.620</b>	<b>4.415.433</b>
Continuing Operations Tax Income / Loss		<b>(3.277.755)</b>	<b>(637.256)</b>	<b>(1.157.428)</b>	<b>(297.205)</b>
-Period Tax Profit / Loss		(4.427.170)	(1.029.188)	(709.715)	(347.879)
-Deferred Tax Profit / Loss		1.149.415	391.932	(447.713)	50.674
<b>CONTINUING OPER.PERIOD PROFIT OR LOSS</b>		<b>13.313.167</b>	<b>13.949.798</b>	<b>6.953.192</b>	<b>4.118.228</b>
<b>PERIOD PROFIT OR LOSS</b>		<b>13.313.167</b>	<b>13.949.798</b>	<b>6.953.192</b>	<b>4.118.228</b>
<b>Allocation Of Period Profit/Loss</b>		<b>13.313.167</b>	<b>13.949.798</b>	<b>6.953.192</b>	<b>4.118.228</b>
Non-Controlling Shares		2.256.106	2.877.732	759.262	1.395.464
Shares of Main Partnership		11.057.061	11.072.066	6.193.930	2.722.764
<b>Earnings per share</b>					
-- Earnings per share from continuing oper.	19	0,56	0,56	0,31	0,14
-- Earnings per Share from Discontinued Operations (Loss)		-	-		
<b>Other Comprehensive Income:</b>					
<b>Items not to be reclassified as profit or loss</b>		<b>402.786</b>	<b>(27.637)</b>	<b>(324.894)</b>	<b>(209.254)</b>
Revaluation gains(loss) in defined benefit plans , Post Tax		402.786	(27.637)	(324.894)	(209.254)
<b>Reclassified as profit or loss</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OTHER COMPREHENSIVE INCOME (EXPENSE)</b>		<b>402.786</b>	<b>(27.637)</b>	<b>(324.894)</b>	<b>(209.254)</b>
<b>TOTAL COMPREHENSIVE INCOME (EXPENSE)</b>		<b>13.715.953</b>	<b>13.922.161</b>	<b>6.628.298</b>	<b>3.908.974</b>
<b>Allocation of Total Comprehensive Income</b>		<b>13.715.953</b>	<b>13.922.161</b>	<b>6.628.298</b>	<b>3.908.974</b>
-Non-Controlling Shares		2.366.824	2.739.850	611.848	1.352.129
-Shares of Main Partnership		11.349.129	11.182.311	6.016.450	2.556.845

The attached footnotes are an integral part of these financial statements.

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

**NON-AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY 1, 2020 -SEPTEMBER 30, 2020 AND JANUARY 1, 2019 -SEPTEMBER 30, 2019**

(All amounts are expressed in Turkish Lira ("TL"))

	Note Ref.	Paid in Capital	Issuance of Share Premiums / Discounts	Remeasurement Gains/ Losses Due to Defined Benefit Plan	Restricted Reserves	Previous Years Profit/Loss	Net Profit (Loss) For The Period	Equity Attributable to Parent Company	Non-Controlling Shares	Equity
<b>PREVIOUS PERIOD</b>										
<b>'Balance as of January 1,2019 (Beginning of the period)</b>	<b>12</b>	<b>19.750.000</b>	<b>30.050.545</b>	<b>(333.187)</b>	<b>1.824.541</b>	<b>5.123.434</b>	<b>13.605.889</b>	<b>70.021.222</b>	<b>13.529.101</b>	<b>83.550.323</b>
Transfers		-	-	-	616.139	12.989.750	(13.605.889)	-	-	-
<b>Total Comprehensive Income (Expense)</b>		-	-	<b>61.432</b>	-	-	<b>11.072.066</b>	<b>11.133.498</b>	<b>2.739.850</b>	<b>13.873.348</b>
-Period Profit (Loss)		-	-	-	-	-	11.072.066	11.072.066	2.877.732	13.949.798
-Other Comprehensive Income (Expense)		-	-	61.432	-	-	-	61.432	(137.882)	(76.450)
Dividends		-	-	-	-	(1.500.020)	-	(1.500.020)	-	(1.500.020)
Transactions with Non-Controlling Shareholders		-	4.884.557	-	-	(716.885)	-	4.167.672	21.221.779	25.389.451
<b>'Balances as of September 30, 2019</b>	<b>12</b>	<b>19.750.000</b>	<b>34.935.102</b>	<b>(271.755)</b>	<b>2.440.680</b>	<b>15.896.279</b>	<b>11.072.066</b>	<b>83.822.372</b>	<b>37.490.730</b>	<b>121.313.102</b>
<b>CURRENT PERIOD</b>										
<b>'Balance as of January 1,2020 (Beginning of the period)</b>	<b>12</b>	<b>19.750.000</b>	<b>35.421.880</b>	<b>(416.870)</b>	<b>2.445.527</b>	<b>15.546.825</b>	<b>17.194.535</b>	<b>89.941.897</b>	<b>41.439.032</b>	<b>131.380.929</b>
Transfers		-	-	-	533.562	16.660.973	(17.194.535)	-	-	-
<b>Total Comprehensive Income (Expense)</b>		-	-	<b>271.952</b>	-	<b>(127.298)</b>	<b>11.057.061</b>	<b>11.201.715</b>	<b>2.514.238</b>	<b>13.715.953</b>
-Period Profit (Loss)		-	-	-	-	-	11.057.061	11.057.061	2.256.106	13.313.167
-Other Comprehensive Income (Expense)		-	-	271.952	-	(127.298)	-	144.654	258.132	402.786
Dividends		-	-	-	-	(1.000.000)	-	(1.000.000)	-	(1.000.000)
Increase / Decrease due to Share Ratio Changes that do not result in a loss of control in Subsidiaries		-	(4.355.304)	-	-	35.551.540	-	31.196.236	16.868.558	48.064.794
<b>'Balances as of September 30, 2020</b>	<b>12</b>	<b>19.750.000</b>	<b>31.066.576</b>	<b>(144.918)</b>	<b>2.979.089</b>	<b>66.632.040</b>	<b>11.057.061</b>	<b>131.339.848</b>	<b>60.821.828</b>	<b>192.161.676</b>

The attached footnotes are an integral part of these financial statements.

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

**NON-AUDITED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD JANUARY 1, 2020 -SEPTEMBER 30, 2020 AND JANUARY 1, 2019 -SEPTEMBER 30, 2019**

(All amounts are expressed in Turkish Lira ("TL"))

	Note Ref.	Current Period 01 January 2020 30 September 2020	Previous Period 01 January 2019 30 September 2019
<b>A) Cash Flow from Operating Activities</b>		<b>13.844.942</b>	<b>16.029.251</b>
<b>Profit / (Loss) of the Period</b>		<b>13.313.167</b>	<b>13.949.798</b>
Profit/ (Loss) of the period Continued Operations		13.313.167	13.949.798
<b>Adjustments Related to Net Profit/Loss Reconciliation</b>		<b>10.993.179</b>	<b>5.286.355</b>
<b>Adjustments related to Depreciation and Amortisation Expense</b>	<b>9-10-11</b>	<b>12.951.196</b>	<b>8.655.351</b>
<b>Adjustments Related to Impairment/Reversal of impairment</b>	<b>6</b>	<b>1.946.316</b>	<b>171.408</b>
- Adjustments Related to Impairment of Receivables/Reversal of impairment	6	1.435.146	765.859
- Adjustments for Imp. (Cancellation) of Other Financial Assets or Invest.		-	27.448
- Adjustments for Impairment (Cancellation) of Tangible Fixed Assets	10	1.096.249	-
-Corrections for Other Impairments (Cancellations)		(585.079)	(621.899)
<b>Adjustments related to Provisions</b>		<b>1.035.864</b>	<b>1.279.881</b>
- Adjustments Related to Employee Benefits Provisions(Cancellations)		1.035.864	1.279.881
<b>Adjustments for Interest (Income) and Expenses</b>	<b>16-17</b>	<b>(4.685.904)</b>	<b>(230.099)</b>
- Adjustments for Interest Income	16	(6.884.911)	(2.803.259)
- Adjustments for Interest Expenses	17	2.199.007	2.573.160
<b>Adjustments for Fair Value Losses (Gains)</b>		<b>(402.786)</b>	<b>-</b>
- Other Adjustments for Fair Value Losses (Gains)		(402.786)	-
<b>Adjustments for Undist. Profits of Investments Valued by Equity Method</b>		<b>2.038</b>	<b>22.500</b>
- Adjustments for Undistributed Profits of Affiliates		2.038	22.500
<b>Adjustments for Tax (Income) Expense</b>		<b>3.277.755</b>	<b>637.256</b>
<b>Other Adjustments Regarding Non-Cash Items</b>		<b>(2.890.269)</b>	<b>(2.861.470)</b>
<b>Adjustments for Losses (Gains) Arising from the Disposal of Fixed Assets</b>		<b>(241.031)</b>	<b>-</b>
- Adjust. for Losses (Gains) Arising from the Disposal of Tangible Fixed Assets		(241.031)	-
<b>Adjust. for Other Items That Cause Cash Flows From Investing or Financing Activities</b>			<b>(2.388.472)</b>
<b>Changes in Working Capital</b>		<b>(9.461.404)</b>	<b>(1.706.882)</b>
<b>Decrease (Increase) in Financial Investments</b>		(399.018)	-
<b>Adjustments for Decrease (Increase) in Trade Receivables</b>	<b>3-6</b>	<b>(5.373.089)</b>	<b>2.660.795</b>
Decrease (Increase) in Trade Receivables from Related Parties	3	3.199.821	(360.067)
Decrease (Increase) in Trade Receivables from unrelated Parties	6	(8.572.910)	3.020.862
<b>Adjust. Related to increase/ (dec.) in Oth. Receiv.related with oper.</b>		<b>63.871</b>	<b>(391.044)</b>
- Incr. (Decr.) in Other Receiv. Related to Act. from Related Parties		(153.435)	(199.365)
- Incr. (Decr.) in Other Receiv. Related to Act. from Unrelated Parties		217.306	(191.679)
<b>Adjust.Related to incr./ (Dec.) in Assets from Customer Contracts</b>	<b>7</b>	<b>(3.982.537)</b>	<b>(3.538.270)</b>
-Incr. (Decr.) in Contractual Assets Arising from Sales of Goods and Services	7	(3.982.537)	(3.538.270)
<b>Adjustments for Decrease (Increase) in Inventories</b>		<b>(2.413.348)</b>	<b>(1.301.319)</b>
<b>Decrease (Increase) in Prepaid Expenses</b>		<b>(4.591.338)</b>	<b>(234.610)</b>
<b>Adjustments for Increase (Decrease) in Trade Payables</b>	<b>3-6</b>	<b>7.115.786</b>	<b>1.224.929</b>
-Decrease (Increase) in Trade Receivables to Urelated Party	6	7.115.786	1.224.929
<b>Increase (Decrease) in Debts within the Scope of Employee Benefits</b>	<b>8</b>	<b>286.067</b>	<b>341.993</b>
<b>Adjust. for Increase (Decrease) in Liab. Arising from Customer Contracts</b>	<b>7</b>	<b>(272.673)</b>	<b>1.351.454</b>
-Incr. (Decr.) in Contractual Oblig. Arising from Sales of Goods and Services	7	(272.673)	1.351.454
<b>Adjustments for Inc. (Dec.) in Other Liabilities Related to Operations</b>		<b>976.979</b>	<b>(302.490)</b>
-Increase (Decrease) in Other Related Party Payables Related to Activities		-	4.320
-Increase (Decrease) in Other Unrelated Party Payables Related to Activities		976.979	(306.810)
<b>Increase (Decrease) in Government Incentives and Aids</b>		<b>(511.939)</b>	<b>1.269.167</b>
<b>Excluding Obligations Arising From Customer Contracts</b>		<b>(9.534)</b>	<b>(204.125)</b>
<b>Adjustments for Other Increase (Decrease) in Working Capital</b>		<b>(350.631)</b>	<b>(2.583.362)</b>
Decrease (Increase) in Other Assets Related to Activities		(396.086)	(3.301.722)
Increase (Decrease) in Other Liabilities Related to Activities		45.455	718.360
<b>Cash Flows From Activities</b>		<b>14.844.942</b>	<b>17.529.271</b>
<b>Dividends Paid</b>		<b>(1.000.000)</b>	<b>(1.500.020)</b>

The attached footnotes are an integral part of these financial statements.

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

**NON-AUDITED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD JANUARY 1, 2020 -SEPTEMBER 30, 2020 AND JANUARY 1, 2019 -SEPTEMBER 30, 2019**

(All amounts are expressed in Turkish Lira ("TL"))

	Note Ref.	Current Period 01 January 2020 30 September 2020	Previous Period 01 January 2019 30 September 2019
<b>B) Cash Flows From Investing Activities</b>		<b>42.397.853</b>	<b>(31.517.400)</b>
<b>Cash Inflows Regarding Sales That Do Not Cause the Loss of Control of Subsidiaries</b>		<b>79.916.274</b>	-
<b>Cash Outflows Related to the Purchases of Control of Subsidiaries</b>		<b>(17.429.550)</b>	<b>(13.940.000)</b>
<b>Cash Inflows from the Sale of Tangible and Intangible Assets</b>	<b>9-10</b>	<b>719.624</b>	-
-Cash Inflows from the Sale of Tangible Fixed Assets	9	378.944	-
-Cash Inflows from the Sale of Intangible Fixed Assets	10	340.680	-
<b>Cash Outflows from the Purchase of Tangible and Intangible Fixed Assets</b>	<b>9-10</b>	<b>(20.808.495)</b>	<b>(17.577.400)</b>
-Cash Outflows from the Purchase of Fixed Assets	9	(1.746.936)	(940.921)
-Cash Outflows from Purchase of Intangible Fixed Assets	10	(19.061.559)	(16.636.479)
<b>C) Cash Flows From Financing Activities</b>		<b>13.326.779</b>	<b>22.807.369</b>
<b>Cash Inflows Arising from Changes in Partnership Shares Without Loss of Control in Subsidiaries</b>		-	<b>23.961.629</b>
<b>Cash Inflows from the Issuance of Equity and Other Equity-Based Instruments</b>		-	<b>4.884.557</b>
-Cash Inflows from Share Issuance		-	<b>4.884.557</b>
<b>Cash Inflows From Borrowing</b>	<b>5</b>	<b>16.529.693</b>	<b>5.095.892</b>
Cash Inflows from Loans	5	16.515.448	5.068.898
Diğer Finansal Borçlanmalardan Nakit Girişleri	5	14.245	26.994
<b>Cash Outflows Related to Debt Payments</b>	<b>5</b>	<b>(5.365.834)</b>	<b>(10.456.644)</b>
-Cash Outflows Related to Loan Repayments	5	(5.314.029)	(10.268.715)
Cash Outflows from Other Financial Debt Payments	5	(51.805)	(187.929)
<b>Cash Outflows Related to Loan Payments Arising from Lease Agreements</b>	<b>11</b>	<b>(2.522.984)</b>	<b>(908.164)</b>
<b>Interest Paid</b>	<b>17</b>	<b>(2.199.007)</b>	<b>(2.147.159)</b>
<b>Interest Received</b>	<b>16</b>	<b>6.884.911</b>	<b>2.377.258</b>
<b>Net Increase / Decrease in Cash and Cash Equivalents Before Foreign Currency Translation Differences</b>		<b>69.569.574</b>	<b>7.319.220</b>
<b>THE EFFECT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS</b>			
<b>Net Increase / Decrease in Cash and Equivalents (A + B + C + D)</b>		<b>69.569.574</b>	<b>7.319.220</b>
<b>E- CASH AND CASH EQUIV. AT THE BEGINNING OF THE PERIOD</b>	<b>4</b>	<b>27.146.794</b>	<b>8.859.394</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A + B + C + D + E)</b>	<b>4</b>	<b>96.716.368</b>	<b>16.178.614</b>

The attached footnotes are an integral part of these financial statements.



## **KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020  
(All amounts are expressed in Turkish Lira ("TL"))

### **NOTE 1 - ORGANIZATION AND SUBJECT OF ACTIVITY**

#### **1.1 Field of Activity;**

Kafein Yazılım Hizmetleri Ticaret A.Ş. (Company), was established in 2005 under the title of "Kafein Yazılım ve Bilgisayar Hizmetleri Sanayi ve Ticaret Ltd.". In 2011, the Company changed its title to "Kafein Yazılım ve Bilgisayar Hizmetleri Sanayi ve Ticaret A.Ş."; and on 18 March 2015, the former title was change to "Kafein Yazılım Hizmetleri Ticaret A.Ş".

The Company is registered with the Istanbul Trade Registry Office under trade registry no. 563336.

The company provides services in application development, test / test automation services, project management, software solutions, consulting, data analysis and data archiving, especially in the field of BSS (Business Support System).

The address of the Company and its headquarters is Eski Londra Asfaltı Cad. Çiftelhavuzlar Mah. Yıldız Teknik Üniversitesi Davutpaşa Kampüsü C1 Blok Kat: 2 No: 403 Esenler / İstanbul.

The registered authorized capital of the Company is TL 50.000.000.

The average number of employees working at the company as of 30.09.2020 is 607. (as of 31 December 2019: 551)

#### **1.2 Information on the Subsidiaries and Participations of the Company**

##### **Intranet Yazılım A.Ş.**

On June 13, 2017, Intranet Yazılım A.Ş. was established by Kafein Yazılım Hizmetleri Ticaret A.Ş. as the founder. The establishment of the said Company was registered on June 13, 2017. Intranet Yazılım A.Ş.' main field of activity is to; conduct research and offer consultancy services on quality management, information technology, system integration, to develop and manufacture all kinds of goods and services in the field of computer industry and information technology, to design, manufacture, assemble in the said fields, and to offer consultancy on information technologies and projects, and to manage and supervise projects.

The head office of the company is Sahrayıcedit Mah. Atatürk Cad. No: 34/5 Kadıköy / İstanbul.

Intranet Yazılım A.Ş.'s capital is divided into 1.500.000 shares each with a value of 1 TL and the total value is TL 1.500.000. Kafein Yazılım Hizmetleri Ticaret A.Ş. became shareholdig of Intranet Yazılım A.Ş. with 765.000 shares, each with a value of 1 TL, amounting to TL 765.000.

Kafein Yazılım Hizmetleri Ticaret A.Ş. has 51% majority share of Intranet Yazılım A.Ş. The said subsidiary was included in the scope of consolidation as of 31 December 2019 for the first time and is consolidated according to the full consolidation method.

##### **Smartiks Yazılım A.Ş.**

Smartiks Yazılım A.Ş. was established In 2006 under the title of Smartiks Bilgi Teknoloji Hizmetleri Ltd. Şti. The Company changed its business name to Smartiks Bilgi Teknoloji Hizmetleri A.Ş. in 2008; and on 22.06.2017 the Company's title was changed to "Smartiks Yazılım A.Ş.".

The Company is registered with Istanbul Trade Registry Office under Trade registry no. 576460.

The company is engaged in computer programming activities (system, database, network software etc. and customer specific software coding, etc.). In this context, the Company's activity includes production, development, processing, reproduction, dissemination of any kind of software including operating system software, application software, database, multi-media software, and other similar software in physical and electronic environment, and also to perform the other tasks specified in the amendment text registered on 22.06.2017.

Its head office address is Çifte Havuzlar Mah. The company, which is Eski London Asfaltı Caddesi No: 151 / E D2 Blok Z06 Esenler / İstanbul, also has branches in İstanbul, the United States of America and Dubai.

The Company's branch address information is as follows;

**Kozyatağı Branch:** Sahrayıcedit Mah. Halk Sk. Siddıklar İş Merkezi Apt. No:52/1 Kadıköy / İstanbul

**Yıldız Teknopark Branch:** Çifte Havuzlar Mah. Eski Londra Asfaltı Caddesi Kuluçka Mrk. C1 Blok No:151/1E/304 Esenler / İstanbul

**Dubai Branch:** Dubai Internet City, Building Number 12 Office 207-208 United Arab Emirates

**US Branch:** 5201 Great America Pkwy, Suite 320 Santa Clara-California 95054 United States

## **KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020  
(All amounts are expressed in Turkish Lira ("TL"))

The registered capital ceiling of the company is 50.000.000 TL.

The company's capital on September 30, 2020 consists of 31.862.500 shares (31 December 2019: 31.862.500 shares). Nominal value of the shares is 1 TL per share (31 December 2019: 1 TL per share). All issued shares have been paid in cash.

### **-Subsidiaries of Smartiks Yazılım A.Ş.**

Smartiks Yazılım A.Ş. On 27.09.2019, it purchased 100% of Compello Information Technology Services and Trade Inc. with a paid capital of 3.000.000 TL for 13.940.000 TL. The subsidiary in question was included in the scope of consolidation as of the date of acquisition and consolidated according to the full consolidation method.

The purpose and subject of the Company is to establish, have installed and set up all kinds of technical, electronic, mechanical and telecommunication infrastructure and user units and peripheral devices required to produce and distribute all kinds of information, computer software, internet services, mobile services ; Production, domestic and foreign trade, maintenance, repair and assembly, marketing, sale, rental, provision of necessary services, storage, transportation, promotion and trade of these devices and necessary programs and / or software.

Its head office address is Zühtüpaşa Mah. Sefikbey Sok. No: 1 Kadıköy / Istanbul.

### **KTEC Yazılım Teknolojileri Yatırım A.Ş.**

KTEC Yazılım Teknolojileri Yatırım A.Ş. was established on 17.12.2018 by Kafein Yazılım Hizmetleri Ticaret A.Ş. as founder and was registered on 17.12.2018. The field of activity of KTEC Yazılım Teknolojileri Yatırım A.Ş. consists of conducting all kinds of commercial activities such as electronic business, electronic commerce on the internet; to establish, install, operate, use and trade any kind of technological infrastructure such as web site or portal in order to provide the environment in which the said commercial activities will be carried out.

The head office of the company is located at Fatih Sultan Mehmet Mah. Poligon Cad. Buyaka 2 Sitesi 3 Blok Apt. No:8 C/91 Umraniye.

The capital of KTEC Yazılım Teknolojileri Yatırım A.Ş. is divided into 150.000 shares, each worth 1 TL, and the total value is 150.000 TL. Kafein Yazılım Hizmetleri Ticaret A.Ş. participates in the amount of 67.500 TL with 67.500 shares, each of which is 1 TL.

Kafein Yazılım Hizmetleri Ticaret A.Ş. has 45% share of KTEC Yazılım Teknolojileri Yatırım A.Ş. and is consolidated by equity method as of 30 September 2020.

### **1.3 Capital Structure;**

The Company's issued capital structure as of 30 September 2020 and 31 December 2019 is as follows:

<b>Shareholders</b>	<b>30.09.2020</b>		<b>31.12.2019</b>	
	<b>Share Ratio %</b>	<b>Share Amount</b>	<b>Share Ratio %</b>	<b>Share Amount</b>
Ali Cem Kalyoncu	25	4.938.382	24,65	4.868.382
Other(Public Shares)	75	14.811.618	75,35	14.881.618
<b>Paid-in Capital</b>	<b>100</b>	<b>19.750.000</b>	<b>100</b>	<b>19.750.000</b>

## **NOTE 2-GUIDELINES ON SUBMISSION OF FINANCIAL STATEMENTS**

### **2.1. Basic Guidelines on Submission of Financial Statements and Declaration of Conformity to the Turkish Accounting Standard**

The Group's legal books and statutory financial statements are prepared by the Turkish Commercial Code ("TCC") and Tax Laws and T.C. It keeps and prepares it in accordance with the Uniform Chart of Accounts and principles published by the Ministry of Finance.

The accompanying consolidated financial statements are prepared in accordance with the provisions of the Capital Markets Board's ("CMB") Communiqué Serial II, No: 14.1 on "Principles Regarding Financial Reporting in the Capital Markets" ("Communiqué") published in the Official Gazette dated 13 June 2013 and numbered 28676. is prepared, Public Oversight pursuant to Article 5 of the Communiqué on Accounting and Auditing Standards Board ( "UPS") promulgated by Turkey which Accounting Standards / Turkey Financial Reporting Standards with additional and reviews related to them ( "IAS / IFRS") are considered.

## **KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

The consolidated summary financial statements of the Group for the nine-month interim financial period ending on September 30, 2020 have been prepared in accordance with TAS 34 "Interim Financial Reporting".

Interim condensed consolidated financial statements do not contain all the information and explanations that should be included in the annual financial statements and should be read together with the annual financial statements of the Group prepared as of December 31, 2019.

The consolidated financial statements and notes of the Group have been presented in accordance with the formats specified in the "Financial Statement Samples and Usage Guide" published by the CMB with the announcement dated June 7, 2013 and in accordance with the TMS Taxonomy published by the POA on June 2, 2016 and the TMS Taxonomy published on April 15, 2019.

### **Reporting Currency**

The financial statements of the Group are presented in the currency (functional currency) that is valid in the basic economic environment in which its. The financial position of the Group and the results of its operations are expressed in TL, which is the functional currency of the Group and the presentation currency for the financial statements.

### **Adjustment of Financial Statements in High Inflation Periods**

With the resolution B.02.1.SPK.017 / 152-7642, which was obtained by Capital Market Board on March 18, 2005, the company has declared that the application of inflation accounting is not necessary effective from 1 January 2005 for companies preparing financial statements accounting and reporting principles ( "CMB Financial Reporting Standards") operating in Turkey and accepted by the CMB. Accordingly, in the financial statements, as of January 1, 2005, 29 numbered "Financial Reporting in Hyperinflationary Economies" standard ("IAS 29") issued by the IASB has not been applied.

According to aforementioned resolution, the consolidated financial statements of the current and prior periods don't subject to keep inflation adjustments not due to realize necessary conditions to make any inflation adjustments.

Non-monetary assets and liabilities and equity items included in the current and previous period financial statements are reported with their nominal values.

### **Comparative Information and Amendment of the Financial Statements for the Previous Period**

Financial statements are prepared in comparison with the previous period in order to allow the determination of financial status and performance trends. Statement of Financial Position (Balance Sheet), as of 30 September 2020 and 31 December 2019; Profit or Loss and Other Comprehensive Income Statement, Statement of Changes in Equity and Cash Flow Statement were comparatively prepared as of 30 September 2020 and 30 September 2019.

Smartiks Yazılım A.Ş. purchased all shares of Compello Bilgi Teknolojisi Hizmetleri ve Tic. A.Ş. (Compello A.Ş.) on 27.09.2019. The said subsidiary was included in the scope of consolidation as of the date of acquisition and consolidated according to the full consolidation method.

When the presentation or classification of the items of the financial statements changes, in order to ensure comparability, the previous period financial statements are also reclassified accordingly and important differences are disclosed.

### **Transactions in Foreign Currency**

The Group considers the relevant exchange rates valid at the transaction date, while it converts any transactions conducted in foreign currency, and their balances to Turkish Lira. Monetary assets and liabilities in foreign currency are assessed in exchange rate announced by the Turkish Central Bank at the balance sheet date. Any exchange difference incomes and expenses arisen from conversion of any transactions in foreign currency to Turkish Lira or expression of monetary items are reflected to the income/ (expense) statement in the respective period.

### **Offsetting – Deduction**

The financial assets and liabilities are shown as net values, where any necessary legal rights are available, and it is intended to assess such assets and liabilities as net values, or the assets and liabilities are obtained and fulfilled simultaneously.

### **Assumption on Going Concern**

The financial statements are prepared on the going concern basis by assuming that the Group shall get benefit from assets and perform its obligations within next year and in the ordinary course of its business activities.

As of the report date, it has been declared a "Pandemic" by the World Health Organization due to the COVID-19 outbreak. Although the current situation of economic conditions anticipated to cause contraction in the market in the short term, both the impact of the epidemic in the world as well as how long it will continue in Turkey, it is unclear

## **KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

how much can be spread. Since the economic effects of the epidemic are uncertain as of the reporting date, the effects on the financial statements of the Group due to the operations of the Group are not reasonably estimated.

Necessary measures have been taken by the Group management to minimize the possible effects on the Group's activities and financial status.

### **2.2. Changes in Accounting Policies**

Accounting policy changes resulting from the first application of a new standard are applied retrospectively or prospectively in accordance with the transition provisions, if any. Changes without any transition requirement, optional significant changes in accounting policies or detected accounting errors are applied retrospectively and the financial statements of the previous period are restated. The accounting policies applied in the comparative financial statements of the Group are the same.

In order to comply with the presentation of the current period condensed consolidated financial statements, comparative information is reclassified when necessary and significant differences are disclosed.

### **2.3. Changes and Errors in Accounting Estimates**

Accounting estimates are based on reliable information and reasonable estimation methods. However, estimates are revised in case of changes in circumstances of estimation, obtaining new information or additional developments. If the impact of the change in accounting estimate is related to only one period, it is reflected in the financial statements in the current period in which the change is made, if it is related to the future periods, it is reflected prospectively in the financial statements both in the period in which the change is made in consideration of determining the period profit or loss.

Detected significant accounting errors are applied retrospectively and previous period financial statements are restated. An error is corrected by restating the comparative amounts for prior periods when it occurs, or by restating the retained earnings account for the period in question prior to the next reporting period. If the reorganization of the information causes an excessive cost, the comparative information of the previous periods is not reorganised and the accumulated profit account of the following period is rearranged by the cumulative effect of the error before the beginning of the period in question.

### **2.4. Summary of Significant Accounting Policies**

#### **2.4.1 Consolidation principles**

Consolidated financial statements include the financial statements of Kafein Yazılım Hizmetleri Ticaret A.Ş. (Company) and the financial statements of the said Company's subsidiaries. During the preparation of the financial statements of the companies included in the scope of consolidation, necessary adjustments and reclassifications have been made in order to comply with the TAS / TFRS and the accounting policies and presentation formats applied by the Group.

The principles for preparing consolidated financial statements is as follows;

- The consolidated financial statements include the financial statements of the Company and its subsidiaries.
- Subsidiaries represent the entities in which the parent company has more than 50% of the shares, voting rights or the majority of the management or the right to elect the majority of the management through capital and management relations, either directly or through other subsidiaries or participations. The controlling power is defined as the parent company's power to manage the financial and operating policies of its subsidiaries and to provide benefits from the activities.
- Subsidiaries are included in the scope of consolidation as of the date control over their activities is transferred to the Group, and will be excluded from consolidation at the date when control is abolished. Accounting policies applied by the subsidiaries have been aligned with the accounting policies applied by the Group in order to ensure consistency.
- The financial statements of the subsidiaries are consolidated using the full consolidated method. In this context, the carrying value of the subsidiaries and the shareholders' equity is netted off, the carrying amount of the shares held by the Company and the dividends arising from them are netted from related equity and income statement accounts.
- The receivables and payables of each of the subsidiaries within the scope of consolidation and the sales of goods and services to each other and the revenue and expense items arising from transactions with each other are mutually offset.
- Amounts corresponding to minority interests excluding the interests of parent company and subsidiaries are deducted from all equity accounts group items, including the paid-in capital/issued capital, of the subsidiaries within the scope of consolidation, and shown under the name "Non-controlling interests" in the equity account group of financial statement.

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

**Subsidiaries and Participations**

The partnership ratios of subsidiaries and participations are as follows:

	30.09.2020					31.12.2019				
	Equity of Subsidiary	Subsidiary Rate (%)	Total Voting rights (%)	Number of Subsidiary Shares	Amount of Subsidiary	Equity of Subsidiary	Subsidiary Rate (%)	Total Voting rights (%)	Number of Subsidiary Shares	Amount of Subsidiary
Smartiks Yazılım A.Ş.	31.862.500	6,43%	%49,80	2.050.000	20.072.836	31.862.500	34,01%	%41,73	10.837.500	26.835.214
Intranet Yazılım A.Ş.	1.500.000	51%	%51	765.000	765.000	1.500.000	51%	%51	765.000	765.000
	Equity of Participation	Participation Rate (%)	Total Voting rights (%)	Number of Participation Shares	Amount of Participation	Equity of Participation	Participation Rate (%)	Total Voting rights (%)	Number of Participation Shares	Amount of Participation
KTEC Yazılım Tekn.Yat A.Ş.	150.000	45%	%45	67.500	67.500	150.000	45%	%45	67.500	67.500

As of 31.12.2019, the participation rate of Kafein Yazılım Hizmetleri Ticaret A.Ş. (Company) in Smartiks Yazılım A.Ş. is 34.01% and voting rights are 41.73%. The company made a total of 9.770.000 sales transactions from the shares of Smartiks Yazılım A.Ş. on 25.06.2020 and 26.06.2020. With this transaction, the Company's Smartiks Yazılım A.Ş. its share in its capital is 3.35% as of 30.06.2020; voting rights fell to the limit of 25.88%. This time, the company purchased 982.500 Class A privileged shares belonging to Smartiks Yazılım A.Ş., on 08.07.2020. With this transaction, the participation rate of Smartiks Yazılım Anonim Şirketi increased to 6.43% and the total voting rights rate to 49.80%. (Note. 21) Since its privileged shares have the authority and control power to determine the board of directors of Smartiks Yazılım A.Ş. and to determine financial activities and policies, it has consolidated Smartiks Yazılım A.Ş.

Kafein Yazılım Hizmetleri Ticaret A.Ş. has 51% (31.12.2019- 51%) majority share of Intranet Yazılım A.Ş. The said subsidiary was included in the scope of consolidation as of 31 December 2019 for the first time and is consolidated according to the full consolidation method.

Kafein Yazılım Hizmetleri Ticaret A.Ş. holds a 45% (31.12.2019- 45%) share of KTEC Yazılım Teknolojileri Yatırım A.Ş. and was consolidated for the first time as of December 31, 2019 using the equity method.

**Non-controlling Shares**

The Group considers the buying and selling of the shares which are not controlled by the non-controlling interests and the shares owned by the subsidiaries that it currently controls, as transactions between the Group's shareholders. Accordingly, the difference between the cost of acquisition and the carrying amount of the net assets of the subsidiary is accounted for under equity for additional share purchases from non-controlling interests. In the case of share sales to non-controlling interests, any gains or losses arising from the difference between the selling price and the carrying amount of the net assets of the subsidiary are also accounted in equity.

**Changes in the rates held by non-controlling interests**

In case the equity ratio held by non-controlling interests changes, the Group adjusts the book values of the controlling and non-controlling interests in order to reflect the changes in their relative interests in the subsidiary. The difference between the amount corrected for non-controlling interests and the fair value of the amount paid or received is directly accounted for in equity.

**2.4.2 Business Combinations and Goodwill**

The acquirer, obtaining the control of one or more entity, or any other transaction is defined as business combination.

The business combinations under the standart TFRS 3 'Business Combinations' are recognized by applying acquisition method. The acquisition cost related to the acquisition of a company, is distributed to the identifiable assets acquired, the liabilities assumed and contingent liabilities of the acquired company. The costs related to acquisition transaction is expensed in the period in which the costs are incurred.

If the transferred value over the fair value in the acquisition date by the acquirer, is over the net values of identifiable assets acquired and identifiable liabilities assumed in the acquisition date, the amount is measured as goodwill in the Company. As of the acquisition date, the acquirer, separately from goodwill, accounts for identifiable assets acquired and liabilities assumed and non-controlling shares (minority interest) of acquired company. The acquired identifiable assets and assumed identifiable liabilities recognition is made by consistency to the Conceptual Framework's asset and liability definition.

## **KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

In the business combinations, the assets, the intangible assets and contingent liabilities that are not in the financial statements of acquired company, but are in goodwill item and that are able to be discriminated are reflected in the consolidated financial statements with fair value. The goodwill amount in the acquired company's financial statements is not regarded as identifiable asset.

If the acquirer's share of acquired identifiable asset, liability and contingent liability's fair value is over the business combination cost the difference is associated with profit or loss. For every acquisition the acquired company's minority shares are accounted with share of net assets of the acquired company.

After the goodwill is recorded initially, it's reflected to financial statements at the acquisition date less any accumulated impairment losses. The goodwill should be tested yearly or more often if there is a probability of value loss. If the recoverable amount is less than the amount in the records, the impairment loss is valued in the consolidated income statement.

In the test of impairment, the goodwill during the purchase transaction, is distributed among the cash generating unit or groups waiting for benefits, without regarding the impliance of other assets and liabilities after the purchase. The units or groups in which the goodwill is distributed, represents the smallest unit or group for management purposes. The impairment losses over the goodwill can not be cancelled. The gains and losses of selling of one corporation includes the recorded value of goodwill over the corporation sold.

### **2.4.3 Cash and Cash Equivalents**

Cash states cash and drawing accounts in the enterprise. Cash equivalents state any assets held for any short-term cash obligations and not used for investment or other purposes. It is essential that its value may be converted certainly to a cash value and the risk to change its value is negligible for any asset to be accepted as a cash equivalent.

Cash and cash equivalents are integral part of the cash management of the enterprise. Any financial instruments to be included in the scope of cash equivalents consist of cheques (current type), liquid funds, short-term bonds and drafts, receivables from reverse-repo transactions, deposit accounts with a term shorter than 3 months (any deposit account longer than 3 months is shown among financial investments), and government bonds and treasury bonds with remaining due date shorter than 3 months on acquisition date, or any other liquid debt instruments, and any receivables from money market.

Cash and cash equivalents in the financial statements of the Group as cash in hand as of the balance sheet date and the demand deposits are reported.

### **2.4.4. Financial Instruments:**

TAS 32 Financial Instruments: of the financial assets defined in the Submission Standard and TAS 39 (in TFRS 9 for early appliers), any financial assets held for investment purpose, and cash and cash equivalents, any receivables from activities in the finance sector, trade and other receivables, and ones remaining out of investments assessed by the equity method are shown in this item.

Any financial assets classified in the "current assets includes ones held for purposes of evaluating any inactive funds, obtaining direct interests, dividend incomes, trading profits, etc., or protecting against any damage other than performing any obligations.

Of the financial asserts, any ones with remaining due dates shorter than 12 months since the reporting day, and although their due date is longer, ones intended to be sold within 12 months are shown in the item "Financial Investments." Any ones with remaining due date longer than 12 months and any ones intended to be held for a period longer than 12 months are shown in the item "Financial Investments" in the non-current assets.

### **2.4.5. Derivative Financial Instruments**

Any derivative financial instruments, which are appropriate the definition "financial asset or financial obligation" in TAS 32, are calculated in accordance with the provisions of the TAS 39 (TFRS 9), and submitted furthermore in the financial statement.

The Group does not have any derivative instruments as of the balance sheet date.

### **2.4.6. Receivables from Financial Sector Activities**

Any receivables other than cash and cash equivalents and resulted from the financial sector are shown here.

As of the balance sheet date, the Group does not have any receivables from finance sector activities.

## **KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

### **2.4.7. Trade Receivables / Related Parties**

#### **-Trade Receivables**

They are receivables from customers taken to the financial statements for all or part of a revenue.

It is essential that its invoice must be issued or similarly the supplier (customer) and parties agree upon stringently for a debt (receivable) to become a trade debt (receivable) pursuant to paragraph 11 of the Standard TAS 37 Provisions, Contingent Obligations and Contingent Assets. Any debts (receivables), which meet the criteria to include them to the financial statements as of the reporting date, but not agreed upon so yet, are classified as accruals. However, such accruals are shown in the items "Trade Receivables" and "Trade Debts" in the Financial Statements to ensure compliance to any practices in our company.

Part of the trade receivables belonging to the related parties are shown in a separate sub-item.

The given deposits and guarantees are shown not in this item, but in the other receivables.

Even if the time elapsed for foreclosure of the trade receivables is longer than 12 months, it is essential that such receivables must be classified in the current assets in the regular course of business of the enterprise.

If any, late interests, interests, etc. of the trade receivables are shown not in the provisions for revenue, but in the provisions for interest incomes, exchange differences, etc. in the financial statements, and these amounts are also shown in the trade receivables and the relevant statements are made in the footnotes. Such interest incomes, exchange differences, etc. are also shown in the other real operating income in Profit or Loss and Other Comprehensive Income Statement.

Short-term receivables with no stated interest rate and no maturities exceeding 1 year are shown at invoice and / or accrual values due to the fact that the effect of interest accrual is not too large (Note 10). In case there is objective evidence that there isn't any possibility of collecting, the Group reserves provision for doubtful receivables. Objective evidence is that the receivable is in the litigation or execution phase, the buyer is in significant financial difficulty, the buyer is in default, or it is probable that there will be a significant delay with an unpredictable duration. Moreover, since the Group's trade receivables accounted for at amortized cost included in the consolidated financial statements do not contain an important financing component, the Group uses the provision matrix by selecting the simplified application for the impairment calculations. With this application, the Group measures the expected credit loss provision from an amount equal to the expected credit losses for the life expectancy where the trade receivables are not impaired for certain reasons. (Note 2.2-b) In the calculation of expected credit losses, together with past loan loss experiences, EGroups' estimates related to future are also taken into account.

#### **Related Parties**

The Group's related parties include entities that can directly or indirectly control or significantly affect the counterparty through shareholder, contractual right, family relationship or similar means. In the accompanying financial statements, the shareholders of the Group and the companies owned by such shareholders, their key management personnel and other companies known to be related are identified as related parties.

### **2.4.8 Contract Assets**

It is used in tracking assets defined as contract assets in TFRS 15. According to TFRS 15, contract assets are the right of the enterprise to receive the price that is subject to another condition (for example, the future performance of the enterprise), except for the expiration of time, in return for the goods or services transferred to the customer. The total amount of contract assets is shown separately in the statement of financial position.

### **2.4.9 Other Receivables**

Receivables excluding trade receivables and financial investments. Deposits and guarantees given, other receivables from related parties, receivables from public administrations other than assets related to current period tax and other various receivables can be shown as examples. The part of these receivables from related parties is shown in a separate sub-item in accordance with the sample format.

### **2.4.10. Inventories**

It is an item, in which any assets that are available as substances and materials held to sell, manufactured to sell, and to be used during manufacturing process or service delivery in the regular course of business of the enterprise, are shown. The advances given for purchase orders have not a nature of inventories, and are shown in the "Prepaid Expenses," until the inventory accounting is conducted.

## **KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

### **2.4.11. Alive Assets**

If the current assets included in the TAS 41, and any agricultural products collected during harvest relate to the agricultural activities, they are shown in this item. This item is used by the enterprises, which deal with agricultural activities only.

The Group does not have any biological assets as of the date of financial statement.

### **2.4.12. Prepaid Expenses**

All amounts paid usually to the suppliers and to be transferred to the expense and cost accounts in a subsequent period (or period) are shown in this item. If the item is negligible, such amounts are submitted in the other current/non-current assets.

### **2.4.13. Assets Related To the Current Period**

Pursuant to the Income Tax Standard TAS 12, any assets such as various taxes and funds related to the current period tax payable over revenue prepaid and possibly subject to discount are shown in this item.

### **2.4.14. Other Current/Non-Current Assets**

The current/non-current assets such as transferred VAT, VAT discount, other VAT, counting and acceptance points are shown in this item.

### **2.4.15. Non-current Assets Classified For Sales Purpose**

Pursuant to the Standard on Non-Current Assets and Discounted Operations TFRS 5, any non-current assets classified for sales purpose, because their book value shall be recovered by means of the sales procedure rather than use, and all assets to be sold are shown in this item.

Furthermore, pursuant to the TFRS 5, any non-current assets classified for purpose of distributing them to the shareholders and all other assets to be sold are also shown in this item since it is committed to distribute them to the shareholders. In this case, this item is called so as to state these assets.

The Group does not have any non-current assets classified as held for sale as of the date of financial statement.

### **2.4.16. Investments Assessed By Equity Method**

Pursuant to the Standard on Investments in Subsidiaries and Business Associates TAS 28, any subsidiaries and business associates assessed by equity method are shown in this item.

The Group has no affiliates and business associates assessed by equity method as of the financial statement period.

### **2.4.17. Investment Property**

Pursuant to the Investment Property Standard TAS 40, any real properties (lands, buildings part of a building) acquired (by their landlord or tenant according to the financial leasing agreements for purposes of obtaining a rental income or capital gains income or both of them) are shown in this item. If the real property is subject to the financial leasing, the details specified in three Standards on Leasing Operations TAS 17 are added.

If it is included in the definition of investment property and the tenant uses the fair value method, it is possible that a right for a real property held by the tenant under the operating lease is shown as an investment property in this item.

The Group does not have any investment property.

### **2.4.18. Tangible and Intangible Fixed Assets**

#### **Tangible Assets:**

Tangible assets are stated at cost value by deducting accumulated depreciation and accrued depreciation, if any.

The cost value, purchase price, import duties and non-refundable purchase taxes of the tangible assets are the costs incurred to make the tangible asset ready for use. Maintenance and repair costs are recognized in profit or loss in the period in which they are incurred.

Depreciation of tangible fixed assets is determined by using the straight-line method based on the useful lives of the assets. The expected useful life is reviewed annually for the possible effects of the changes in the depreciation method and the estimates and is accounted for prospectively if there is a change in the estimates.



**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020  
(All amounts are expressed in Turkish Lira ("TL"))

The estimated useful lives of tangible assets are as follows:

	<b><u>Useful Life</u></b>
Vehicles	5 Years
Furniture and Fixtures	3-4-5-6-8-10-15-16-50 Years
Special Costs	5 Years

When a tangible asset is sold, or if no future economic benefits are expected from its use or sale, it is excluded from the statement of financial position. The gain or loss arising on the sale or retirement of a tangible asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The advances given for the purchases of tangible assets are shown under "Prepaid Expenses" item rather than this item until the relevant asset is capitalized.

**-Right of Use Assets**

According to TFRS 16 Leases, the lessee is required to present right-of-use assets separately from other assets in the statement of financial position or in the notes. Businesses that prefer to show their right of use assets separately in the statement of financial position show these assets in this item.

**-Intangible Assets:****a.Intangible assets acquired**

Intangible assets are stated at cost value by deducting accumulated amortization and depletion expenses and depreciations.

Expected useful life, residual value and depreciation method are reviewed every year for the possible effects of the changes in the estimations and they are accounted for prospectively if there is a change in the estimates.

**b.Internally generated intangible assets-research and development expenses**

i) Research activities expenses are recognized in profit or loss in the period in which they are incurred.

ii) Expenses within the scope of development activities:

- Capitalized Development Costs

Intangible assets that are created internally as a result of the development of a project that is ordered or initiated with a new idea in the company are capitalized and registered only when all the following conditions are met:

- It is technically possible to complete the intangible asset to be ready for use or ready for sale,
- The intention to complete, use or sell the intangible asset,
- The intangible asset can be used or sold,
- It is known that the asset has a kind of possible economic benefit for the future.
- Having appropriate technical, financial and other resources to complete the development of the intangible asset, use or sell the asset in question, and
- The cost of developing the asset can be measured reliably during the development process.

-Special software project expenses:

Special software project expenses, which are specially developed for the customer and cannot be sold to another customer, are recorded as expenses depending on the realization of the revenue as of the date of completion. In special software projects that extend to more than one period; Project expenses, which are determined by matching the revenue amount accrued in connection with the invoice issued within the scope of partial deliveries and the expenses corresponding to the completed part of the project, are recorded as expense in the period of partial delivery. Development expenses related to such special software projects are not capitalized.

The amount of intangible assets created internally is the total amount of expenses incurred from the moment the intangible asset meets the above-mentioned accounting conditions. When intangible assets created internally cannot meet the conditions stated above, development expenditures are recorded as an expense in the period they occur.

## **KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

After initial recognition, internally created intangible assets are shown over the amount after the accumulated amortization and accumulated impairment losses are deducted from their cost values, just like intangible fixed assets purchased separately.

### **c. Derecognition of intangible assets**

An intangible asset is derecognised when the intangible asset is sold or if no future economic benefit is expected from its use or sale. Any gain or loss arising from the sale of an intangible asset is calculated as the difference between the net proceeds from sale of assets and the book values, if any. This difference is recognized in profit or loss when the related asset is excluded from the balance sheet.

The company's intangible assets item; It includes the acquired rights and computer programs as well as development costs and other identifiable rights related to computer software and programs created within the enterprise. Development costs consist of the wages of the personnel directly involved in the creation of the asset and the costs directly attributable to the creation of the intangible asset. Government incentives associated with development costs are recorded in parallel to the redemption period of intangible assets.

The rates determined by taking into account the useful lives of Intangible Fixed Assets are as follows:

	<b><u>Useful Life</u></b>
Brands	15 Years
Computer Programs	3 Years
Capitalized development Costs	2-3-45-6-7 Years
Other Intangible Assets	4-10 Years

### **2.4.19. Deferred Tax Assets**

The deferred tax assets include any amounts to be recovered in next periods for any taxes collected upon revenue due to any deductible temporary differences, and any non-used financial losses transferred to next periods, and any non-used tax advantages transferred to next periods.

The item "Deferred tax assets" is not used for any (permanent) amounts, which are not impossible to deduct under the tax legislation.

### **2.4.20. Short-Term / Long-Term Obligations**

The obligations include ones, which shall cause exit of any assets that arise from any events occurred in the past, and if they are paid/executed, shall contain a financial benefit from the enterprise. This definition states basic characteristics of the obligations, and identifies the basic criteria that such obligations must meet to take place in the Financial Statement. Therefore, since the obligation definition meets any criteria to show in financial statements, it also contains any obligations not specified in the Financial Statement.

Pursuant to paragraphs 69-76 of the TAS 1, any obligations having any one of the following characteristics are classified as short-term obligations:

- (a) It is expected that they shall be paid in the regular course of business;
- (b) They are held primarily for commercial purposes;
- (c) They shall be paid within two months following the reporting period (balance sheet date); or
- (d) The enterprise has no unconditional right to defer payment of its obligations for a period of at least two months following the end of the reporting period (balance sheet date). The provisions that the obligation shall be paid by issuing an equity instrument at the counter party's never restrict such obligation.

Entity/establishment classifies all the other liabilities as being long-term.

### **2.4.21. Borrowings**

Of the financial obligations defined in the TAS 32, any borrowings from financial markets such as amortized bank loans, issued bonds, bills and debentures, which have a nature of borrowing, and in other words, which are calculated by the efficient interest method after first accounting, and capital instalments and interests of their long-term type, debts from financial leasing transactions, etc.

Of the financial borrowings, ones, which have the characteristics listed above for short-term obligations, are classified as short-term obligations, and others are classified as long-term obligations.

Pursuant to the Standards on Financial Instruments and Details TFRS 7, any relevant details are given in footnotes.

## **KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

### Leasing Transactions

The leasing transaction, in which the lessee assumes a great portion of risks and acquisitions related the ownership, is classified as financial leasing. Other leases are classified as operating leases.

#### Leasing- leasing company

Rental income from operating leases is recognized on a straight-line basis over the period of the relevant lease. Direct initial costs incurred in the realization of the lease and negotiation are included in the cost of the leased asset and amortized on a straight-line basis over the lease term.

#### Leasing- company as leaseholder

Assets acquired through financial leasing are capitalized using the fair value of the asset on the date of lease, or capitalized using the lower of the present value of the minimum lease payments. The liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are allocated as the finance expense and the principal payment that provides for the decrease in the finance lease obligation and thus the interest rate on the remaining principal amount of the debt at a fixed rate is calculated. Financial expenses are recorded in the profit or loss statement except the capitalized portion of the financial expenses in the scope of the general borrowing policy detailed above. Contingent rents are recognized as an expense in the period in which they are incurred.

Payments made for operating leases (incentives received or to be received in order to be able to perform leasing from the lessor are recorded in the profit or loss statement on a straight-line basis over the period of the lease) are recognized in the statement of profit or loss on a straight-line basis over the period of the lease. Contingent rents under operating leases are recognized as an expense in the period in which they are incurred.

#### Sales and lease back transactions

A sale and leaseback transaction involve the sale of an asset and the leaseback of the same asset. Lease payments and the sale price are usually interdependent, as they are negotiated as a whole. The accounting method of a sale and leaseback depends on the type of leasing transaction involved. In the event that a sale and leaseback result in a financial lease, the portion of the sales revenue above the carrying amount is not recognized as immediate income by the seller-lessor. Instead, the said income is deferred and amortized over the term of the lease. If the leaseback is a financial leasing, the transaction is a tool that the lessor provides financing to the lessee, provided that the leased asset is the guarantee of the transaction. Therefore, it is not right that sales revenues exceeding the carrying amount of the related asset are considered as income. Such excess amounts are deferred and amortized over the lease term.

### **2.4.22. Short-Term Parts of Long-Term Obligations**

This item shows short-term parts of the long-term obligations. If short-term parts of the long-term obligations are negligible, they are shown together with "Short-Term Obligations" under the item "Financial Obligations."

### **2.4.23. Other Financial Obligations**

Of the financial obligations defined in the TAS 32, any obligations, which have not a nature borrowing, and in other words, which arise from the derivative financial instruments not measured from the amortized costs calculated by the efficient interest method after first accounting, and any financial obligations such as financial warranty agreements are shown in this item.

### **2.4.24. Obligations from Financial Sector Activities**

Any obligations arisen from such activities of any corporations, which enter into consolidation and operate in the financial sector, are shown in this item. In the footnote, details are given a sector basis. Their examples include any obligations from banking activities (deposit accounts, participation accounts, etc.), obligations from insurance activities (obligations from insurances and reinsurance activities, deposits, obligation from retirement activities, etc.), obligations from financial leasing activities, etc.

The Group has no Obligations from Financial Sector Activities as of the financial statement period.

### **2.4.25. Trade Payables**

They are obligations owed to third parties in capacity of suppliers.

It is essential that its invoice must be issued or similarly the supplier (customer) and parties agree upon stringently for a debt (receivable) to become a trade debt (receivable) pursuant to paragraph 11 of the Standard TAS 37 Provisions, Contingent Obligations and Contingent Assets. Any debts (receivables), which meet the criteria to include them to the financial statements as of the reporting date, but not agreed upon so yet, are classified as accruals. However, such accruals are shown in the items "Trade Receivables" and "Trade Debts" in the Financial Statements to ensure compliance to any practices in our company.

## **KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

The received deposits and guarantees are not expressed under this item but under other payables.

If any, late interests, interests, etc. of the trade receivables are shown not in the provisions for revenue, but in the provisions for interest incomes, exchange differences, etc. in the financial statements, and these amounts are also shown in the trade receivables and the relevant statements are made in the footnotes. Such interest incomes, exchange differences, etc. are also shown in the other real operating income in Profit or Loss and Other Comprehensive Income Statement.

Even if the time elapsed for foreclosure of the trade receivables is longer than 12 months, it is essential that such receivables must be classified in the current assets in the regular course of business of the enterprise.

### **2.4.26. Obligations for Employee Benefits**

Any amounts such as pays, salaries, social security contributions, etc. borrowed due to benefits provided to the employees within the respective period are shown in this item. It may also be called alternatively as "Pay Accruals of Employees," etc., provided that it shows its contents. If the item is negligible, such amount is shown in the item "Trade Payables."

### **2.4.27. Other Payables**

They include any obligations, which keep out of the trade payables and arise from any financial activities. Their examples include obligations owed to the related parties, who have not capacity of suppliers or customers, deposits and guarantees received, obligations from public authorities and other miscellaneous obligations.

Any borrowings made from financial instruments for purpose of obtaining finance from the related parties are shown not in this item, but in the short-term or long-term borrowings by their term. If such amounts are negligible, further items are opened for these amounts.

### **2.4.28 Contractual Obligations**

It is used in monitoring the obligations defined as contractual obligations in TFRS 15. According to TFRS 15, the contractual obligation is the obligation of the enterprise to transfer the goods or services to the customer in return for the amount collected (or entitled to collection) from the customer.

A contractual obligation arises if the customer pays the compensation or the entity has the unconditional right (ie a receivable) before a good or service is transferred to the customer. The total amount of contract liabilities is shown separately in the statement of financial position.

### **2.4.29. Government Incentives and Grants**

Pursuant to the TAS 20, if any alternative option is selected for submission of incentives related to assets, any amounts shown as deferred revenue are shown in this item.

### **2.4.30. Deferred Incomes (Excluding Contractual Obligations)**

They are any obligations related to incomes, which are collected completely or partially from customers and other persons or accrued as receivables in that period under the sales agreements and for other reasons, but belong to next periods. If the deferred incomes are negligible, such amount is shown in the other short-term / long-term obligations.

### **2.4.31. Period Profit Tax Obligation**

Part of any taxes collected on any incomes under the TAS 12 as expected to pay to the tax office is shown in this item. Any prepaid taxes of the period profit are deducted from such amount and shown in the item "Assets for the Current Period Taxes."

#### Tax calculated on basis of the company's earnings

Any tax obligation on profits or losses for the period includes the current period tax and deferred tax.

#### Current period tax

The current period tax obligation includes any tax obligation entries calculated on part of the taxable profit at tax rates, which are valid and legitimated as of the financial statement date, under the current tax legislation.

#### Deferred tax

The deferred tax is calculated upon any temporary differences between values of the assets and liabilities entered in the financial statement. Tax values of the assets and liabilities state any amounts to affect tax assessment of such assets and liabilities in next periods under the tax legislation. The deferred tax is calculated on tax rates as expected to apply in the period, when tax asset shall realize or the obligation shall be executed by considering tax rates that are current of become into force as of the financial statement date.

## **KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

The deferred tax asset or obligation shall be reflected to the financial statements at increase and reduction rates as estimated to be done on any tax amounts payable in any periods, when such temporary differences shall be eliminated. The deferred tax asset is added to the financial statements, provided that any deductible temporary differences are most likely to be utilized to obtain a taxable profit in the future, while the deferred tax obligation is calculated for all taxable temporary differences. The registered value of the deferred tax asset is reduced to the extent that it is not possible to obtain a financial profit to enable to provide part or all of the deferred tax asset.

Deferred tax assets and deferred tax liabilities are mutually deducted from each other, provided that they are subject to the tax legislation of the same country and there is a legally enforceable right to offset current tax assets from current tax liabilities.

### Period current and deferred tax

Current tax and deferred tax for the period, other than those associated with items that are directly accounted as receivable or debt in equity (in which case the deferred tax related to the relevant items is also accounted directly in equity) or arising from the initial registration of business combinations, are accounted as expense or income in the income statement.

### **2.4.32. Provisions**

Provisions include obligations with indefinite time and amount and are calculated according to most realistic estimate made by the company's management. Provisions for the employee benefits under the Employee Benefit Standard TAS 19 include any provisions for financial sector activities, and other provisions showing any provisions allocated under the TAS 37 such as possible compensation, penalties and damages, reconstruction provisions, provisions allocated for financially disadvantageous agreements, etc.

### Employee Benefits

The accrued liabilities (or provisions) needed to be shown in the financial statements under the UMS 19 "Employee benefits" are given in this item.

In case of severance pay, pension or dismiss, they are paid in accordance with the legislation in force in Turkey and the provisions of the collective labour agreement. Pursuant to the updated Employee Benefit Standard UMS 19 ("UMS 19"), such payments are defined as the identified pension benefit plans.

Under the legislation in force in Turkey, it is compulsory that a severance pay must be paid to employees, who complete their annual tenure of office and are dismissed without any reasonable reason, and are called for military service, deceased, and complete a tenure of office of 25 years for men or of 20 years for women, or get to the pension age. The severance pays are calculated upon a gross salary of 30 days per office year. The calculation involves real discount rates and the current values of the severance pay payable in the future as of the balance sheet date.

Any amendments made in the TAS 19 change the identified benefit plans and severance pat accounting. Most important amendment involves accounting of the identified benefit obligations and plan assets. If any amendments are made in realistic values of the identified benefit obligations and plan assets, such amendments must be entered and thus this eliminates the "corridor method" allowed in the previous version of the TAS 19, and facilitates entry of the past service costs.

Such amendments require calculating all actual losses and incomes immediately as other comprehensive incomes to show actual value of plan gap or surplus of the net pension asset or liability in the financial statement. Additionally, a 'net interest' amount calculated as a result of the discount rate applied to the identified net benefit liability or asset is used instead of any interest expenses for any estimated returns obtained the plan assets described in the previous version of the TAS 19. The amendments made in the TAS 19 are applied retrospectively.

According to the Group Personnel, actuarial profit / loss in the defined benefit plans is calculated and are presented in the financial statements.

### Pension plans

The Group has no pension benefit plants.

### **2.4.33. Liabilities regarding Current Period Tax**

Within the scope of TAS 12, the part of the taxes collected on income and expected to be paid to the tax administration in the periods following the subsequent period are presented under this item.

### **2.4.34. Deferred Tax Liability**

This kind of tax refers to the income taxes to be paid in the following periods based on taxable temporary differences. "Deferred tax liability" item may not be used for non-taxable (continuous) amounts in terms of tax legislation.

The Group has no deferred tax liability as of the financial statement period.

## **KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

### **2.4.35. Other Short-term/Long-term Liabilities**

Short-term/ long-term liabilities, which are not shown under the abovementioned items such as inventory overages, other miscellaneous obligations and liabilities are given under this item.

### **2.4.36. Liabilities Regarding Group of Assets Held for Sale**

Liabilities regarding the groups to be disposed, which will be recovered by means of selling rather than sustained use of carrying amount, are presented under this item within the scope of TFRS 5.

Besides, liabilities regarding the groups to be disposed, which are classified with intent to distributed to the shareholders as per TFRS, are also presented under this item hereby as of the date distribution to shareholders is committed. In this case, the name of the item may be given in a manner to refer to these obligations.

The Group has no liability for the asset groups held for sale as of the financial statement period.

### **2.4.37. Equities**

Equities are the shares which are left behind after any and all obligations of the enterprise are deducted from the corporate assets. Contributed capital, share premiums, positive distinction from share capital adjustment, reserves on retained earnings, prior years' profits and losses and profit or loss for the financial year are presented under this item.

### **2.4.38. Positive Distinction from Share Capital Adjustment**

As of the financial statement period, there is no positive difference in capital adjustment of the Group.

### **2.4.39. Repurchased Shares (-)**

Within the scope of the paragraph 33 of the TAS 32, if a company purchases its own shares, purchase price of the said shares are deducted from equity and presented under "Repurchased Share (-)" item. In the case that shares are purchased by other parties under consolidation, purchased shares are still presented under this item but such amounts are presented under "capital adjustments due to cross-ownership" item as per TAS 32. Differences arising as a result of buying and selling of repurchased shares are not presented under profit or loss item.

As of the financial statement period, there is no positive difference in capital adjustment of the Group.

### **2.4.40. Capital Adjustments due to Cross-ownership (-)**

This item is used with intent to assure that the paid-in capital of the company is presented by the amount registered in the legal records and for the purpose of adjusting the amount of paid-in capital under an item other than the paid-in capital in the event that the shares of the company are purchased by the parties under consolidation.

The Group does not have any capital adjustments due to cross-ownership as of the financial statement period.

### **2.4.41. Share premiums /discounts**

In this item, amounts, which arise from capital movements such as shre premiums, nullified equity interests, profits of share sales of controlling partners and deemed to be a part of the capital are presented.

Negative differences occurring due to the difference between nominal value of shares issued under nominal value and issue price are presented separately in the disclosures.

### **2.4.42. Other Accumulated Comprehensive Income and Expenses which cannot be reclassified under Profit or Loss**

This item involves revaluation and measurement gains/losses (increases/decreases in tangible fixed assets revaluation, increases/decreases in intangible fixed assets revaluation, gains/losses on defined benefit plans re-measurement), which are defined as an item of other comprehensive income and reported directly as an item of equity in the period it appears and any circumstances as well as income items such as other gains and losses.

The Group has accumulated other comprehensive income/expenses arising from severance pay actuarial gains and losses not be reclassified to profit or loss.

### **2.4.43. Other Accumulated Comprehensive Income and Expenses which can be reclassified under profit or Loss**

This item involves foreign currency conversion differences, revaluation and classification gains/losses (revaluation and/or classification gains/losses of available-for-sale financial assets, shares to be classified under profit/loss out of the profit of other comprehensive income of investments valued by equity method), which is defined as an item of other comprehensive income (expenses) and reported directly as an item of equity in the period it appears and can be written-down to profit or loss later , hedging gains and losses (gains and losses for hedging against cash-flow and

## **KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

investment risk regarding companies located abroad), and comprehensive income (expense) items such as other gains/losses.

The Group does not have any other comprehensive income or expenses to be reclassified to profit or loss as of the financial statement period.

### **2.4.44. Reserves on Retained Earnings (Non-distributable reserves)**

These are the kind of reserves, which are retained due to obligations arising from the law and agreements or for certain purposes other than profit distribution (for example, in order to obtain tax advantage from earnings gained from sale of a subsidiary). These reserves shall be presented based on their amounts as specified in the legal records and differences occurring as a result of valuations conducted under TAS are associated with the profit/losses of the previous years.

### **2.4.45. Previous years' Profit/Loss**

Profit/loss accumulated except for net profit for the year are offset and presented under this item. Extraordinary reserves, which are accumulated profit/loss by nature, thus not constrained are considered as profit and presented under this item.

### **2.4.46. Cash Flow Statement**

The Group draws up cash flow statements in order to inform financial statement users about the changes that occur in the assets of the company, its financial structure and its ability to direct the amount and timing of cash flows according to the changing conditions. In a cash flow statement, cash flows related to a period are classified and reported based on operation, investment and financing activities.

Cash flows from operating activities show the cash flows which arise from the core activities of the Group. Cash flows related with investment activities show the cash flows which are used and obtained by the Group in its investment activities (tangible asset investments and financial investments). Cash flows related to financial activities show the resources used by the Group in its financial activities and the repayments related to such resources. Cash and cash equivalents consist of cash and checking account as well as short-term high-liquidity investments with a term of 3 months or less which can be easily cashed in.

### **2.4.47. Operating Activities**

Operating activities provide core earnings/proceeds for a company. Activities which are defined below and not under the scope of the investment and financial activities are also evaluated as core activities.

#### **Recording of Revenue / Proceeds**

Revenue are reflected in the financial statements over an amount which reflects the cost that the Group expects to qualify for the transfer of the goods or services it commits to its customers within scope "TAS 15 Revenue from Customer Contracts" standards.

For this purpose, a 5-step process is applied in the recognition of revenue in accordance with TFRS 15 provisions.

- Identification of contracts with customers
- Determination of separate performance criteria and obligations in the contract
- Determination of contract price
- Distribution of Sales Price to Liabilities
- Record revenue as contractual obligations are met

When the Group fulfills the performance obligations committed in the customer contracts in accordance with TFRS 15, in other words, when the control of the goods and services is transferred to the customer, the proceeds are taken to the financial statements. The Group records its performance obligations over time or at a certain time.

If the timing of the payments agreed by the parties of the contract provides an important financial benefit, when the transaction cost is determined, the adjustment is made according to the effect of the time value of the money.

In case the Group foresees that the period between the date of the transfer of the goods or services committed to the customer at the beginning of the contract and the date on which the customer pays the price of such goods or services will be one year or less, it doesn't make any adjustment for the effect of a significant financing component by choosing the facilitating practice.

Additional explanations are given below for some important income groups.

## **KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

### **Software Development Services**

Software development services that constitute the main activity of the Group consists of services given to customer by man-hour-based agreement, or or the projected software development services. The control of the software development services is transferred to the customer as the service is provided and the customer consumes the benefit from this action at the same time.

The stage of completion of the contract is determined based on the time spent and the revenue generated from contracts, working hours and direct expenses are accounted over contract fees as they occur. Revenue from such services is recognized on an accrual basis as spread over time in accordance with the principle of periodicity based on the service hours given in accordance with the contractual principles.

In short-term and one-time services, the Group enters the income into the financial statements "at a certain moment of time" when it is transferred to the customer.

### **2.4.48. General Administrative Expenses, Marketing Expenses, Research and Development Expenses**

Administrative expenses, marketing, sales and distribution expenses and research and development expenses, which are directly related with profit or loss within the scope of TAS 38- Intangible Fixed-Assets Standard are presented separately. The said expenses include depreciation and amortization costs as well as employee benefits.

(\*) The Group associates research expenses directly with the statement of profit or loss in the period in which they are incurred. According to the findings of the research, the expenditures made within the scope of a project to produce a new product, software or program are defined as development and the development expenditures are capitalized by moving to the future periods when the future realizable value is assured. In this context, while the other costs and the costs incurred for the personnel who are directly involved in the creation of the Project are capitalized, it is taken into account how much time each staff takes in research and development activities. The cost of personnel related to research activities is recorded as expense when realized.

### **2.4.49. Other Main Operating Income/Expenses**

Although not arising from core activities and excluded from income and expenses related to core activities, other real operating income/Expenses are earnings other than proceeds, losses unrelated to cost of sales, income and expenses related to the activities which are evaluated within the scope of core activities as not evaluated under scope of investment and financial activities.

### **2.4.50. Investment Activities**

Investment activities are related to acquisition and disposal of other investments, which are not presented under long-term assets and cash equivalents. The activities deemed to be under scope of investment activities are assessed under TAS 7.

Investing activities profit/loss are determined by means of deducting the income and expenses related to the same. Profit shares or loss shares, if any, related to the investments valued by equity method are either added to or deducted from the respective item.

In the case that investments valued by equity method are a part of the reporting entity, such item is reported under "Operating Activities Section".

### **2.4.51. Financial Income/ Financial Expenses**

Financing activities change the structure and amount of shareholders' equity and foreign funds. Activities under scope of financing activities are evaluated within framework of TAS 7.

In the event that outstanding interest accrues before acquisition of a security with interest; later- collected interest is classified under periods of pre-acquisition and post-acquisition and only shown in financial statements as income under post-acquisition.

Interests, which are charged to overdraft accounts and short-term and long-term borrowings, in case of foreign currency borrowings, provided these are considered as adjustments to interest costs, currency differences thereof shall be presented under financial expenses item.

### **2.4.52. Earnings per Share**

Net earnings per share are calculated by dividing the main shareholder's earnings or loss (numerator) the ordinary shareholders into the weighted average of number of ordinary shares (denominator) of the relevant period. In order to calculate the diluted earnings per share, the group adjusts the main shareholder's earnings or loss of the ordinary shareholders and number of weighted average shares based on the impacts of the dilutive potential ordinary shares.



## KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

### 2.4.53. Effects of Changes in Foreign Exchange Rates

Foreign exchange transactions are carried out by converting foreign currency into TL based on the foreign currency rate on the date of transaction. Foreign currencies, monetary assets and liabilities are converted into TL at the end of the period based on the currency rate which is valid on balance sheet date. The foreign exchange differences resulting from these types of operations are presented in the income statement/balance sheet.

Exchange rate details used by the group at the end of the period are as follows;

	<u>30.09.2020</u>	<u>31.12.2019</u>
USD	7,8080	5,9402
Euro	9,1281	6,6506
GBP	10,0309	7,7765
CHF	8,4413	6,0932
AED	2,1276	1,6193

### 2.4.54. Post-balance-sheet Events

Even though the post-balance sheet events emerge after the disclosure of any announcement regarding profit or other disclosure of other selected financial information, it covers all events between the date of the balance sheet and the authorization date for the publishing of the balance sheet. In the event that certain events require correction following the balance sheet date, the Group shall correct the amounts represented in the financial statements in accordance with the then current situation.

## 2.5. Important Accounting Evaluation, Estimation and Assumptions

The preparation of the financial statements requires using the estimates and assumptions which may affect the measurement of assets and liabilities reported as of the statement of financial position, disclosure of contingent assets and liabilities and income and expenses reported during the accounting period. Although these estimates and assumptions are based on the Group management's best knowledge of current events and transactions, actual results may differ from the assumptions.

## 2.6 Changes in Significant Accounting Policies

POA published the TFRS 16 "Leasing Transactions" standard in April 2018. The new standard eliminates the distinction between operating leasing and financial leasing, requiring many leases to be included in the balance sheet under a single model for companies that are tenants. Recognition for companies that are lessor has remained largely unchanged, and the difference between operating lease and financial leasing continues. TFRS 16 replaces the Interpretations regarding TAS 17 and TAS 17 and is valid for the annual accounting periods starting from 1 January 2019 and after.

## New and Amended Turkish Financial Reporting Standards

### a) *Amendments that are mandatorily effective from 2020*

Amendments to TFRS 3	<i>Definition of a Business</i>
Amendments to TAS 1 and TAS 8	<i>Definition of Material</i>
Amendments to TFRS 9, TAS 39 and TFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to TFRS 16	<i>COVID-19 Related Rent Concessions</i>
Amendments to Conceptual Framework	<i>Amendments to References to the Conceptual Framework in TFRSs</i>

### **Amendments to TFRS 3 Definition of a Business**

The definition of "business" is important because the accounting for the acquisition of an activity and asset group varies depending on whether the group is a business or only an asset group. The definition of "business" in TFRS 3 Business Combinations standard has been amended. With this change:

- By confirming that a business should include inputs and a process; clarified that the process should be essential and that the process and inputs should contribute significantly to the creation of outputs.
- The definition of a business has been simplified by focusing on the definition of goods and services offered to customers and other income from ordinary activities.
- An optional test has been added to facilitate the process of deciding whether a company acquired a business or a group of assets.

## **KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

### **BASIS OF CONSOLIDATED FINANCIAL STATEMENT PRESENTATION**

#### **Amendments to TAS 1 and TAS 8 Definition of Material**

The amendments in Definition of Material (Amendments to TAS 1 and TAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

#### **Amendments to TFRS 9, TAS 39 and TFRS 7 Interest Rate Benchmark Reform**

The amendments clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

#### **Amendments to TFRS 16 COVID-19 Related Rent Concessions**

The changes in COVID-19 Related Rent Concessions (Amendment to TFRS 16) brings practical expedient which allows a lessee to elect not to assess whether a COVID 19 related rent concession is a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID 19 and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 September 2021 (a rent concession would meet this condition if it results in reduced lease payments on or before 30 September 2021 and increased lease payments that extend beyond 30 September 2021); and
- there are no substantive changes to other terms and conditions of the lease.

The amendment is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

KGK has made changes on TFRS 16 Lease Liabilities standard regarding to rent concessions given to lessees due to Covid-19 pandemic on June 5, 2020. The lessees who take advantage of these rent concessions should recognize any change in rent payment according to current sentences of the standard same as applied for as unchanged in lease liabilities.

The Group has decided to not to take any advantage of rent concessions mentioned above. So, no assessment has been made by the Group whether if there is any change in rent conditions or not.

#### **Amendments to References to the Conceptual Framework in TFRS**

The references to the Conceptual Framework revised the related paragraphs in TFRS 2, TFRS 3, TFRS 6, TFRS 14, TAS 1, TAS 8, TAS 34, TAS 37, TAS 38, TFRS Interpretation 12, TFRS Interpretation 19, TFRS Interpretation 20, TFRS Interpretation 22, and SIC-32. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

#### **b) New and revised TFRSs in issue but not yet effective**

The Group has not yet adopted the following standards and amendments and interpretations to the existing standards:

TFRS 17	<i>Insurance Contracts</i>
Amendments to TAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to TFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to TAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to TAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to TFRS Standards	Amendments to TFRS 1, TFRS 9 and TAS 41 2018-2020

#### **TFRS 17 Insurance Contracts**

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2021.

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

**Amendments to TAS 1 Classification of Liabilities as Current or Non-Current**

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2022 and earlier application is permitted.

**Amendments to TFRS 3 Reference to the Conceptual Framework**

The amendments update an outdated reference to the Conceptual Framework in TFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

**Amendments to TAS 16 Proceeds before Intended Use**

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling 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 the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

**Amendments to TAS 37 Onerous Contracts – Cost of Fulfilling a Contract**

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments published today are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

**Annual Improvements to TFRS Standards 2018-2020 Cycle****Amendments to TFRS 1 First time adoption of International Financial Reporting Standards**

The amendment permits a subsidiary that applies paragraph D16(a) of TFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to TFRSs.

**Amendments to TFRS 9 Financial Instruments**

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

**Estimation Uncertainty**

For the condensed consolidated interim financial statements, as of September 30, 2020, Group management has to make key assumptions concerning the future and other key sources of estimation uncertainty on the balance sheet date that have significant risks of causing a material adjustment to the carrying amounts of assets and liabilities in the preparation of condensed consolidated financial statements. Actual results can be different from estimations. These estimations are reviewed at each balance sheet date; required corrections are made and reflected in the results of operations of the related period. The key assumptions concerning the future and other key resources of estimation at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and the significant judgments (apart from those involving estimations) with the most significant effect on amounts recognized in the financial statements are consistent with the assumptions and estimations made for the year ended December 31, 2019, except for the necessary considerations made for income taxes.

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020  
(All amounts are expressed in Turkish Lira ("TL"))

**NOTE 3 –RELATED PARTY DISCLOSURES****Transactions with Related Parties****A- Receivables and Payables****Receivables****a- Trade Receivables / Short-Term**

<b>Name-Surname/Title</b>	<b>Type of Partnership</b>	<b>30.09.2020</b>	<b>31.12.2019</b>
Beqom Labs Bilgi Teknolojileri A.Ş.	Related Company	-	46.514
Beqom Sa	Related Company	-	2.766.023
Beqom Services	Related Company	-	89.636
Netsite İletişim ve Elekt. Sist. San. ve Tic. A.Ş	Related Company	-	283.794
Intra Net Bilgi Sistemleri Ltd.Şti.	Related Company	1.378	85.078
Expected Losses	-	-	(69.846)
<b>Total</b>		<b>1.378</b>	<b>3.201.199</b>

In the current period, Beqom Labs Bilgi Teknolojileri Hizmetleri A.Ş. , Beqom Sa, Excentive Beqom Sa and Beqom Services lost their qualifications as related parties. The current period balances of these companies are not shown in this section.

**b. Other Receivables/Short-Term**

<b>Name-Surname/Title</b>	<b>Type of Partnership</b>	<b>30.09.2020</b>	<b>31.12.2019</b>
Receivables from Employee	Related Person	91.187	58.619
Receivables from US Branch	Branch	505.262	384.395
<b>Total</b>		<b>596.449</b>	<b>443.014</b>

The Group does not have other long-term receivables from related parties. (December 31, 2019 - None.)

**c. Prepaid Expenses / Short Term**

<b>Name-Surname/Title</b>	<b>Type of Partnership</b>	<b>30.09.2020</b>	<b>31.12.2019</b>
Excentive Beqom Sa	Related Company	-	32.295
Employee Advances	Related Person	233.982	279.455
Netsite İletişim ve Elekt. Sist. San. ve Tic. A.Ş	Related Company	-	6.014
KTEC Yazılım Teknolojileri Yatırım A.Ş.	Related Company	8.951	-
Intra Net Bilgi Sistemleri Ltd.Şti.	Related Company	420.504	420.504
<b>Total</b>		<b>663.437</b>	<b>738.268</b>

In the current period, Beqom Labs Bilgi Teknolojileri Hizmetleri A.Ş. , Beqom Sa, Excentive Beqom Sa and Beqom Services lost their qualifications as related parties. The current period balances of these companies are not shown in this section.

**d- Prepaid Expenses / Long Term**

<b>Name-Surname/Title</b>	<b>Type of Partnership</b>	<b>30.09.2020</b>	<b>31.12.2019</b>
Netsite İletişim ve Elekt. Sist. San. ve Tic. A.Ş	Related Company	-	7.517

**Payables****a- Trade Payables**

The Group does not have any short / long term trade payables from related parties. (December 31, 2019 - None.)

**b- Other Payables / Short -Term**

The Group does not have any short / long term other payables from related parties. (December 31, 2019 - None.)

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

**c- Lease Payables / Short-Long Term****-Short-Term**

<b>Name-Surname/Title</b>	<b>Type of Partnership</b>	<b>30.09.2020</b>	<b>31.12.2019</b>
Ali Cem Kalyoncu	Shareholder	117.631	82.767
Neval Önen	Related Person	64.891	51.470
<b>Total</b>		<b>182.522</b>	<b>134.237</b>

**-Long-Term**

<b>Name-Surname/Title</b>	<b>Type of Partnership</b>	<b>30.09.2020</b>	<b>31.12.2019</b>
Ali Cem Kalyoncu	Shareholder	473.018	567.091
Neval Önen	Related Person	59.481	109.518
<b>Total</b>		<b>532.499</b>	<b>676.609</b>

**B-Service Purchase and Sale****a- Purchases from Related Parties****Service Purchases**

<b>Name-Surname/Title</b>	<b>Type of Partnership</b>	<b>01.01.2020</b>	<b>01.01.2019</b>
		<b>30.09.2020</b>	<b>30.09.2019</b>
Netsite İletişim ve Elekt. Sist. San. ve Tic. A.Ş	Related Company	3.007	27.202
Beqom Labs Bilgi Teknolojileri Hizmetleri A.Ş.	Related Company	-	22.812
Beqom Sa	Related Company	-	225.310
Excentive Beqom Sa	Related Company	-	274.829
<b>Total</b>		<b>3.007</b>	<b>550.153</b>

**Lease(TFRS 16 Effect Included)**

<b>Name-Surname/Title</b>	<b>Type of Partnership</b>	<b>01.01.2020</b>	<b>01.01.2019</b>
		<b>30.09.2020</b>	<b>30.09.2019</b>
Ali Cem Kalyoncu	Shareholder	166.990	89.851
Neval Önen	Related Person	59.334	21.600
<b>Total</b>		<b>226.324</b>	<b>111.451</b>

**Other (Fixture Purchase)**

<b>Name-Surname/Title</b>	<b>Type of Partnership</b>	<b>01.01.2020</b>	<b>01.01.2019</b>
		<b>30.09.2020</b>	<b>30.09.2019</b>
Netsite İletişim ve Elekt. Sist. San. ve Tic. A.Ş	Related Company	505.634	7.000

**b- Sales to Related Parties****Service Sales**

<b>Name-Surname/Title</b>	<b>Type of Partnership</b>	<b>01.01.2020</b>	<b>01.01.2019</b>
		<b>30.09.2020</b>	<b>30.09.2019</b>
Beqom Sa	Related Company	-	1.860.033
Beqom Services	Related Company	-	618.750
Beqom Labs Bilgi Teknolojileri Hizmetleri A.Ş.	Related Company	-	400
KTEC Yazılım Teknolojileri Yatırım A.Ş.	Related Company	-	127
<b>Total</b>		<b>-</b>	<b>2.479.310</b>

In the current period, Beqom Labs Bilgi Teknolojileri Hizmetleri A.Ş. , Beqom Sa, Excentive Beqom Sa, Beqom Services Alper Utkan Şanda and Nurettin Şendoğan lost their qualifications as related parties. The current period balances of these companies are not shown in this section.

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

**Interest**

<b>Name-Surname/Title</b>	<b>Type of Partnership</b>	<b>01.01.2020</b>	<b>01.01.2019</b>
		<b>30.09.2020</b>	<b>30.09.2019</b>
Kenan Subekçi	İlişkili Kişi	-	70.521
Ali Cem Kalyoncu	Ortak	16.435	-

<b>Name-Surname/Title</b>	<b>Type of Partnership</b>	<b>01.01.2020</b>	<b>01.01.2019</b>
		<b>30.09.2020</b>	<b>30.09.2019</b>
Kenan Subekçi	Related Person	-	70.521
Ali Cem Kalyoncu	Shareholder	16.435	-

**Other**

<b>Name-Surname/Title</b>	<b>Type of Partnership</b>	<b>01.01.2020</b>	<b>01.01.2019</b>
		<b>30.09.2020</b>	<b>30.09.2019</b>
Serkan Karahanoğlu	Related Person	189.823	-

**C-Information on Mortgages, Guarantees, Commitments and Guarantees Granted to / Received by Related Persons- Organisations**

There are no mortgages, guarantees, commitments and sureties granted to or received by related persons and organisations. (31 December 2019: None)

**D- Remuneration and Similar Benefits to the Chairman of board, Members of the board, General Manager and Deputy managers**

The Group's senior management team consists of the members of the board of directors and the Chairman of board of Directors, as well as the executives at the level of the General Manager. Benefits provided to senior executives include benefits such as remuneration and premiums. The benefits provided to senior executives during the period are as follows:

	<b>01.01.2020</b>	<b>01.01.2019</b>
	<b>30.09.2020</b>	<b>30.09.2019</b>
Chairman and Members of the Board of Directors	2.180.004	2.908.737

**E-Collateralized Receivables and Payables from Related Parties and conditions of maturity**

There are no receivables and payables related to mortgages and collaterals from related parties. (December 31, 2019 - None)

**F-Doubtful Provision Amounts reserved Due to Receivables from Related Organisations**

There is no doubtful provision reserved due to receivables from related organisations. (December 31, 2019 - None)

**NOTE 4 – CASH AND CASH EQUIVALENTS**

	<b>30.09.2020</b>	<b>31.12.2019</b>
Cash	19.579	16.632
Banks	96.696.789	27.130.162
- Term Deposit(*)	65.701.914	16.602.539
- Demand deposits	30.994.875	10.527.623
<b>Total</b>	<b>96.716.368</b>	<b>27.146.794</b>

The Group has no blocked deposits as of September 30, 2020. (December 31, 2019 - None.)

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020  
(All amounts are expressed in Turkish Lira ("TL"))

\* Maturity Short-term deposits within 3 months is as follows:

<b>30.09.2020</b>			
<b>Currency</b>	<b>Interest Rate</b>	<b>Currency Amount</b>	<b>TL Equivalent</b>
TL	6,75%-12,85%	59.927.804	59.927.804
USD	0,01%	739.512	5.774.110
<b>Total</b>			<b>65.701.914</b>

<b>31.12.2019</b>			
<b>Currency</b>	<b>Interest Rate</b>	<b>Currency Amount</b>	<b>TL Equivalent</b>
TL	8,00-10,00%	11.660.854	11.660.854
USD	0,5-2,00%	701.286	4.165.779
EURO	0,01	116.667	775.906
<b>Total</b>			<b>16.602.539</b>

**NOT 5- FINANCIAL LIABILITIES****- Short-Term Borrowings****a) Short-Term Borrowings from Unrelated Parties**

	<b>Currency</b>	<b>30.09.2020</b>	<b>31.12.2019</b>
Bank Credits(*)	TL	250.000	265.974

(\*) As of 30 September 2020, 250.000 TL of the loan borrowed by the Company, which consists of revolving credit, is related with bank borrowings reported in short-term borrowings from unrelated parties, and since interest payments are made on a quarterly basis, no interest is accrued. (As of 31 December 2019, 250.000 TL of the loan borrowed by the Company, which consists of revolving credit, is related with bank borrowings reported in short-term borrowings from unrelated parties, and since interest payments are made on a quarterly basis, no interest is accrued. 15.974 TL is a Kosgep loan, and when there is an interest-free loan, there is no processed interest.)

**b) Short-Term Portions of Long-Term Borrowings From Unrelated Parties**

<b>Bank Credits</b>	<b>Currency</b>	<b>Interest Rate</b>	<b>TL Amount</b>	<b>Accued Interest</b>	<b>Total</b>
30 September 2020	TL	%7,5 - %20,65	4.597.775	220.524	4.818.299
31 December 2019	TL	%13,12-%23,65	1.206.476	8.504	1.214.980

**c) Lease Payables / From Unrelated Parties**

	<b>Interest Rate</b>	<b>30.09.2020</b>	<b>31.12.2019</b>
Short Term Lease Obligation From Unrelated Parties	%12,51-18,75	2.227.551	2.320.953

**d) Lease Payables / From Related Parties**

	<b>Interest Rate</b>	<b>30.09.2020</b>	<b>31.12.2019</b>
Short Term Lease Obligation From Related Parties	%12,51-18,75	182.522	134.237

**e) Other Financial Liabilities**

	<b>30.09.2020</b>	<b>31.12.2019</b>
Credit Card Debts	14.245	51.805

**- Long Term Borrowings****a) Long Term Borrowings from Unrelated Parties**

	<b>Currency</b>	<b>Interest Rate</b>	<b>TL Amount</b>
<b>Bank Credits</b>			
30 September 2020	TL	%7,5 - %20,65	8.453.606

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020  
(All amounts are expressed in Turkish Lira ("TL"))

31 December 2019 TL %13,12-%20,65 799.301

**b) Lease Payables / From Unrelated Parties**

	<b>Interest Rate</b>	<b>30.09.2020</b>	<b>31.12.2019</b>
Long Term Lease Obligation From Unrelated Parties	%12,51-18,75	808.706	2.636.422

**c) Lease Payables / From Related Parties**

	<b>Interest Rate</b>	<b>30.09.2020</b>	<b>31.12.2019</b>
Long Term Lease Obligation From Related Parties	%12,51-18,75	532.499	676.609

As of 30 September 2020 and 31 December 2019, the maturity of debts arising from bank credits are as follows:

<b>Bank Credits and Lease Obligations</b>	<b>30.09.2020</b>	<b>31.12.2019</b>
0-1 year	7.478.372	3.936.144
1-5 year	9.794.811	4.112.332
<b>Total</b>	<b>17.273.183</b>	<b>8.048.476</b>

**NOTE 6 – TRADE RECEIVABLES AND PAYABLES**

<b>a- Short term- Trade Receivables</b>	<b>30.09.2020</b>	<b>31.12.2019</b>
Trade Receivables	40.216.514	34.521.903
<i>Trade Receivables from Unrelated Parties</i>	40.215.136	31.250.858
<i>Trade Receivables from Related Parties</i>	1.378	3.271.045
Notes Receivable	-	145.828
Doubtful Trade Receivables	798.537	873.494
<i>Doubtful Trade Receivables from Unrelated Parties</i>	798.537	873.494
Provision for Doubtful Trade Receivables(-)	(798.537)	(873.494)
<i>Provision for Doubtful Trade Receivables from Related Parties(-)</i>	(798.537)	(873.494)
Expected Losses (-)	(636.609)	(460.915)
<i>Provisions for Expected Losses from Unrelated Parties</i>	(636.609)	(391.069)
<i>Provisions for Expected Losses from Related Parties</i>	-	(69.846)
<b>Total</b>	<b>39.579.905</b>	<b>34.206.816</b>

Transactions regarding the Group's receivables that are overdue and provision for doubtful receivables are as follows:

	<b>30.09.2020</b>	<b>31.12.2019</b>
Opening Balance	873.494	495.887
<i>Opening Balance of Subsidiary</i>		1.078
Collected Receivables	(74.957)	(349.668)
<i>Provision for Current Period</i>		726.197
<b>Total</b>	<b>798.537</b>	<b>873.494</b>

As of September 30, 2020, the average maturity of trade receivables is 33 days (December 31, 2019 - 34 days).

There are no letters of guarantee and mortgages received for trade receivables.

**b-Long-Term Trade Receivables**

The Group does not have any long-term trade receivables as of the balance sheet date. (December 31, 2019 - None.)



**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020  
(All amounts are expressed in Turkish Lira ("TL"))

**Trade Payables:**

The details of the Group's trade debts as of the balance sheet date are as follows:

<b>a-Short term Trade payables:</b>	<b>30.09.2020</b>	<b>31.12.2019</b>
Suppliers	12.806.226	3.713.763
- Trade Payables to Unrelated Parties	12.806.226	3.713.763
Debt Securities	-	1.970.593
Non-related party debt securities	-	1.970.593
Other Trade Payables	2.417	8.501
- Other Trade Payables to Unrelated Parties	2.417	8.501
<b>Total</b>	<b>12.808.643</b>	<b>5.692.857</b>

Maturity information of the receivables with notes is given below

<b>Maturity</b>	<b>30.09.2020</b>	<b>31.12.2019</b>
1-30 days	-	1.497.293
1-3 months	-	473.300
<b>Total</b>	<b>-</b>	<b>1.970.593</b>

**b-Long-term Trade Payables**

The Group does not have any long-term trade payables as of the balance sheet date. (December 31, 2019 - None.)

As of September 30, 2020, the average maturity of trade payables is 32 days (December 31, 2019 - 34 days).

**NOTE-7 RECEIVABLES AND LIABILITIES ARISING FROM CUSTOMER CONTRACTS**

<b>a- Short Term Receivables Arising From Customer Contracts</b>	<b>30.09.2020</b>	<b>31.12.2019</b>
Contract Assets Arising from Sales of Goods and Services (*)	13.586.161	9.603.624

(\*) Contract Assets Arising from Sales of Goods and Services consist of revenues accrued depending on the time spent by the personnel within a certain service contract in projects where the Group is a service provider, but not yet invoiced to the customer.

**b- Long Term Receivables Arising From Customer Contracts**

The Group has no receivables arising from long-term customer contracts as of the balance sheet date. (December 31, 2019 - None.)

<b>c- Short Term Liabilities Arising From Customer Contracts</b>	<b>30.09.2020</b>	<b>31.12.2019</b>
Contract Liabilities Arising from Sales of Goods and Services (**)	1.712.785	1.742.234

<b>d- Long Term Liabilities Arising From Customer Contracts</b>	<b>30.09.2020</b>	<b>31.12.2019</b>
Contract Liabilities Arising from Sales of Goods and Services (**)	329.710	572.934

(\*\*) Contractual Obligations Arising from the Sale of Goods and Services consist of the income that the Group will earn from the transactions that have been invoiced to the customer within the scope of the customer contracts but the service will take place in the following periods.

**NOTE 8 - LIABILITIES UNDER EMPLOYEE BENEFITS**

	<b>30.09.2020</b>	<b>31.12.2019</b>
Payables to Personnel	1.134.582	984.664
Taxes, Fees and Deductions Payable	309.081	459.135
SSI Payable Payable	1.826.311	1.540.108
<b>Total</b>	<b>3.269.974</b>	<b>2.983.907</b>

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

**NOTE-9 TANGIBLE FIXED ASSETS**

Movements in tangible fixed assets and related accumulated depreciation for the period ended 30 September 2020 and 31 December 2019 are as follows:

<b>Cost Value</b>	<b>01.01.2020</b>	<b>Purchases</b>	<b>Sales (-)</b>	<b>30.09.2020</b>
Vehicles	614.664		(357.569)	257.095
Furniture and Fixtures	3.542.178	1.746.936	(21.375)	5.267.739
Special Cost	676.726			676.726
<b>Total</b>	<b>4.833.568</b>	<b>1.746.936</b>	<b>(378.944)</b>	<b>6.201.560</b>

<b>Accumulated Depr.Value</b>	<b>01.01.2020</b>	<b>Period Expense</b>	<b>Sales (-)</b>	<b>30.09.2020</b>
Vehicles	345.952	10.624	(150.900)	205.676
Furniture and Fixtures	2.108.346	577.167	(3.163)	2.682.350
Special Cost	309.757	119.264		429.021
<b>Total</b>	<b>2.764.055</b>	<b>707.055</b>	<b>(154.063)</b>	<b>3.317.047</b>

<b>Net Book Value</b>	<b>01.01.2020</b>	<b>30.09.2020</b>
Vehicles	268.712	51.419
Furniture and Fixtures	1.433.832	2.585.389
Special Cost	366.969	247.705
<b>Total</b>	<b>2.069.513</b>	<b>2.884.513</b>

<b>Cost Value</b>	<b>01.01.2019</b>	<b>Opening Balance of Subsidiary</b>	<b>Purchases</b>	<b>Sales (-)</b>	<b>31.12.2019</b>
Vehicles	614.664	-	-	-	614.664
Furniture and Fixtures	2.624.338	126.099	812.496	(20.755)	3.542.178
Special Cost	309.833	-	366.893	-	676.726
<b>Total</b>	<b>3.548.835</b>	<b>126.099</b>	<b>1.179.389</b>	<b>(20.755)</b>	<b>4.833.568</b>

<b>Accumulated Depr.Value</b>	<b>01.01.2019</b>	<b>Opening Balance of Subsidiary</b>	<b>Period Expense</b>	<b>Sales (-)</b>	<b>31.12.2019</b>
Vehicles	316.897	-	29.055	-	345.952
Furniture and Fixtures	1.531.987	58.306	537.787	(19.734)	2.108.346
Special Cost	224.652	-	85.105	-	309.757
<b>Total</b>	<b>2.073.536</b>	<b>58.306</b>	<b>651.947</b>	<b>(19.734)</b>	<b>2.764.055</b>

<b>Net Book Value</b>	<b>31.12.2018</b>	<b>31.12.2019</b>
Vehicles	297.767	268.712
Furniture and Fixtures	1.092.351	1.433.832
Special Cost	85.181	366.969
<b>Total</b>	<b>1.475.299</b>	<b>2.069.513</b>

**Pledges and Mortgages on Assets**

There are no pledges or mortgages on the tangible fixed assets detailed above. (31.12.2019-None.)

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

**NOTE 10- INTANGIBLE ASSETS****-GOODWILL**

As of September 30, 2020 and December 31, 2019, Movements of Other Intangible Assets are as follows:

	<b>30.09.2020</b>	<b>31.12.2019</b>
Goodwill	11.870.314	26.292.242

30.09.2020

- A portion of TL 1.576.216 (31.12.2019-15.997.714 TL) of the 11.870.744 TL (31.12.2019-26.292.242 TL) in the goodwill account to the goodwill arising during the acquisition of Smartiks Yazılım A.Ş., 10.294.528 TL (10.294.528 TL) part belongs to the goodwill arising from Smartiks Yazılım A.Ş.'s acquisition of Compello A.Ş.

Kafein Yazılım Hizmetleri A.Ş.; realized a total of 9.770.000 sales transactions on 25.06.2020 and 26.06.2020 from the shares of Smartiks Yazılım A.Ş. The necessary adjustments were made in the goodwill account that arose during the purchase of these shares and as a result of these transactions, the goodwill account was reduced to TL 11.870.314.

31.12.2019

- During the purchase of 51% of Smartiks Yazılım A.Ş.'s shares on 16.05.2018, the difference arising from the fact that the purchase price is more than the nominal share value has been shown in the goodwill account and 15.997.714 TL has been classified as Intangible Fixed Asset.

-Smartiks Yazılım has decided to purchase 3.000.000 shares (100%) of Compello with a paid-up capital of 3.000.000 TL for a price of 13.940.000 TL. Of the total 3,000,000 shares, 100,000 are Group A shares, 100,000 are Group B shares and 2,700,000 are Group C shares.

During the acquisition of the shares of Compello Bilgi Teknolojileri ve Ticaret A.Ş., the difference arising due to the fact that the purchase price exceeds the nominal share value has been shown in the goodwill account, and TL 10.294.528 has been classified as Intangible Fixed Asset.

**As of 30.09.2020 and 31.12.2019, Other Intangible Asset Movements are as follows:**

<b>Cost Value</b>	<b>01.01.2020</b>	<b>Purchases</b>	<b>Sales (-)</b>	<b>Impairment (-)</b>	<b>30.09.2020</b>
Computer Software	94.523	6.700	-	-	101.223
Brands	750.000	-	-	-	750.000
Capitalized Development Costs	69.703.906	18.156.544	(340.680)	(2.350.726)	85.169.044
Other Intangible Fixed Assets	4.965	-	-	-	4.965
<b>Total</b>	<b>70.553.394</b>	<b>18.163.244</b>	<b>(340.680)</b>	<b>(2.350.726)</b>	<b>86.025.232</b>

<b>Accumulated Depr.Value</b>	<b>01.01.2020</b>	<b>Period Expense</b>	<b>Sales (-)</b>	<b>Impairment (-)</b>	<b>30.09.2020</b>
Computer Software	65.140	14.340	-	-	79.480
Brands	123.611	37.500	-	-	161.111
Capitalized Development Costs	22.057.834	9.922.696	(329.335)	(1.254.477)	30.396.718
Other Intangible Fixed Assets	3.884	286	-	-	4.170
<b>Total</b>	<b>22.250.469</b>	<b>9.974.822</b>	<b>(329.335)</b>	<b>(1.254.477)</b>	<b>30.641.479</b>

<b>Net Book Value</b>	<b>01.01.2020</b>	<b>30.09.2020</b>
Computer Software	29.383	21.743
Brands	626.389	588.889
Capitalized Development Costs	47.646.072	54.772.326
Other Intangible Fixed Assets	1.081	795
<b>Total</b>	<b>48.302.925</b>	<b>55.383.753</b>

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

<b>Cost Value</b>	<b>01.01.2019</b>	<b>Opening Balance of Subsidiary</b>	<b>Purchases</b>	<b>Impairment</b>	<b>31.12.2019</b>
Computer Software	82.536	10.533	1.454	-	94.523
Brands	-	750.000	-	-	750.000
Capitalized Development Costs	45.424.856	1.502.176	22.920.254	(143.380)	69.703.906
Other Intangible Fixed Assets	4.965	-	-	-	4.965
<b>Total</b>	<b>45.512.357</b>	<b>2.262.709</b>	<b>22.921.708</b>	<b>(143.380)</b>	<b>70.553.394</b>

<b>Accumulated Depr.Value</b>	<b>01.01.2019</b>	<b>Opening Balance of Subsidiary</b>	<b>Period Expense</b>	<b>31.12.2019</b>
Computer Software	45.772	1.469	17.899	65.140
Brands	-	73.611	50.000	123.611
Capitalized Development Costs	12.476.170	49.867	9.531.797	22.057.834
Other Intangible Fixed Assets	3.502	-	382	3.884
<b>Total</b>	<b>12.525.444</b>	<b>124.947</b>	<b>9.600.078</b>	<b>22.250.469</b>

<b>Net Book Value</b>	<b>31.12.2018</b>	<b>31.12.2019</b>
Computer Software	36.764	29.383
Brands	-	626.389
Capitalized Development Costs	32.948.686	47.646.072
Other Intangible Fixed Assets	1.463	1.081
<b>Total</b>	<b>32.986.913</b>	<b>48.302.925</b>

**NOTE 11 – RIGHT-OF-USE ASSETS**

The balance of the right of use assets as of 30 September 2020 and 31 December 2019 and the depreciation and amortization expenses for the relevant period are as follows;

<b>Net Value</b>	<b>01.01.2020</b>	<b>Purchases</b>	<b>Depreciation(-)</b>	<b>30.09.2020</b>
Building Rental Expense	3.115.988	-	(1.208.974)	1.907.014
Vehicle Rental Expense	2.421.643	375.143	(1.239.728)	1.557.058
<b>Total</b>	<b>5.537.631</b>	<b>375.143</b>	<b>(2.448.702)</b>	<b>3.464.072</b>

<b>Net Value</b>	<b>Opening Balance of Subsidiary</b>	<b>Purchases</b>	<b>Depreciation(-)</b>	<b>31.12.2019</b>
Building Rental Expense	130.958	4.578.574	(1.593.544)	3.115.988
Vehicle Rental Expense	143.006	3.654.341	(1.375.704)	2.421.643
<b>Total</b>	<b>273.964</b>	<b>8.232.915</b>	<b>(2.969.248)</b>	<b>5.537.631</b>

**NOTE 12 – EQUITY****a-Paid-In-Capital**

The issued capital structure of the company on 30 September 2020 and 31 December 2019 is as follows:

<b>Shareholders</b>	<b>30.09.2020</b>		<b>31.12.2019</b>	
	<b>Share Ratio %</b>	<b>Share Amount</b>	<b>Share Ratio %</b>	<b>Share Amount</b>
Ali Cem Kalyoncu	25	4.938.382	24,65	4.868.382
Other(Public Shares)	75	14.811.618	75,35	14.881.618
<b>Paid-in Capital</b>	<b>100</b>	<b>19.750.000</b>	<b>100</b>	<b>19.750.000</b>

The Group has adopted the registered capital system in accordance with the provisions of the Capital Market Law No. 6362 and has entered the registered capital system with the permission of the Capital Markets Board dated 30.06.2016 and numbered 21/729. The registered capital ceiling of the Group is TL 50.000.000 and is divided into 50.000.000 shares, each with a nominal value of 1 (one) Turkish Lira. The registered capital ceiling permission given by the Capital Markets Board is valid for the years 2016-2020 (5 years).

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

The issued capital of the company which has registered capital ceiling corresponding to TL 50.000.000, has been increased from TL 11.000.000 to TL 18.000.000, and the group C bearer shares, which are increased by 7.000.000 each with nominal value of 1 TL, were offered to public by "trading at stock Exchange" method by means of fully restricting pre-emptive rights of shareholders.

Shares with a nominal value of TL 1.750.000 corresponding to 25% of the shares with a nominal value of TL 7.000.000, which was offered to public, were made available for sale under Article 9 of the Capital Market Board's Communiqué VII-128.1. On June 05, 2018. On 5 June, 2018, the sale of the said shares with nominal value of TL 850.000, and the shares with nominal value of TL 900.000 were sold on 27 August 2018.

The Group's share capital on 30 September 2020 consists of 19.750.000 shares (31 December 2019: 19.750.000 shares). The nominal value of the shares is 1 TL per share (31 December 2019: 1 TL per share). All shares issued were paid in cash.

The issued capital of the Group is TL 19.750.000 and the issued capital has been paid completely free of collusion. This capital is divided into 19.750.000 shares with a nominal value of 1 TL each. These shares are divided into group (A), (B) and (C) shares with the same nominal values. Group (A) and (B) shares are registered shares and the transfer of these shares is subject to the approval by the Board of Directors decision. Group (C) shares are bearer shares and these shares may be transferred freely and without any restrictions. Group (A) and (B) shares have the privilege of being in the board or nominated as candidate by the board of directors. Group (C) shares are not granted any privilege. At the ordinary and extraordinary general assembly meetings of the Group, each (A) and (B) group shareholder has 15 (fifteen) voting right, and each (C) group shareholder has 1 (one) votign right, except for the election of the members of the board of directors.

Name & Surname of Shareholder	Number of Share	Share Group	Capital ,TL
Ali Cem Kalyoncu	183.333	A	183.333
Ali Cem Kalyoncu	183.333	B	183.333
Ali Cem Kalyoncu	4.571.716	C	4.571.716
Other	14.811.618	C	14.811.618
<b>Total</b>	<b>19.750.000</b>		<b>19.750.000</b>

When increasing capital, in order to represent the increased capital, Group (A) shares in the ratio of Group (A) shares, Group (B) shares in the ratio of Group (B) shares, Group (C) shares in the ratio of Group (C) shares will be issued. In accordance with the provisions of the Capital Market Legislation, the Board of Directors is authorized to increase the issued capital by issuing new shares up to the registered capital ceiling, to restrict the rights of the privileged shareholders and to limit the right of the shareholders to buy new shares and to issue a decision on issuance of shares under the premiums tock value l or nominal value. The right to restrict the right to buy new shares cannot be used in a way that causes inequality among the shareholders.

**b-Share Premiums (Discounts)**

	30.09.2020	31.12.2019
Share Premiums	31.066.576	35.421.880

**c-Defined Benefit Plans Remeasurement Gains / Losses**

The amendments made on TAS 19 change the recognition of defined benefit plans and severance payment. The most significant one is related to the recognition of defined benefit liabilities and plan assets. In case of amendments resulting in changes in defined benefit liabilities and the fair values of defined benefit plan assets, these changes have to be recorded, then ruling out the corridor method which was allowed in the previous version of TAS 19 and, in turn, quickening the record of the past service costs. In order to enable the amendments to reflect the exact value of the plan deficit or surplus of the net pension asset or liability to be presented in the statements of financial position, all actuarial gains and losses should be instantly recognized under the items of other comprehensive incomes. In addition to that, instead of the estimated returns to be received from the plan assets referred in the previous issue of TAS 19 and the interest expense regarding the plan assets, 'a net interest' amount which was calculated as a result of a discount rate applied to defined net benefit liability or asset.

Within this framework, the Group has calculated the actuarial gains/losses in the defined benefit plans regarding its employees and presented them in the financial statements.

	30.09.2020	31.12.2019
Opening Balance	(416.870)	(333.187)
Defined Benefit Plans Remeasurement Gains / Losses	516.392	(178.287)
Deferred Tax Expense / Income	(113.606)	39.223
Minority share	(130.834)	55.381
<b>Net Actuarial Gains / Losses</b>	<b>(144.918)</b>	<b>(416.870)</b>

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

**d- Restrained Reserves from Profit**

According to the Turkish Commercial Code, legal reserves are divided into two groups as primary legal reserves and secondary legal reserves. Primary legal reserves are allocated as 5% of the legal net profit until 20% of the paid capital of company is achieved. As for the secondary legal reserves, they are 10% of the profit distributed which exceeds the 5% of the paid capital. According to the Turkish Commercial Code, if the general legal reserve does not exceed half of the capital or the issued capital, it may be used only to close the losses, to continue the business when the work is not going well or to prevent unemployment and to take measures to mitigate the results. Otherwise it is not possible to use it in any way.

	<b>30.09.2020</b>	<b>31.12.2019</b>
Legal Reserves	2.434.827	1.901.265
Real Estate Sales Earnings to be Added to Capital (*)	544.262	544.262
<b>Total</b>	<b>2.979.089</b>	<b>2.445.527</b>

(\*)The Company sold its property, which it purchased in 2014, in 2017, and generated TL 725.683 of revenue from this sale. 75% of the mentioned income corresponding to 544.262 TL has been deducted from the corporate income in the determination of corporate tax base by benefitting from the provision of article 5/1e of the corporate tax law no. 5520.

The Group holds 544.262 TL, which is the part of the profit that is benefited from the exception, in a special fund account in the liabilities until the end of the fifth year following the year in which the sale is made.

**e- Previous Year Profits / Losses**

Retained earnings other than the net profit for the period and accumulated losses are shown in this item. The extraordinary reserves that are retained by the nature of their accumulated profit and are therefore not restricted, are also recognized as retained earnings.

	<b>30.09.2020</b>	<b>31.12.2019</b>
Extraordinary Reserves	260.974	260.974
Previous Years' Profits	66.371.066	15.285.851
<b>Previous Year Profits / Losses</b>	<b>66.632.040</b>	<b>15.546.825</b>

As stated in Note.2.4.1, the Group accounts the profit or loss arising from the sale or purchase transactions, in which the control over the controlling interests is not changed, directly in equity. In this context, the profit generated during the sale of 9.770.000 pieces of Smatiks Yazılım A.Ş., which is under the control of the Company, on 25.06.2020 and 26.06.2020, and the purchase price of 982.500 shares on 08.07.2020 were accounted for under equity. With the other changes in the current period, the previous years' profits have been 66.632.040 TL.

**Dividend Distribution**

The companies whose shares are traded in BIST are subject to the dividend requirement brought by the CMB as follows:

According to Article 19 of the Capital Markets Law No. 6362 entered into force on December 30, 2012 and the Communiqué on Dividends numbered II-19.1, which entered into force on 1 February 2014, the publicly-traded companies distribute profits in scope of the profit distribution policies to be determined by their general assembly, and as per the provisions of the relevant legislation. The Board may set different principles on the profit distribution policies of publicly traded companies on the basis of similar partnerships.

Unless reserve is set up as per TCC or the dividend determined for the shareholders under the main contract or under the dividend distribution policy, it is not possible to decide to distribute any other reserve fund, transfer the profit to the following year and distribute the dividend from the profit to the owners of bonus shares, the members of the board of directors, the employees of the partnership and the persons other than the shareholder.

In publicly held companies, dividends are distributed equally to all existing shares as of the date of distribution, regardless of their issuance and acquisition dates.

According to the regulations in force, the partnerships distribute their profits in accordance with the profit distribution policies to be determined by the general assemblies and in accordance with the provisions of the relevant legislation. In these arrangements, a minimum distribution rate has not been determined. Companies pay dividends as set out in their articles of association or profit distribution policies. In addition, dividends may be paid in installments of equal or different amounts and may distribute advance dividends in cash on the profit on interim financial statements.

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

Accepted in Turkey on April 16, 2020 published in the Official Gazette on April 17, 2020 7244 No. "New coronavirus (Covidien-19) Outbreak of the Law on the Reduction of Economic and Social Life Impact" with added Provisional Article 13, restrictions on the distribution of profit on capital companies has brought. Accordingly, companies will be able to distribute only up to twenty-five percent (25%) of the net profit for the year 2019 as dividends until December 31, 2020, and previous year profits and free reserves will not be distributed.

**NOTE 13 – REVENUE AND COST OF SALES**

	<b>01.01.2020</b>	<b>01.01.2019</b>	<b>01.07.2020</b>	<b>01.07.2019</b>
	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>30.09.2020</b>	<b>30.09.2019</b>
Domestic Sales	106.368.784	82.674.156	37.750.724	28.738.689
Overseas Sales	6.907.374	5.714.829	2.045.289	2.178.209
Other income	1.144.632	521.219	645.314	197.652
Returned Sales (-)	(1.039.127)	(1.748.341)	(589.217)	(256.020)
Sales Discounts (-)	-	(1.839)	-	-
<b>Net Sales</b>	<b>113.381.663</b>	<b>87.160.024</b>	<b>39.852.110</b>	<b>30.858.530</b>
Cost of Merchandise Sold (*)	(13.419.989)	(2.376.705)	(4.368.897)	(2.240.845)
Cost of Service Sold(-)**	(67.352.304)	(55.812.183)	(22.936.522)	(17.520.300)
<b>Cost of Sales (-)</b>	<b>(80.772.293)</b>	<b>(58.188.888)</b>	<b>(27.305.419)</b>	<b>(19.761.145)</b>
<b>Gross Profit / (Loss)</b>	<b>32.609.370</b>	<b>28.971.136</b>	<b>12.546.691</b>	<b>11.097.385</b>

(\*) It is the cost value of the licenses sold under the Project which was carried out for the customer by the Group as its service provider.

(\*\*) The details of cost of sold services are given below.

<b>(**)Details of Cost of Service Sold</b>	<b>01.01.2020</b>	<b>01.01.2019</b>	<b>01.07.2020</b>	<b>01.07.2019</b>
	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>30.09.2020</b>	<b>30.09.2019</b>
Staff Wages Expenses	(46.468.872)	(38.308.723)	(14.702.923)	(12.785.055)
Consulting Expenses	(14.487.686)	(13.832.783)	(4.894.851)	(5.115.943)
Travel Expenses	(203.491)	(456.568)	(6.237)	(207.264)
Representation Hospitality Expenses	(18.219)	(50.249)	(3.545)	(19.038)
Transportation expenses	(64.781)	(95.296)	(3.158)	(59.912)
Education Expenses	(110.235)	(42.789)	(1.874)	(2.685)
Vehicle and Workplace Rent Expenses	(195.547)	(209.243)	29.692	(103.509)
Depreciation Expenses	(2.064.053)	(1.280.360)	(435.323)	1.309.460
Benefits and Services Provided outside	(665.698)	(185.585)	(599.698)	(120.151)
License Costs	(91.022)	(982.036)	(38.988)	(378.199)
Project Expenses	(178.670)	(191.120)	320.533	(38.873)
Other expenses	(2.804.030)	(177.431)	(2.600.150)	869
<b>Total</b>	<b>(67.352.304)</b>	<b>(55.812.183)</b>	<b>(22.936.522)</b>	<b>(17.520.300)</b>

**NOTE 14- GENERAL ADMINISTRATIVE EXPENSES, MARKETING, SALES and DISTRUBITION EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES**

	<b>01.01.2020</b>	<b>01.01.2019</b>	<b>01.07.2020</b>	<b>01.07.2019</b>
	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>30.09.2020</b>	<b>30.09.2019</b>
General administrative expenses (-)	(11.111.305)	(8.633.442)	(2.842.427)	(3.278.188)
Marketing,Sales and Distrubition Expenses (-)	(223.979)	(329.566)	(106.895)	(123.804)
Research and Development Expenses (-)	(9.836.659)	(6.168.045)	(4.255.081)	(3.878.925)
<b>Total</b>	<b>(21.171.943)</b>	<b>(15.131.053)</b>	<b>(7.204.403)</b>	<b>(7.280.917)</b>

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

<b>a) Details of General administrative expenses</b>	<b>01.01.2020</b>	<b>01.01.2019</b>	<b>01.07.2020</b>	<b>01.07.2019</b>
	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>30.09.2020</b>	<b>30.09.2019</b>
Staff Wages Expenses	(5.109.856)	(3.692.390)	(1.657.069)	(1.290.702)
Depreciation Expenses	(1.288.447)	(635.455)	(346.484)	(228.472)
Taxes, Duties and Charges	(286.003)	(265.355)	(206.541)	(34.385)
Consultancy Expenses	(876.786)	(353.712)	(205.313)	(86.278)
Representation Hospitality Expenses	(187.325)	(115.475)	(16.526)	(41.271)
Maintenance Repair Expenses	(86.618)	(135.866)	(37.039)	(61.636)
Building and Vehicle Rent Expenses	(196.040)	(752.106)	(22.884)	(490.814)
Travel Expenses	(94.351)	(143.649)	(16.311)	(14.267)
Electricity and Water Expenses	(127.286)	(133.815)	(43.445)	(38.120)
Operating expenses	(463.799)	(216.428)	(137.394)	(44.931)
Advertising and Promotion Expenses	(1.364)	(96.079)	(1.364)	(9.850)
Fees and Membership Expenses	(92.520)	(99.346)	125.996	(41.405)
Outside Benefits and Services	(1.284.553)	(550.476)	(279.274)	(237.579)
Communication Expenses	(77.247)	(90.326)	113.659	11.695
Transportation Expense	(151.397)	(258.610)	(61.381)	(68.393)
Bank Expenses	-	(170.212)	95.565	(59.037)
Education Expenses	(41.900)	(30.549)	(62)	(12.300)
Miscellaneous Expenses	(745.813)	(893.593)	(146.560)	(530.443)
<b>Total</b>	<b>(11.111.305)</b>	<b>(8.633.442)</b>	<b>(2.842.427)</b>	<b>(3.278.188)</b>

<b>b-Marketing,Sales and Distribution Expenses</b>	<b>01.01.2020</b>	<b>01.01.2019</b>	<b>01.07.2020</b>	<b>01.07.2019</b>
	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>30.09.2020</b>	<b>30.09.2019</b>
Personnel expenses	(188.124)	(208.517)	(112.116)	(84.018)
Advertising Expenses	-	(65.000)	-	-
Vehicle Expenses	(1.946)	(13.630)	29.902	(9.662)
Transportation and Accommodation Expenses	(2.462)	(2.786)	(1.594)	(1.233)
Food and Beverage Expenses	(4.908)	(5.688)	(1.569)	(3.021)
Miscellaneous Expenses	(5.080)	(33.945)	(59)	(25.870)
Depreciation Expenses	(21.459)	-	(21.459)	-
<b>Total</b>	<b>(223.979)</b>	<b>(329.566)</b>	<b>(106.895)</b>	<b>(123.804)</b>

<b>c- Details of Research and Development Expenses</b>	<b>01.01.2020</b>	<b>01.01.2019</b>	<b>01.07.2020</b>	<b>01.07.2019</b>
	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>30.09.2020</b>	<b>30.09.2019</b>
Personnel Expenses	(312.293)	(147.530)	137.024	90.800
Depreciation Expenses	(9.524.366)	(6.020.515)	(4.392.105)	(3.969.725)
<b>Total</b>	<b>(9.836.659)</b>	<b>(6.168.045)</b>	<b>(4.255.081)</b>	<b>(3.878.925)</b>

**NOTE 15 – OTHER OPERATING INCOME/EXPENSES**

<b>a- Other Operating Income</b>	<b>01.01.2020</b>	<b>01.01.2019</b>	<b>01.07.2020</b>	<b>01.07.2019</b>
	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>30.09.2020</b>	<b>30.09.2019</b>
Exchange Rate Difference Income from Operations	2.504.085	493.622	1.046.919	10.549
Provisions No Longer Required	585.079	821.728	163.167	79.986
Previous Period Income and Profits	173.359	-	-	-
Other Incomes	763.253	646.066	617.840	134.196
<b>Total</b>	<b>4.025.776</b>	<b>1.961.416</b>	<b>1.827.926</b>	<b>224.731</b>

<b>b- Other Operating Expenses</b>	<b>01.01.2020</b>	<b>01.01.2019</b>	<b>01.07.2020</b>	<b>01.07.2019</b>
	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>30.09.2020</b>	<b>30.09.2019</b>
Exchange Rate Difference Expense from Operations	(655.297)	(383.230)	(457.542)	(176.974)
Provision for Lawsuits and Doubtful Receivables	(2.189.214)	(211.031)	(1.748.563)	66.795
Previous Period Expenses and Losses	(69.356)	(572.478)	-	(71.572)
Commission Expenses	(76.149)	-	(628)	-
Rediscount Interest Expense	(68.593)	-	-	-
Other expenses	(742.006)	(304.345)	(370.566)	(7.339)
<b>Total</b>	<b>(3.800.615)</b>	<b>(1.471.084)</b>	<b>(2.577.299)</b>	<b>(189.090)</b>



**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

**NOTE 16-FINANCIAL INCOME**

	<b>01.01.2020</b>	<b>01.01.2019</b>	<b>01.07.2020</b>	<b>01.07.2019</b>
	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>30.09.2020</b>	<b>30.09.2019</b>
Deposit Interest Income	2.601.607	2.377.258	1.853.271	969.074
Exchange Difference Revenue	4.283.304	426.001	2.445.897	149.384
<b>Total</b>	<b>6.884.911</b>	<b>2.803.259</b>	<b>4.299.168</b>	<b>1.118.458</b>

**NOTE 17-FINANCIAL EXPENSES**

	<b>01.01.2020</b>	<b>01.01.2019</b>	<b>01.07.2020</b>	<b>01.07.2019</b>
	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>30.09.2020</b>	<b>30.09.2019</b>
Exchange Difference Expenses	(317.276)	(565.763)	(2.018)	(246.325)
Interest Expenses	(1.881.731)	(1.897.131)	(779.775)	(342.269)
Bank Commissions and Expenses	-	(110.266)	-	(20.528)
<b>Total</b>	<b>(2.199.007)</b>	<b>(2.573.160)</b>	<b>(781.793)</b>	<b>(609.122)</b>

**NOTE 18-ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS****Revaluation gains(losses) in defined benefit plans**

	<b>01.01.2020</b>	<b>01.01.2019</b>	<b>01.07.2020</b>	<b>01.07.2019</b>
	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>30.09.2020</b>	<b>30.09.2019</b>
Revaluation gains (losses) from defined benefit plans	516.392	(35.432)	(416.531)	(268.274)
Deferred Tax Expense / Income	(113.606)	7.795	91.637	59.020
<b>Net Actuarial Gains / Losses</b>	<b>402.786</b>	<b>(27.637)</b>	<b>(324.894)</b>	<b>(209.254)</b>

**NOTE 19-EARNINGS PER SHARE**

As of the current and previous period, company's number of shares and profit/loss calculations per unit share are as follows.

	<b>01.01.2020</b>	<b>01.01.2019</b>	<b>01.07.2020</b>	<b>01.07.2019</b>
	<b>30.09.2020</b>	<b>30.09.2019</b>	<b>30.09.2020</b>	<b>30.09.2019</b>
Net Profit / Loss	11.057.061	11.072.066	6.193.930	2.722.764
Number of shares	19.750.000	19.750.000	19.750.000	19.750.000
<b>Profit / loss per share</b>	<b>0,56</b>	<b>0,56</b>	<b>0,31</b>	<b>0,14</b>

**NOTE 20-FEATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

Main financial instruments of the group are bank credits, cash and short-term bank deposits. The main reason for using these instruments is to create finance for the activities of the company. The group also possesses the financial instruments such as trade receivables and trade payables arising directly from the activities. Risks associated with the instruments being used are foreign exchange risk, interest risk, credit risk and liquidity risk. The group management handles these risks as follows:

**a) Capital risk management:**

The objectives of the group in the management of the capital are to provide its shareholders with benefit and to maintain the optimum capital structure for the purpose of reducing capital cost and sustaining the activities of the group.

Capital costs of the group, as well as the risks associated with each type of capital are evaluated by the top management. Based on the assessments of the top management, capital structure is aimed to balance through borrowing new loans or payment of existing loans as well as dividend payments, issuance of new shares.

The group monitors equity capital by using the ratio of liability/total equity capital. This ratio is obtained by the dividing of net liability into total equity capital. Net liability is calculated by the deduction of cash and cash equivalents from the total amount of liability (includes credits and trade payables as shown in the balance sheet).

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

As of the period-ends, the ratios net liability/total capital is as follows:

	<b>30.09.2020</b>	<b>31.12.2019</b>
Total Liabilities	46.030.088	27.748.578
Minus: Cash and Cash Equivalents	96.716.368	27.146.794
Net Liability	(50.686.280)	601.784
Total equity Capital	192.161.676	131.380.929
<b>Ratio for Net Liability /Total Capital</b>	<b>(0,264)</b>	<b>0,005</b>

**b) Loans and Receivables Risk Management:**

Loan risk is a risk where a customer or other party cannot fulfil the requirements in the contract. Receivables risk, on the other hand, involves the possession of financial assets, the risk where other party is unable to fulfil the requirements of the contract, too. Loans and receivables risk of Partnership basically results from trade receivables. Group management offsets those risks by means of limiting the average risk for the other party (except for associative parties) presented at all agreements and getting guarantee if necessary.

Trade receivables are tackled taking into account the past experiences and current economic situation and, if required, shown as net in the balance sheet after the allocation of an appropriate amount of provision for bad debts by Group management.

The Group applied the simplified approach specified in TFRS 9 to calculate the expected credit loss provision for trade receivables. This approach allows for the lifetime expected credit loss provision for all trade receivables. In order to measure expected credit losses, the Group has classified its trade receivables in terms of maturity. The expected credit loss ratio for trade receivables is calculated and the expected credit loss provision has been calculated by multiplying the determined rate and trade receivable sum by using past loan loss experiences.

<b>September 30, 2020</b>	<b>Receivables</b>				<b>Bank Deposits</b>	<b>Cash and Cash Equiv.</b>
	<b>Trade Receivables</b>		<b>Other Receivables</b>			
	<b>Related Party</b>	<b>Other Side</b>	<b>Related Party</b>	<b>Other Side</b>		
<b>Maximum Credit Risk Sustained as of Reporting Date (A+B+C)</b>	<b>1.378</b>	<b>39.578.527</b>	<b>596.449</b>	<b>91.273</b>	<b>96.696.789</b>	<b>19.579</b>
- Part of the maximum risk secured by means of guarantee, etc.	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due or impaired	1.378	32.931.852	596.449	91.273	96.696.789	19.579
B. Net book value of assets overdue but not undergone impairment	-	6.646.675	-	-	-	-
C. Net book value of assets undergone impairment	-	-	-	-	-	-
- Overdue (Gross Book Value)	-	798.537	-	-	-	-
- Impairment (-)	-	(798.537)	-	-	-	-
- Undued (Gross book value)	-	-	-	-	-	-
-Impairment (-)	-	-	-	-	-	-
-Part of the net value secured by means of guarantee, etc.	-	-	-	-	-	-

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

December 31, 2019	Receivables				Deposits in Banks	Cash and Cash Equiv.
	Trade Receivables		Other Receivables			
	Related Party	Unrelated Party	Related Party	Unrelated Party		
<b>Maximum Credit Risk Sustained as of Reporting Date (A+B+C+D)</b>	<b>3.201.199</b>	<b>31.005.617</b>	<b>443.014</b>	<b>308.579</b>	<b>27.130.162</b>	<b>16.632</b>
- Part of the maximum risk secured by means of guarantee, etc.	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due or impaired	3.145.814	26.287.212	443.014	308.579	27.130.162	16.632
B. Net book value of assets overdue but not undergone impairment	55.385	4.718.405	-	-	-	-
C. Net book value of assets undergone impairment	-	-	-	-	-	-
- Overdue (Gross Book Value)	-	873.494	-	-	-	-
- Impairment (-)	-	(873.494)	-	-	-	-
- Undued (Gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Part of the net value secured by means of guarantee, etc.	-	-	-	-	-	-

**c) Market and Foreign Currency Risk Management:**

The Group is not sensitive to foreign exchange risk due to the fact that a significant portion of the Group's sales are not indexed to foreign currency and foreign currency and some portion of its trade payables are foreign currency. The costs are determined in Turkish Lira and represent a foreign currency risk conversely. Therefore, currency risk is minimized.

Required price adjustments are made instantly through tracking price changes in the market and market conditions regularly.

There is no change with respect to the last year regarding the market risk undergone by the group in the current year or the way of dealing with the risks encountered or the way of measuring these risks.

Foreign asset and liability of the group, foreign exchange position sheet in terms of original and TL currencies as of September 30, 2020 and December 31, 2019 are as follows:

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

<b>FOREIGN EXCHANGE POSITION TABLE</b>						
<b>September 30,2020</b>						
	<b>TL equivalent (Functional currency)</b>	<b>USD</b>	<b>Euro</b>	<b>GBP</b>	<b>CHF</b>	<b>Other</b>
1. Trade Receivables	6.615.411	45.657	306.491		202.749	822.415
2a Monetary Financial Assets(Cash, including bank accounts)	21.913.704	1.696.671	812.281	101	2.402	578.220
2b. Non-Monetary Financial Assets	22.340	-	-	-	-	10.500
3. Other	948.859	-	-	-	-	445.976
4. Current Assets (1+2+3)	29.500.313	1.742.328	1.118.773	101	205.151	1.857.110
5. Trade Receivables	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-
7. Other	69.695	-	-	-	-	32.757
8. Non-Current Assets (5+6+7)	69.695	-	-	-	-	32.757
9. Total Assets (4+8)	29.570.007	1.742.328	1.118.773	101	205.151	1.889.868
10. Trade Payables	3.896.632	355.431	46.144	-	-	329.114
11. Financial Liabilities	-	-	-	-	-	-
12a. Monetary Other Liabilities	-	-	-	-	-	-
12b. Other Non-Monetary Liabilities	518.288	-	-	-	-	243.602
13. Short-term Liabilities (10+11+12)	4.414.920	355.431	46.144	-	-	572.716
14. Trade Payables	251.936	-	27.600	-	-	-
15. Financial Liabilities	-	-	-	-	-	-
16 a. Monetary Other Liabilities	-	-	-	-	-	-
16 b. Other Non-Monetary Liabilities	-	-	-	-	-	-
17. Long-term Liabilities (14+15+16)	251.936	-	27.600	-	-	-
18. Total Liabilities (13+17)	4.666.855	355.431	73.744	-	-	572.716
19. Off the Balance Sheet Net Asset/(Liability) Position of Derivative Instruments in terms of Foreign Exchange (19a-19b)	-	-	-	-	-	-
19a. Off the Balance Sheet Amount of Active Derivatives in terms of Foreign Exchange	-	-	-	-	-	-
19b. Off the Balance Sheet Amount of Passive Derivatives in terms of Foreign Exchange	-	-	-	-	-	-
20. Net Foreign Asset/ (Liability) Position (9-18+19)	24.903.152	1.386.898	1.045.029	101	205.151	1.317.152
21. Monetary Items Net Foreign Exchange Asset/ (Liability) Position (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	24.380.547	1.386.898	1.045.029	101	205.151	1.071.520
22. Total Fair Value of Financial Instruments Used for Foreign Exchange Hedge	-	-	-	-	-	-
23. Amount of hedged portion of foreign currency assets	-	-	-	-	-	-
24- Amount of hedged portion of foreign currency liabilities	-	-	-	-	-	-

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

<b>FOREIGN EXCHANGE POSITION TABLE</b>						
<b>December 31, 2019</b>						
	<b>TL equivalent (Functional currency)</b>	<b>USD</b>	<b>Euro</b>	<b>GBP</b>	<b>CHF</b>	<b>Other</b>
1. Trade Receivables	4.919.427	102.597	448.700	-	202.749	55.867
2a Monetary Financial Assets(Cash, including bank accounts)	7.621.226	832.184	166.984	143	55	967.025
2b. Non-Monetary Financial Assets	353.725	-	-	-	-	218.443
3. Other	386.020	-	4.856	-	-	218.443
4. Current Assets (1+2+3)	13.280.398	934.781	620.540	143	202.804	1.459.778
5. Trade Receivables	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. Non-Current Assets (5+6+7)	-	-	-	-	-	-
9. Total Assets (4+8)	13.280.398	934.781	620.540	143	202.804	1.459.778
10. Trade Payables	623.742	56.473	27.621	-	-	64.585
11. Financial Liabilities	-	-	-	-	-	-
12a. Monetary Other Liabilities	-	-	-	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-	-	-
13. Short-term Liabilities (10+11+12)	623.742	56.473	27.621	-	-	64.585
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	-
16 a. Monetary Other Liabilities	-	-	-	-	-	-
16 b. Other Non-Monetary Liabilities	-	-	-	-	-	-
17. Long-term Liabilities (14+15+16)	-	-	-	-	-	-
18. Total Liabilities (13+17)	623.742	56.473	27.621	-	-	64.585
19. Off the Balance Sheet Net Asset/(Liability) Position of Derivative Instruments in terms of Foreign Exchange (19a-19b)	-	-	-	-	-	-
19a. Off the Balance Sheet Amount of Active Derivatives in terms of Foreign Exchange	-	-	-	-	-	-
19b. Off the Balance Sheet Amount of Passive Derivatives in terms of Foreign Exchange	-	-	-	-	-	-
20. Net Foreign Asset/ (Liability) Position (9-18+19)	12.656.656	878.308	592.919	143	202.804	1.395.193
21. Monetary Items Net Foreign Exchange Asset/ (Liability) Position (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	11.916.911	878.308	588.063	143	202.804	958.307
22. Total Fair Value of Financial Instruments Used for Foreign Exchange Hedge	-	-	-	-	-	-
23. Amount of hedged portion of foreign currency assets	-	-	-	-	-	-
24- Amount of hedged portion of foreign currency liabilities	-	-	-	-	-	-

According to the balance sheet position as of September 30, 2020 and December 31, 2019, based on the assumption that the Turkish Lira will be valued / devalued 10% against foreign currency, the gross profit as a result of profit on Exchange difference consisting of assets and liabilities in terms of USD and Euro currencies, would be 2.438.055 TL (December 31, 2019- 1.191.692 TL) high / low as can be seen in the Exchange rate Sensitivity Analysis Chart given below.

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

<b>Foreign Exchange Sensitivity Analysis Table</b>		
	<b>Profit/Loss</b>	
<b>30 SEPTEMBER 2020</b>	<b>Increase of Foreign Exchange in Value</b>	<b>Increase of Foreign Exchange in Value</b>
<b>In case US Dollar changes 10% against TL:</b>		
1- US Dollar net asset/liability	1.082.890	(1.082.890)
2- The part secured against US Dollar risk (-)		
<b>3- US Dollar Net Effect(1+2)</b>	<b>1.082.890</b>	<b>(1.082.890)</b>
<b>In case EURO changes 10% against TL:</b>		
4- EURO net asset/liability	953.913	(953.913)
5- The part secured against EURO risk (-)		
<b>6- Euro Net Effect(4+5)</b>	<b>953.913</b>	<b>(953.913)</b>
<b>In case GBP changes 10% against TL:</b>		
7- GBP net asset/liability	101	(101)
8- The part secured against GBP risk (-)		
<b>9- GBP Net Effect (7+8)</b>	<b>101</b>	<b>(101)</b>
<b>In case CHF changes 10% against TL:</b>		
10- CHF net asset/liability	173.174	(173.174)
11- The part secured against CHF risk (-)		
<b>12- CHF Net Effect (7+8)</b>	<b>173.174</b>	<b>(173.174)</b>
<b>In case other changes 10% against TL:</b>		
13- Other net asset/liability	227.977	(227.977)
14- The part secured against AED risk (-)		
<b>15- Other Net Effect (7+8)</b>	<b>227.977</b>	<b>(227.977)</b>
<b>TOTAL (3+6+9+12+15)</b>	<b>2.438.055</b>	<b>(2.438.055)</b>

<b>Foreign Exchange Sensitivity Analysis Table</b>		
	<b>Profit/Loss</b>	
<b>31 DECEMBER 2019</b>	<b>Increase of Foreign Exchange in Value</b>	<b>Increase of Foreign Exchange in Value</b>
<b>In case US Dollar changes 10% against TL:</b>		
1- US Dollar net asset/liability	521.732	(521.732)
2- The part secured against US Dollar risk (-)		
<b>3- US Dollar Net Effect(1+2)</b>	<b>521.732</b>	<b>(521.732)</b>
<b>In case EURO changes 10% against TL:</b>		
4- EURO net asset/liability	391.097	(391.097)
5- The part secured against EURO risk (-)		
<b>6- Euro Net Effect(4+5)</b>	<b>391.097</b>	<b>(391.097)</b>
<b>In case GBP changes 10% against TL:</b>		
7- GBP net asset/liability	111	(111)
8- The part secured against GBP risk (-)		
<b>9- GBP Net Effect (7+8)</b>	<b>111</b>	<b>(111)</b>
<b>In case CHF changes 10% against TL:</b>		
10- CHF net asset/liability	123.573	(123.573)
11- The part secured against CHF risk (-)		
<b>12- CHF Net Effect (7+8)</b>	<b>123.573</b>	<b>(123.573)</b>
<b>In case other changes 10% against TL:</b>		
13- Other net asset/liability	155.179	(155.179)
14- The part secured against AED risk (-)		
<b>15- Other Net Effect (7+8)</b>	<b>155.179</b>	<b>(155.179)</b>
<b>TOTAL (3+6+9+12+15)</b>	<b>1.191.692</b>	<b>(1.191.692)</b>

**KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.**

FOOTNOTES REGARDING CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2020

(All amounts are expressed in Turkish Lira ("TL"))

**d)Interest Rate Risk Management and Interest Rate Sensitivity**

The Group is vulnerable to interest rate risk arising from the changes in interest rates, due to the assets earning interest and liabilities paid. This risk is managed by balancing the amounts and maturities of interest rate sensitive assets and liabilities, using on-balance sheet methods or using derivative instruments when necessary.

In this context, great importance is attached to ensuring that not only the maturities of the receivables and payables but also the interest renewal periods are similar. In order to minimize the impact of financial debts from interest rate fluctuations in the market, the "fixed interest / variable interest", "short term / long term" and "TL / foreign currency" balances of these debts are structured in accordance with both internal and asset structure. Since the interest rates of the group loans will remain fixed until the end of maturity, no loan interest risk has been calculated in this period.

**NOTE 21-POST BALANCE SHEET EVENTS****30 September 2020**

- Financial statements were approved by the board of directors on November 5, 2020. Members of the board of directors have the authority to change the financial statements.

**31 December 2019**

- Financial statements were approved by the board of directors on March 4, 2020. Members of the board of directors have the authority to change the financial statements.